

# STRATEGIC AUDIT PLAN 2004/05 – 2007/08

## CABINET AREA RESPONSIBILITY: AUDIT AND PERFORMANCE MANAGEMENT

CABINET

6TH MAY 2004

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### Wards Affected

County-wide.

### Purpose

To note the process used to develop the Strategic Audit Plan for 2004/05 to 2007/08 and to endorse the Annual Plan for 2004/05.

### Key Decision

This is not a Key Decision.

### Recommendations

**That the Audit Plan for 2004/05-2007/08 be endorsed.**

### Reasons

Preparation of the Audit Plan represents best practice and is an integral part of the Council's internal controls and procedures.

### Considerations

1. The approach to preparing the Annual and Strategic Plan is fundamentally based upon a risk assessment methodology utilising 'Traffic Lights' signposting, with Red being high risk, Amber being medium risk and Green being low risk. Within each risk area, consideration is also given to residual risk for specific functions or establishments based upon their last Audit opinion and current knowledge.
2. A key part of the risk methodology is that fundamental systems are always red no matter what their previous audit opinion is, as these are systems whose failure could cause major disruption or loss of financial control to the Council. In addition, bank account schools are always red because of their level of independence from the Council's control systems.
3. Resources available have been reduced owing to a member of staff being on maternity leave for one year. In addition, there is currently a vacant post. However, some additional short-term resources have been brought in to help mitigate the shortage.
4. Following the risk assessment, the base plan identified 3,230 days of resources required (summarised in Appendix 2). Adjustments are then made to align the plan to available resources i.e. 2,810 days.

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Further information on the subject of this report is available from Tony Ford, Principal Audit Manager, on 01432 260425

5. The reduction in the base plan was achieved in the main by reducing the:
  - Number of primary school visits from 24 to 10 saving 146 days.
  - Contingency days to zero saving 61 days.
  - Number of bank account high school visits from 10 to 5 saving 70 days.
  - Number of non bank account high schools from 4 to 2 saving 24 days.
  - Training within Audit Services by 14 days.
  - Number of establishment visits and small system audits across the Council.
6. Under the circumstances, it is important that Governors and managers are vigilant with regard to the risks within their service. They should, therefore, monitor related controls as an integrated part of their risk management process.
7. New developments for 2004/05 are the Anti Fraud and Corruption work required to improve performance on the Auditor's Scored Judgements as part of the CPA process and audit follow-up work has been made clearer in line with the CIPFA Code of Practice for Internal Audit. Both are shown within the Annual Plan.
8. The Plan also reflects continuing Audit Services involvement in supporting the Performance Management Framework and LPSA.
9. The Strategic Audit Plan is a rolling plan covering a period of four years. Year one represents the Annual Plan for 2004/05. The whole represents the Strategic Plan for the period to 2008. The first year plan is quite firm in terms of planned audit activity, whilst the remainder is more flexible and will be updated in the light of experience and future risk assessments.
10. The revised plan for 2004/05 will be reported in October and will take into account any changes in resources and new audit work identified. Additional resources may be required to deliver emerging priority audits, particularly now that no contingency provision is available within the initial plan and that establishment audits have been reduced close to the minimum level acceptable.
11. Appendix 1 summarises audit time and gives a summary of audit activity at a strategic level. Appendix 2 shows a summary at service level, with the detailed Strategic Plan in Appendix 3.
12. There has been extensive consultation with Directors, Heads of Service and the Audit Commission and their views, subject to resources, have been taken into account in determining the areas that require audit attention.

## **Risk Management**

The four-year strategic plan is based upon a 'Traffic Lights' Methodology, with Red being high risk, Amber being medium risk and Green being low risk. Within each risk area consideration is also given to residual risk for specific functions or establishments based upon their last Audit opinion and current knowledge.

## **Consultees**

None identified.

## **Background Papers**

None identified.