

## AUDIT SERVICE STRATEGY 2006/7

### 1 INTRODUCTION

- 1.1 The Audit terms of reference are very comprehensive and are set out in the Audit Charter previously approved by Cabinet.
- 1.2 The strategy;
- Outlines how the service will be provided.
  - State how the assurance as outlined in the annual statement of internal control will be demonstrated and will include how Audit Services will contribute to the review of;
    1. The Council's corporate governance arrangements;
    2. Risk management process; and
    3. Key internal control systems.
  - Establish the resources required for its delivery;
  - Set out the relative allocation of audit resources between assurance work and any fraud-related or consultancy work;
  - Reflects how the Principal Audit Manager prepares the risk-based audit plan designed to implement the audit strategy, taking account of the Council's risk management process. Any differences between the plan and resources available will be identified and reported. The risk-based plan will outline assignments to be carried out and the broad resources required for its delivery.
- 1.3 The audit plan will be kept under review to enable identification of amendments needed to reflect changes in priorities and emerging risks. The Audit Committee will approve material changes to the Audit Plan.

### 2 AUDIT COMMITTEE

- 2.1 The Council's newly created Audit Committee is now operational. The Audit Committee's terms of reference are:

To provide independent assurance of the adequacy of the Council's risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process through consideration of:

- (a) The terms of reference for Internal Audit;
- (b) The Internal Audit strategy;
- (c) The resourcing of Internal Audit;
- (d) The periodic plans of Internal Audit, progress against and material changes made to these plans, and any implications arising from their findings and opinion:

- (e) The adequacy of management response to Internal Audit advice and recommendations;
- (a) The Head of Internal audit's annual report;
- (b) The arrangements made for co-operation between Internal Audit, External Audit and other review bodies;
- (c) Periodic reports by External Auditors; and
- (d) Approval of the Council's Statement of Accounts and associated reports.

### **3. PROVISION OF SERVICE**

- 3.1 Currently the service is provided in-house and supplemented by an external computer auditor. This mix works well bearing in mind the ever-changing world of ICT and the specific skills required for computer audit work.
- 3.2 ICT audit training and development will continue to be a key training area for all audit staff, and with other training will ensure that Audit Services staff provide a comprehensive audit service to the Council.
- 3.3 The service has been under pressure, bearing in mind the ever-increasing need for computer auditing technical advice, giving assurance on controls and the meeting of corporate ICT objectives and targets.
- 3.4 Additionally the Audit Commission no longer carries out any assurance work but relies solely on the work of Audit Services.
- 3.5 It is proposed that the service continues to be provided in-house supplemented by an external computer auditor.

### **4. DEMONSTRATE THE RESILIENCE OF AUDIT OPINION**

- 4.1 The Audit opinion on the Council's systems of internal control will be based on a review of the following:
  - Financial standards, which will cover the Council's Fundamental Systems;
  - Non-Fundamental Systems;
  - Corporate Governance arrangements to include Anti-Fraud activity;
  - Best Value Performance Indicators;
  - Risk Management Arrangements;
  - ICT protocols and controls;
  - Establishment visits;
  - Verification and probity audits;
  - Corporate issues as they arise;
  - Level of recommendations agreed for action by management; and
  - Results of recommendations follow-up.
- 4.2 An audit opinion will be given to each segment on which the Council's overall opinion will be based and reported. (Paragraph 9 refers)

### **5 CONTRIBUTION TO THE REVIEW OF THE COUNCILS CORPORATE GOVERNANCE ARRANGEMENTS**

- 5.1 Audit Services work will confirm that:

- The Authority has established a Standards Committee and adopted a code of conduct for members, incorporating the mandatory requirements of the model code;
- Members have signed a formal declaration accepting the terms of the code;
- Arrangements are in place for members to monitor and test the operation of the new framework;
- Information about the implications of the new arrangements has been disseminated to the public, our partners, members and staff;
- Key Corporate Governance documentation is in place and remains up to date;
- Key corporate documents are made available to the public partners staff and members;
- There are arrangements in place for members to monitor and test the operation of the CIPFA/SOLACE framework;
- Staff and members receive training and guidance on what key corporate documentation and arrangements mean for their behaviour; and
- That the Council's Whistle-blowing Policy is up to date and widely circulated.

## **6. REVIEW THE RISK MANAGEMENT PROCESS**

6.1 Audit work will confirm:

- That there are arrangements for risk identification, and that assessment and management actions are in place for all key financial and operational risks;
- Involvement of members in considering key risks and responses;
- Risk Registers are in place, and are reviewed and updated on a regular basis; and

6.2 Audit Services will also have a role in, and provide advice, about risk management within the Council.

## **7 REVIEW KEY INTERNAL CONTROL SYSTEMS**

7.1 The Principal Audit Manager will carry out an annual assessment of the need to review all key financial systems.

7.2 The Principal Audit Manager will review all high-risk financial systems each year and medium risk financial systems on a cyclical basis.

## **8 RESOURCES TO COMPLETE THE PLAN**

8.1 Following the completion of the risk based audit plan, any differences between the plan and resources available will be identified and reported to members as appropriate. Members will also be informed of audits removed from the plan to align the risk based plan to audit resources.

## 9 INTERNAL CONTROL AUDIT OPINION MATRIX

	<b>Overall Opinion</b>	<b>Maximum % Weighting</b>
Financial standards, which will cover the Councils Fundamental Systems.		<b>25</b>
Non-Fundamental Systems.		<b>10</b>
Corporate Governance Arrangements to include Anti-Fraud activity.		<b>10</b>
Performance management/Best Value Performance Indicators.		<b>10</b>
Risk Management Arrangements.		<b>15</b>
I.C.T protocols and controls.		<b>15</b>
Establishment visits		<b>2.5</b>
Verification and probity audits		<b>2.5</b>
Other Corporate issues as they arise.		<b>2.5</b>
Level of recommendations agreed for action by management.		<b>2.5</b>
Results of recommendations follow up.		<b>5</b>
		<b>100</b>

<b>Key</b>		
	<b>Good</b>	<b>85 to 100</b>
	<b>Satisfactory</b>	<b>65 to 84</b>
	<b>Marginal</b>	<b>51 to 64</b>
	<b>Unsatisfactory</b>	<b>31 to 50</b>
	<b>Unsound</b>	<b>1 to 30</b>