



GREAT YARMOUTH
BOROUGH COUNCIL

SUPPLEMENTARY AGENDA

for the

AUDIT AND RISK COMMITTEE

on

17 December 2007

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AUDIT AND RISK COMMITTEE

17 December 2007

SUPPLEMENTARY AGENDA

6. MODIFICATION OF INTERNAL AUDIT PLAN FOR 2007/08

The Chief Internal Auditor's report is attached (pages 51 - 54).

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**Modification of Great Yarmouth Borough Council's
Internal Audit Plan for 2007/08****Summary:**

In accordance with the requirements of the Accounts and Audit Regulations 2003, the Accounts and Audit (Amendment) Regulations 2006 and the CIPFA Code of Practice for Internal Audit in Local Government 2006, the Council has a responsibility to maintain an adequate and effective system of internal audit of its accounting records and accounting control systems in line with the proper internal audit practices. In the fulfilment of this requirement, it is essential that the Annual Internal Audit Plan focuses on key systems, providing assurance where appropriate.

The Audit and Risk Committee are requested to reconsider the coverage detailed in the Annual Audit Plan for 2007-08, following changes in audit management and internal audit service provider with effect from 1st October 2007. Under the new arrangements, the incoming Audit Manager has re-examined the existing work programme to determine whether it provides a minimum acceptable level of audit coverage upon which an audit opinion can be based at year end, for inclusion in the Annual Governance Statement for 2007/08. This exercise has indicated that a change in focus is required. The extent of audit input has also been re-evaluated to ensure full reliance can be placed by External Audit on the work of Internal Audit in relation to the cyclical review of key controls, as they apply to the Council's fundamental financial systems.

In addition to reassessing internal audit cover for 2007/08, work has been done to align Great Yarmouth Borough Council's Audit Plan to the audit plans of other participating members of the Norfolk Internal Audit Consortium, to enable benchmarking of working practices and adoption of best practice. This change of approach should enable enhancement of the internal control environment over time and expand levels of assurance which can be given in future years. It is further recognised that the reworking of the Annual Audit Plan has implications for the Strategic Audit Plan. As a consequence, it is intended to revisit existing strategic audit plan proposals in Quarter 4 and devise a new Strategic Audit Plan for presentation to the Audit and Risk Committee on 10th March 2008.

1. INTRODUCTION

- 1.1 The Audit and Risk Committee approved the Annual Audit Plan for 2007-08 on 14th March 2007. This Plan was drawn up by Norfolk Audit Services (NAS) and was prepared after evaluating a range of risk factors and consulting with both the Audit Commission (the Council's External Auditors) and the Executive Director.
- 1.2 A half yearly progress report was then presented to the Audit and Risk Committee on 12th November 2007, identifying the extent to which the Annual Audit Plan had been delivered in the first 2 quarters of the year.

- 1.3 From 1st October 2007, Great Yarmouth Borough Council has joined the Norfolk Internal Audit Consortium, whose other members include South Norfolk, Breckland and Broadland Councils and the Broads Authority. Under the new regime, the Council's Internal Audit Service receives audit management support from an Audit / Contract Manager employed by South Norfolk Council, whilst individual audit assignments are performed by Deloitte and Touche Public Sector Internal Audit Ltd.
- 1.4 In response to concerns raised by Members at the Audit and Risk Committee held on 12th November 2007 regarding deleted/deferred audits and those assignments still to be delivered, the new Audit Manager has reassessed the audit work to be undertaken as a matter of priority, to facilitate a meaningful audit opinion at year end that gives the requisite assurances in relation to the Council's key systems. The outcomes of this exercise are presented at **Appendix 1** to the report and a revised Plan is proposed for members' consideration at Column 4.
- 1.5 Original approved planned requirements that remain unchanged are as follows:
- Cyclical key control testing to support the Annual Governance Statement;
 - Treasury Management – this will now form part of a larger Financial Services review ;
 - Sundry Debtors;
 - Car Parking; and,
 - Corporate Governance.
- 1.6 New innovations to the Annual Audit Plan concentrate on the expansion of review work in the area of fundamental financial systems to encompass the receipt, handling and banking of Remittances; Council Tax and National Non Domestic Rates; Housing Benefit and Council Tax Benefit, and a computer audit review of Phase 2 of the new Financial Management system.
- 1.7 In order to complete the new work programme advocated, it will be necessary to reschedule some of the originally approved audits for 2007/08, e.g. Creditors and Housing Repairs. Those deferred reviews will be taken into account, when a detailed audit needs assessment is carried out in Quarter 4 to formulate a new Strategic Audit Plan for 2008/09 to 2012/13, designed to analyse and respond to the risk maturity of the organisation, acknowledge the uniqueness of Great Yarmouth and the services which it provides, reflect on audited areas temporarily suspended in 2007/08 and continue to develop rotational audit coverage which not only focuses on fundamental financial systems but also recognises other high profile service areas.
- 1.8 In addition to the above, there is a very real need to identify where computer audit input would be most beneficial. A limited number of specialist computer audits have been delivered to date, although there is significant potential to conduct wide ranging reviews relating to network based operations, security provisions, systems, applications and management related IT issues linked to IT strategies, policies, compliance with legislation, software licensing, IT acquisition, officer roles and responsibilities and change control. Instructing the new internal audit service provider to carry out a computer audit needs assessment would greatly enhance the new Strategic Audit Plan generating a programme of targeted reviews utilising specialist audit resources to best advantage.

2. FORMULATING A NEW STRATEGIC AUDIT PLAN FOR APRIL 2008/09 TO MARCH 2012/13

- 2.1 The overarching objective of the new Strategic Audit Plan will be to provide a comprehensive programme of audits, which allows assurance to be obtained from each audit as well as from a collective whole. It is not possible to cover all aspects of the internal control system in detail every year, because there are not sufficient audit resources to permit this type of blanket coverage. The aim, instead, is primarily to ensure appropriate audit scrutiny of the main areas to allow a general opinion to be obtained.
- 2.2 The Strategic Audit Plan will be presented to the Audit and Risk Committee on 10th March 2008, following consultation with the Council's Head of Finance (the Council's Section 151 Officer), the Managing Director, Directors and Heads of Service.

3. RECOMMENDATIONS

- 3.1 The Audit and Risk Committee are requested to approve the revised Annual Audit Plan for 2007/08, which will then serve as the work programme for the new internal audit service provider in the second half of the financial year.

Appendix 1: Revised Annual Audit Plan for 2007/08

Annual Audit Plan for 2007/08

Description of Audit Coverage	Plan approved by Audit and Risk Committee on 14/03/07	Assignments delivered by Norfolk Audit Services in Q1 & Q2 of 2007/08	Work Outstanding in Q3 & Q4 of 2007/08, as approved by the Audit and Risk Committee	Amended Audit Coverage proposed for Q3 & Q4 of 2007/08
Investigations/Contingencies	30		10	
Completion of 2006/07 Audit Plan	25	25		
Work to Support the Annual Governance Statement, focusing on cyclical key control testing	20		20	20
Main Accounting System, Treasury Management, Banking, Bank Reconciliations, Budgetary Control, Control Accounts and the Asset Register				30
Treasury Management	10		10	
Creditors (Exchequer Services)	10		10	
Sundry Debtors	10		10	15
Receipt, Handling and Banking of Remittances				10
Housing Repairs	10		10	
Housing Rents				
Payroll and Human Resources				
Waste Management				
Planning and Development				
Car Parking	10		10	10
Council Tax & National Non Domestic Rates				20
Housing Benefit & Council Tax Benefit				30
Corporate Governance	10		10	14
Procurement: Standing Orders & Value for Money	20	20		
Strategic Planning	20	Deferred	20	
Records Management	15		15	
Local Area Agreement Grant	20		20	
Risk Management	15	*Replaced		
Business Continuity Planning	10	Deferred	10	
Performance Management & Corporate Policy	30		30	
Partnership Governance		10		
Partnership Compliance		15		
Elections, licensing, legal services, land charges etc				
Replacement of FMS (Phase 1)	25	25		
Replacement of FMS (Phase 2) and Post Implementation of Phase 1				10
Follow Up audits	12		12	5
Computer Audit Needs Assessment				6
Totals	302	95	197	170
Additional Work				
Financial Assessment		2		
Section 106 Funding (*Replaced Risk Management review)		15		
Local Area Agreement 2006/07		20		
Grant Redistribution Management (funded from Contingency Budget)		20		
Grand Total	302	152	197	170