

REPORT TO: AUDIT AND RISK MANAGEMENT SUB-COMMITTEE 24/01/05
REPORT ON: INTERNAL AUDIT STRATEGIC PLAN 2005/06-2008/09
REPORT BY: CHIEF INTERNAL AUDITOR
REPORT NO: 61-2005

1. PURPOSE OF REPORT

To submit to Members of the Audit and Risk Management Sub-Committee the Internal Audit Strategic Plan for the 2005/06-2008/09 financial year as detailed at Appendix A.

2. RECOMMENDATIONS

The Sub-Committee Members are asked to note the information contained herein.

3. FINANCIAL IMPLICATIONS

None

4. LOCAL AGENDA 21 IMPLICATIONS

None

5. EQUAL OPPORTUNITIES

None

6 BACKGROUND

- 6.1 In line with best practice the Chief Internal Auditor should prepare a strategic plan which outlines the areas to be audited and the resources required over a defined period. The Plan should be compiled using a recognised methodology and communicated to the Audit and Risk Management Sub-Committee or equivalent and Senior Management. Appendix A gives details of the procedures adopted in the preparation of the 2005/06-2008/09 Internal Audit Strategic Plan for Dundee City Council and includes an estimate of resources required for the delivery of the Plan over the four year period.

DAVID K DORWARD
DEPUTE CHIEF EXECUTIVE (FINANCE)

14 January 2005

BACKGROUND PAPERS

None



INTERNAL AUDIT STRATEGIC PLAN

(2005/06 – 2008/09)

Introduction

This document details Dundee City Council's Internal Audit Strategic Plan for financial years 2005/06 to 2008/09 inclusive. It is intended that the four year strategic plan will be reviewed as required in order to reflect changes within the Council's audit universe. The Internal Audit Strategic Plan has been derived using a comprehensive audit risk and needs assessment. It presents a broad outline of the work to be undertaken to meet internal audit objectives and identifies the level of internal audit resources required for delivery of the Plan.

Corporate Governance

The Report of the Committee on the Financial Aspects of Corporate Governance (the Cadbury Report) identified three fundamental principles of corporate governance namely openness, integrity and accountability. These are traditional public sector values and are essential prerequisites to the highest standards of probity and propriety expected of public servants. The Internal Audit Service within Dundee City Council assists management in providing assurance that the necessary controls are in place to ensure a sound corporate governance framework.

The Role of Internal Audit

Internal Audit is an independent appraisal and review function set up within Dundee City Council as a service to the Audit and Risk Management Sub-Committee, Chief Executive, Depute Chief Executive (Finance) and all levels of management. Independence is essential to ensure that the service provides, unbiased opinions and impartial advice to management.

The remit of the service is to objectively examine, evaluate and report on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources throughout the Council's activities. The existence of internal audit does not diminish the responsibility of management to establish controls in the organisation's systems and management should not depend on internal audit as a substitute for effective controls.

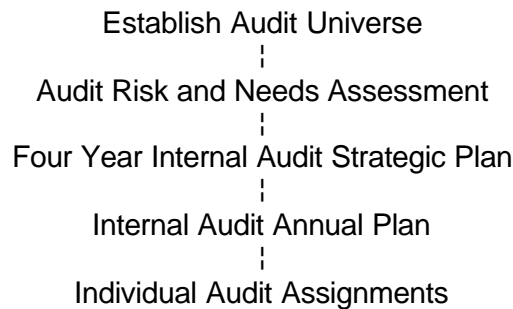
Internal Audit requires to understand the key risks faced by the Council and to examine and evaluate the adequacy and effectiveness of the system of risk management and internal control as operated by the Council. Internal Audit has unrestricted access to all activities undertaken within the organisation in order to review, appraise and report on the areas detailed below:

- The adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed.
- The extent of compliance with, relevance of, and financial effect of, policies, standards, plans and procedures approved by Committee and the extent of compliance with external laws and regulations, including reporting requirements of regulatory bodies.
- The extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that adequate business continuity plans exist.
- The suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information.
- The integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds and that the process aligns with the organisation's strategic goals.
- The adequacy of the framework of the units audited for carrying out their functions, to ensure that services are provided in a way which is economical, efficient and achieves Council policy objectives.

- The follow-up action taken to remedy weaknesses identified by Internal Audit, ensuring that good practice is identified and communicated widely.
- The operation of the Council's corporate governance arrangements.

The Audit Planning Process

An essential element in the effective management of the Internal Audit Service is planning audit work to ensure that priorities are established, objectives are met, resources are used effectively and best value is achieved. This process, the key steps of which are outlined below, involves planning at both a strategic and operational level.



The first part of the process in the preparation of the Internal Audit Strategic Plan involved identifying all possible areas for review, the audit universe. The subsequent risk assessment was carried out in accordance with CIPFA's methodology and determined the relative importance of each area and the resources required for adequate audit coverage Council-wide.

The Council's four year Internal Audit Strategic Plan has been compiled to ensure optimum coverage of the audit areas identified whilst giving due recognition to core financial systems. Provision has also been made for an element of pre-determined and/or reactive work. The estimated level of resources required for the period of the plan has been based on the best information available at the time of preparation.

The strategic plan is the platform on which subsequent annual plans are based thereby ensuring adequate coverage over the four year period of all the areas identified for review. The Internal Audit Strategic and Annual Plans are presented to the Audit and Risk Management Sub-Committee at appropriate times. It should be noted that both the Internal Audit Strategic and Annual Plans may be subject to amendment to reflect changing priorities, revisions to systems or management concerns.

The 2005/06-2008/09 Internal Audit Strategic Plan

The Internal Audit Strategic Plan which is attached at Annexe 1, covering the period 2005/06-2008/09, shows a total resource requirement of 7040 days and has been subdivided into three main areas namely Council-wide Systems, Departmental Systems and the Joint Boards with the percentages of time allocated to each area being 56%, 36% and 8% respectively. The Internal Audit Strategic Plan has been compiled to cover a four year period in line with the period used for The Council Plan.

The Chief internal Auditor is of the opinion that resources have been allocated across the Council's activities in such a way as to ensure adequate recognition of relative risk and maximum coverage of auditable areas. Notwithstanding this, as highlighted above it is subject to amendment to reflect the changing environment within which the Council operates.

INTERNAL AUDIT STRATEGIC PLAN 2005/06-2008/09		
Council-wide Systems	Risk	Days
Corporate		
Best Value	M	60
Business Continuity Planning	M	60
Communication	L	30
Community Planning and Partnership	M	60
Corporate Governance	M	60
Council Strategies, Policies and Initiatives	M	60
Data Protection and Freedom of Information	M	60
Disclosure Checks	M	60
Financial and Non-Financial Self Assessment	M	60
Health and Safety	M	60
Joint Futures	M	100
Modernising Public Services	M	60
Partnering	M	60
Performance Management and Monitoring	L	40
Public Private Partnership and Private Finance Initiative	H	120
Risk Management	L	30
Security of Assets	M	60
Financial		
Accounting and Budgetary Control	L	40
Banking Services	M	60
Business Credit Cards	L	30
Capital Accounting and Prudential Framework	L	40
Capital and Revenue Contracts	M	60
Car Leasing	L	30
Cash Collection and Receipting	M	60
Costing Systems	L	30
Debtors and Debt Management	H	120
External Funding and Specific Grants	M	120
Fleet Management	L	30
Following the Public Pound	M	60
General Ledger Systems	L	30
Home Loans	L	30
Insurance Services	L	30
Members Allowances and Expenses	L	20
Ordering, Receipting and Creditor Payments	H	160
Payroll and Employee Expenses	H	200
Petty Cash and Imprests	L	30
Stocks, Stores and Stock Checks	L	40
Trading Accounts	L	30
Value Added Tax	M	60

Council-wide Systems (continued)	Risk	Days
Information Technology		
Disaster Recovery and Business Continuity	H	80
Information and System Security	M	60
Management of Hardware and Software	M	60
Networks and Servers	M	60
Project Management and Change Control	M	60
Telecommunications	M	60
Support Services		
Authorised Signatories	M	40
Council and Committee Administration	L	30
Financial and Non-Financial Returns	L	40
Management of Personnel Information	L	40
Management of Sickness Absence and Staff Leave	L	40
Procurement of Goods and Services	M	60
Property Management	M	60
Recruitment and Selection	L	30
Service Level Agreements	L	30
Miscellaneous Work Areas		
Advice on Systems Control and Risk		280
Follow-up of Reviews		320
Specific Investigations		200
Sub-Total		3900
Departmental Systems		
Chief Executive		
No Departmental Specific Reviews		
Communities		
Establishment, Operational and Service Reviews	M	80
Community Regeneration Fund	M	60
Corporate Planning		
No Departmental Specific Reviews		
Information Technology		
No Departmental Specific Reviews		
Personnel		
Establishment, Operational and Service Reviews	L	20
Public Relations		
Establishment, Operational and Service Reviews	L	20
Waste Management		
Establishment, Operational and Service Reviews	M	100
Dundee Contract Services		
Grounds Maintenance	M	60
Repairs and Maintenance Services	M	80
Economic Development		
Establishment, Operational and Service Reviews	M	60

Departmental Systems (continued)	Risk	Days
Education		
Devolved School Management	M	60
Education Grants and Allowances	L	40
Establishment, Operational and Service Reviews	H	240
Finance		
Council Tax	H	200
Housing Benefit and Council Tax Benefit	H	200
Housing Benefit Initiatives and Verification Framework	M	100
Non-Domestic Rates	H	120
Pension Fund Investment and Administration	H	120
Treasury Management	M	60
Housing		
Allocation, Letting and Voids Procedures	M	60
Establishment, Operational and Service Reviews	M	60
Rent Setting, Collection and Arrears	M	60
Leisure and Arts		
Establishment, Operational and Service Reviews	M	80
Planning and Transportation		
Car Parking	M	40
Establishment, Operational and Service Reviews	M	60
Public Transport	M	60
Social Work		
Contracting and Payments	M	80
Establishment, Operational and Service Reviews	H	200
Support Services - Administration and Legal		
Elections and Electoral Registration	M	40
Establishment, Operational and Service Reviews	L	40
Support Services - Architectural Services		
Contract and Project Management	M	60
Select Tender Lists	M	40
Support Services - Environmental Health and Trading Standards		
Establishment, Operational and Service Reviews	L	40
Sub-Total		2540
Joint Boards		
Tay Road Bridge		
Establishment, Operational and Service Reviews		360
Tayside Valuation		
Establishment, Operational and Service Reviews		240
Sub-Total		600
Total		7040