

## **Executive summary**

This paper sets out the plan of work to be undertaken by Rossendale Borough Council's internal audit service for the financial year 2007/08.

This reflects the approach agreed when Lancashire Audit Service was appointed as the Authority's internal auditors for the period 2006/07-2008/09. Our approach will essentially follow the same principles as we have established with you over the last year. The key points to note are as follows:

- We will continue to liaise regularly at a senior level within the Authority – we are committed to continually developing our relationships with Authority staff;
- We will continue to integrate our approach with the Audit Commission;
- We will maintain our previous approach to your immediate audit needs, retaining a focus on your core financial controls and developing computer assisted audit techniques and data mining. At the same time we will more closely align our work with your risk base.

## **Consultation**

The aim of the plan is to focus on an assessment of the risks to the achievement of the Authority's objectives, and the provision of assurance that the actions planned to mitigate these risks are adequate and effective. In deriving this plan the internal audit team has:

- Met the Authority's Chief Executive, the Executive Director of Resources and the Head of Financial Services to discuss their assessment of risk and their control environments;
- Made its own assessment of the risks facing the Authority;
- Met with the Authority's external auditor, the Audit Commission, to ensure our plans are complimentary within an overall assurance framework.

Further consultation will be required as the detailed scope of our work is developed for individual audit reviews.

## **Risk management within Rossendale Borough Council**

The Audit Commission in its Annual Audit Inspection Letter (March 2007) and Use of Resources score acknowledges that risk management has been improving in recent years through the establishment of impact and likelihood of individual risks, planned monitoring, and periodic review, though further work is required to embed risk management throughout the organisation and its significant partnerships.

Service business plans have identified a number of operational risks, and some of these, together with other identified risks, will feed into the Corporate Plan for 2007/10, which is due to be finalised in June 2007 by members. It is therefore not possible at this stage to fully align our plan with the organisation's own risk assessment. Flexibility will therefore be required in order to respond to new issues should any arise.

## Our approach for 2007/08

### *Deployment of audit resources*

The plan is stated in terms of estimated days input. However the exact time that will be taken for any single piece of audit work is not capable of exact estimation at this stage. The plan therefore represents only best estimates of the audit resources and the ways in which they will be deployed.

The planned deployment of audit resources for the Authority is as follows:

<b>Proposed work</b>	<b>Estimated audit days</b>
Core financial systems	110
Response to fraud / impropriety	10
<b>Section 151 officer assurance</b>	<b>120</b>
Focussed reviews:	
Data Quality (bvpi's, kpi's etc)	15
Corporate Governance	10
National Fraud Initiative	15
IT Controls	20
Client side management arrangements – Leisure Trust	15
Personnel systems	10
Risk Management	10
Anti-fraud corruption policy review (inc. whistle-blowing)	10
Contingency	6
<b>Additional assurance to meet the requirements of the Statement on Internal Control</b>	<b>111</b>
<b>Follow up of completed reviews</b>	<b>15</b>

## Rossendale Borough Council

### Internal audit plan for the year 1 April 2006 to 31 March 2007

#### Audit Scrutiny Committee June 2007 Appendix 1

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Risk Assessment and Strategic Planning	5
Liaison with Senior Management	14
Liaison with Audit Commission	3
Committee and other meetings	6
Central reporting (annual and periodic progress)	10
Ad hoc advice and support	6
<b>Audit Management</b>	<b>44</b>
<b>Total audit days</b>	<b>290</b>

Each of these areas is explained in more detail below.

#### ***Core financial systems***

Any assessment of the Authority's risks generates a requirement to consider the key financial systems underpinning the operations of the Authority. We will continue to assess your key internal financial controls, documenting recently implemented systems to the standards now followed by the Audit Commission under the recently introduced International Standards on Auditing. We will gain the coverage you need by a combination of our traditional systems-based audits, and by the targeted use of computer assisted audit techniques to assess the operation of controls over transactions.

The core financial systems for the Authority have been identified as payroll, creditors, cash and banking, debtors, council tax, NNDR, asset register, general ledger and treasury management. In undertaking this work we intend to make use of data mining and computer assisted audit techniques to interrogate the systems and the data they hold more effectively. This will enable us to increase our audit coverage of each system, to gain assurance over the operation of the controls over their data, and also proactively to focus on areas susceptible to fraud.

In addition, provision has been made in the audit plan to review the arrangements by which grants are claimed. This will look at areas such as the information finance/ operational staff keep to monitor grant funded activities, how they ensure claims are made when appropriate, that guidance is followed and appropriate documentation is retained to support expenditure claimed.

### ***Focussed reviews***

This work results from meetings with the Authority's Chief Executive, the Executive Director of Resources and the Head of Financial Services to discuss their assessment of risk and their control environments. It provides additional assurance to meet the requirements of the Statement on Internal Control.

### **Follow up reviews**

Audit resources have been identified to ensure that all reviews are followed up and our findings are re-assessed as the actions previously agreed with management are implemented.

### **Other areas specified within the audit plan**

An allocation of 44 days has also been made to cover other management and tasks in support of the internal audit service to the Authority:

- Liaison with Senior Management and the Audit Commission;
- Attendance at meetings and liaison;
- Central reporting (annual and periodic progress);
- Involvement in the risk assessment process; and
- Contingency.

Days have been allocated for the risk assessment process in recognition that our support and guidance may be required in implementing the risk management policy within the Authority and our attendance at the risk management group.

### **Audit resources**

During the negotiation process, an outline of planned resource input was agreed and is as follows:

	% input	Days
Head of Internal Audit	3	9
Principal Auditor	12-20	35-58
Senior Auditors (including ICT)	25-35	73-102
Audit team members (including ICT)	50-55	145-160
<b>Total</b>	<b>100</b>	<b>290</b>