Meeting:	**Audit Committee**
Date:	**21 September 2009**
Subject:	**Audit Needs Assessment - Progress Report**
Report of:	**Director of Corporate Resources**
Summary:	This report outlines the approach adopted for undertaking the Audit Needs Assessment for Central Bedfordshire in order to develop a Three Year Strategic Audit Plan for future years.

Contact Officer:	Nick Murley, Assistant Director of Audit and Risk
Public/Exempt:	Public
Wards Affected:	All
Function of:	Audit Committee

RECOMMENDATIONS:

   That the Audit Committee notes the progress made to date.

Background

1. Internal Audit is currently undertaking an Audit Needs Assessment for Central Bedfordshire. This involves identifying the auditable environment and, within that, considering the risk areas that Internal Audit should focus on over the next three years. This exercise recognises the organisational change that is currently in progress.

2. The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 states that a risk based plan designed to implement the audit strategy should be produced. The detailed plan should be fixed for a period of no longer than one year. However, a comprehensive Audit Needs Assessment exercise will inform audit planning for future years.

3. An Audit Plan for 2009-10 has now been produced, using a risk based approach and this is considered elsewhere on this agenda. The 2009-10 plan has focused on the key areas that it is considered should be reviewed this year. A contingency has been included to enable a degree of flexibility to reflect the changing risks, priorities, and resources.

4. This report outlines the process that has been adopted for the production of the Audit Needs Assessment and outlines progress made to date.

Approach Adopted

5. The auditable environment has been derived from a number of sources, including:

    - A review of the legacy authorities' audit plans and risk assessments, where available
    - A review of legacy authorities' audit reports
    - Discussion with the External Auditors
    - A review of Central Bedfordshire's revenue budget, SAP, and forecasting to date
    - Reference to the Use of Resources Key Lines of Enquiry (KLOEs) under the new Comprehensive Area assessment (CAA)
    - A review of the risk registers currently available
    - Reference to professional journals
    - Consultation with network groups on emerging issues
    - Other information sources, such as the Intranet
    - Initial discussions with Directors

6. This work is still ongoing and it is anticipated that further consultation will be held with Directors and Assistant Directors to discuss their emerging risks and priorities.

7. As a result of the above, a list of auditable entities is being created. These entities are then scored (see Appendix A), taking into account the following factors:

    - Statutory Nature of the Service/Council priorities
    - Income and Expenditure
    - Critical data
    - Assets
    - Management controls/History of control weaknesses
    - Susceptibility to fraud
    - Political sensitivity
    - Partnership working/SLAs/Contracts

8. The outcome of the above will be a list of auditable entities, along with a risk score which can then be used to inform the audit priorities for future years.

9. In order to produce a balanced programme of work that addresses the risks of the organisation and the assurance required, the Three Year Strategic Plan will include a rolling programme of work on:

    - Core systems (managed audits)
    - Systems reviews of service areas, processes and activities (including governance arrangements)
    - Reviews of key contracts and partnership arrangements to ensure compliance with the Council's Financial Procedures, Codes of Practice and Contract Procedures. This will include the quality of the contract documentation and the governance arrangements including contract monitoring

- Information Communication and Technology activities across the whole Council
- Pro Active Fraud work, including investigations, to ensure that the Council's anti fraud policies are enforced, and the prevention, detection and investigation of fraud is proactive
- Sustainability and Climate Change
- Follow up work that ensures implementation of the Internal Audit recommendations.

10. In addition to the above, a strategy for the future audit of the Council's schools will be considered, in consultation with the Directors of Corporate Resources, Director of Children, Families and Learning and the relevant school representatives. This will also include consideration of the approach to undertaking the Financial Management in Schools (FMSiS) assessment.

Progress to Date

11. Considerable progress has been made in developing the Audit Needs Assessment. A number of high risk areas have emerged and, where appropriate, these have been reflected in the 2009/10 plan.

12. As a result of the work to date, the following themes have emerged as risk areas:

- Fundamental systems, including Payroll and Cash and Banking (Income)
- Contract issues, including specifications, management and monitoring arrangements
- Partnership arrangements
- Commissioning

Conclusion and Next Steps

13. Work will continue on developing the Audit Needs Assessment over the coming months. Further meetings are in progress to further develop the directorate risk registers which will, in turn, inform us of further areas of risk and priority.

14. As a result the three year Internal Audit Strategy and plan will be presented to the Committee in January 2010.

CORPORATE IMPLICATIONS
Council Priorities:
The Audit Needs Assessment will support all of the Council Priorities.
Financial:
Although there are no financial risks from the issues identified in the report, the outcome of implementing the Three Year Strategic Audit Plan is for the Council to better manage its risk thereby increasing protection from adverse events.
Legal:
None

Risk Management:

None specifically. The Audit Needs Assessment has been developed using a risk based approach.

Staffing (including Trades Unions):

None

Equalities/Human Rights:

None

Community Development/Safety:

None

Sustainability:

None