

Meeting:	Cabinet
Date:	14 April 2005
Subject:	Internal Audit Plan 2005/06
Responsible Officer:	Director of Financial and Business Strategy
Contact Officer:	Group Manager, Audit and Risk Management
Portfolio Holder:	Deputy Leader, Business Connections and Performance
Key Decision:	No
Status:	Part 1

### **Section 1: Summary**

This document provides details of the 2005/06 Internal Audit plan recently agreed by the Corporate Management Team and the Audit Committee.

#### **Decision Required**

That Cabinet considers and approves the Internal Audit Plan for 2005/06.

#### **Reason for report**

Statutory requirement to ensure adequate internal audit coverage.

## Benefits

Supports the role of the executive in maintaining an effective internal control environment, achieving service improvement and delivering key corporate priorities.

## Cost of Proposals

The audit plan is deliverable within current resource levels.

## Risks

A weakening in the internal control environment if a robust audit plan is not in place at the start of the year.

## Implications if recommendations rejected

Failure to deliver the early part of the plan to the timetable required by the external auditor for reliance purposes.

## Section 2: Report

### Brief History

- 1 The plan derives from the 2004/07 strategic plan previously endorsed by CMT and Cabinet, from key improvement plans, from examination of risk registers and from review of audit findings over the last 5 years. It has been prepared in consultation with senior managers and the external auditor.
- 2 Coverage is maintained across traditional areas including financial and IT systems, but also includes a wider emphasis on reviewing management arrangements to support the authority in the delivery of improvement. Key areas include:
  - **management arrangements**, focusing primarily on areas of significant change such as corporate governance, community resilience, and business transformation.
  - **fundamental financial systems**, sufficient to meet the dual purpose of providing assurance to the chief finance officer and reliance by external audit. Controls previously agreed with the external auditor are being reviewed to ensure that they adequately reflect all key risks.

Coverage is also strengthened this year with the inclusion of a key control review in respect of budget management. This will feature annually and be supported by more detailed work on budget management systems operating in directorates.

- **local/departmental systems**, including coverage across a range of financial and management systems operating within directorates, schools and social care establishments.
- **IT systems**, including arrangements in place for security of the IT environment and for the management of resources.
- **anti-fraud and corruption arrangements**, including specific system reviews and ongoing advice on prevention measures. Provision is also made for liaison and joint working with the new corporate anti-fraud team.
- **follow-up of audit recommendations**, focusing on areas of highest risk. This will include an annual exercise to follow up a sample of recommendations across the full range of audit activities and more detailed follow up reviews of reports classified as 'red' using the new traffic light system.
- **ad-hoc support and advice**, including risk management, control improvement, governance, and application of financial regulations.

3 The specific projects to be undertaken are itemised at Appendix A. For each review a detailed terms of reference, including objectives, scope, methodology and resources, will be developed and agreed prior to work commencing.

4 Reports and action plans will be produced for individual projects and a mid year summary report on progress and issues arising will be produced for CMT and the Audit Committee. The full results of the year's work will be summarised in the Internal Audit annual report.

### **Options Considered**

5 As outlined above the plan derives from the 2004/07 strategic audit plan and from key improvement plans, risk registers and previous audit findings. The strategic plan will be reviewed during 2005/06 and will provide an opportunity to identify any alternative options for audit coverage.

### **Consultation**

6 The plan has been prepared in consultation with senior managers from across all directorates and with the external auditor.

### **Financial Implications**

- 7 This is a report of the Director of Financial and Business Strategy and deals with financial matters throughout.

### **Legal Implications**

- 8 There are no legal implications.

### **Equalities Impact**

- 9 All directorates have been consulted to ensure that the contents of the plan and the delivery of the service support the promotion of equalities.

## **Section 3: Supporting Information/Background Documents**

Appendix A – Internal Audit Plan 2005/06 (circulated in the cabinet Supporting Documents Pack)

### **Background Papers**

Internal Audit Strategic Plan endorsed by Cabinet on 13 January 2004

Any person wishing to inspect the background papers should telephone 020 8424 5452