

By: The Head of Audit & Risk

To: Governance and Audit Committee
19 September 2007

Subject: **ARRANGEMENTS FOR AUDIT AND RISK FROM 1 AUGUST 2007**

Accountable Officer: The Head of Audit & Risk

Classification: Unrestricted

Summary: This report provides information on the progress of developing the second half of the 2007/08 audit plan and a proposed audit plan for the second half of the 2007/08 year.

FOR INFORMATION

In December 2006 the Head of Audit and Risk reported on a revised approach to audit planning and risk management in KCC. A new approach was necessary because:-

- An analysis of the assurance levels given to audits over the past 3 years shows that there are a higher percentage of minimal or limited assurances being given now compared to previous years. In 2003/04, the percentage was 29%. In 2005/06, the figure rose to 46%.
- There is a collective desire both within Internal Audit and service directorates to further improve the 'added value' that Internal Audit provides in the service directorates.
- There is a need to further integrate the risk management process into our business planning process.

Progress to date

The new approach focuses on the risk to the Council of not meeting its business objectives and requires Internal Audit to 'map' all of the business objectives, risks and controls of every business plan. 10 Risk Management workshops were held which were attended by over 150 officers who have an interest in the subject. Further workshops are being held during September and October, including one for Members. Following these workshops Internal Audit staff have met with service managers and staff to help to facilitate the mapping of their objectives, risks and controls. This has been done by using a template and a risk matrix in

order to score the risks. In a lot of cases business managers had undertaken this task themselves. At the time of writing there were outstanding completed templates expected from managers. However, it is a time consuming task and these are expected in the next few weeks.

To give Members an idea of the scale of this task and the valuable input of service managers and staff we have listed below details of the progress to date:-

- Internal Audit staff have met with over 100 service managers and staff
- Over 200 business objectives have been mapped
- Over 450 risks have been mapped
- Over 800 controls mapped

We estimate that the above number (excluding meetings with staff) will double when all of the completed templates have been received. Once we have received the information, the next task will be to carry out a moderation process on the data which will involve some further discussions with the directorates.

We are therefore, still in the process of developing the second half of the 2007/08 plan. However, all of the objectives, risks and controls that have been captured with also form the basis for the 2008/09 audit plan and future plans.

Next Stage

Internal Audit's next task has been to input all of the objectives, risks and controls into 'Team Risk' which is an audit software tool designed to facilitate the development of an audit plan. Once all of the above have been input we will be able to categorise the auditable areas based on the inherent risks identified from the mapping process.

We will also be identifying the means by which we can capture other key information, for example new projects/developments, integrating information from risk registers, as well as ensuring that the information is kept current and up to date.

Benefits

One of the objectives of developing a new risk based approach to the audit plan was to get risk management embedded within the Authority. The risk management workshops and the meetings Internal Audit staff have had with service managers have considerably raised awareness amongst staff. The majority of the managers that we have met with have stated that both processes

have been very useful and have helped them to understand risks and controls and their contribution to ensuring that their objectives are met.

Another benefit of our meetings with managers has been the number of requests that Internal Audit staff have received to liaise with service. This will help Internal Audit to gain greater understanding of the directorates and to be aware of any new systems, procedures and projects that are being proposed where we can advise on controls.

Conclusions

A lot of progress has been made in identifying and mapping all of the Authority's business objectives, risks and controls. This process will continue to enable the second half of the 2007/08 plan to be developed and all future plans.

Directorates have been very supportive of the process and have also benefited from the risk management workshops and the 'mapping' exercises.

Internal Audit will have a database of all of the Authority's objectives, risks and controls from which we can build our audit plans and provide assurance on how risks are being managed. This will be the starting point for the audit plan for 2008/09.

Finally, we'd like to thank all of the staff who took the time to meet with us, who mapped their objectives, risks and controls and contributed to this process. We appreciate that this took a lot of time and commitment on their part. Without their input we would not have been able to achieve this exercise.

Internal Audit Half Year Plan October 2007 to March 2008

The Internal Audit half year plan from April to September, together with the planned chargeable days of 2,775 for 2007/08 was reported to the March 2007 Governance and Audit Committee. To date approximately 750 days of the 2007/08 plan has been delivered.

Part of the proposed six month plan from October 2007 to March 2008 will comprise audits to provide assurance on key financial systems, corporate governance and where there have been specific requests from directorates. We will be covering the following areas which will take approximately 430 days.

- Schools' Payroll
- Overtime Payments
- Asylum Seekers' Cash Handling
- Revenue Budget Monitoring (E&R)
- Purchase Cards
- Compliance with the Standing Orders and Scheme of Delegation

- Contract Audit
- Pensions/Investments
- Governance of Partnerships
- ICT audits.

The remainder of the plan (approximately 700 days) will be developed from mapping the objectives, risks and controls from directorates' business objectives and identifying where reliance is being placed on controls to manage high scoring risks. We expect to have completed this exercise by the end of September, with a view to confirming audit areas with directorates and agreeing terms of reference in October.

The remainder of the budget includes:-

Advice & Information	450 days
Fraud & Irregularity work	120 days
Contingency	300 days

The audit plan for the 6 months to 31 March 2008 will be drafted and ready for approval by the end of October.

Recommendation

To avoid delaying the delivery of the audits planned until after the next Committee meeting in December, members are asked to delegate approval of the six month audit plan to 31 March 2008 to the Director of Finance, in consultation with the Chair of the Committee and opposition members. The plan will then be reported retrospectively to the December meeting.

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 3 September 2007