



Argyll and Bute Council

Annual Audit Plan 2007 - 2008

6th March 2007

Draft for Audit Committee Approval

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Scope & Objectives for areas outlined in the Audit Annual Plan 2007 – 2008

 Core Financial Audits

 Non Financial Audits

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2. Foreword

This annual audit plan has been prepared in conjunction with our Internal Audit partners KPMG. The audit plan for 2007 – 2008 is the final year of the 3 year strategic audit plan approved by the Audit Committee on the 4th of March 2005 and ensures that Internal Audit resources are effectively planned and controlled. It should be seen as a flexible management tool, which provides the following:

- A clear view of the workload of the internal audit team;
- A base for assessment of the adequacy and future deployment of internal audit resources;
- A yardstick against which progress and performance can be measured;
- Authority to act once it is approved by the Audit Committee; and
- A permanent record of the factors considered and judgements made.

The 2007 – 2008 internal audit plan has been compiled in accordance with the CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom* ('the Code'). This requires the Internal Audit section to provide an objective assessment of the adequacy, reliability and effectiveness of the Council's internal control system. This strategic audit plan also takes into account the Internal Audit Mission Statement and Terms of Reference both of which have previously been approved by the Audit Committee.

The annual audit plan has 2 categories, core and non financial audits. Within the attached document is a chart showing when in 2007 – 2008 audits are planned to take place. The timing of audits was discussed with Heads of Service and line managers. However, the audits could be subject to change and timing should only be viewed as an indicator. An exercise will be commenced by Internal Audit and KPMG towards the end of the financial year to prepare a further 3 year Strategic Audit Plan for 2008 to 2011. The exercise will evaluate control systems within the Council and cover risk identification with Heads of Service so that these factors can be reflected in the plan.

2. Internal Audit Resource Days 2007 – 2008

There are 3 elements to the tables:

- Total working days available;
- Non-direct audit days; and
- Direct audit days.

After deductions for annual leave and an allowance for sickness a total of 1,315 working days are available for direct and non-direct audit work and includes the contribution of audit days from our internal audit partners KPMG.

The non-direct audit day allocation covers tasks such as internal audit management, preparing committee papers, training to ensure that staff are supported in their work and general administration issues. The total day's allocated to non-direct audit for 2007 – 2008 is 235. Direct audit days are days allocated to both core and non-financial audits. The audit days assigned includes time for Planning, Field Work, Report Writing and Management Review. In addition a number of days have been included for Contingency. The total number of days allocated to direct audits for 2007 – 2008 is 1,080, which represents 82% of total working days available.

In page 2 of this report the posts vacant presently are highlighted in italics. It is anticipated that the current resource shortfall will be resolved by July 2007. The audit days lost from the 2 vacant posts will be approximately 60 for both posts. However, an attempt will be made to reduce the loss of audit days through the employment of contract audit staff. The vacant

Accountant post is being held for the recently qualified member of staff who is currently seconded to Corporate Accounting.

If it seems that the annual audit plan will not be completed as a result of staff shortages then those audits with the highest ranking will take priority over those with lower rankings.

Internal Audit Resource Days: 2007 – 2008

	Audit Manager	Audit Manager	<i>Accountant Vacant Post</i>	Accountant	Senior Audit Assistant	<i>Audit Assistant Vacant Post</i>	Partner	Contract Auditor	Total
Number of Days in full year	260	260	260	171	260	260	53	0	1,524
Less: Public Holidays	12	12	12	0	12	12	-	-	60
Annual Leave	28	28	20	0	28	20	-	-	121
Sickness Allowance	5	5	5	0	5	5	-	-	25
Working Days Available	215	215	223	171	215	223	53	0	1,315
Non-Direct Audit Work									
IA Management	24	15	5	5	-	-	28	-	80
Planning and Reporting	20	10	-	-	-	-	-	-	30
Training, Development & Seminars	10	10	10	10	10	10	-	-	60
Audit Internal Meetings	10	10	6	6	6	6	-	-	44
Advisory	10	10	2	2	-	-	-	-	24
Total for Non-Direct Audit Support Work	73	55	23	23	16	16	28	-	235
Time Available for Direct Audit Work	141	160	200	148	199	207	25	0	1,080

3. Assessments of Audit Days 2007- 2008

Assessment of Core Audit Days: 2007- 2008

The core financial audits set out below are those detailed for the final year of the 3 year strategic audit plan, and were selected using an Audit Needs Assessment methodology of risk ranking. It can be seen that there is a greater predominance of category 2 risk ranked audits and this reflects the previous 2 years audit review of controls within these areas. These audits will enable Internal Audit over the next financial year to provide an assurance statement on the Council's overall internal control framework. In the event that the Internal Audit resource shortfall is not addressed by July 2007, the priority will be to complete the Core Financial Systems audits outlined below. This will provide the Councils external auditors with the required level of assurance over core financial systems.

<i>Core financial systems</i>	Risk Ranking	Last Audited	Planned Audit Days 2007- 08
Budgetary control	1	2006-07	20
Capital accounting	1	2006-07	20
Capital contracts	1	2006-07	20
Cash income and banking	2	2006-07	30
Car Allowances	2	2006-07	20
Contract hire and operating leases	2	2006-07	20
Creditor payments	2	2006-07	25
Debtor accounts	2	2006-07	20
General ledger operations	2	2006-07	25
Government & European Grants	1	2006-07	30
Treasury management	2	2006-07	20
Tendering procedures	1	2006-07	30
Payments to voluntary bodies (following the public pound)	2	2006-07	20
Council tax and non-domestic rates	2	2006-07	30
Purchasing	2	2006-07	25
Unified benefits system	2	2006-07	30
Payroll	2	2006-07	30
Stock taking	2	2006-07	25
<i>Subtotal core financial systems</i>	-	-	440

Assessment of Non Financial Audit Days: 2007-2008

The non financial audits set out below are those detailed for the final year of the 3 year strategic audit plan and were derived from a Heads of Service risk evaluation exercise. The exercise highlighted a number of key operational risks to be included in the final year of the plan. In 2006 – 2007 a total of 145 audit days were assigned specifically to Best Value. In 2007 – 2008 it is proposed to include the same number of audit days. There is one change to the audit plan for 2007 – 2008 is in recognition of Strategic and Property Asset Management being brought together by the Council, there will only be one audit area for which 30 audit days have been allocated.

In the event that the Internal Audit resource shortfall is not addressed by July 2007, the priority will be to complete the Core Financial Systems audits outlined above. With regard to Non-Financial audits available resources will be allocated to audits with a risk ranking of 1 and 2. Resources will be provided to support the councils continued embedding of Best Value within departments and systems. Audits with a risk ranking of 3 and above will be addressed as resources become available. This outcome is reflected on page 6 of this report with the annual audit plan schedule.

<i>Non-financial audits</i>	Risk Ranking	Last Audited	Planned Audit Days 2007-08	Revised Audit Days 2007-08
<i>Chief Executives</i>	-	-	-	-
Policy & Strategy – Best Value	1 - 3	2006-07	30	125
<i>Community Services</i>	-	-	-	-
NPDO – Contract Monitoring	1	2006-07	30	20
Transportation	1	2006-07	30	20
Care Services	2	2006-07	30	20
HMIe	4	2006-07	20	20
<i>Development Services</i>	-	-	-	-
Partnership Project Funding	3	2006-07	30	25
<i>Corporate Services</i>	-	-	-	-
ICT – Applications	2	2006-07	25	25
Risk Management	3	2006-07	25	30
<i>All Departments</i>	-	-	-	-
- Partnership Working	1	2006-07	30	20
- Strategic Asset Management	1	2006-07	30	30
- Business Continuity Planning	1	2006-07	30	20
- New Legislation	1	2006-07	30	20
- Corporate Governance	1	2006-07	30	30
- Performance Indicators	1	2006-07	50	50
<i>Operational Services</i>	-	-	-	-
Roads & Amenity Services	3	2006-07	30	25
<i>Sub totals non-financial</i>	-	-	480	480

Assessment of Contingency Audit Days: 2007-2008

Audit days have been included within the annual audit plan for contingency. This is audit time for unforeseen events which, by their nature, cannot be planned for, e.g.:

- Notification of frauds, significant weaknesses or loss;
- Consideration of controls for new or amended systems; and
- Reviews of significant breakdown of internal control.

Clearly, the extent to which any contingency requirement will arise depends on the soundness of the Council's systems of control and the incidence of fraud or irregularity.

<i>Contingency days</i>	2007-08
Special investigations contingency	80
Follow-up external & internal audit management letter points	60
Risk assessment, strategic plan, annual plans	20
Sub Total	160

4. ANNUAL AUDIT PLAN 2007 – 2008

Core Financial Systems	Risk Ranking	Last Audited	Audit Days 2007-08	April	May	June	July	August	September	October	November	December	January	February	March
Budgetary Control	1	2006	20												
Capital Accounting	1	2006	20							▶▶					
Capital Contracts	1	2006	20										▶▶		
Government & European Grants	1	2006	30			▶▶									
Tendering Procedures	1	2006	30											▶▶	
Cash Income and Banking	2	2006	30						▶▶						
Car Allowances	2	2006	20								▶▶				
Contract Hire and Operating Leases	2	2006	20				▶▶								
Creditor Payments	2	2006	25					▶▶							
Debtor Accounts	2	2006	20	▶▶											
General Ledger Operations	2	2006	25											▶▶	
Treasury Management	2	2006	20							▶▶					
Payments to Voluntary Bodies (Public Pound)	2	2006	20									▶▶			
Council Tax & Non-Domestic Rates	2	2006	30		▶▶										
Purchasing e-Procurement	2	2006	25										▶▶		
Unified Benefits System	2	2006	30								▶▶				
Payroll	2	2006	30						▶▶						
Stocktaking	2	2006	25	▶▶											▶▶
Subtotal Core Financial Systems			440												
Non-Financial Audits	Risk Ranking	Last Audited	Audit Days 2007-08	April	May	June	July	August	September	October	November	December	January	February	March
Chief Executives Unit – Best Value	1-3	2006	145	▶▶											▶▶
Community Services – NPDO Contract Monitoring	1	2006	30										▶▶		
Community Services – Transportation	1	2006	20							▶▶					
All Depts – Partnership Working	1	2006	20									▶▶			
All Depts – Strategic Asset Management	1	2006	30						▶▶						
All Depts – Business Continuity Planning	1	2006	20		▶▶										
All Depts – New Legislation	1	2006	20			▶▶									
Corporate Governance	1	2006	20	▶▶											▶▶
Performance Indicators	1	2006	50					▶▶							
Community Services – Services Review	2	2006	20					▶▶	▶▶						
Corporate Services – ICT - Applications	2	2006	25					▶▶							
Development Services – Partnership Project Funding	3	2006	20										▶▶		
Corporate Services – Risk Management Register	3	2006	30											▶▶	
Operational Services – Amenity & Roads Services	3	2006	20											▶▶	
Community Services – HMLe	4	2006	20												▶▶
Sub Total Non-Financial			480												
Contingency Days	Risk Ranking	Last Audited	Audit Days 2007-08												
Special investigations, Follow-up, Risk Assessment & Audit Planning	n/a	n/a	160												
Sub Total Contingency Days			160												
Total			1080												

APPENDIX 1

Scope and Objectives 2007 – 2008

2007 - 2008 Planned Objectives

The following sections outline the broad scope and objectives for the reviews identified for 2007 - 2008.

1. Core Financial Systems

1.1 Budgetary Control

The specific objectives of this review will assess whether:

- The responsibilities of Officers and Members for the setting and control of budgets are properly defined;
- Budgets are set in accordance with pre-determined approved policy objectives;
- Revenue expenditure and income is properly controlled by the effective periodic monitoring of financial out-turns against detailed budgets;
- Virements are managed and controlled effectively;
- Significant variances are promptly identified, reported and acted upon; and
- The system contributes to the Council's ability to demonstrate that resources are being used in an economical, effective and efficient way.

1.2 Capital Accounting

The specific objectives of this review will assess whether:

- Fixed assets are identified and classified in accordance with the Accounting Code of Practice (ACOP) and compliant with the Prudential Code;
- Movements in the Fixed Asset Register are being identified;
- There is supporting documentation for option appraisal;
- Appropriate Prudential Code indicators have been calculated and approved and regularly reviewed;
- There is written documentation, policies procedures for application of capital charges;
- Fixed assets and capital charges are correctly recorded in the financial ledger; and compliant with the Prudential Code; and
- The system contributes to the economic, effective and efficient management of the Council's assets.

1.3 Capital Contracts

The specific objectives of this audit will assess whether:

- For major capital projects over £1m a proper business case and project appraisal procedure enables effective selection of appropriate projects. The projects chosen for audit will follow discussions with management and could be either building, roads or engineering contracts;
- The design satisfies the original project criteria;
- The tendering process has resulted in the contract being placed with the most suitable contractor at the most advantageous price and is compliant with the Prudential Code with regard to affordability and financing;
- Work is properly project managed, supervised and executed to contract specifications;
- The system ensures the preparation of accurate interim valuations, final accounts and meets the Prudential Code sustainability criteria; and
- All relevant information on the project is collected, evaluated and used to improve future performance.

1.4 Cash Income and Banking

The specific objectives of this audit will assess whether all Schools General Purpose Funds comply with Circular 1.10:

- The exercise commenced in 2005/06 was continued into 2006/07 with an assessment of compliance of Primary Schools with Circular 1.10;
- The recommendations made in the 2006/07 reports will be followed-up.

1.5 Car Allowances

The broad objectives of this audit are to ensure:

- The classification of different types of car users was appropriate;
- The usage of pool cars was maximised;
- The record keeping for pool cars was suitable for monitoring their usage.

1.6 Contract Hire and Operating Leases

The specific objectives of this review will assess whether:

- Proper control procedures are being operated;
- New lease agreements are compliant with the Prudential Code ;
- Advice is sought from the Council's lease advisers before any new agreements are entered into;
- All payments/receipts are made on the due dates; and
- Any extensions to lease agreements are properly negotiated;

1.7 Creditor Payments

The specific objectives of this review will assess whether petty cash controls are adequate:

- Payments are made in accordance with Financial Regulations only for goods and services which are for valid Council services;
- All payments are properly backed-up by receipts or vouchers;
- Payments are made only to valid creditors; and
- Payments are correctly recorded in the financial ledger.

1.8 Debtor Accounts

The specific objectives of this review will assess for selected services as to whether:

- Accounts are properly raised and posted for all chargeable services;
- Accounts are issued promptly; and
- Income is collected timeously.

1.9 General Ledger Operations

The specific objectives of this review will assess whether:

- Data from feeder systems is correctly and timeously transferred to the financial ledger;
- Output is produced in accordance with a prescribed timetable and in a format which contributes to the financial management of the body

1.10 Government & European Grants

Various grants are received by the Council from the European Union for a number of projects under various programmes e.g. European Regional Development Fund (ERDF) and European Social Fund (ESF). The specific objectives of this review will assess whether:

- All applications are made in accordance with grant requirements;
- Grants are only applied to the purposes provided;
- Amounts receivable / received are complete;
- Adequate monitoring and reporting mechanisms are in place for management information.
- Departments maintain proper records which satisfy auditors.

1.11 Treasury Management

The specific objectives of this review will be to assess whether:

- Borrowing and lending transactions are in accordance with statutory powers, approved policy and strategy;
- Appropriate Prudential Code indicators have been calculated and approved and regularly reviewed;
- The following meet the requirements of the CIPFA Code of Treasury Management in Local Authorities;
 1. Annual borrowing requirements and daily balances are properly estimated;
 2. Borrowing and lending transactions are properly controlled;
 3. Loan repayments and interest are paid on the due dates and in respect of valid loans;
 4. Deposits and interest are recalled/repaid on the due dates; and
 5. Borrowing and lending transactions are correctly recorded in bank accounts, the financial ledger, and other subsidiary records (e.g. registers).

1.12 Tendering

The specific objectives of this review will assess whether:

- The new Council Standing Orders reflect the required changes for effective control;
- Procedures for adding to and removing contractors from the Council's standing lists are properly controlled and make effective use of Constructionline services;
- Procedures for selecting tenderers are in accordance with the Council's Financial Regulations;
- Valid submitted tenders are recorded and held securely prior to formal opening;
- Tender opening procedures are properly controlled;
- Tenders comply with European Journal regulations where necessary;
- Only authorised alterations are made to tenders after opening process; and
- Procedures for evaluating tenders and selecting successful tenders are properly controlled.

1.13 Payments to Voluntary Bodies –The Public Pound

The specific objectives of this review will assess whether:

- Grants are classified according to materiality and any monitoring arrangements determined and carried out according to the Council's assessment of risk;
- All grant payments are identified in a register of funding;
- There is a record of the names of members or officers who sit on the boards and committees of external bodies;
- Applications are made in accordance with grant requirements;
- Funding to external organisations is specific and clearly stated;

- Amounts receivable/received are complete, planned and controlled; and
- A monitoring procedure is in place to ensure that available performance measures are collected and reported.

1.14 Stock Taking

The specific objectives of this review will assess whether:

- System for controlling stock is in accordance with Financial Regulations
- Systems are in place for maintaining accurate stock records;
- Stock is held in a secure environment;
- Adequate procedures are in place for management to count stock at year-end.

1.15 Council Tax & Non Domestic Rates

The specific objectives of this review will assess whether:

- Bills are correctly calculated (including discounts, reliefs etc) for all relevant properties;
- An appropriate level of control is maintained during processing to ensure completeness and accuracy of data and back up systems are in place;
- Controls ensure the authorisation, accuracy, completeness, confidentiality and timeliness of output reports and interfaces;
- A complete audit trail is maintained which allows an item to be traced from input through to its final destination; and
- Arrears follow up procedures are properly controlled and write offs, cancellations and refunds are properly controlled;
- Payments received are promptly processed and correctly posted to taxpayers' accounts;

1.16 Purchasing & e-Procurement

The specific objectives of this review will assess whether:

- Only goods and services which are required for the audited body's business are ordered;
- Orders are placed only after costs have been ascertained;
- Orders are placed only with authorised suppliers;
- Invoices are passed for payment to the correct supplier and only for goods/services received;
- Invoices are correctly coded for posting to the financial ledger; and
- The roll out of e-Procurement throughout the Council is properly controlled.

1.17 Unified Benefits System

The specific objectives of this review will assess whether:

Council Tax & Housing Benefits

- Benefit can be awarded only to valid applicants;
- Claims are accurately assessed and benefit calculated in accordance with Regulations;
- Claims are processed and determinations made within the timescales required by Regulations;
- Benefit awards are correctly recorded in the benefits system, the rent accounting system and the financial ledger;
- Adequate steps are taken to prevent and detect fraud;
- Overpayments are recovered, where appropriate; and
- The annual subsidy claim is accurate and complete.

1.18 Payroll

The previous focus for the payroll audit has been to assess the roll out of HR Payroll. In 2006 - 2007, Internal Audit looked at the operation of the Payroll. This emphasis will continue into 2007 – 2008. The specific objectives of the review will be to assess whether:

- Payments are made only to valid employees;
- Payroll budgets are set in accordance with pre-determined approved policy objectives;
- Payments are correctly calculated in accordance with contracts of employment, pay scales, hours worked, other authorised allowances and exception reports produced etc;
- Data (particularly standing data) is accurate, complete, access controlled and secure;
- Arrangements exist for creating back-up copies of data, storing and retaining it securely to enable recovery in the event of failure; and
- The system contributes to the Council's ability to demonstrate that resources are being used in an economical, effective and efficient way.

2. Non - Financial Audits

The non-financial section of the strategic audit plan recognises activities that require to be reviewed on an annual basis. These include corporate governance and statutory performance indicators.

Internal Audit in complying with the CIPFA Code of Practice for Internal Audit, has prepared this section of the report incorporating high risk areas identified by Heads of Service in an operational risk exercise carried out between the Corporate Services Department - Governance & Risk section, Internal Audit and its partner KPMG.

2.1 Best Value Audit

2.1.1 Internal Audit will continue to monitor the implementation of the agreed recommendations by management pertaining to Best Value Scrutiny Reviews carried out for Human Resources, Partnerships and Partnership Working, and Legal Services. In 2006 – 2007 the audit days allocated for this area of activity were used to review progress by departments with their approach to establishing Best Value on the back of service reviews. The range of audit work carried out by Internal Audit will be within the risk ranking of 1 to 3.

2.2 Community Services – Care Services

2.2.1 The Accounts Commission - Audit Scotland issued a national report towards the end of August 2004 entitled, "Adapting to the future". This was a national report containing the findings of a recent study of Local Authorities and NHS bodies in Scotland.

2.2.2 Community Services Departmental management have been progressing the recommendations that arose from the above named national report. In 2005 – 2006 the joint implementation group (JIG) composed of both Council and NHS staff appointed a consultant to look at "Adapting to the future" within a feasibility study on improving service delivery. The resulting report in March 2006 detailed the actions that had to be taken in order for the Council to become compliant with the recommendations of the national report. The above outcomes were reported to the Audit Committee and combined with an overall Social Work services review.

2.2.3 Internal Audit in 2007 - 2008 will follow up the report findings to establish that progress is being made by the joint implementation group.

2.3 Community Services – Education NPDO

Internal Audit resources will be allocated to contract monitoring of the Council Education NPDO programme. Consideration will be given to the policy and objectives set, the processes and procedures in place for contract management and reporting.

2.4 Community Services - HMIE

HMIE in 2005 issued a report following their inspection of functions within the Education Service. The report found that Education Service demonstrated good and improving performance across many different aspects of its work. In order to improve standards further an Action Plan was agreed between Education Service management and HMIE. In 2006 – 2007 Internal Audit carried out an audit to establish that management implementation addressed the actions agreed in the HMIE report. The HMIE will return in 2007 – 2008 to carry out a follow up review regarding implementation of the agreed action plan points. Internal Audit will follow up their report findings.

2.5 Community Services – Transportation

2.5.1 Internal Audit in 2007 - 2008 will follow up the actions of management taken in 2006 – 2007 to establish what progress is being made.

2.6 Development Services – Partnership Project Funding

Audit time has been set aside within annual audit plan to look at the Planning Sections reliance on external funding and its importance in supporting core functions.

2.7 Corporate Services – Risk Management Register

The Council has developed a risk register and at present it is being updated. Internal Audit in 2006 – 2007 reviewed Risk Management across the Council departments and prepared a report and action plan which was approved by the Strategic Management Team (SMT) and Audit Committee. In 2007 – 2008 time has been set to review the progress made with implementation across the Council of the agreed action plan points.

2.8 Corporate Services – ICT Applications

A risk evaluation exercise carried out at the end of January 2005, highlighted a number of key operational risks that could potentially lead to a problem for the Council, in particular unauthorised access to IT systems resulting in a breach of confidentiality, disruption and lack of system integrity. In co-operation with our partner KPMG audit work in 2005 – 2006 was directed to IT Security. In 2006 – 2007 the audit emphasis will be on IT applications. Discussions are presently taking place with both ICT management, KPMG and Audit Scotland to agree the scope and objectives for the audit.

2.9 Operational Services – Roads & Amenity Services

As part of the 3 year strategic audit plan 2005 – 2008, audit time had been planned for an audit of Waste Management in 2006 – 2007. However, Internal Audit as part of the Grant Funding audit in 2005 – 2006 audited this activity. The Head of Service is currently reviewing other areas where Internal Audit could be of assistance.

2.10 All Services – Common Areas

Set out below are a number of non financial audits identified from a recent Heads of Service risk evaluation exercise. The exercise highlighted a number of key operational risks common to all Heads of Service. Internal Audit in 2005 – 2006 reviewed these areas in order to determine an audit approach for subsequent audits in 2006 - 2007. Resources have been allocated within the 2007 – 2008 annual audit plan and discussions will take place with the Heads of Service as to the best way to address their particular issues. The audit areas are:

- Partnership Working;
- Strategic Asset Management;
- Business Continuity Planning; and
- New Legislation.

2.11 Corporate Governance Compliance

- 2.11.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) together published 'Corporate Governance in Local Government – A Keystone for Community Governance'. This is a guidance note to assist Councils in achieving good practice in respect of corporate governance. As per last year an IFCS statement will be produced by internal audit based on our review of both external and internal audit reports and each Director's IFCS. The IFCS identifies any areas of potential weakness in the systems of financial control that have or will need to be addressed by departments.
- 2.11.2 The broad objective of this review will be to assess the arrangements put in place by the Council to implement good practice guidance.

2.12 Council wide - Performance Indicators, Council PIs

- 2.12.1 The Council is required to collect record and publish performance indicators to allow benchmarking with other local authorities and against the Council's own past performance. It needs to ensure its systems and processes are robust and operating efficiently and effectively to capture and report such information.
- 2.12.2 The broad objectives of this review will be to review the processes for reporting key performance indicators. Internal audit will select PIs for review in three ways, the first on variance from previous year's figures of more than 2 %, secondly where PIs are in a Transitional, Change or New status and thirdly those PIs that failed last year. Failed PIs will be reviewed again to assess compliance. The remainder will be the subject of a desktop review. Departments and PI co-ordinators have been advised of the requirement to maintain notes on variances so that back up is available for the auditor to check. Following a discussion between the Councils new external auditors RSM Robson Rhodes LLP and Internal Audit, a seminar was held in January 2007 hosted by the Policy & Strategy Unit; the process outlined above was discussed and agreed with the PI co-ordinators for 2006 – 2007 reporting. RSM Robson Rhodes will be doing the external audit of PIs and Internal Audit is planning to work with them in terms of coverage.

3. Contingency Days 2007 – 2008

Audit days have been included within the strategic audit plan for contingency. This is audit time for unforeseen events which, by their nature, cannot be planned for, e.g.:

- Notification of frauds, significant weaknesses or loss;
- Consideration of controls for new or amended systems; and
- Reviews of significant breakdown of internal control that cannot be accommodated within planned audits.

3.1 Special Investigations

The management of the Council may from time to time request that Internal Audit carry out special investigations on particular issues identified by Council management. Audit days are provided within the annual audit plan for this activity.

3.2 Risk Assessment / Strategic Plan / Annual Plans

Internal Audit will devote time to assessment of risk matters that could affect the audit plan. To develop the audit plan as issues identified by Council Management require input from Internal Audit. In addition Internal Audit will:

- Closely work with Corporate Services – Risk Management Group ; and
- Ensure that the strategic audit plan and annual plans reflect all necessary changes.

3.3 Follow-up of Internal & External Audit Recommendations

The specific objectives of this review will be to assess and report to the Audit Committee on:

- Progress made by management to address agreed recommendations made by both internal and external audit.
-