

AUDIT COMMITTEE

15 APRIL 2008

MINIMISING IMPACT OF VACANCY IN 2008/2009

Report from: Internal Audit

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Summary

To seek Members' views on the proposed change to the work programme for 2008/09.

1. Budget and Policy Framework

1.1 Following the Council's decision to establish this committee, it is within the remit of this committee to take decisions regarding accounts and audit issues.

2. Background

2.1 At the last meeting of this committee, Members discussed arrangements for minimising the impact of a vacancy within the internal audit team and the effect on the delivery of the audit service in 2008/09. Members asked for an indication where reductions in audit coverage would occur and asked officers to explore what options existed to fill any gaps in the audit coverage.

2.2 The internal audit work programme is derived from a number of sources, which are:-

- the Council's risk identification process, identified through the risk register, business and service plans,
- internal audit's view of risk,
- work requested by Members, chief executive, chief finance officer, directors and other officers,
- predetermined audits that form part of an agreed arrangement with the external auditor.

2.3 It is anticipated that the above sources will be retained and that the major strategic, operational and financial risks will again feature in the 2008/09 plan. However, the absence of one auditor for the majority of the year means that some areas of work cannot be covered to the same depth in 2008/09 as it has been in previous years.

- 2.4 The results from the 2007 benchmarking exercise have also been used to inform the plan.

3. Options

Reduce audit coverage

- 3.1 At a time of reduced resource (albeit temporary), the obvious approach is to reduce coverage. There is one area of audit activity that is not carried out on a risk basis and that is the financial control audit work in schools.
- 3.2 The current school audit approach has met the needs of the chief finance officer and others through the use of a control self assessment approach. However, the introduction by the department of children, schools and families, of the financial management standard in schools (fmsis) has increased audit work without considering the level of risk. The level of support given to this activity has risen to 160 days in 2007/08 and is expected to rise further in the next three years until fmsis has been introduced in all schools.
- 3.3 On a risk based approach, high risk areas in schools are likely to fall into two categories. These are generic risks that affect most or all schools (e.g. CRB checks) or specific issues at one school. The former category can be met through allocation of resources from the strategic/operational risk audit activities. The latter category will require an allocation of resources within the 2008/09 plan.

Transfer staff from accountancy function on part time basis

- 3.4 This option was suggested at the last meeting of this committee. There are potential immediate benefits of this action but there are many disadvantages including impact on the loaning service, slower delivery of the audit service and lack of recent audit expertise. In addition, the accountancy service is currently carrying a number of vacancies.

4. Advice and analysis

- 4.1 The following table outlines the 2008/09 planning purposes, the number of audit days for the individual on maternity leave and the adoption of the risk approach would be:-

| Description | Plan | Proposed |
|---|------|----------|
| Audit days available per auditor in 2008/09 | 185 | 185 |
| Less days lost to maternity cover (April to November) | | 123 |
| Available days | | 62 |
| | | |
| Fmsis allocation in 2008/09 | 185 | Nil |
| Individual school – high risk work (6 schools) | 0 | 62 |

4.2 Broadly, the potential high risk work in schools can be met from existing resources. The level of resources devoted to schools is obtained from the 2007 benchmarking exercise. However, a request for this work in the period to April – November cannot be met by this method and external resources, funded by the staff absence, would be used to meet this cost.

5. Financial and legal implications

5.1 There are no financial or legal implications arising from this report.

6. Recommendations

6.1 Members to note and agree the proposed method of managing the staff absence in 2008/09.

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Background papers

None.

Benchmarking data

Individual school activity

| | |
|--|-----|
| Medway Council planned days in 2007/08 | 150 |
| Actual days used in 2007/08 | 160 |
| Benchmarking 2007 exercise | |
| Lowest quartile (days) | 74 |
| 2 nd quartile (days) | 133 |
| 3 rd quartile (days) | 204 |

IA Activity 2007/08

| Activity | Medway Days/£m (see note 1) | National Days/£m | Comment |
|--------------------------------|--------------------------------------|---------------------|---------------------------------------|
| Fundamental financial systems | 0.51 | 0.62 | See note 2 |
| Strategic/Operational Risk | 1.78 | 1.95 | See note 3 |
| Governance | 0.23 | 0.24 | |
| Other | 0.36 | 0.79 | See note 4 & 5 |
| Work not carried out by Medway | 0.00 | 0.22 | Grant certification and other work |
| Contingency | 0.00 | 0.26 | |
| | 2.88 | 4.08 | |

- Note 1 Each 0.10 days/£m equates to 50 days.
- 2 External audit has not questioned the level of audit coverage in any of their audits.
- 3 Fmsis work forms part of operational risk activity.
- 4 National statistic includes 0.22 days/£m on consultancy.
- 5 National statistic includes 0.19 days/£m which Medway meets through other means.