

EXEMPT / CONFIDENTIAL UNDER STANDING ORDER 49 (3)



ITEM FOR: INFORMATION

DISCUSSION

DECISION



REPORT TO: East North East Homes Leeds Audit Sub Committee

REPORT FROM: Director of Corporate Services

SUBJECT: Draft Audit Universe 2008 / 09

PRESENTED BY: Maureen Gatt

DATE: 1 May 2008

EXECUTIVE SUMMARY

In line with the statement on Internal Control, the Company is required to review the effectiveness of the Internal Control environment.

The purpose of this report is to consider the proposed Audit Universe for 2008 / 09 which identifies key audits which are considered to meet one of the following criteria.

- Essential / critical audits.
- Fundamental systems.
- Other systems / area for review.

Audit Sub Committee are recommended to consider the draft Audit Universe with a view to determining the most appropriate audits for inclusion within the 2008 / 09 plan.

1.0 PURPOSE OF THE REPORT

1.1 To present the Draft Audit Universe 2008 / 09 to Directors of the Audit Sub Committee for consideration.

2.0 BACKGROUND

2.1 Directors will recall that in line with the Statement on Internal Control, a requirement is placed upon the Company to review the effectiveness of the internal control environment.

2.2 Within this requirement, it is essential that an annual review of all Internal Control arrangements and systems is undertaken to:

- Ensure action is taken to improve arrangements in areas where significant issues are outstanding.
- Review the effectiveness of key material areas of the business in accordance with the regulations.

2.3 Against this back – drop, a draft Audit Universe has been drawn up for 2008 / 09 for consideration by Audit Sub Committee: as attached at Appendix A.

3.0 INFORMATION

3.1 Directors may recall the Audit function is procured through a Service Level Agreement (SLA) with Leeds City Council's Internal Audit Service. The SLA provides 95 days work, at a cost of £25,000.

3.2 In order to maximise the benefits of the SLA, the audit service is structured around the requirements of the statement of Internal Control, and therefore the individual audits proposed meet these requirements.

3.3 In order to plan the proposed audit coverage for 2008 / 09 often referred to as the Audit Universe, it was essential that key criteria and 'essential' individual audits were identified first.

3.4 As can be seen within the draft Audit Universe 2008 / 09, the criteria applied is:

- Corporate Governance – Which is an essential audit on an ongoing year by year basis.
- Fundamental systems – Which identify key financial systems of material value.
- Other systems / areas for review.

- 3.5 Within the criteria 'fundamental systems' Payroll is deemed to be an essential audit in light of the high value and has been included within the proposed Audit Plan.

Other fundamental systems have been considered but are deemed to be less significant or, as is the case with Creditors, have previously been subject to audit.

- 3.6 Within the criteria other systems / areas for review, key areas have been identified for consideration in the light of Service Director requests, for example, responsive day to day and voids, or are issues identified during the compilation of the 2007 / 08 Audit Universe, for example gas servicing.
- 3.7 In addition to the above, it was considered prudent that a 'contingency' of 12 days be identified to undertake any unforeseen reactive audits, together with provision, in days for attendance of Internal Audit representatives at Audit Committee, Board etc.
- 3.8 The Draft Audit Universe is by no means exhaustive, indeed Audit Sub Committee may wish to include or exclude specific areas of work. The draft document is intended to stimulate debate and to shape the final plan for 2008 / 09.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The delivery of the Audit Universe for 2008 / 09 through the Internal Audit SLA will cost £25,500 and provision for this service has been included within the 2008 / 09 Revenue Budget Corporate Services Directorate.

5.0 RISK ASSESSMENT

- 5.1 All Councils (and their subsidiaries) are responsible for ensuring that their business is conducted in accordance with the law and proper standards, and that public money is safeguarded, property accounted for and used economically, efficiently and effectively.
- 5.2 If a sound system of internal control is not in place, the Company will fail to discharge its responsibilities and will be in breach of its statutory requirements.

6.0 EQUALITY, DIVERSITY AND HUMAN RIGHTS

- 6.1 There is no specific impact on Equality, Diversity and Human Rights identified within this report. However, specific audits may address such issues as part of the audit process if required.

7.0 HEALTH AND SAFETY

- 7.1 There are no implications to the Health and Safety Procedures of East North East Homes Leeds.

8.0 VALUE FOR MONEY

- 8.1 The delivery of the audit process through LCC Internal Audit represents value for money when compared to external suppliers in that not only is the price of the service competitive, but the background knowledge of the provider is superior to other external agencies.

9.0 RECOMMENDATIONS

- 9.1 Audit Sub Committee Directors are requested to consider the proposed draft Audit Universe, with a view to determining the most appropriate audits for inclusion within the 2008 / 09 Plan.