

CIPFA NORTH WEST SOCIETY

AUDIT, RISK AND GOVERNANCE GROUP



Autumn Seminar – Woodlands, Chorley, 30th Sept 2011

Facilitated discussion:

- i) To what extent have the financial pressures in the public sector directly affected the team you work in? Is your team being asked to take on more or do less?
- ii) How is your team looking to work more efficiently?
- iii) Are you finding that there is a greater or lesser call on your services (or that of your team) to investigate potential frauds?

Summary of delegates' responses

The effects of pressures includes:

- loss of staff and experience;
- change of focus and approach;
- the reprioritising Audit Plans – more emphasis on higher level risks;
- increased demands and requests for audit resources;
- Internal Audit picking up other managers' work;
- more flexibility expected → negotiable audit plans; and
- the need to justify plans to audit committee.

How teams and individual are looking to work more efficiently include:

- for individual jobs a reduction in the number of risks covered and / or a reduction in the scope;
- doing more grouped reviews where possible to reduce days;
- flexibility in plans – reprioritise plans due to pressure on staff;
- working closer with managers as management facing same pressures = need for a shared agenda;
- a need to target skills to jobs better;
- there is scope for more collaborative working;
- an increase in number of potential frauds; and
- greater client dialogue needed.

Summary:

There were some interesting tensions – Internal Audit is, perhaps, an easy target for early resource cuts, and not many sections have escaped unscathed, but the CIA needs to resist due to increased risks through de-layering and “shortcuts” in the name of efficiency, which could actually circumvent or remove basic controls.

Internal Audit may also be regarded as an additional resource to support managers, which can add value in ensuring changes are implemented on a “right first time” basis, but there is a balance to be struck if managers are offloading work to audit rather than engaging with audit for risk management and internal control reasons.

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Corporate priorities are changing by necessity, which will require some high levels of flexibility in audit planning. There needs to be an ongoing dialogue with client departments, the S151 Officer and the audit committee to agree changes, agree which planned audits can be safely “dropped” or postponed, and demonstrate that the service is adaptable to changing demands.

Also suggest an additional emphasis in reports to audit committee on how the service adds value across the range of work performed.

Part of the emphasis on communication is the need to underline to the Audit Committee at the beginning of year that plans have to be flexible in order to accommodate changes throughout the year. Need to specify this to make clear that you are being measured against a plan that was always going to change.

There was a feeling that there is (or is likely to be) an increase in number of potential frauds due to the changing control environment, for instance service staff are being asked to do more with less therefore controls may be cut or circumvented. This coupled with a reduction in the level of audit work.

If fraud work does increase then there will be a need to explain this to the audit committee, and where applicable, the plans flexed accordingly. This will clearly lead to a need to target resources to areas of priority.

May not see an immediate increase in numbers of frauds, but this could develop, almost undetected, so needs to be closely monitored.