Audit and Corporate Governance Committee Report

Report of Audit Manager

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Internal Audit Annual Plan 2008/2009

Purpose of Report

1. The purpose of this report is:
    o to explain the process for setting the internal audit plan and for calculating the resources available.

- to set out the proposed internal audit annual plan for 2008/2009.

    2. The Committee is asked to approve the internal audit annual plan for 2008/2009.

Background

3. The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 states that the Head of Internal Audit should prepare a risk-based audit plan, which should outline the assignments to be carried out and the broad resources required to deliver the plan.

4. The CIPFA Code also states that the Audit Committee should approve (but not the direction of) the annual Internal Audit Plan and monitor progress against the plan.

Audit Allocation

5. The resources available to deliver the internal audit annual plan 2008/2009 are arrived at by starting with the number of days available for all posts within the section. This is then reduced by the estimated numbers of days lost through annual leave, bank holidays, study leave and sickness absence. The remaining days available are then allocated between the various elements of work which are expected to be carried out in the year in order to deliver an effective internal audit service.

6. The calculation of days available and the allocation of days between different categories of work is attached as **Appendix 1**. The different categories of work are classed as either chargeable or non-chargeable. Chargeable means the work has an identifiable client or is directly linked to the delivery of internal audit services. Non-chargeable means any other work which is not directly linked to the delivery of internal audit services (i.e. admin, corporate responsibilities, staff briefings).

7. Now that the working practices within Internal Audit have been harmonised and rationalised following the implementation of the shared service, the proportion and number of chargeable days has increased significantly from last year and is above the CIPFA benchmarking average. The direct impact for planned audit work is an increase of 282 days from last year.

Internal Audit Annual Plan 2008/2009

8. The internal audit annual plan is designed and constructed in such a way to enable the Audit Manager to form an opinion on the adequacy of the Council's control environment. This opinion forms an important independent view of the Council's operations that feeds into and supports the Council's annual governance statement. In accordance with the Ridgeway Shared Service Partnership principles agreed by both Councils, the internal audit annual plan ensures that each Council will receive an equal allocation of the resource and audit service. The proposed internal audit plan 2008/2009 is attached as **Appendix 2**.

9. The internal audit annual plan reflects the proposed coverage for both Councils. As should be expected, the level of joint audits has increased to reflect the efficiency savings which can be obtained through this approach but also to utilise the opportunity to share best practice between the two Councils.

10. The plan is essentially risk based, in that each auditable area is considered according to the level of risk exposure in terms of the Councils ability to achieve their corporate objectives. Normally the plan would primarily be based on each Councils own assessment of risk exposure, however Internal Audit considers that further work needs to be undertaken to improve risk management processes within both Councils and in the interim has therefore made its own assessment on levels of risk exposure. The Audit Manager has also consulted the Chief Executive's, Directors, Senior Managers across both sites and the Audit Commission to ensure that the Plan adequately reflects salient issues.

11. However, the Internal Audit Annual Plan takes into account a range of drivers:

- Directed - Generally no choice, mainly core financial system reviews which enable the Audit Commission to place reliance on the systems for the purpose of the annual accounts opinion.

- Requested - Work requested by senior managers during the consultation stages of the annual audit planning process.
- Fraud Risk - Risk of financial loss or misappropriation, which is inherent in certain areas.
- Corporate Risk - Areas of high risk identified through risk registers or previous internal audit work and observations.
- Assurance - General assurance review.

12. It should be noted that not all aspects within a specific area are necessarily examined at each audit. Actual coverage is decided at the time of the audit in consultation with senior managers. This ensures that current issues together with recent coverage by internal audit or external bodies determine the scope of the work.

13. The Audit Commission looks to place reliance upon Internal Audit's work to limit its own coverage. This arrangement is dependent upon the significant financial systems being examined each year (i.e. council tax, payroll) to provide assurance as to their continuing controlled operation. To avoid any unnecessary duplication of effort between the two parties, Internal Audit and the Audit Commission have established an on-going communication mechanism to ensure that respective plans and scope of reviews are shared.

ADRIANNA PENN

AUDIT MANAGER

AUDIT ALLOCATION 2008/2009   APPENDIX 1

DESCRIPTION	DAYS
(Analysis of Description Follows)	
Total Days Available for Internal Audit Team	**1560**
(52x5x6) – Audit Manager, Senior Auditor and Auditor x4)	
Lost Days	
Annual Leave	179
Bank Holiday/Christmas Closure at SODC	45
Other Leave (Study/Elections)	32
Sick Leave (5x6)	30
Total Lost Days for Internal Audit Team	**286**
Non-Chargeable Days	
Training and Development (5x6)	30
Admin/Corporate Issues (15x6)	90
Team Meetings (0.5x12x6)	36
Total Non-Chargeable Days for Internal Audit Team	**156**
Chargeable Days	
Audit Management	140
Adhoc Audit Advice	60

Tenders	6
Consultancy/System Development	40
Contingency (Investigations)	90
Follow Up Work 2007/2008	20
Audit Plan 2008/2009	752
Follow Up Work 2008/2009	10
Total Chargeable Days for Internal Audit Team	**1118**
Total Lost + Non-Chargeable and Chargeable Days	**1560**
Proportion of Chargeable Days 2008/2009	**71.5%**
Comparison from 2007/2008	63%
Number of Chargeable Days Per Team Member	**186**
Comparison from 2007/2008	165
CIPFA Benchmarking Average 2007/2008	178
Comparison to other Oxfordshire District Council for 2008/2009 (1)	170
Comparison to other Oxfordshire District Council for 2008/2009 (2)	183

DAYS AVAILABLE FOR PLANNED AUDIT WORK 2008/2009

Internal Audit Team   752

Contractors   60

TOTAL   812

Comparison from 2007/2008 530

Analysis of Description

Training and Development

- In-house corporate training (IT, new systems, HR training programme)
- External role related training (management, fraud, audit)

Administration and Corporate Issues

- Appraisals
- Progress and 1-2-1 meetings
- Filing

- Timekeeping (timesheets, work allocation, individual quarterly plans)
- Staff briefings
- E-mails/Correspondence

Audit Management

- Preparation and attendance at RSSP and ACGC meetings
- Revision of audit procedures
- Quality assurance
- Liaising with External Audit
- Raising the profile of Internal Audit
- Attendance at corporate internal and external networking meetings
- Internal Audit presence on the website and intranet at both sites
- Preparation and monitoring of audit plan
- Budgetary control

Adhoc Audit Advice

- Informal responsive advice to queries from staff members

Consultancy/System Development

- Formal project work based on agreed Terms of Reference (i.e. Project member for implementation of new systems, delivery of training to members and staff).

Contingency/Investigations

- Responsive work issued and agreed by the S151 Officer, Audit and Governance Committees, Members or Senior Management Team.

AUDIT PLAN 2008/2009   APPENDIX 2

JOINT	Priority	Driver	SODC Days	VWHDC Days	SODC	Priority	Driver
Academy	1	RFCA	10	10	Car Park Income	2	RF
Agresso	1	RFCA	10	10	Complaints Process	3	R
Anti-Fraud and Corruption Policy	1	RFCA	10	10	Concessionary Fares	1	FRA

Brown Bin Scheme	2	RF	10	10	Didcot Arts Centre	1	RFA
Budgetary Control	2	FA	10	10	Licensing	2	FA
Capital Accounting	1	DF	10	10	Pest Control	2	RF
Consultation (Public and Staff)	3	R	10	10	Tourism (Marketing Contract)	3	A
Contract Monitoring	2	RC	10	10			
Corporate Governance	2	FA	10	10			
Council Charges	2	RF	10	10			
Council Tax	1	DF	10	10			
Creditor Payments	1	DF	10	10			
Disaster Recovery	2	CA	10	10			
Emergency Planning	2	CA	10	10			
Freedom of Information	2	RA	10	10			
General Ledger	1	DF	10	10			
Gifts and Hospitality	2	FA	5	5			
GIS	3	R	10	10			
Housing & Council Tax Benefits	1	DF	10	10			
Human Resources	3	R	10	10			
ICT	2	CA	10	10			
Internal Recharges	3	F	10	10			
NNDR	1	DF	10	10			
Out of Hours Arrangements	2	RA	10	10			
Payroll	1	DF	10	10			
Petty Cash Procedures	2	FA	5	5			
Petty Cash Spot Checks	2	FA	3	3			
Performance Management	3	R	8	8			
Post Room	3	F	10	10			
Receipt of Income Arrangements	1	RFC	10	10			
Risk Management	2	RF	10	10			
SOLL Leisure	2	RF	10	10			
Stock Control	2	F	10	10			
Sundry Debtors	1	DF	10	10			
Treasury Management	1	DF	10	10			
TOTAL DAYS			**331**	**331**			

Drivers:

D = Directed (Generally no choice, mainly core financial system reviews which enable the Audit Commission to place reliance on the systems for the purpose of the annual accounts opinion)

R = Requested (Work requested by senior managers during the consultation stages of the annual audit planning process)

F = Fraud Risk (Risk of financial loss or misappropriation, which is inherent in certain areas)

C = Corporate Risk (Areas of high risk identified through risk registers or internal audit work and observation)

A = Assurance (General assurance review)

Priority Rating:

1 = High (High risk area, annual assurance cycle, 3 – 5 drivers)

2 = Medium (Medium risk area, 1-2 years assurance cycle, 2 drivers)

3 = Low   (Low risk area, 2-4 years assurance cycle, 1 driver)

AUDIT PLAN 2008/2009 IN PRIORITY ORDER

JOINT	Priority	Driver	SODC Days	VWHDC Days	SODC	Priority	Driver
Academy	1	RFCA	10	10	Concessionary Fares	1	FRA
Agresso	1	RFCA	10	10	Didcot Arts Centre	1	RFA
Anti-Fraud and Corruption Policy	1	RFCA	10	10	Car Park Income	2	RF
Capital Accounting	1	DF	10	10	Licensing	2	FA
Council Tax	1	DF	10	10	Pest Control	2	RF
Creditor Payments	1	DF	10	10	Complaints Process	3	R
General Ledger	1	DF	10	10	Tourism (Marketing Contract)	3	A
Housing & Council Tax Benefits	1	DF	10	10			
NNDR	1	DF	10	10			
Payroll	1	DF	10	10			
Receipt of Income Arrangements	1	RFC	10	10			
Sundry Debtors	1	DF	10	10			
Treasury Management	1	DF	10	10			
Brown Bin Scheme	2	RF	10	10			
Budgetary Control	2	FA	10	10			
Contract Monitoring	2	RC	10	10			
Corporate Governance	2	FA	10	10			
Council Charges	2	RF	10	10			
Disaster Recovery	2	CA	10	10			
Emergency Planning	2	CA	10	10			
Freedom of Information	2	RA	10	10			
Gifts and Hospitality	2	FA	5	5			
ICT	2	CA	10	10			
Out of Hours Arrangements	2	RA	10	10			
Petty Cash Procedures	2	FA	5	5			
Petty Cash Spot Checks	2	FA	3	3			
Risk Management	2	RF	10	10			
SOLL Leisure	2	RF	10	10			
Stock Control	2	F	10	10			
Consultation (Public and Staff)	3	R	10	10			
GIS	3	R	10	10			

Human Resources	3	R	10	10			
Internal Recharges	3	F	10	10			
Performance Management	3	R	8	8			
Post Room	3	F	10	10			
TOTAL DAYS			**331**	**331**			

NB: Priority order within each priority banding will be agreed between the Audit Manager and Senior Auditor when reviewing the specific scope of each review at the time of allocation to the Auditors within their individual quarterly plans, taking into

consideration peak operational cycles within each service area.