

Audit and Corporate Governance Committee Report



Listening Learning Leading

Report of Audit Manager

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To: Audit and Corporate Governance Committee

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AGENDA ITEM NO 9

Internal Audit Annual Plan 2009/2010

Purpose of Report

1. The purpose of this report is to:
 - 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 2009/2010, based on 6 months fixed and 6 months indicative.
2. The Committee is asked to approve the 6 months fixed and 6 months indicative internal audit annual plan for 2009/2010.

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 the annual Internal Audit Plan and monitor progress against the plan.

Audit Allocation

5. The resources available to deliver the internal audit annual plan 2009/2010 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).

Internal Audit Annual Plan 2009/2010

7. 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.
8. At the last Committee meeting, it was agreed that due to the period of expected change following the appointment of the new management structure, more days should be allocated to consultancy/system development work. In addition, it was agreed that a 6 months internal audit plan would be prepared for April 2009 – September 2009, with a further indicative 6 months plan to cover the period October 2009 – March 2010. The proposed internal audit plan 2009/2010 is attached as **Appendix 2**. Any amendments to the annual plan throughout the year will be submitted to the Committee for approval.
9. 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, Strategic Directors, Heads of Service and the Audit Commission to ensure that the Plan adequately reflects salient issues.
10. 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.

11. 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.

12. 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 an established on-going communication mechanism to ensure that respective plans and scope of reviews are shared.

AUDIT ALLOCATION**APPENDIX 1**

DESCRIPTION (Analysis of Description Overleaf)	DAYS 2008/2009	DAYS 2009/2010
Total Days Available for Internal Audit Team (52x5x6) – Audit Manager, Senior Auditor and Auditor x4)	1560	1560
Lost Days		
Annual Leave	179	200
Bank Holiday/Christmas Closure at SODC	45	56
Other Leave (Study/Elections)	32	19
Sick Leave	30	30
Total Lost Days for Internal Audit Team	286	305
Non-Chargeable Days		
Training and Development	30	24
Admin/Corporate Issues	90	96
Team Meetings	36	24
Total Non-Chargeable Days for Internal Audit Team	156	144
Chargeable Days		
Audit Management	140	120
Adhoc Audit Advice	66	40
Consultancy/System Development (20 days each service area)	40	160
Payroll (Audit Manager 40%)	N/A	74
Contingency (Investigations)	90	70
Follow Up Work 2008/2009	(07/08) 20	15
Audit Plan 2009/2010	752	622
Follow Up Work 2009/2010	(08/09) 10	10
Total Chargeable Days for Internal Audit Team	1118	1111
Total Lost + Non-Chargeable and Chargeable Days	1560	1560
Proportion of Chargeable Days	71.5%	71%
Number of Chargeable Days Per Auditor	186	185
CIPFA Benchmarking Average 2008/2009		176

DAYS AVAILABLE FOR PLANNED AUDIT WORK 2009/2010

Internal Audit Team	622
Contractors	60

TOTAL	682
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Comparison from 2008/2009	812
Comparison from 2007/2008	600

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 work plans)
- Staff briefings
- E-mails/Correspondence

Audit Management

- Preparation and Attendance at RSSP and ACGC
- 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, system mapping, 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 2009/2010

APPENDIX 2

Fixed Plan April 2009 – September 2009

JOINT	Priority	Driver	SODC Days	VWHDC Days	SODC	Priority	Driver	Days	VWHDC	Priority	Driver	Days
Bank Reconciliation Process Design	1	RCA	10	10	Cornerstone – Couture Contract	2	RA	10	Complaints Process	2	RA	10
VFM from CCTV Contract	3	RA	7	7	Cornerstone - Membership	2	RA	6	DSO Accounting	1	RA	15
Facilities Management	1	RCA	10	10	Fit for The Future Implementation Review	3	RA	10	Stray Dogs Contract	3	A	10
Financial Systems Reconciliations	1	RCA	12	12	Temporary Accommodation	3	A	10				
Information Governance (Sensitive Data)	2	RCA	15	15								
Partnership Performance Monitoring	2	RA	10	10								
Verification of Performance Indicator Calculations	2	RCA	15	15								
Pro-Active Anti-Fraud Review	1	FCA	15	15								
Records Management	3	RA	7	7								
Rent Accounting	2	RFCA	10	10								
S106 Commuted Sums	2	RA	12	12								
VFM in Procurement	2	RCA	12	12								
TOTAL DAYS			135	135				36				35

Indicative Plan October 2009 – March 2010

JOINT	Priority	Driver	SODC Days	VWHDC Days	SODC	Priority	Driver	Days	VWHDC	Priority	Driver	Days
Brown Bin Scheme	1	RFCA	10	10	Cornerstone – Emergency Planning, Disaster Recovery, Business Continuity Planning	2	RA	8	Car Loans	2	A	7
Capital Accounting	1	DF	7	7					Corporate Administration	3	RA	10
Council Tax	1	DF	10	10					Lone Working / Officer Security	3	RA	10
Creditor Payments	1	DF	15	15	Oxfordshire Waste Partnership	2	RA	10				
General Ledger	1	DF	10	10	Pest Control	3	A	8				
Housing & Council Tax Benefits	1	DF	15	15								
HR Grievance Procedure	3	CA	10	10								
NNDR	1	DF	10	10								
Payroll (Capita)	1	DF	10	10								
Payroll (Client)	1	DF	10	10								
Project Management	2	RCA	15	15								
Sundry Debtors	1	DF	15	15								
Treasury Management	1	DF	7	7								
TOTAL DAYS			144	144				26				27

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, which is inherent in certain areas)
- C = Corporate Risk (Areas of high risk identified through risk registers or previous internal audit work)
- 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)