

# Audit and Corporate Governance Committee

Report of Audit Manager

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To: Audit and Corporate Governance Committee

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## AGENDA ITEM 7

## Internal audit annual plan 2012/2013

### Recommendation(s)

(a) That the committee approves the internal audit annual plan 2012/2013

### Purpose of Report

1. The purpose of this report is:
  - to explain the process for setting the internal audit plan and for calculating the resources available; and
  - to set out the proposed internal audit annual plan for 2012/2013.
2. The contact officer for this report is Adrianna Partridge, Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

### Strategic Objectives

3. To assist the council to manage its business effectively by providing an assurance framework to monitor the overall adequacy and effectiveness of the internal control environment.

## Background

4. 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.
5. The CIPFA Code also states that the audit committee should approve the annual internal audit plan and monitor progress against the plan.

## Audit Allocation

6. The resources available to deliver the internal audit annual plan 2012/2013 are arrived at by starting with the number of days available for all posts within the team. 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.
7. The calculation of days available and the allocation of days between different categories of work below 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 (for example: admin, corporate responsibilities, training, staff briefings).

## Schedule of Auditable Activity (SAA)

8. The SAA attached as **appendix 2** (attached separately) lists every audit which has been completed at both or either South Oxfordshire and the Vale of White Horse District Councils since 2000. Each audit has been rated by the strategic director (section 151 officer), head of finance and audit manager on a number of key factors to give a priority score, and this assists in the assessment of what should be placed in the annual audit plan. Although scoring is subjective and no two people would score alike the process attempts to introduce a degree of objectivity into the assessment process. The key at the bottom of the spreadsheet explains the scoring and provides risk definitions.
9. The SAA is only one contributing factor to determining the annual audit plan, as external audit, the section 151 officer and internal audit will also make an assessment on the level of risk exposure and audit coverage across the council.

## Internal Audit Annual Plan 2012/2013

10. 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.

11. The proposed internal audit plan 2012/2013 below as **appendix 3**. Any amendments to the annual plan throughout the year will be submitted to the committee for approval.
12. 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. The plan is based on the schedule of auditable activity and external and internal audit's own assessment on levels of risk exposure and coverage of auditable areas in recent years. The audit manager has also consulted the committee chairman, chief executive, strategic directors, heads of service, service managers and the Audit Commission to ensure that the plan adequately reflects salient issues.
13. 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.
14. 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 (for example, 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.

### **Financial Implications**

15. There are no financial implications attached to this report.

### **Legal Implications**

16. None

### **Risk Implications**

17. Identification of risk is an integral part of all audits.

ADRIANNA PARTRIDGE  
AUDIT MANAGER

**Audit Allocation 2012/2013**

**APPENDIX 1**

DESCRIPTION (Analysis of Description Overleaf)	DAYS 2011/2012	DAYS 2012/2013
<b>Total Days Available for Internal Audit Team</b> (53x5x4) – Audit Manager and Auditor x3)	<b>1060</b>	<b>1040</b>
<b>Lost Days</b>		
Annual Leave/Reduction of hours	152	160
Bank Holiday and Christmas Closure	48	48
Other Leave (Study)	4	Moved
Sick Leave	20	20
<b>Total Lost Days for Internal Audit Team</b>	<b>224</b>	<b>228</b>
<b>Non-Chargeable Days</b>		
Training and Development (including study time)	16	20
Admin/Corporate Issues	48	44
Team Meetings	12	16
<b>Total Non-Chargeable Days for Internal Audit Team</b>	<b>76</b>	<b>80</b>
<b>Chargeable Days</b>		
Audit Management	70	76
Adhoc Audit Advice	20	25
Consultancy/System Development (7 days each service area)	70	49
Contingency (Investigations) (6 days each service area)	42	42
Follow Up Work 2010/2011	10	12
Audit Plan 2011/2012	538	520
Follow Up Work 2011/2012	10	8
<b>Total Chargeable Days for Internal Audit Team</b>	<b>760</b>	<b>732</b>
<b>Total Lost + Non-Chargeable and Chargeable Days</b>	<b>1060</b>	<b>1040</b>
<b>Proportion of Chargeable Days</b>	<b>72%</b>	<b>70%</b>
<b>Proportion of Non-Chargeable Days</b>	<b>7%</b>	<b>8%</b>
<b>Proportion of Lost Days</b>	<b>21%</b>	<b>22%</b>
<b>Number of Chargeable Days Per Auditor</b>	<b>190</b>	<b>183</b>

**DAYS AVAILABLE FOR PLANNED AUDIT WORK 2012/2013**

**Internal Audit Team 520**

Comparison from 2011/2012	538
Comparison from 2010/2011	582
Comparison from 2009/2010	682
Comparison from 2008/2009	812
Comparison from 2007/2008	600

**CHARGEABLE DAYS PER AUDITOR**

	Councils	CIPFA
12/13	183	N/K yet
11/12	190	180
10/11	200	172
09/10	185	171

## **Analysis of Description**

### **Training and Development**

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

### **Administration and Corporate Issues**

- Appraisals
- Progress and 1-2-1 meetings
- Filing
- Timekeeping (timesheets, time allocation, individual work plans)
- Staff briefings
- E-mails/correspondence
- FTF
- Recruitment

### **Audit Management**

- Preparation and attendance at committee
- 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 the 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 corporate governance committees, members or management team.

<b>JOINT</b>	<b>Priority Score</b>	<b>SODC Days</b>	<b>VWHDC Days</b>
Payroll	23	16	16
Insurance	22	10	10
Seasonal Leisure Activities	21	6	6
Housing & Council Tax Benefits	20	15	15
NNDR	20	12	12
Benefit Fraud	20	10	10
Council Tax	19	12	12
Creditor Payments	19	10	10
General Ledger	19	10	10
Budgetary Control	18	8	8
Sundry Debtors	18	10	10
Data Protection	18	5	5
Pro-Active Anti-Fraud Review	17	8	8
Receipt of Income Arrangements	17	10	10
Risk Management	17	7	7
Mobile Home Parks	16	12	12
Emergency Planning	16	5	5
Treasury Management	16	7	7
Capital Accounting	15	7	7
Housing Allocations	15	10	10
Temporary Accommodation (including rent deposit, rent in advance and VWHDC rent accounting)	15	10	14
Planning Control	14	10	10
Discretionary Grants	13	8	8
Information Governance	12	10	10
Freedom of Information	11	8	8
Carbon Management Programme	New	10	10
<b>SODC</b>	<b>Priority Score</b>	<b>SODC Days</b>	<b>VWHDC Days</b>
Cornerstone	15	10	0
Leader Project Grant Verification	9	4	0
<b>VWHDC</b>	<b>Priority Score</b>	<b>SODC Days</b>	<b>VWHDC Days</b>
Wantage Civic Hall	17	0	10
<b>TOTAL DAYS</b>		<b>260</b>	<b>260</b>

**Priority Rating:**

Audits are rated within the schedule of auditable activity taking into consideration the following factors:

- The date of the last review;
- The last assurance rating the audit area was given;
- Risk scores for the level of exposure to financial, fraud, reputational, legal and corporate risk; and
- Officer requests for a review.

This generates a priority score which, together with external and internal audit and the section 151 officer's opinion on key risk areas, drives which audits are placed in the annual audit plan.