

# Joint Audit and Governance Committee



Report of Internal Audit Manager

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To: Joint Audit and Governance Committee

DATE: 25 March 2019

## Internal audit annual plan 2019/2020

### Recommendation

That members approve the internal audit annual plan 2019/2020

### 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 2019/2020.
2. The contact officer for this report is Victoria Hughes, Internal Audit Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 01235 422430.

## Strategic Objectives

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

## Background

4. The Public Sector Internal Audit Standards (PSIAS) from 1 April 2017 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 resource requirements to deliver the plan, for audit committee approval.
5. The PSIAS 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 2019/2020 are arrived at by starting with the number of days available for all internal audit posts within the team. This is then reduced by the estimated numbers of days lost through annual leave, bank holidays (planned) and sickness absence (unplanned). Allowance has been made within the available time for the two auditor vacancies, following the internal promotion of two auditors in January 2019. 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 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 (for example: admin, corporate responsibilities, training, staff briefings).
8. The calculation of days for next year is lower than the previous year as it assumes a vacancy of two months for the two vacant auditor posts. An explanation of the individual variances against the previous year allocated days is provided after the calculation in **appendix 1**.

## Schedule of Auditable Activity (SAA)

9. The SAA attached as **appendix 2** lists every possible audit area at both or either South Oxfordshire District Council and the Vale of White Horse District Councils. Each audit has been rated by the internal audit manager and critically reviewed by the head of finance (section 151 officer) 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.

10. The SAA is only one contributing factor to determining the annual audit plan, as external audit, the section 151 officer, internal audit, external risk factors, and senior management will also make an assessment on the level of risk exposure and audit coverage across the council. In addition, service managers may request that a function within their area of responsibility is reviewed as part of the audit plan.

### **Internal Audit Annual Plan 2019/2020**

11. The internal audit annual plan is designed and constructed in such a way to enable the internal audit manager to form an opinion on the adequacy of each council's control environment. This opinion forms an important independent view of each council's operations that feeds into and supports each council's annual governance statement.
12. The proposed internal audit plan 2019/2020 is attached as **appendix 3**. Any amendments to the annual plan throughout the year will be submitted to the committee for approval.
13. 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. These audits will be scheduled and completed throughout the year. Any changes to the work programme through the year will be reported to committee.
14. 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 heads of service and service managers. This ensures that current issues together with recent coverage by internal audit or external bodies determine the scope of the work.

### **Financial Implications**

15. The audit plan can be delivered from within the approved 2019/2020 budget, therefore 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.

VICTORIA HUGHES  
INTERNAL AUDIT MANAGER