

# Audit and Governance



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Report of **Head of Finance**

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Author: **William Jacobs**

Telephone: **01235 547455**

Wards Affected  
All

E-mail: **william.jacobs@southandvale.gov.uk**

Executive Portfolio Holder: **Councillor Jerry Patterson**

Telephone: **01235 850275**

E-mail: **jerry.patterson@whitehorsedc.gov.uk**

## **Internal audit annual plan 2010/2011**

### **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.
  - set out the proposed internal audit annual plan for 2010/2011.
2. The Committee is asked to approve the internal audit annual plan for 2010/2011.

### **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 2010/2011 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 (for example: admin, corporate responsibilities, staff briefings).

## **Internal audit annual plan 2010/2011**

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. The proposed internal audit plan 2010/2011 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. The plan is based on each councils own assessment of risk exposure, and internal audit's 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 (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.

13. Internal audit has consulted all service areas regarding the 2010/2011 internal audit plan. The management team has reviewed the audit plan in particular priority three audit reviews and has suggested that consideration should be given to the withdrawal of priority three audits from the audit plan to enable the audit team to concentrate on the higher priority audits. Internal Audit will give consideration to this amendment to the audit plan and will at a later date request the plan be amended should internal audit agree this action.

WILLIAM JACOBS  
HEAD OF FINANCE

**AUDIT ALLOCATION****APPENDIX 1**

<b>DESCRIPTION</b> (Analysis of Description Overleaf)	<b>**DAYS</b> <b>2009/2010</b>	<b>DAYS</b> <b>2010/2011</b>
<b>Total Days Available for Internal Audit Team</b> (52x5x5) – Audit Manager and Auditor x4)	<b>1560</b>	<b>1300</b>
<b>Lost Days</b>		
Maternity Leave	N/A	165
Annual Leave	200	142
Bank Holiday	56	50
Other Leave (Study/Elections)	19	10
Sick Leave	30	25
<b>Total Lost Days for Internal Audit Team</b>	<b>305</b>	<b>392</b>
<b>Non-Chargeable Days</b>		
Training and Development	24	18
Admin/Corporate Issues	96	74
Team Meetings	24	16
<b>Total Non-Chargeable Days for Internal Audit Team</b>	<b>144</b>	<b>108</b>
<b>Chargeable Days</b>		
Audit Management	120	90
Adhoc Audit Advice	40	35
Consultancy/System Development (20 days each service area)	160	80
Payroll (Audit Manager 40%)	74	N/A
Contingency (Investigations)	70	50
Follow Up Work 2009/2010	15	13
Audit Plan 2010/2011	622	522
Follow Up Work 2010/2011	10	10
<b>Total Chargeable Days for Internal Audit Team</b>	<b>1111</b>	<b>800</b>
<b>Total Lost + Non-Chargeable and Chargeable Days</b>	<b>1560</b>	<b>1300</b>
<b>Proportion of Chargeable Days</b>	<b>71%</b>	<b>61.5%</b>
<b>Number of Chargeable Days Per Auditor</b>	<b>185</b>	<b>160</b>

**DAYS AVAILABLE FOR PLANNED AUDIT WORK 2010/2011**

Internal Audit Team	522
Contractors	60

**TOTAL** **582**

Comparison from 2009/2010	682
Comparison from 2008/2009	812
Comparison from 2007/2008	600

\*\* Audit Plan as submitted and agreed March 2009

## **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 2010/2011**

**APPENDIX 2**

JOINT	Priority	Driver	SODC Days	VWHDC Days	SODC	Priority	Driver	Days	VWHDC	Priority	Driver	Days
Brown Bins	2	FCA	7	7	Cash Office	2	FA	8	Car Loans	2	A	10
Capital Accounting	1	DF	8	8	Cornerstone – Emergency Planning, Disaster Recovery, Business Continuity Planning	2	RA	8	Handling of Postal Cash and Cheques	2	FA	7
Council Tax	1	DF	10	10	Fit for The Future Implementation Review	3	RA	10	Licensing	2	A	10
Creditor Payments	1	DF	15	15	Leader Project Assurance	2	RA	10	Mortgages Administration	2	RA	7
Equalities and Diversity Strategy	2	RCA	8	8	Leader Project Grant Verification	2	RA	3	Stray Dogs Contract	3	A	10
General Ledger	1	DF	10	10	Pest Control	3	A	5				
Health & Safety	2	CA	10	10								
Housing & Council Tax Benefits Annual Audit	1	DF	15	15								
Housing & Council Tax Benefits Overpayments and Recovery Follow-Up	1	RFC	7	7								
HR Grievance Procedure	3	CA	10	10								
HR Recruitment	1	RFCA	10	10								
ICT	2	FCA	10	10								
International Financial Reporting Standards	1	RCA	10	10								
Leisure Centres	2	FCA	15	15								
NNDR	1	DF	10	10								
Payroll	1	DF	10	10								
Pro-Active Anti-Fraud Review	1	FCA	15	15								
Project Management	2	RCA	15	15								
Sundry Debtors	1	DF	15	15								
Time Management Across SODC/VWHDC	2	RA	10	10								
Travelling & Subsistence Expenses	2	FCA	10	10								
Treasury Management	1	DF	7	7								
Verification of National Indicators	2	CA	10	10								
<b>TOTAL DAYS</b>			<b>247</b>	<b>247</b>				<b>44</b>				<b>44</b>

**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)