

# Audit and Governance Committee Report 9 March 2011



Report of: **Audit Manager**

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To: Audit and Governance Committee

DATE: 9 March 2011

**Report No. 116/10**

Wards Affected  
All

## Internal audit annual plan 2011/2012

### Recommendation

That members approve the internal audit annual plan 2011/2012

### 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
  - to set out the proposed internal audit annual plan for 2011/2012.
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 2011/2012 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 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 2011/2012

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.
9. The proposed internal audit plan 2011/2012 is attached as **appendix 2**. Any amendments to the annual plan throughout the year will be submitted to the committee for approval.
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. 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.
11. 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.
  - Brought Forward – Audits which have been brought forward from 2010/2011.
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 (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**

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

### **Legal Implications**

15. None

### **Risk Implications**

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

ADRIANNA PARTRIDGE  
AUDIT MANAGER

**Audit Allocation 2011/2012****APPENDIX 1**

DESCRIPTION (Analysis of Description Overleaf)	DAYS 2010/2011	DAYS 2011/2012
<b>Total Days Available for Internal Audit Team</b> (53x5x4) – Audit Manager and Auditor x3)	<b>1300</b>	<b>1060</b>
<b>Lost Days</b>		
Maternity Leave	165	N/A
Annual Leave/Reduction of hours	142	152
Bank Holiday and Christmas Closure	50	48
Other Leave (Study/Elections)	10	4
Sick Leave	25	20
<b>Total Lost Days for Internal Audit Team</b>	<b>392</b>	<b>224</b>
<b>Non-Chargeable Days</b>		
Training and Development	18	16
Admin/Corporate Issues	74	48
Team Meetings	16	12
<b>Total Non-Chargeable Days for Internal Audit Team</b>	<b>108</b>	<b>76</b>
<b>Chargeable Days</b>		
Audit Management	90	70
Adhoc Audit Advice	35	20
Consultancy/System Development (10 days each service area)	80	70
Contingency (Investigations) (6 days each service area)	50	42
Follow Up Work 2010/2011	13	10
Audit Plan 2011/2012	522	538
Follow Up Work 2011/2012	10	10
<b>Total Chargeable Days for Internal Audit Team</b>	<b>800</b>	<b>760</b>
<b>Total Lost + Non-Chargeable and Chargeable Days</b>	<b>1300</b>	<b>1060</b>
<b>Proportion of Chargeable Days</b>	<b>61.5%</b>	<b>72%</b>
<b>Proportion of Non-Chargeable Days</b>	<b>8.5%</b>	<b>7%</b>
<b>Proportion of Lost Days</b>	<b>30%</b>	<b>21%</b>
<b>Number of Chargeable Days Per Auditor</b>	<b>160</b>	<b>190</b>

**DAYS AVAILABLE FOR PLANNED AUDIT WORK 2011/2012**

Internal Audit Team 538

Comparison from 2010/2011 582

Comparison from 2009/2010 682

Comparison from 2008/2009 812

Comparison from 2007/2008 600

(Please note that in previous years, contractors provided 60 additional planned audit days)

## **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, time 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 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.

**Audit Plan 2011/2012**

**APPENDIX 2**

<b>JOINT</b>	<b>Priority</b>	<b>Driver</b>	<b>SODC Days</b>	<b>VWHDC Days</b>
Brown Bins	1	RCAB	10	10
Capital Accounting	1	DF	7	7
Council Tax	1	DF	10	10
Creditor Payments	1	DF	10	10
General Ledger	1	DF	10	10
Housing & Council Tax Benefits	1	DF	15	15
NNDR	1	DF	10	10
Payroll	1	DF	15	15
Pro-Active Anti-Fraud Review	1	FCA	10	10
Sundry Debtors	1	DF	10	10
Treasury Management	1	DF	7	7
Car Parks	2	FA	10	10
Concessionary Fares	2	RA	5	5
Elections Payments	2	A	7	7
Equalities and Diversity	2	RCA	8	8
Establishment Listing	2	RA	3	3
Groupwise/Microsoft Office Procurement	2	RA	4	4
Housing Allocations	2	A	10	10
Licensing	2	RCA	10	10
Ocella/Uniform ICT Procurement	2	RA	4	4
Planning Fees	2	RA	7	7
Travel & Subsistence	2	FA	10	10
Verification of Budget Savings	2	RCA	10	10
Verification of Performance Indicators	2	CAB	10	10
Waste Management and Recycling	2	A	10	10
Building Control	3	RA	5	5
Facilities Management	3	RA	7	7
Gifts and Hospitality	3	RFA	5	5
Grounds Maintenance	3	A	10	10
HR Pro System and Annual Leave Entitlement	3	RA	7	7
Petty Cash Spot Checks	3	FA	3	3
Stationery System	3	A	6	6
<b>SODC</b>	<b>Priority</b>	<b>Driver</b>	<b>SODC Days</b>	<b>VWHDC Days</b>
Leader Project Grant Verification	2	RA	4	0
<b>VWHDC</b>	<b>Priority</b>	<b>Driver</b>	<b>SODC Days</b>	<b>VWHDC Days</b>
Cash Office	2	FA	0	4
<b>TOTAL DAYS</b>			<b>269</b>	<b>269</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 risk identified through risk registers or previous internal audit work)
- A = Assurance (General assurance review)
- B = Brought Forward from 2010/2011

**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)