

Audit and Governance Committee Report



17 March 2014

Report of: **Interim Audit Manager**

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To: Audit and Governance Committee

DATE: 17 March 2014

Internal audit annual plan 2014/2015

Recommendation

That members approve the internal audit annual plan 2014/2015

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 2014/2015.
2. The contact officer for this report is Craig Pullen, Interim 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. Managing our business effectively.

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 2014/2015 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 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, training, staff briefings).

Schedule of Auditable Activity (SAA)

8. The SAA attached as **appendix 2** 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 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 2014/2015

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 shared working arrangements agreed by both councils, the internal audit annual plan tries to ensure that each council will receive an equal allocation of the resource and audit service.

11. The proposed internal audit plan 2014/2015 is attached 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 external audit 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. External audit 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 external audit have an established on-going communication mechanism to ensure that respective plans and scope of reviews are shared.

Financial Implications

15. The audit plan can be delivered from within the approved 2014/15 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.

CRAIG PULLEN
INTERIM AUDIT MANAGER

DESCRIPTION (Analysis of Description Overleaf)	DAYS 2013/2014	DAYS 2014/2015
Total Days Available for Internal Audit Team	951	973
52x5x3 – Auditor x 3FTE	780	780
37x4 – Audit Manager 0.8FTE	60	148
15X3 – Audit Manager 0.6FTE (Maternity cover)	111	45
Total Lost Days for Internal Audit Team	181	179
Annual Leave Entitlement	121	115
Bank Holiday and Christmas Closure	40	44
Sick Leave	20	20
Total Non-Chargeable Days for Internal Audit Team	74	74
Training and Development	16	16
Admin/Corporate Issues	40	40
Team Meetings	18	18
Total Chargeable Days for Internal Audit Team	696	720
Audit Management	70	76
Adhoc Audit Advice (3 days each service area)	21	21
Consultancy/System Development (4 days each service area)	28	28
Contingency (Investigations) (5 days each service area)	35	35
Follow Up Work 2013/2014	7	10
Audit Plan 2014/2015	515	520
Follow Up Work 2014/2015	8	8
Town and Parish Councils	12	22
Total Lost + Non-Chargeable and Chargeable Days	951	973
Proportion of Chargeable Days	73%	74%
Proportion of Non-Chargeable Days	8%	8%
Proportion of Lost Days	19%	18%

Analysis of Description

Lost days

- Annual leave entitlement and any carry forward from previous year.
- Bank holiday and Christmas closure (10 days per person for 13/14)
- Sick leave (estimate of 5 days per person)

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
- Recruitment

Team meetings

- Internal audit, finance managers, operational managers group, directorate, portfolio.

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.

Town and parish councils

- Provision of internal audit services to town and parish councils.