ANNUAL INTERNAL AUDIT PLAN 2007/08

Head of Finance

1   Purpose

1.1   To present the Annual Internal Audit Plan for 2007/08 to the Committee for review and approval.

2   Recommendations/for decision

2.1   The Committee is asked to review and approve the Annual Internal Audit Plan for 2007/08.

3   Supporting information

3.1   The Annual Audit Plan has been prepared to comply with the requirements in the CIPFA Code of Practice for Internal Audit in Local Government. It has been developed with reference to the Council's risk management, performance management and other assurance processes. The proposed audit reviews in each area have been discussed and agreed with the relevant managers and the detailed scope and coverage of each review is also agreed with management at the start of the audit work.

4   Options considered

4.1   None

5   Reasons for Recommendation

5.1   One of the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom is that the Annual Audit Plan is approved by the Audit Committee.
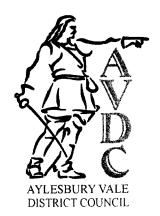
6   Resource implications

6.1   The Plan has been prepared to be delivered within the current resources of the Internal Audit Section.

6.2   The majority of the work will be carried out by in-house staff, but Internal Audit has a joint arrangement with the other Councils in Buckinghamshire to call in resources from an external accountancy firm if required.

6.3   It is intended to use an external resource to complete the audit of the Payroll system. This will enable one audit review to cover all the Councils in Buckinghamshire for whom AVDC currently provides a Payroll service, thereby producing a resource saving for the Councils involved.

6.4   There are adequate resources available within the current budget to fund the cost of the external resource to be used.

7   Response to Key Aims and Outcomes

7.1   Internal Audit is a key part of the governance, performance management & assurance framework for the Council. This framework is designed to ensure optimum delivery of the Council's key aims and outcomes.

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Background Documents

AYLESBURY VALE
DISTRICT COUNCIL

Annual Internal Audit Plan

2007/08

1. **INTRODUCTION**

1.1 In 2006 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a revised and updated document, the Code of Practice for Internal Audit in Local Government in the United Kingdom. All local government organisations are expected to comply with the requirements of this Code.

1.2 The revised Code contains the following definition of Internal Audit:

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

1.3 The overall Strategy for Internal Audit is set out in the Financial Services Service Plan. This sets the context for Internal Audit's activity at AVDC.

1.4 The revised Code requires the preparation of a flexible Audit Plan which should last for no more than one year. This Plan has to be developed with reference to the organisation's risk management, performance management and other assurance processes. It will also consider the Head of Internal Audit's view of present risks and may be modified after consultation with the managers or other stakeholders in each area.

1.5 The Audit plan has been prepared to comply with the requirements in the new Code of Practice. It shows the assignments which Internal Audit intends to carry out during the year, their relative priorities and an estimate of the resources required. However, the plan needs to be flexible to accommodate the unexpected, including the changing risks and priorities of AVDC during the year. This is particularly relevant this year, with a newly elected Council and the bid for Pathfinder status for enhanced two tier working in Buckinghamshire.

1.6 AVDC has recently approved the creation of an Audit Committee. The Audit Plan will be presented to the Audit Committee for approval and regular reports will be provided to the Committee on progress during the year. Any significant changes to the Audit Plan will be reported to the Audit Committee as they occur.

2. **AUDIT PLAN 2007-8**

2.1 Internal Auditors have a key role in providing comprehensive and visible assurance to inform the Statement on Internal Control. It follows that the Audit Plan must give sufficient coverage to provide assurance that the Council's risk management processes support the delivery of the key aims and outcomes.

2.2 Risk Based Internal Auditing (RBIA) is a methodology that links internal auditing to the organisation's overall risk management framework. RBIA

allows Internal Audit to provide assurance that the risk management processes are managing risks effectively.

2.3 We can use RBIA methods to a greater or lesser degree depending on the understanding and usage (or maturity) of the risk management processes within the organisation. In practice this will vary between different Council Services. The table in Appendix 1 explains the Internal Audit approach to audit planning depending on the 'risk maturity' of the area being audited.

2.4 Internal Audit conducted a review of Risk Management arrangements at AVDC during 2006-7. A number of recommendations were made and these are being implemented during 2007-8.

2.5 Where appropriate, Internal Audit has referred to managers' self assessment of risks in their area in drawing up the Audit plan.

3. OTHER FACTORS

3.1 As the Council's risk management processes are still being embedded and improved, they cannot yet be solely relied upon when creating the audit plan. Internal Audit will also continue to rely upon our own internal assessment where appropriate. Additionally there are a number of other factors and cross cutting themes, which have been taken into account within the audit plan.

3.2 **Corporate Governance** - A key factor of internal audit assurance work is assessing the Council's internal governance arrangements. This will be covered through a series of cross cutting audit reviews including, financial and information governance, legal compliance, performance management and risk management. CIPFA produced an updated version of the CIPFA / SOLACE report on Corporate Governance in June 2007. Internal Audit will use it to assess the Council's current framework.

3.3 **Strategic Planning** – Cross cutting reviews will incorporate the Council's progress against its predefined key aims and outcomes and follow up previous work on the Corporate Plan. Internal Audit will also be reviewing linkages between key aims, service and financial planning, risk and performance management.

3.4 **Gershon / Efficiency Agenda** - Where considered appropriate and resources permit, Internal Audit will participate in efficiency reviews or undertake Value for Money (VFM) audits.

3.5 **Pathfinder / Enhanced Two Tier Working** – The Pathfinder bid and the related proposals to enhance collaborative working with the other Councils within Buckinghamshire will have implications in all areas of AVDC. Internal Audit has reserved time in the plan for involvement in or review of these arrangements as they are introduced.

3.5 **Major Projects / Funding / Capital Programme** – The Council is leading and partnering in a number of major projects including Waterside and Major

Development Areas. Tranches of funding have been approved by central government to support the Growth Agenda and in many instances the Council is the Accountable body. Internal Audit will facilitate risk management exercises and act as ex-officio on project teams where appropriate; reviewing the project management methodology being used. Reviews will also incorporate Partnership working and management of funding.

3.6 **Housing Stock Transfer -** The Council transferred its Housing stock to a new Housing Association, the Vale of Aylesbury Trust (VAHT) in July 2006. Internal Audit will conduct an independent review of key issues resulting from that transfer and the revised working arrangements which could impact on the Council's interests.

4. AUDIT RESOURCES

4.1 Over recent years Internal Audit has developed closer working arrangements with the Audit teams of other Councils in the area. These include joining Bucks County Council and Wycombe and Chiltern District Councils in a contract for additional resources from an external provider in support of audit services for ourselves. This is being re-enforced by a strategic joint working agreement between the audit teams of these Councils. These arrangements are providing opportunities for joint working, sharing of expertise and experience, economies of scale and efficiencies within the Audit teams.

4.2 This Audit Plan is created on the basis of the existing number of Internal Audit Staff at the beginning of the year, including one vacancy. The resources for the vacant post are being used to finance up to 110 days of audit work provided by external contractors, at least some of which will be obtained via the jointly procured contract mentioned above.

4.3 There is a growing requirement for Internal Audit's involvement in a range of functions not previously featuring as Council activities. These include the whole Corporate Governance agenda, Risk Management, major projects and 'Value for Money' reviews in response to the efficiency agenda. The Audit Plan includes a number of cross cutting themes, which enables us to undertake work to give core coverage with the resources we have available.

4.4 The plan has also been developed on the basis that the Council is going through a period of uncertainty and potentially a major transition caused by the Pathfinder bid and the recent transfer of the Housing Stock. General Budget pressures to review Internal Audit costs will need to be balanced against emerging demands for expanded Internal Audit involvement on corporate issues.

Val Hinkins
Internal Audit Manager
June 2007

Appendix 1

Organisations Risk Maturity	Approach to Risk Management	Internal Audits Strategic Response	Internal Audit Work Covers
LEVEL 1 RISK NAÏVE	No formal approach developed	Rely on audit assessment of risk	Promote organisation-wide approach to risk management.
LEVEL 2 RISK AWARE	Some areas risk aware, probably due to culture history or staff in post.	Rely on audit assessment of risk	Promote organisation-wide approach to risk management.
LEVEL 3 RISK DEFINED	Strategy, policies and risk appetite defined.	Incorporate management risk assessment into audit plan but use audit assessment of risk to check comprehensive.	Facilitate risk assessments. Review approach for adequacy and completeness.
LEVEL 4 RISK MANAGED	Organisation wide approach to risk management communicated and implemented	Use management assessment of risk for audit planning as appropriate.	Review risk management processes to confirm reliance can be placed upon them.
LEVEL 5 RISK ENABLED	Risk management and controls assurance policy embedded into organisational culture and operations.	Use management assessment of risk for audit planning as appropriate.	Review risk management processes to confirm continued reliance can be placed upon them.

Sources:

CIPFA – It's a Risky Business: A Practical Guide to Risk Based Auditing
IIA – An approach to implementing Risk Based Auditing. Professional guidance for internal auditors.

INTERNAL AUDIT PLAN 2007/08

Review	Priority (High, Medium, Low) *	Scope / Approach of Audit Work	Planned Timing	Estimated Duration
Corporate Governance				
Corporate Key Aims & Corporate Plan / Service Planning	Medium	Assess processes to monitor Council's progress against its Key Aims and Outcomes. Services responses and linkages within their Service Plans. Links with Performance Management, Risk Management and Financial Governance. Include impact of revised ways of working, e.g. Pathfinder developments.	Annual	20
Corporate Governance - Corporate Improvement Plan	High	Monitor Council's progress against the improvement plan including actions raised by the Statement on Internal Control & follow up on emerging issues.	Annual	10
	High	Corporate review against revised CIPFA framework.	Q2,3	10
Gershon - Efficiency Agenda	Low	Identify and undertake or participate in review(s) on efficiency - Value for Money (VFM) Audits	Annual	20
Corporate Policies & Procedures	Medium	Reviewing role of changes to corporate policies and procedures where identified. (Also link with IT & Financial Governance).	Annual	5
Annual Statement on Internal Control (SIC)	High	Co-ordinate completion of assurance statements / corporate framework used to compile the SIC.	Q1	5
	High	Produce Annual Audit Opinion report to provide Internal Audit assurance for SIC.		
CPA 2007/08	High	Participate in assessment against the Audit Commission's - "Key Lines of Enquiry for Use of Resources".	Annual	10
Partnerships	High	Participate in review and further development of corporate framework for partnership working.	Q2,3	10
Performance Management & Data Quality	Medium	Review of aspects of the corporate framework including linkages with Key Aims and Service Planning.	Annual	15
		Best Value Performance Indicators (BVPIs) - work on specific indicators prior to and liaison with the annual inspection work undertaken by the Audit Commission.		

INTERNAL AUDIT PLAN 2007/08

Review	Priority (High, Medium, Low) *	Scope / Approach of Audit Work	Planned Timing	Estimated Duration
Financial Governance / Framework				
Capital Programme	High	Large Projects, funding arrangements. See Risk Based Work for timings	Annual	
Core financial systems	High	Covered mainly in systems work. Audit of core financial systems, e.g. Payroll, Debtors, Creditors. To identify key risks and controls. To provide adequate assurance & enable External Audit to place reliance on our work. Including some cross-cutting work to compare systems and data.	Q3,4	40
Corporate Procurement	High	Contracts Procedures - Assist in further development of Councils financial framework. Links with E-Government.	Annual	10
Contracts Audits	High	Audits of larger contracts where identified appropriate.	Annual	10
Contracts Advice	High	General advice to services on contracts tendering processes. Attendance at tender openings & checking on larger final accounts.	Annual	10
External Funding	Medium	Review of external / shared funding arrangements - Links with Projects.	Annual	10
Corporate Risk Management				
Responses to Individual Risks identified through the Registers	High	See Risk Based section of the Audit Plan		
Risk Management Processes	Medium	Review risk management processes (including compilation of risk registers) to confirm reliance can be placed upon them. Link with review of Service Planning.		
Risk Management Steering Group	High	Ongoing development and update of Corporate Risk Register & liaison with Senior Management. Attendance at Steering Group meetings. Writing up & circulating minutes. Follow up on specific points, including administration of the Risk Reserve Fund.	Annual	40
Risk Registers	Medium	Review registers & identify specific areas to evaluate adequacy of control.		
Risk Management Workshops	Low	Facilitate workshops to help services develop their registers & understanding of risk management, including training to officers and members as appropriate.		
		Facilitate workshops for major projects and cross cutting themes where identified as appropriate.		

INTERNAL AUDIT PLAN 2007/08

Review	Priority (High, Medium, Low) *	Scope / Approach of Audit Work	Planned Timing	Estimated Duration
Fraud & Corruption				
Fraud & Corruption Framework	Medium	Further development and promulgation of the Council's Anti Fraud and Corruption Framework	Q2,3	10
Fraud & Corruption Specific Reviews	Medium	Following from development of framework - identify specific high risk areas for review	Annual	10
National Fraud Initiative 2006/07 & 2007/08	Medium	2006/07 - Co-ordinate analysis of data match results. 2007/08 - Prepare for Single Persons Discount matching of Council Tax & Electoral Roll information	Annual	10
Legal Compliance - (Link also with Corporate Governance)				
Council's adherence to legal requirements.	Medium	Potential areas include Freedom of Information, Data Protection, RIPA Act, Human Rights, Proceeds of Crime Act	Annual	20
IT Governance				
IT Governance & Security Policy framework	Medium	Development and implementation of Corporate Policies and Procedures Includes Internet & Email User Policies. Records management. Compliance with legislation including Data Protection. Link with IT Audit work to audit specific risk areas.	Annual	20
E-Government	Medium	Ongoing review of Council's progress towards E-Government targets. Link with ITMAG membership.	Annual	5
Information Technology Management Advisory Group - ITMAG	Medium	Ex-Officio member of management group.	Annual	10
IT & IT Systems Audits	Medium	More detailed work to be identified during the year. Links with development of Policy framework and assessment of risks.	Annual	40
Assurance work on other systems				
Service Areas		Scope of audits to be identified through discussions with Service Heads, risk assessments and emerging issues throughout the year. The audits may be cross-cutting themes, service areas or in response to a specific risk, incident or area of change. E.g. Waste Management	Annual	60

INTERNAL AUDIT PLAN 2007/08

Review	Priority (High, Medium, Low) *	Scope / Approach of Audit Work	Planned Timing	Estimated Duration
Environmental Management System				
Environmental Health - ISO 14001	Medium	Work detailed in a separate EMS audit plan to review areas within the service to contribute towards compliance with the standard.	Annual	20
General				
Follow up Work & maintain Tracker	Medium	Time spent on following up progress on agreed recommendations to ensure implementation and reporting.	Annual	30
Special Investigations	Medium	Internal investigation work on suspected fraud or irregularity.	Annual	20
Ad-hoc requests	Medium	Response to requests by management for involvement by Internal Audit in specific issue or event. May progress into assurance work or an investigation.	Annual	20
External Audit - Audit Commission	Medium	Regular review meetings. Liaison point for their corporate work. Shared work. Benefits - Subsidy Claim.	Annual	15
Members / Audit Panel / Tracker	Medium	Meetings with Members including the Audit Panel. Update and reporting of the Audit Tracker - verification of implemented recommendations.	Annual	15
Contingency	Medium	Contingency for changes, unplanned emerging issues	Annual	36
			Total Planned Days	**566**

* Priority is based on a number of factors including financial value, risks identified, stability of control systems in place, previous audit assessments and time since the last audit in the area.

INTERNAL AUDIT PLAN 2007/08

RISK BASED AUDITS

Review	Scope / Approach of Audit Work	Planned Timing	Estimated Duration
Corporate Risk Register - Key Corporate Risks			
Growth Agenda	Risk Assessment undertaken with Management Team 2005/06 - Continued monitoring	Annual	
Major Project - Waterside Development	Continued facilitation of Risk Assessment. Response to emerging issues	Annual	50
Major Projects - Funding	Risk Assessments - ex-officio membership of project groups as identified	Annual	
Office Accommodation	Continued facilitation of Risk Assessment. Response to emerging issues	Annual	
Review of arrangements in Housing following the Housing Stock Transfer in July 2006	Undertake Audit reviews of specific areas as identified	Q2,3	30
Business Continuity / Emergency Planning	Review to ensure proper response and recovery processes in place and adequately tested.	Annual	5
Corporate Risk Register - Key Service Specific Risks			
Key Specific Risks	Identify specific risks from this Section of the Register where follow up audit review is required to give assurance that they are being adequately managed by the responsible Services. Responding to emerging issues, those considered critical, high net risk and those where the greatest reliance is placed on the adequacy of the control.	Annual	30
Corporate, Project, Service and System Risk Registers			
Generic Risks	Review of assessments undertaken by Services. Review of specific risks identified - emerging issues.		
Project, Service and System Risk Registers	Review and facilitate development of Risk Registers. Link with Service Planning processes and meeting of Key Aims and Outcomes	Annual	30
		Total Planned Days	**145**

INTERNAL AUDIT PLANNED OPERATIONAL TIME 2007/08

| Internal Audit Section of 4 staff, 3.6 (FTE). The Section also provides support to the Fraud Unit | Total Internal Days | Vacancy | |
		Agency / External Support	Total Audit Days
Week Days Available	919	109	1028
Less Non Rechargeable	**317**	0	317
Percentage Non Recharge	**34.49**	0.00	30.84
Operational Days Available	602	109*	711
Percentage Recharge	**65.51**	100.00	69.16

Audit Plan – Planned Days	566
Risk Based Planned Audit Work	145
Total Planned Audit Days	**711**

* Approximate no of days to be purchased, depending on scope of work / charge rate.

INTERNAL AUDIT PLANNED NON RECHARGEABLE TIME - 2007/08		
	Total Days	
Total Leave	152	152
Internal		
Op & Perf Management	20	
Administration	46	
Internal Meetings	20	
Appraisals & Induction	15	
Development of Joint Working Arrangements	10	
Practice Dev	20	
Training	17	
Professional Meetings	17	
Total Internal	165	165
Total Non Rechargeable	317	317