

## **DRAFT INTERNAL AUDIT PLAN 2008/09**

### **1 Purpose**

- 1.1 To present the Draft Internal Audit Plan for 2008/09 to the Committee for review and approval.

### **2 Recommendations/for decision**

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| 2.1 The Committee is asked to review and approve the Draft Internal Audit Plan for 2008/09. |
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### **3 Supporting information**

- 3.1 The Draft Internal Audit Plan is being 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 are still being discussed and agreed with the relevant managers and the detailed scope and coverage of each review will also be agreed with management at the start of the audit work.
- 3.2 The final version of the Annual Audit Plan will be presented to the Audit Committee in June 2008.

### **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 There are funds provided within the current budget to cover the cost of the external resources to be used. The degree of such use and the adequacy of the funds available will be kept under review. At this time it is hoped that resources both internal and bought in will be sufficient to deliver the programme.

### **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.



# **Annual Internal Audit Plan**

## **2008/09**

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### 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 significant development projects in progress and the expected changes to AVDC structures and staffing occasioned by the implementation of the Pathfinder initiative.
- 1.6 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 2008-9

- 2.1 Internal Auditors have a key role in providing comprehensive and visible assurance to inform the Annual Governance Statement. The Internal Audit Plan must therefore cover all areas and Services in the Council to seek assurance that the Council's risk management and internal control processes are robust and support the delivery of the Corporate Plan.

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- 2.2 A number of factors have been considered in the preparation of the Internal Audit Plan. A key consideration is the assessment of risks facing the Council and each of the separate Services and areas within it. The Audit Plan therefore takes into account the risks included in Corporate, Service and Project Risk Registers already completed by management.
- 2.3 In addition the Internal Audit Manager has held discussions with senior managers throughout the Council, to identify areas where new or emerging risks could place the existing control framework under pressure or render it inadequate.
- 2.4 Some areas have to be reviewed every year, for example the main financial systems of the Council which include those making payments to creditors and recording receipt of income. To make the best use of resources Internal Audit will work closely with our External Auditors in these areas.
- 2.5 For areas where the inherent financial risk is lower, Internal Audit will 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. These may include the amount of money spent, received or controlled by the Services under consideration, the level of system or staff changes expected, externally driven requirements, e.g. changes in legislation and previous Audit opinions of controls in each area. All areas which could potentially be included in the Audit Plan will be assessed on the same criteria.

### 3. OTHER FACTORS AND CROSS CUTTING THEMES

- 3.1 **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, for example, financial and information governance and legal compliance.
- 3.2 **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.
- 3.3 **Gershon / Efficiency Agenda** - Where considered appropriate and resources permit, Internal Audit will participate in efficiency reviews or undertake Value for Money (VFM) audits.
- 3.4 **Business Transformation** – The Council has embarked on an ambitious Business Transformation programme. Where appropriate, Internal Audit will participate and advise on projects within this programme.

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- 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 some time in the plan for involvement in or review of these arrangements as they are introduced. Early Pathfinder plans include Support Services, so Internal Audit will need to allow for significant input to the project as a service provider, rather than auditing the process.
- 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 conducted an independent review of key issues resulting from that transfer during 2007-8. Follow up work on the recommendations made will be included in the plan for 2008-9.
- 3.7 **Management Requests** – Certain managers have requested additional assistance from Internal Audit, beyond the assessment of the Risk and Internal Control framework. Such assistance may include reviews of new systems or processes before they are introduced, to ensure that required controls are designed into them from the start. One example is to increase Audit involvement in the Business Transformation Programme at AVDC. Where possible these management requests have been accommodated within the Audit Plan for the year.

## 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 financial year. Money has been included in the Audit budget to commission additional audit work from external contractors, at least some of which will be obtained via the jointly procured contract mentioned above.
- 4.3 During 2007-8 a limited rearrangement of the Internal Audit team allowed the recruitment of a dedicated Risk Manager to AVDC. Much of the routine Audit involvement in Risk Management has been passed to the new post, allowing Internal Audit to concentrate resources on the key financial control aspects of our work.
- 4.4 However, 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, major projects and 'Value for

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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.

- 4.5 Another pressure on the Internal Audit service is the increased reliance on IT systems and electronic data in all service areas. Review of these systems requires additional technical and specialist audit skills. Steps have already been taken in 2007-8 to increase the relevant knowledge and skills of Internal Audit staff and these will be continued in the 2008-9 year.
- 4.6 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 project, continued realignment of resources following the transfer of the Housing Stock and the Growth Agenda. 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  
February 2008

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Review	Priority (High, Medium, Low) *	Scope / Approach of Audit Work	Estimated Resource Required (Days)
<b>Corporate Governance</b>			
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.	10
Corporate Governance	High	Monitor Council's progress against the improvement plan and CIPFA Standards. Include actions raised by the Annual Governance Statement & emerging issues.	10
Corporate Policies & Procedures	Medium	Reviewing role of changes to corporate policies and procedures where identified. (Also link with IT & Financial Governance).	5
Annual Governance Statement	High	Co-ordinate completion of assurance statements / corporate framework used to compile the Annual Governance Statement.	5
CAA 2008/09	High	Produce Annual Audit Opinion report to provide Internal Audit assurance for Annual Governance Statement.	10
Partnerships	High	Contribute to the assessment of the Audit Commission's - "Key Lines of Enquiry for Use of Resources".	15
Performance Management & Data Quality	Medium	Participate in review and further development of corporate framework for partnership working.	15
Risk Management	High	Review of aspects of the corporate framework including linkages with Key Aims and Service Planning.	10
Council's adherence to legal requirements.	Medium	Best Value Performance Indicators (BVPis) are being replaced by the new National Indicators - Work on specific indicators prior to the annual inspection work undertaken by the Audit Commission.	20
	High	Involvement and participation in Risk Management arrangements for AVDC	
	Medium	Potential areas include Freedom of Information, Data Protection, RIPA Act, Human Rights, Proceeds of Crime Act	

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Review	Priority (High, Medium, Low) *	Scope / Approach of Audit Work	Estimated Resource Required (Days)
<b>Financial Governance / Framework</b>			
Capital Programme	High	Large Projects, funding arrangements. See Key Corporate Risks.	
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.	50
Corporate Procurement	High	Contracts Procedures - Assist in further development of Councils financial framework.	10
Contracts Audit and Advice	High	General advice to services on contracts tendering processes. Attendance at tender openings & checking on larger final accounts and contracts where appropriate.	10
External Funding	Medium	Review of external / shared funding arrangements - Links with Projects.	10
<b>Fraud &amp; Corruption</b>			
Fraud & Corruption Framework	Medium	Further development and promulgation of the Council's Anti Fraud and Corruption Framework including Whistle Blowing arrangements.	20
Fraud & Corruption Specific Reviews	Medium	Following from development of framework - identify specific high risk areas for review	20
National Fraud Initiative	Medium	Co-ordinate AVDC participation and response to Data Matching carried out by Audit Commission.	15
Special Investigations	Medium	Internal investigation work on any suspected fraud or irregularity.	20
<b>IT Governance</b>			
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.	20
Business Transformation & IT Management Advisory Group - ITMAG	Medium	Ex-Officio member of management groups.	20



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IT & IT Systems Audits	Medium	More detailed work to be identified during the year. Links with development of Policy framework and assessment of risks.	40
<b>Corporate Risk Register - Key Corporate Risks</b>			
Growth Agenda	High	Risk Assessment undertaken with Management Team 2005/06 - Continued monitoring	
Major Project - Waterside Development	High	Response to emerging issues	
Major Project - Theatre	High	Response to emerging issues	
Major Project - Office Accommodation	Medium	Response to emerging issues	70
Major Projects - Funding	Medium	Risk Assessments - ex-officio membership of project groups as identified	
Business Continuity / Emergency Planning	Medium	Review to ensure proper response and recovery processes in place and adequately tested.	
<b>Assurance work and Service, Project &amp; Systems Risks</b>			
Key Specific Risks	Various	Identify specific risks from the Risk Registers where follow up audit review is required to give assurance that they are being adequately managed by the responsible Services, for example, those considered critical, high net risk and those where the greatest reliance is placed on the adequacy of the control.	30
Assurance work on other systems	Various	Specific areas for review to be identified through discussions with Heads of Service & Corporate Directors. The audits may be cross-cutting themes, service areas or in response to a specific risk, incident or area of change. E.g. Information Security.	60
<b>Value For Money (VFM)</b>			
VFM	Medium	Specific areas for review to be identified through discussions with Heads of Service & Corporate Directors	30
<b>Environmental Management System</b>			
Environmental Health - ISO 14001	Medium	Work detailed in a separate EMS audit plan to review areas within AVDC to contribute towards compliance with the standard.	20

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Review	Priority (High, Medium, Low) *	Scope / Approach of Audit Work	Estimated Resource Required (Days)
<b>General</b>			
External Audit - Audit Commission	Medium	Regular review meetings. Liaison point for their corporate work. Shared work. Benefits - Subsidy Claim.	15
Members / Audit Committee / Tracker	Medium	Meetings with Members including the Audit Committee. Reporting of the Audit Recommendations Tracker to Audit Committee	15
Follow up Work & maintain Recommendations Tracker	Medium	Time spent on following up progress on agreed recommendations to ensure implementation. Update and maintenance of Recommendations Tracker.	30
Ad-hoc requests	Medium	Response to requests by management for involvement by Internal Audit in a specific issue or event. May progress into assurance work or an investigation.	20
Contingency	Medium	Contingency for changes, unplanned emerging issues	22

\* 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.

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### INTERNAL AUDIT PLANNED OPERATIONAL TIME 2008/09

Internal Audit Section of 4 staff, 3.6 (FTE). The Section also provides support to the Fraud Unit	<b>Total Internal Days</b>	Vacancy Agency / External Support	<b>Total Audit Days</b>
Week Days Available	923	0	
<b>Less Non Rechargeable</b>	<b>276</b>	<b>0</b>	
<b>Percentage Non Recharge</b>	<b>29.9</b>	<b>0</b>	
<b>Operational Days Available</b>	<b>647</b>	<b>0</b>	
<b>Percentage Recharge</b>	<b>70.1</b>	<b>0</b>	
<b>Total Planned Audit Days</b>			<b>647</b>

\* No of external days to be purchased will be determined when the Plan is finalised. Meetings are still being held with Heads of Service and Managers to agree the areas to be covered.

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INTERNAL AUDIT PLANNED NON RECHARGEABLE TIME - 2008/09		
	Total Days	
<b>Total Leave</b>	<b>140</b>	<b>140</b>
<b>Internal</b>		
Op & Perf Management	20	
Administration	46	
Internal Meetings	8	
Appraisals & Induction	10	
Development of Joint Working Arrangements	6	
Practice Dev	12	
Training	18	
Professional Meetings	16	
<b>Total Internal</b>	<b>136</b>	<b>136</b>
<b>Total Non Rechargeable</b>	<b>276</b>	<b>276</b>