

DRAFT INTERNAL AUDIT PLAN FOR 2009/10

Corporate Director (Resources)

1 Purpose

- 1.1 To present the Draft Internal Audit Plan for 2009/10 to the Committee for review and approval.

2 Recommendations/for decision

- 2.1 The Committee is asked to review and discuss the Draft Internal Audit Plan for 2008/09.

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 2009.

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 Objectives

- 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

Contact Officer
Background Documents

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Audit Committee Papers



AYLESBURY VALE
DISTRICT COUNCIL

Annual Internal Audit Plan

2009/10

DRAFT

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 Following the restructuring of senior management at AVDC in 2008/09 Internal Audit now forms a separate service area of the Council and encompasses Risk Management, Insurance, Fraud Investigation and Performance Monitoring as well as the core Internal Audit role.
- 1.4 The overall Strategy for Internal Audit will be set out in the Internal Audit Risk and Performance Service Plan. This will set the context for Internal Audit's activity at AVDC.
- 1.5 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.
- 1.6 The Audit plan has been prepared to comply with the requirements in the 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, recent changes to AVDC management structures and the implementation of the Pathfinder initiative.
- 1.7 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.

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2. AUDIT PLAN 2009-10

- 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.
- 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. Following discussions with our External Auditors the planned activity on the main financial systems has been increased in this year's plan.
- 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.

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- 3.3 **Efficiency Reviews** - Where considered appropriate and resources permit, Internal Audit will participate in efficiency reviews or undertake Value for Money (VFM) audits. These reviews will provide added value for AVDC and the time allowed for them has been increased this year.
- 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.
- 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.
- 3.6 **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. Where possible these management requests have been accommodated within the Audit Plan for the year.

4. AUDIT RESOURCES

- 4.1 Following the restructuring of senior management at AVDC in 2008/09 Internal Audit now forms a separate service area of the Council and encompasses Risk Management, Insurance, Fraud Investigation and Performance Monitoring as well as the core Internal Audit role.
- 4.2 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.
- 4.3 As an extension of these arrangements AVDC will be assisting Wycombe District Council by providing additional resources for the management of their Audit and Fraud Sections. This arrangement is on a trial basis initially and will generate income for AVDC.
- 4.4 This Plan has been created based on the number of Internal Audit Staff at the beginning of the financial year 2009-10. Some financial resource is available to commission additional audit work from external contractors if required. This would be done through the jointly procured contract mentioned above.

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- 4.5 During 2008-9 the Internal Audit team has been able to support members of staff in undertaking additional professional training, thereby increasing our ability to take on more specialist audit work internally and minimising the use of expensive external resources.
- 4.3 The additional resource made available for Risk Management in the previous year has allowed 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 additional areas. These include Corporate Governance, major projects and 'Value for Money' reviews. 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. Staff have undertaken additional training in these areas to increase their knowledge and skills.
- 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
March 2009

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Review	Priority (High, Medium, Low) *	Scope / Approach of Audit Work	Estimated Resource Required (Days)
Corporate Governance			
Corporate Plan / Service Planning,	Medium	The Council adopted a new Corporate Plan in March 2008. Service Plans & Performance Management arrangements should now be aligned to the new plan. Key Actions and Targets, Risk Management and Financial Governance are all being reviewed by management. Internal Audit will offer assistance to managers as required.	20
Performance Management and Data Quality	Medium	National Indicators have been introduced to replace the Best Value indicators. Work on specific indicators identified as higher risk will be agreed with managers prior to the annual inspection work undertaken by the Audit Commission.	
Corporate Governance	High	Monitor Council's arrangements against the revised CIPFA Standards. Include actions raised by the Annual Governance Statement & emerging issues.	5
Corporate Policies & Procedures	Medium	Assisting with the reviewing and updating of corporate policies and procedures where required. (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
	High	Produce Annual Audit Opinion report to provide Internal Audit assurance for Annual Governance Statement.	5
Combined Area Assessment (CAA) & Use of Resources	High	Contribute to the evidence gathering and assessment as required.	10
Partnerships	High	Participate in review and further development of corporate framework for partnership working.	10
Council's adherence to legal requirements.	Medium	Potential areas include Freedom of Information, Data Protection, RIPA Act, Human Rights, Proceeds of Crime Act	5

Review	Priority (High, Medium, Low) *	Scope / Approach of Audit Work	Estimated Resource Required (Days)
Financial Governance / Framework			
Capital Programme	High	Large Projects, funding arrangements. See Key Corporate Risks.	
Core financial systems	High	Audit of core financial systems, e.g. Payroll, Debtors, Creditors to identify and form an opinion on key risks and controls. Work undertaken in co-operation with External Audit to provide adequate assurance & enable them to place reliance on our work. This ensures that overall Audit costs are reduced and provides savings to AVDC.	110
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 and Partnerships.	10
Fraud & Corruption			
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	10
National Fraud Initiative	High	Co-ordinate AVDC participation and response to Data Matching carried out by the Audit Commission.	10
Special Investigations	Medium	Allowance for internal investigation work on any suspected fraud or irregularity.	20
IT Governance			
IT Governance & Security Policy framework	Medium	Development and implementation of Corporate Policies and Procedures Includes User Policies, records management. Compliance with legislation and Government requirements, eg Government Connect. Includes Data Protection. Link with IT Audit work to audit specific risk areas.	20

Review	Priority (High, Medium, Low) *	Scope / Approach of Audit Work	Estimated Resource Required (Days)
Business Transformation & new systems	Medium	Membership of various IT related management groups, working parties and projects.	20
IT & IT Systems Audits	Medium	More detailed work to be identified during the year. Links with development of Policy framework and assessment of risks. Includes reviews of IT related management arrangements, controls, processes and systems.	40
Corporate Risk Register - Key Corporate Risks			
Growth Agenda	High	Monitor situation working with Risk Manager & Lead Officers to identify issues and ensure proper action is taken and controls are in place	40
Major Project - Waterside Development	High		
Major Project - Theatre	High		
Major Project - Office Accommodation	Medium		
Major Projects - Funding	Medium		
Business Continuity / Emergency Planning	Medium		
Assurance work and Service, Project & Systems Risks			
Key Specific Risks	Medium	Working with Risk Manager to 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 controls.	20
Assurance work on other systems	Medium	Specific areas for review identified through discussions with management. The audits may be cross-cutting themes, service areas or a response to a specific risk, incident or area of change of process or personnel.	75

Review	Priority (High, Medium, Low) *	Scope / Approach of Audit Work	Estimated Resource Required (Days)
Value For Money (VFM)			
VFM	Medium	Specific areas for review to be identified through discussions with Heads of Service, Corporate Directors & the Business Transformation Board.	40
Environmental Management System			
Environmental Health - ISO 14001	Medium	Work agreed with the Head of Environment Services to review or assist areas within AVDC to contribute towards compliance with the standard.	20
General			
External Audit - Audit Commission	Medium	Regular review meetings. Liaison point for their corporate work. Shared work.	20
Members / Audit Committee / Tracker	Medium	Meetings with Members including the Audit Committee. Follow up, maintenance and reporting of the Audit Recommendations Tracker to Committee	40
Other corporate management responsibilities	Medium	Management of other responsibilities in the wider Audit service area, eg Fraud, Risk Management, Performance. Includes an allowance for ad hoc requests from management for involvement in specific issues or events. May lead to unplanned assurance work or an investigation.	50
Contingency	Medium	Contingency for changes, unplanned requests for assistance or emerging issues	10
External Work			
External work		External work for other Councils. This work is chargeable and the income will be used to cover additional assistance to meet the rest of the Audit plan.	60

* 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 PLANNED OPERATIONAL TIME 2009/10

	Total Internal Days	Agency / External Support	Total Audit Days
Week Days Available			
Week Days Available	940	60	1000
LESS			
Total Leave	148		
Total Internal	134		
Less Non Rechargeable	282	0	282
Percentage Non Recharge	30.00	0.00	28.20
Operational Days Available	658	60	718
Percentage Recharge	70.00	100.00	71.80
Total Planned Audit Days			718

INTERNAL AUDIT PLANNED NON RECHARGEABLE TIME - 2009/10

	Days
Total Leave	148
Internal	
Op & Perf Management	20
Administration	37
Internal Meetings	8
Appraisals & Induction	11
Development of Joint Working Arrangements & Practice Dev	15
Training	18
Study Leave	11
Professional Meetings)	14
Total Internal	134
Total Non Rechargeable	282