

OXFORDSHIRE COUNTY COUNCIL
INTERNAL AUDIT SERVICES
INTERNAL AUDIT STRATEGY 2012/13

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INTERNAL AUDIT SERVICES

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1. Introduction

- 1.1 This paper details the Internal Audit Strategy, including the resources available and how we will be delivering our service in 2012/13. Work plans will be prepared on a quarterly basis and will be presented to the Audit Committee for approval

2. Internal Audit Strategy

- 2.1 The Accounts and Audit Regulations 2011 (S6) state that the Council needs to maintain an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with the proper internal audit practices. Proper internal audit practices are defined in the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. CIPFA are revising the Code of Practice during 2012/13, and any material changes will be reported to the Audit Committee.
- 2.2 The CIPFA Code of Practice 2006 defines Internal Audit as an assurance function whose primary role is to provide an independent and objective opinion to the Council 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 and efficient use of resources.
- 2.3 The Chief Internal Auditor provides this opinion in an annual report on the System of Internal Control, which is used to inform the Council's Annual Governance Statement. In providing this opinion we are required to review annually the financial management, risk management and governance processes operating within the Council. This includes reviewing internal control systems for key processes on a risk basis. The methodology for identifying areas for audit is detailed in section 3 of this report.
- 2.4 The Internal Audit Service is delivered in collaboration with Buckinghamshire County Council, with resources shared between the two Councils.
- 2.5 A key part of the strategy is ensuring the right skills mix and resources exist to deliver an effective service. In 2011/12 there was a high turnover of staff, with a Principal Auditor, a Senior Auditor, and an Auditor leaving. This resulted in an increased reliance on outsourcing auditor days. Through the collaboration with Buckinghamshire County Council, we are in a position now to jointly recruit to four posts. This will provide greater

flexibility with the use of resources, and minimise the impact of the planned budget reduction. There is however some uncertainty with the resourcing:

- A member of the team will be returning from maternity leave in July 2012. At this stage it is uncertain whether the member of staff will request a change of hours or will return full time.
- The recruitment may not be completed until the beginning of April, and posts may not be filled until well into quarter 1. In this case we will backfill using the call off contract.
- New staff may have professional training commitments which we would support. This would increase their overhead in the short term. This impact will be assessed should this occur, but as a contingency, a provision has been made to allow for this to be backfilled.

2.6 In Oxfordshire we will continue to contract out IT Audit.

2.7 There will remain a significant emphasis for internal audit activity in reviewing financial systems and compliance with the governance framework; however, as the Council implements the Business Strategy and service delivery changes, assurance on strategic risks such as major procurement of services, and changes to the management infrastructure are key areas requiring assurance, along with the key operational risks. To ensure we are directing audit resources to key risk areas we will be operating on a quarterly planning cycle that will be integrated with the Corporate Performance Team.

3. Audit Planning Methodology

3.1 A quarterly internal audit plan will be produced in consultation with the Corporate Performance Team and with consideration to the risk registers. This will be agreed with the Directors and their Leadership Teams during quarterly meetings.

3.2 The Quarterly plans will be presented to the Audit Committee for consideration and comment.

3.3 The Audit Plans will continue to be influenced by external organisations and statutory bodies we work with and provide assurance to. We have developed a joint working protocol with the Audit Commission that is enabling us to review our approach to the auditing of key financial systems without affecting the assurance we can give, or the reliance Audit Commission place on our work.

3.4 We will continue to support the Corporate Governance Assurance Group in producing the annual governance statement through undertaking annual compliance audits that will support Directors in completing their annual statements. The Chief Internal Auditor is a member of the Group

3.5 Counter-fraud will continue to be part of the planned audit activity. Where an investigation is required this will be a charged back service, and the

income used to back fill, or procure the services as required. We are currently exploring with another Authority the opportunity for them to provide a fraud investigation service on a call off basis.

4. Resources

4.1 The Internal Audit Service is resourced as follows:

In House Team	2012/13 FTE	Chargeable Days available	Planned OCC days 2011/12	Planned External days 2011/12
Chief Internal Auditor	1.0	184	92	92
Audit Managers	1.6	299	219	80
Principal Auditors (1 vacancy)	2.8 – (including maternity leave)	408	238	170
Senior Auditor (2 vacancies)	2.0	398	198	200
Auditors (1 vacancy)	1.0	199	144	55
CIPFA Trainee	0.5	74	74	0
Audit Assistant	0.8	108	108	0
External				
IT Audit		130	100	30
Deloitte		260	260	
Total	9.7	2060	1433	627

Analysis of auditor days

	2012/13	Comments	2011/12	Diff.	Reason for change
Gross days – In house team	2423	This represents 9.7 FTE	2388	+35	
Contract days	390	This is made up of: 100 days IT Audit plus 30 days IT Audit for TVPA 260 days Audit Services Contract. (This may increase subject to vacant posts being filled)	587	-197	The reduction in days reflects the expected increase in the in-house provision, and also a reduction in days expected for the TVP audit.
Total Gross days	2813		2975	-162	
Overheads	562	This time is for bank holidays, annual leave, special leave, training, contingency for sick absence, and recruitment. It also includes for maternity leave in the first quarter.	789	-227	The reduction is due to the staffing changes and a reduction in the time for professional training. This may be subject to change depending on the outcome of the recruitment.
Non Chargeable Days	191	The non chargeable days are for non audit related activity, including administration time, the wider role of the AHOF (Audit), staff appraisals, 1:1's and departmental work.	177	14	Small increase in non-chargeable days due to staffing changes.
Total Chargeable days available	2060	This is the number of days that contribute directly to internal audit activity.	2009	51	

Chargeable Days – non assignment	263	These are days not attributed to planned audit activity, such as the Chief Internal Auditors management days, admin support for actual audit work, preparation of the audit plan, operational planning, reports for the AWG and Audit Committee, and corporate assurance groups	255	8	There is a small increase as a result of staffing changes.
Chargeable days – External Clients (BCC and TVPA)	627		540	+ 87 days	30 days is outsourced, but the remaining 597 days are by the in house team reflecting the collaboration with Buckinghamshire and TVP
Chargeable days – OCC assignment based	1170	This is the number of days available for delivering the audit plan.	1214	-44	

4.2 It is planned that Internal Audit Services will deliver a minimum of 1170 days on Audit Assignments that will be designed to provide reasonable assurance on the system of internal control. As outlined above the quarterly plans will be presented to the Audit Committee, with Q1 at the April meeting. The type of audit activity will be:

Key Financial Systems	<p>We will test any changes to the existing systems, and will undertake walkthrough test to confirm the system. We will agree with External Audit the key controls to be tested, and undertake the compliance/substantive testing.</p> <p>We will also complete our assurance work through analytical review using the audit interrogation software on identified areas of</p>
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	fraud risk and error.
Governance	We will undertake testing across Directorates of compliance against the governance and regulatory framework, including the key control processes covering HR, ICT, Financial Management, Risk Management, Project Management, Performance, and Procurement. This will provide evidence to the Directors for completion of their annual assurance statement.
Schools	We will seek assurance through analytical review on SAP and through the work of the Schools Finance Support Team, with targeted visits to schools if and when required.
IT Audit	We will undertake a programme of audits of operational systems, and we will provide assurance on major ICT strategic projects planned in 2011/12
Contract Audit	We will be undertaking a programme of Contract Audits, including major procurement. A key focus will be contract management, and compliance with the Contract Standing Orders.
Operational Risk	Performance systems for key operational risks ascertained through consultation with Corporate Performance Team and Directors be reviewed and tested.
Strategic Risk	Performance systems for the management of strategic risk, for example major procurement and projects will be reviewed and tested.
Counter Fraud	A programme of Counter-Fraud work will be produced, including raising awareness, and proactive fraud testing using the Audit Interrogation software. We will also facilitate the response to the 2012 NFI data matching exercise.
Follow Up	We will continue to monitor and report on the implementation of agreed management

	action.
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5 Performance Monitoring / Reporting

- 5.1 The proposed performance indicators for 2012/13 are attached as appendix 1 to this report.
- 5.2 The Audit Committee will receive a quarterly report, including the next quarters plan for approval, a status update on the approved work plans, and a summary of the outcomes of completed audits. As a matter of course any audits with an “unacceptable” overall opinion will be reported to the AWG, who should call in the responsible Manager for assurance on what action is being taken. It is also proposed that the AWG receive monitoring reports on outstanding management actions as a matter of course from Internal Audit.

6. Recommendation

The Committee are **RECOMMENDED** to approve the Internal Audit Strategy

Ian Dyson

Chief Internal Auditor

February 2012

APPENDIX A Proposed PERFORMANCE INDICATORS 2012/13

	Performance Measure	Target	Frequency reporting of	Method
1	Elapsed time between start of the audit (opening meeting) and Exit Meeting.	Target date agreed for each assignment by the Audit manager, stated on Terms of Reference, but should be no more than 3 X the total audit assignment days (excepting annual leave etc)	Quarterly report to Audit Committee.	Internal Audit Performance Monitoring System
2	Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 Days	Quarterly report to Audit Committee.	Internal Audit Performance Monitoring System
3	Elapsed Time between issue of Draft report and issue of Final Report	15 Days	Quarterly report to Audit Committee.	Internal Audit Performance Monitoring System
4	% of 2011/12 planned audit activity completed by 30 April 2012	100%	Report to Audit Committee	Internal Audit Performance Monitoring System
5	% of management actions implemented within the agreed timescales	90% of all management actions	Every Quarter to AWG	Action Management Tracking System
6	Effectiveness of Internal Audit	Acceptable opinion	Monitoring Officer report to Audit Committee	
7	Extended Management Team satisfaction with internal audit work	Satisfactory or above	Annually - review of the effectiveness of IA	Questionnaire
8	Extent of reliance External Audit can place on Internal Audit	Reliance placed on IA work	Report by Audit Commission	Audit Commission

