

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	12 th February 2018		
TITLE:	Internal Audit Strategic Plan 2018-23		
TYPE OF REPORT:	Scrutiny		
PORTFOLIO(S):	Cllr Peter Hodson, Performance		
REPORT AUTHOR:	Kathy Woodward, Audit Manager		
OPEN		WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

REPORT SUMMARY/COVER PAGE

PURPOSE OF REPORT/SUMMARY:
To provide Committee Members with the opportunity to review the proposed Strategic Internal Audit Plan for 2018-23.
KEY ISSUES:
<p>The Public Sector Internal Audit Standards (PSIAS) require that the Audit Manager must '<i>establish risk-based plans to determine the priorities for the internal audit activity, consistent with the organisation's goals</i>'.</p> <p>The Audit Manager has to provide an annual Internal Audit opinion on the system of internal control to support the Annual Governance Statement. The work performed in accordance with the plan enables the Audit Manager to form her opinion.</p> <p>In order to satisfy the requirements of the PSIAS and to provide the required audit opinion, the attached plan defines the work of the Internal Audit team for the year 2018/19 and indicates proposed work for the following four years.</p>
OPTIONS CONSIDERED:
There are no options
RECOMMENDATIONS:
The Committee is asked to acknowledge the Internal Audit resources and to consider and agree the work planned for 2018-23.
REASONS FOR RECOMMENDATIONS:
To enable the Internal Audit team to perform the audit work necessary to provide assurance on the systems of internal control and to enable the Audit Manager to provide an Annual Audit Opinion for the Annual Governance Statement in 2019.

REPORT DETAIL

1. Introduction

1.1 According to the Terms of Reference of the Audit Committee, one of the Core Functions is to review the Internal Audit's Strategic Audit Plan.

2. Proposal

2.1 The Strategic Internal Audit Plan 2018-23 is attached to this report and indicates the work proposed by the Audit Manager for Internal Audit function for the next five years. The plan is presented in two parts.

2.2 The first part is the Annual Plan (**Appendix 1**), which deals with 2018-19 only. Although the work can be adjusted if necessary to accommodate any major occurrences during the year, it is usual for the plan to be completed as shown.

2.3 The second part (**Appendix 2**) provides an indication of allocations for audits in 2019-20 to 2022-23 so that coverage of all areas of the Council can be seen. However the allocations for the later years are indicative only and may change as circumstances arise. It simply provides an indication of the work that is anticipated and demonstrates that all areas of the Council's business are considered

2.4 The overall strategy of the Internal Audit is reviewed on annual basis and is attached as **Appendix 3**.

2.5 The Strategic Audit Plan is intended to:

- Ensure all identified areas are audited over the life of the plan, taking in to account clients' audit requirements and the major risks facing the council.
- Ensure there are adequate resources to undertake the required audits.
- Provide a basis for monitoring actual performance of the Internal Audit function.

2.6 The audit work performed to fulfil the plan informs the Audit Manager's opinion that is required in the Annual Governance Statement.

2.7 The Public Sector Internal Audit Standards (PSIAS) require that the Audit Manager must '*establish risk-based plans to determine the priorities for the internal audit activity, consistent with the organisation's goals*'. In response to this requirement, an Assurance Framework has been developed.

2.8 The Assurance Framework provides a structured analysis of the Council based on five high level domains that support the Council's business and one domain covering the operational aspects:

- Governance and Reputation
- People
- Financial
- Infrastructure
- Information

- Operational and Service Delivery

Within these domains, audit areas have been identified and risk assessed based on the following factors:

- Materiality (Value and Volume);
- Significance/ Profile;
- Complexity of the system;
- Change;
- Regulatory/ Contractual matters;
- External Monitoring;
- Prior Audit results;
- Susceptibility to fraud and corruption;
- Staff turnover.

2.9 Other sources of assurance are considered within the External Monitoring section and where they are deemed to be satisfactory by the Audit Manager, the score is adjusted accordingly. Examples of this are the use of external specialists to review the Council's Health and Safety systems, and the work carried out to achieve Payment Card Industry (PCI) and Public Services Network (PSN) approval for the security of the ICT network systems. This reduces the need for internal audit to review the systems and duplicate work.

2.10 A risk rating of High, Medium or Low is allocated according to the result of the assessment. Based on the rating, a time scale between audits is applied. The audit plan is based on this risk assessment process covering all six domains to ensure all aspects of the Council are covered to some degree.

2.11 Both the Audit Manager and the Executive Director Finance Services (s151 Officer) are satisfied that the resources are sufficient, after the level of contingencies have been adjusted, and that the proposed plan will provide the level of assurance required.

3. Issues for the Panel to Consider

3.1 The Committee should consider if they are satisfied that the proposed audit areas represent a sufficient coverage of the services provided by the Council.

4. Corporate Priorities

4.1 The internal audit activity supports the achievement of the Corporate Business Plan by adding value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

5. Financial Implications

5.1 None.

6. Any other Implications/Risks

6.1 The plan enables the Audit Manager to manage the work of the Internal Audit team and to provide an annual opinion as required by the Annual Governance

Statement. It also enables the Audit Committee to monitor the work of the team and to receive assurance on the state of the internal control system of the Council.

7. Equal Opportunity Considerations

7.1 None.

8. Consultation

8.1 Executive Directors have been consulted on services within their respective directorships and the whole plan presented to Management Team for final comments.

9. Conclusion

9.1 The Strategic Internal Audit plan provides the basis for the Internal Audit team to carry out the work necessary to provide assurance on the systems of internal control and to enable the Audit Manager to provide an Annual Audit Opinion for the Annual Governance Statement in 2019.

10. Background Papers

10.1 Public Sector Internal Audit Standards (PSIAS)

<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

10.2 The Assurance Framework and the Risk Assessment template are available on InSite within the reports section of Internal Audit.

Audit Title	Risk Rating	Last Audit	Last Audit results	2018/19
2017/18 brought forward				50
Subtotal brought forward from 2017/18				50
Governance and Reputation				
Risk management	Medium			15
Legal Services & Compliance	Medium	2011/12	Substantial	15
Child Protection	Medium			15
Subtotal Governance and Reputation				45
People				
Training (Incl Apprenticeship Levy)	Low	2011/12	Full	15
Subtotal People				15
Financial				
Creditors (CORE)	High	2016/17	Substantial	20
Treasury Management (CORE)	High	2016/17	Substantial	20
Payroll (CORE)	High	2016/17	Full	20
Grants / Funding to third parties	Medium			15
S106 / CIL / Habitat Levy	Medium	2015/16	Substantial	15
Subtotal Financial				90
Infrastructure				
Vehicle Fleet	Medium			15
Subtotal Infrastructure				15
Information				
Data Quality and Interpretation	Medium			15
External Communication incl Social Media	Medium	2015/16	Substantial	15
Subtotal Information				30
Operational and Service Delivery				
Alive Leisure/ Management	High			20
Careline Community Services	Medium	2015/16	Substantial	15
Electoral Services	Medium	2010/11	Full	15
Major Projects – Housing Delivery Needs	High			15
Refuse Collection and Recycling	High	2016/17	Limited	20
Subtotal Operational and Service Delivery				85
Total Risk Based Audits				330
External Audits and Other Work				
Water Management Alliance / Alive Leisure External Audits				20
Audit Committee				20
Review of Statement of Accounts				5
Review of Annual Governance Statement				3
Check of calculations for COL and PRP				5
Follow ups				10
Contingency				60
Subtotal External and Other Work				123
Grand Total				453

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Audit Title	Risk Rating	Last Audit	2019/20	2020/21	2021/22	2022/23
Governance and Reputation						
Policies	Medium	2015/16	15			
Risk management	Medium					
Democratic Services	Medium	2014/15		15		
Performance management and reporting	Low	2012/13				
Health & safety including Crisys & home working	Low	2013/14				
Legal services and compliance	Medium	2011/12				
Partnership working	Medium	2017/18				15
Business Continuity	Medium	2016/17			15	
Child Protection	Medium					
Subtotal Governance and Reputation			15	15	15	15
People						
Recruitment	Medium	2015/16		15		
Training (incl CPD requirements)	Low	2011/12				
Performance and appraisal	Medium	2015/16	15			
Conduct and discipline	Low	None				
Attendance management [Including flexitime, sick leave and Special leave]	Medium	2016/17			15	
Prevention of fraud and corruption	Medium		15			
Leavers	Medium					15
Gifts and hospitality (staff and Members)	Medium	2017/18				10
Staff car leasing	Low	2012/13				
Subtotal People			30	15	15	25
Financial						
Accounts receivable (CORE)	High	2017/18	20		20	
Creditors (CORE)	High	2016/17		20		20
Treasury management (CORE)	High	2016/17		20		20

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General Ledger incl Budgetary control (CORE)	High	2017/18	20		20	
Council tax and Business Rates (CORE)	High	2017/18	20		20	
Benefits (CORE)	High	2017/18	20		20	
Asset Register and Inventories [Including management and disposal of assets] (CORE)	High	2016/17		20		20
Payroll, expenses and allowances [Staff and Members] (CORE)	High	2016/17		20		20
External funding/ grants received	Medium					15
Procurement [Including use of corporate credit cards]	Medium	2012/13				15
Contracts [Letting, management, and use of Framework Contracts]	Medium	2016/17			15	
Grants / funding to third parties	Medium					
Taxation / VAT	Medium	2015/16	External Tax specialists used			
Insurance	Medium	2016/17				15
Capital programme	Medium	2016/17		15		
S106 funds / CIL / Habitat Levy	High	2015/16			15	
Cost Efficiency Savings	High			20		
Subtotal Financial			80	115	110	125
Infrastructure						
<u>Buildings and land</u>						
Council Offices and sites, including Tourist Information Centre	Medium	2014/15	15			
Industrial estates and commercial property	Medium	2014/15				20
Amenity property and land	Medium	2016/17			15	
<u>Other Infrastructure</u>						
ICT network security, including mobile working	Medium	2013/14	PCI/PCN compliance audit			
ICT disaster recovery	Medium	2016/17		15		
ICT change management	Medium	2016/17			15	
Internal Communications [Including Intranet and Ciphernet]	Low	2011/12				
Vehicle fleet	Medium					
Subtotal Infrastructure			15	15	30	20
Information						
Information legislation [DPA, FOI & EIR]	Medium	2015/16		15		
Information management and security	Medium					15

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Document management [Electronic and physical, retention and destruction]	Medium	2012/13	15			
Data quality and interpretation [incl spreadsheets and databases]	Medium					
External Communications [Including Internet and social networking]	Medium	2015/16				
Transparency Agenda	Low	2015/16				
Subtotal Information			15	15	0	15
Operational and Service Delivery						
Alive Leisure/ Management - oversight and accountability	High		20	20	20	20
Allotments	Medium	2016/17			15	
Building Control	Medium		Audited by Eastern Internal Audit Services.			
Care and Repair	High	2016/17		20		
Careline Community Services	Medium	2015/16				
CCTV	Medium	2015/16		15		
Cemeteries and Crematorium	Medium	2017/18				15
Civics	Low	2015/16				
Civil enforcement and car parking	High	2015/16		20		
Community safety and neighbourhood nuisance	Medium	2011/12	15			
Electoral services	Medium	2010/11				
Emergency planning and management	Medium	2017/18			15	
Environmental quality	Medium	2011/12	15			
Food safety, health & safety and licensing	Medium	2016/17			15	
Graphics and Print room	Low	2012/13				
Housing standards	Medium	2016/17			15	
Housing strategy	Medium	2013/14				15
Housing options and allocations	Medium	2016/17	15			
Local Land and Property Gazetteer	Low	2011/12				
Major Projects	High		15	15	15	15
Planning Control	Medium					15
Planning enforcement	Medium	2016/17		15		

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Planning Support	Medium	2014/15	15			
Refuse collection and recycling incl Recycling Credits funding	High	2016/17			20	
Regeneration and economic development	Medium	2012/13	15			
Resort Services	Low	2014/15				
Street cleansing	Medium	2014/15	15			
Tourism and tourist information	Low	2011/12				
Town Centre and Market management	Low	None				
Flood and water management	Medium	2017/18				15
Subtotal Operational and Service Delivery			125	105	115	95
			280	280	285	295
External Audits and Other Work						
Water Management Alliance			5	5	5	5
Alive Leisure			15	15	15	15
Audit Committee			20	20	20	20
Review of Statement of Accounts			5	5	5	5
Review of Annual Governance Statement			3	3	3	3
Check of calculations for COL and PRP			5	5	5	5
Follow ups			10	10	10	10
Contingency			100	100	100	100
Subtotal External Audits and Other Work						
Grand Total			443	443	448	458



Internal Audit Strategy 2018-19

Introduction

Regulation 5 of the Accounts and Audit Regulations 2015 states that local authorities '*...must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*'.

This strategy is a high level statement of how the Internal Audit service will deliver the required assurance on the Council's internal control systems.

The Council's Internal Auditors will conduct all audit work in accordance with the Public Sector Internal Audit Standards (PSIAS), which define internal audit as:

'Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.'

Internal Audit Objectives

Internal Audit's objectives are to:

- Provide an independent and objective internal audit service that helps the Council to meet its stated objectives
- Support the Executive Director Finance Services in the discharge of her duties as Section 151 Officer (the officer responsible for the proper administration of the financial affairs of the authority).
- support and assist in embedding corporate governance, effective internal controls and risk management throughout the Council
 - help to identify areas for improvement and make recommendations to address these
 - offer advice and assurance on achieving effective internal controls
 - comply with the Public Sector Internal Audit Standards (PSIAS).

Under the PSIAS the Audit Manager must produce a risk-based audit plan which takes into account the requirement to express an annual internal audit opinion on the adequacy and effectiveness of governance, risk management and internal controls.

To this end, an Assurance Framework has been developed to enable a structured analysis of the internal controls to take place and in turn the framework is supported by a risk analysis of each identified sphere of audit. The whole process enables a risk based plan to be produced.

Outcomes

The Internal Audit team will work with a risk based audit plan that is designed to provide the required assurance on the system of internal controls.

On completion of each audit a report, which will describe the scope of the work undertaken and the results of that work, will be provided to the relevant manager, Executive Director, the Executive Director Finance Services (s151 Officer) and Portfolio Holder. Where necessary recommendations will be made and actions agreed with the manager to rectify any control weaknesses or improve service delivery. Any such recommendations will be followed up at an agreed interval, but usually six months after the report is finalised, to assess progress in implementation.

Progress against the plan will be reported to the Audit Committee at regular intervals. All reports will be made available in full to the members of the Committee via a secure area on InSite.

Managers will also be able to seek advice from the team on possible control issues if necessary.

At the end of the financial year, the Audit Manager produces an Annual Report which includes Annual Audit Opinion as described below.

Annual Audit Opinion

Internal Audit's role is to understand the key risks to the Council and to examine and evaluate the adequacy and effectiveness of its systems of risk management, governance and internal control. Each year the Audit Manager will provide her opinion on the effectiveness of the internal control environment to the Audit Committee. It will be influenced by the individual opinions provided for each piece of audit work undertaken and the progress made by managers in implementing previously agreed actions. The opinion will be supported by sufficient, reliable and relevant evidence

Resources

The internal audit service will be provided by an in-house team consisting of a part-time Audit Manager, one full time Auditor, one part time Auditor and a fulltime Investigation Officer/ Internal Auditor.

The frequency of audits over the 5-year strategic audit plan is as follows:

Low risk audits	If time permits in the audit year
Medium risk audits	Full systems audit one year in five
High risk audits	Full systems audit one year in three,
Core audits	Full systems audit one year in two

Core audits comprise:

- Accounts receivable
- Creditors
- Treasury management
- General ledger including budgetary control
- Council tax and business rates
- Benefits
- Asset register and inventories
- Payroll

The available resources are calculated as shown in the table below:

	Days
Total working days available	703
Less:	
Annual Leave	63
Bank Holidays (Including extended Christmas closure)	28
Training (non-qualification)	28
Section administration	76
Management	55
Total audit time available	453
Core Systems	60
Risk based and external audits	290
Follow-ups, reviews and Audit Committee support	43
Contingency	60
Total allocated	453

In addition to the in-house team the Council has access to IT auditors via the contract the Eastern Internal Audit Services (based at South Norfolk District Council) has in place with TIAA Ltd for the provision of their internal audit services.

To maintain the skills and knowledge levels required, training assessments of the team will be carried out on an annual basis as part of the Council's appraisal process. The Audit Manager will be responsible for prioritising the identified needs and ensure that the most effective use is made of the available training resources.

Key Performance Indicators

PI Ref	Indicator	Target
AUD 1	Delivery of the Audit Plan	95%
AUD 2	Productive time	60%

Audit Committee

The Terms of Reference relating to the Audit Committee include a requirement to review and approve, but not direct the Internal Audit Strategy. It is intended that this Strategy will be reviewed on an annual basis and the results presented to the Committee for approval along with the Audit Strategic Plan.

The next date for review will be – March 2019.