

AUDIT AND RISK COMMITTEE REPORT

TYPE OF REPORT: Audit	Portfolio: Performance
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If not for publication, the paragraph of Schedule 12A of the 1972 Local Government Act considered to justify that is paragraph 3.	

Committee: Resources and Performance – Audit & Risk Committee
Date: 23rd February 2016
Subject: Strategic Internal Audit Plan 2016-21

Summary	This report provides Committee Members with the opportunity to review the proposed Strategic Internal Audit Plan for 2016-21.
Recommendation	To note the Strategic Internal Audit Plan for 2016-21.

1.0 Introduction and Background

- 1.1 According to the Terms of Reference of the Audit and Risk Committee, one of the Core Functions is to review the Internal Audit's Strategic Audit Plan.
- 1.2 The Strategic Internal Audit Plan 2016-21 is attached to this report as **Appendices 1 and 2**. The plan indicates the work proposed by the Audit Manager for Internal Audit function for the next five years. The first year is defined and 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. The next four years are more flexible and simply provide an indication of the work that is anticipated and demonstrate that all areas of the Council's business are considered.
- 1.3 The overall strategy of the Internal Audit is reviewed on annual basis and is attached as **Appendix 3**.

2.0 Purpose of the Audit Plan

2.1 The Strategic Audit Plan is intended to:

- Ensure all 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.

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

3.0 Preparing the Plan

3.1 The plan was produced on the assumption that the Council and the Audit and Fraud team will continue in their current form and with the risks that have been identified in the Corporate Risk Register. If either of these changes significantly, the plan will need to be reviewed for any impact on the workload of the Internal Audit function. Any proposed amendments to the plan will be reported to the Committee.

3.2 Within the plan there are 8 Core Audits that are considered to be fundamental and cover systems that are essential to the business of the Council. These audits are:

- Council Tax and Non-Domestic Rates
- Creditors and Payments
- General Ledger (incl. Budgetary Control)
- Housing and Council Tax Benefits
- Treasury and Cashflow Management (incl. Bank Reconciliations)
- Payroll
- Accounts Receivable
- Inventories and Asset Management

In the past these systems have been audited extensively every year with high levels of assurance achieved repeatedly over several years. It is now felt that more effective use could be made of internal audit resources by allocating additional time to other areas. Therefore coverage of the core systems will consist of audits in alternate years unless there are any significant changes in the area concerned.

3.3 The rest of the plan consists of the audit of other, non-fundamental systems and computer systems that are not integral to other audits. There is some allowance for specific tasks that are known to be required and contingencies for other work that previous experience has shown can arise. Audit work is also carried out for the Water Management Alliance and Alive Leisure, which generates some income for the section.

- 3.4 A more proactive approach has been taken with major projects and an allowance has been made within the plan for members of the audit team to provide 'critical friend' support.
- 3.5 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. This 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.
- 3.6 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.

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 certification of the CCTV against Security Industry Authority Approved Contractor Status. This reduces the need for internal audit to review the systems and duplicate work.

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.

- 3.7 In preparing the plan, the Audit Manager calculated the available audit days by deducting allowances for annual leave, Bank Holidays, training and some management time from the gross number of working days in the year for the staff in the section. This was compared with the number of days required by the draft plan to establish if the resources available are adequate to provide the assurance needed.
- 3.8 The draft plan was discussed with the Assistant Director (s151 Officer) and presented to Management Team for discussion and acceptance.
- 3.9 Both the Audit Manager and the Assistant Director (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.

- 3.10 During the course of the year, the Committee may request that additional audits are undertaken or that any already in the plan are brought forward, and the resulting reports presented at future meetings.

4.0 Format of the plan

- 4.1 The plan is presented in two parts. The first part is the Annual Plan (**Appendix 1**), which deals with 2016-17 only.

- 4.2 The second part (**Appendix 2**) provides an indication of allocations for audits in 2017-18 to 2020-21 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.

5.0 Outcomes

- 5.1 As in 2015/16, the Audit Manager will continue to produce regular monitoring reports indicating:

- The audit work completed
- The results of Follow-ups carried out, especially any issues outstanding
- Work ongoing
- Progress against the Audit Plan
- Results against the Performance Indicators

- 5.2 This will enable Members to monitor progress against the agreed annual plan and identify any specific reports of interest to be brought to the next meeting.

Audit Title	Risk Rating	Last Audit date	Last Audit results	2016/17
Brought forward from 2015/16				80
Sub Total brought forward from 2015/16				80
Governance and Reputation				
Partnership working	Medium	2014/15	Substantial	15
				15
People				
Attendance management [Including flexitime, sick leave and Special leave]	Medium	None		15
Sub Total People				15
Financial				
Creditors (CORE)	High	2015/16	Substantial	20
Treasury management (CORE)	High	2015/16	Substantial	20
Asset Register and Inventories [Including management and disposal of assets] (CORE)	High	2015/16	Substantial	20
Payroll, expenses and allowances [Staff and Members] (CORE)	High	2015/16	Full	20
Insurance	Medium	2012/13	Full	15
Capital programme	Medium	2011/12	Full	15
Sub Total Financial				110
Infrastructure				
ICT network security, including mobile working	Medium	2013/14	Substantial	15
ICT change management	Medium	2013/14	Substantial	15
Internal Communications [Including Intranet and Ciphernet]	Low	2011/12	Substantial	10
Sub Total Infrastructure				40
Information				
Informing the Customer (inc CIC)	Medium	2010/11	Full	15
				15
Operational and Service Delivery				
Alive Leisure/ Management - oversight and accountability	High			15
Allotments	Medium	2014/15	No assurance	15
Care and Repair	High	2013/14	Limited	15
Emergency planning and management	Medium	2011/12	Full	15
Food safety	Medium	2012/13	Full	15
Housing standards	Medium	2012/13	Substantial	15
Licensing (incl Caravan Sites)	Low	2011/12	Full	10
Major Projects: Joint Venture; Major Housing; Channel Shift; Housing companies; IDOX;	High			45

Audit Title	Risk Rating	Last Audit date	Last Audit results	2016/17
Planning enforcement	Medium	2010/11	Substantial	15
Play Areas	Medium	None		15
Refuse collection and recycling	High	2013/14	Substantial	20
Tourism and tourist information	Low	2011/12	Full	10
Sub Total Operational and Service Delivery				205
Total Risk Based Audits				480
External Audits				
Water Management Alliance				10
Alive Leisure				15
Other Work				
PRP Calculations				2
Annual Governance Statement review				3
Audit Committee				15
National Fraud Initiative				50
Risk Management				13
Review of Statement of Accounts				5
Fraud Prevention and Detection				50
Follow ups				10
Contingency				50
Total Other Work				223
Grand Total				703

Audit Title	Risk Rating	Last Audit date	Last Audit results	2017/18	2018/19	2019/20	2020/21
Governance and Reputation							
Strategic planning [Corporate and Directorate]	Medium	None					15
Policies	Medium	2015/16			15		
Risk management	Medium	2012/13	Full	15			
Democratic Services	Medium	2014/15	Substantial	15			
Performance management and reporting	Low	2012/13	Full	10			
Health & safety including Crisys & home working	Low	2013/14	Substantial		10		
Legal services and compliance	Medium	2011/12	Substantial	15			
Culture and ethics	Medium	None					15
Partnership working	Medium	2014/15	Substantial	15			
Business Continuity	Medium	2015/16			15		
Subtotal Governance and Reputation				70	40	0	30
People							
Recruitment	Medium	2015/16	Full		15		
Training (incl CPD requirements)	Low	2011/12	Full	15			
Performance and appraisal	Medium	2015/16	Substantial		15		
Conduct and discipline	Low	None		15			
Attendance management [Including flexitime, sick leave and Special leave]	Medium	None			15		
Prevention of fraud and corruption	Medium						
Leavers	Medium	2015/16			15		
Gifts and hospitality	Medium	2014/15	Substantial	15			
Staff car leasing	Low	2012/13	Substantial	10			
Subtotal People				55	60	0	0
Financial							

Audit Title	Risk Rating	Last Audit date	Last Audit results	2017/18	2018/19	2019/20	2020/21
Accounts receivable (CORE)	High	2015/16	Full	20		20	
Creditors (CORE)	High	2015/16	Substantial		20		
Treasury management (CORE)	High	2015/16	Substantial		20		
General Ledger incl Budgetary control (CORE)	High	2015/16	Full	20		20	
Council tax and Business Rates (CORE)	High	2015/16	Substantial	20		20	
Housing Benefit (CORE)	High	2015/16	Substantial	20		20	
Asset Register and Inventories [Including management and disposal of assets] (CORE)	High	2015/16	Substantial		20		
Payroll, expenses and allowances [Staff and Members] (CORE)	High	2015/16	Full		20		
External funding/ grants received	Medium	None				15	
Procurement [Including use of corporate credit cards]	Medium	2012/13	Substantial	15			
Contracts [Letting, management, and use of Framework Contracts]	Medium	2015/16			15		
Grants / funding to third parties	Medium	None		15			
Taxation / VAT	Medium	2015/16	Full				
Insurance	Medium	2012/13	Full				
Capital programme	Medium	2011/12	Full				
S106 funds / CIL	Medium	2015/16			15		
Subtotal Financial				110	110	95	0
Infrastructure							
<u>Buildings and land</u>							
Council Offices and sites, including Tourist Information Centre	Medium	2014/15	Substantial	15			
Industrial estates and commercial property	Medium	2014/15	Substantial	15			

Audit Title	Risk Rating	Last Audit date	Last Audit results	2017/18	2018/19	2019/20	2020/21
Amenity property and land	Medium	None		15			
<u>Other Infrastructure</u>							
ICT network security, including mobile working	Medium	2013/14	Substantial				
ICT disaster recovery	Medium	2015/16			15		
ICT change management	Medium	2013/14	Substantial				
Internal Communications [Including Intranet and Ciphernet]	Low	2011/12	Substantial				
External Communications [Including Internet and social networking]	Low	2015/16			10		
Vehicle fleet	Medium	None				15	
Subtotal Infrastructure				45	25	15	0
Information							
Information legislation [DPA, FOI & EIR]	Medium	2015/16	Substantial		15		
Information management and security	Medium	None				15	
Document management [Electronic and physical, retention and destruction]	Low	2012/13	Substantial	10			
Data quality and interpretation [including use of spreadsheets and databases]	Medium	None		15			
Informing the Customer (inc CIC)	Medium	2010/11	Full				
Transparency Agenda	Low	2015/16					10
Subtotal Information				25	15	15	10
Operational and Service Delivery							
Alive Leisure/ Management - oversight and accountability	High			15	15	15	15
Allotments	Medium	2014/15	No assurance				
Care and Repair	High	2013/14	Limited				
Careline Community Services	Medium	2015/16			15		

Audit Title	Risk Rating	Last Audit date	Last Audit results	2017/18	2018/19	2019/20	2020/21
CCTV	Medium	2015/16			15		
Cemeteries and Crematorium	Medium	2013/14	Substantial	15			
Civics	Low	2015/16	Full				10
Civil enforcement and car parking	High	2015/16		20			
Community safety and neighbourhood nuisance	Medium	None				15	
Electoral services	Medium	2010/11	Full	10			
Emergency planning and management	Medium	2011/12	Full				
Environmental quality	Medium	2011/12	Full	15			
Food safety	Medium	2012/13	Full				
Graphics and Print room	Low	2012/13	Substantial	10			
Heritage (Archives and events)	Medium	None				10	
Housing standards	Medium	2012/13	Substantial				
Housing strategy	Medium	2013/14	Full	15			
Housing options and allocations	Medium	2015/16			15		
Licensing (incl Caravan Sites)	Low	2011/12	Full				
Local Land and Property Gazetteer	Low	2011/12	Substantial	10			
Major Projects	High			15	15	15	15
Planning Control	Medium	None			15		
Planning enforcement	Medium	2010/11	Substantial				
Planning Support	Medium	2014/15	Substantial	15			
Play Areas	Medium	None					
Refuse collection and recycling	High	2013/14	Substantial				
Regeneration and economic development	Medium	2012/13	Full	15			
Resort Services	Low	2014/15	Full			10	
Street cleansing	Medium	2014/15	Substantial	15			

Audit Title	Risk Rating	Last Audit date	Last Audit results	2017/18	2018/19	2019/20	2020/21
Tourism and tourist information	Low	2011/12	Full				
Town Centre and Market management	Low	None			10		
Water management	Medium	2012/13	Limited	15			
Subtotal Operational and Service Delivery				185	100	65	40
Total for Risk Based Audits				490	350	190	80



Internal Audit Strategy 2016-17

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 Assistant Director 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 effectiveness of the 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 Director, the Assistant Director as S151 Officer and Portfolio Holder. Where necessary recommendations will be made 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 and Risk 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 and Risk 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 an Audit Manager, one full time Auditor, one part time Auditor and a fulltime Investigation Officer/ Internal Auditor. The team will operate according to the Public Sector Internal Audit Standards.

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

	Days
Total working days available	991
Less:	
Annual Leave	96
Bank Holidays (Including extended Christmas closure)	36
Training (non-qualification)	20
Section administration	85
Management	50
Total audit time available	704
Core Systems	80
Risk based and external audits	425
Fraud prevention and detection	100
Risk Management	15
Follow-ups, reviews and Audit Committee support	34
Contingency	50
Total allocated	704

In addition to the in-house team the Council has access to IT auditors via the contract the Norfolk Internal Audit Consortium 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 and Risk Committee

The Terms of Reference relating to the Audit and Risk 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 2017.