

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Corporate Manager – Internal Audit	Report Number: JAC100
To: Joint Audit and Standards Committee	Date of meeting: 13 March 2017

INTERNAL AUDIT PLAN 2017/18

1. Purpose of Report

1.1 This report details the proposed Internal Audit Plan for the next financial year.

2. Recommendations

2.1 Councillors are requested to review, assess and approve the Internal Audit Plan 2017/18, as detailed in Appendix A.

3. Financial Implications

3.1 There are no financial implications, as the Internal Audit Plan will be funded from within approved budgets.

4. Legal Implications

4.1 There are no legal implications arising from these proposals.

5. Risk Management

5.1 Each Council is required by statute to maintain an adequate and effective Internal Audit function, which forms an integral part of each Council's corporate governance and internal control arrangements. It is therefore essential that the Internal Audit Plan directs resources to areas of highest risk and has the approval and support of senior management and Councillors.

5.2 The preparation and development of the Internal Audit Plan is described in more detail from paragraph 10 onwards.

5.3 The key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Internal control weaknesses and potential for fraud exists	Unlikely	Bad	Work programme that focuses on key areas, including fundamental systems.
Inefficient processes or systems in place	Unlikely / Probable	Noticeable / Bad	Audit work considers efficiency issues and appropriate recommendations are made.

6. Consultations

- 6.1 The Internal Audit Plan was discussed with the Senior Leadership Team (SLT) including the s151 Officer as part of the audit planning process.

7. Equality Analysis

- 7.1 There are no equality and diversity implications arising from this report.

8. Shared Service / Partnership Implications

- 8.1 The overall approach has been to develop a single shared model for internal audit delivery and management for both Councils.

9. Links to Joint Strategic Plan

- 9.1 The delivery of a comprehensive internal audit service supports the Council objectives, in particular:

An enabled and efficient organisation – The right people are doing the right things, in the right way, at the right time, for the right reasons and are able to prove it.

However, the plan has been designed to support all five of the Council's strategic themes. The proposed allocation of audit days is shown both in the attached detailed report and the associated pictorial representation in Appendix A.

10. Key Information

- 10.1 With project activity and change to service delivery, greater focus on risk, responses to management requests, and the inclusion of the role of Deputy Monitoring Officer for the Corporate Manager - Internal Audit, Internal Audit resources have been challenged to maintain an effective coverage. Consequently approval has been given to the addition of one FTE to strengthen the team. This additional resource has been included in the plan for 17/18.

Approach to Audit Planning

- 10.2 The provision of a risk based Internal Audit Plan consistent with each Council's priorities is an essential part of ensuring probity and soundness of each Council's internal controls, risk exposure and governance framework.
- 10.3 The plan has been constructed to ensure that it delivers against the Public Sector Internal Audit Standards (PSIAS) and the requirement to produce an annual Head of Internal Audit opinion. In doing this it can be confirmed that the plan covers the following activities:

- Governance processes
- Monitoring
- Ethics
- Information and Information technology governance
- Risk Management
- Fraud management

- 10.4 The planning process also recognises that the Councils' are continuing to strive to improve services and use innovative approaches in addressing service delivery against a background of reducing resources.
- 10.5 Internal Audit resources have therefore been targeted across the Councils' services using a risk based approach including support to project teams through this change to help maximise the effectiveness of internal control.

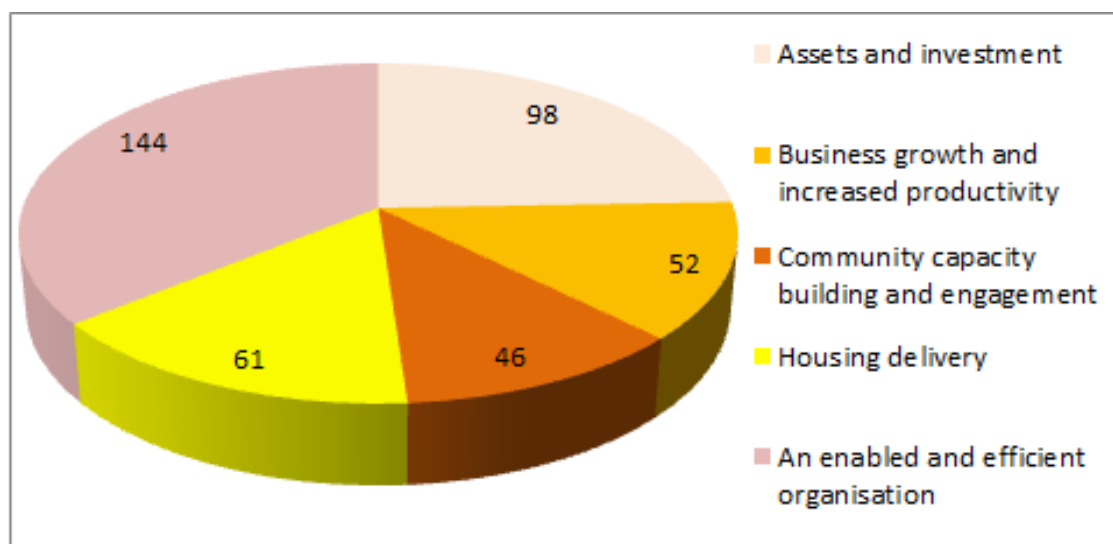
Plan structure and key items to note

- 10.6 The resources available to the Corporate Manager – Internal Audit are 775 days, of which 465 are allocated to audit (600 - 2016/17 (457 audit)). This reflects adjustments to the staff changes mentioned above, and the resource demands detailed below.
- 10.7 The construction of the Audit Plan has been developed to support both the Annual Governance Statement and the Councils' Five Key Strategic Themes. Factors used in the risk assessment of services and processes to inform the proposed focus of audit for 2017/18 have been based largely, but not exclusively, on the following:
- Consideration of key controls and associated risks;
 - Review of each Council's strategic priorities and those objectives/outcomes contained in the Joint Strategic Plan that sit beneath them;
 - Cumulative audit knowledge and experience;
 - Engagement with senior management to identify management's view of the coming year's risks linked to the Joint Strategic Plan and Delivery Programme about which assurance is required e.g.
 - Significant projects or programmes planned or underway;
 - Areas subject to changing systems or processes;
 - Areas where internal controls may be affected by reductions in resources;
 - Areas subject to high levels of inherent risk; and
 - Significant contracts.
 - Financial materiality – e.g. levels of income and expenditure, value of assets, volume of transactions;
 - Control environment –control assurance in respect of the three lines of defence: Sound Management of Front line operations; Oversight of management activity within a professional framework; and External review by Independent assurance providers;
 - Previous assessments of the soundness of internal controls, taking into account previous findings of Internal Audit and External Audit;
 - Management concerns over the stability, complexity and vulnerability – taking into account such factors as the stability of management and staffing

arrangements, changes in locations, complexity/changes in regulations and legislation, major system changes, new IT systems etc.; and

- Date of last audit – i.e. the longer the time since the last audit potentially the greater the risk.

10.8 During the planning process managers were asked to contribute proposals for audit engagement within the Councils' Five Key Strategic Themes. The plan in Appendix A details this approach, and the days audit allocated are shown below:



The relative emphasis on audit coverage related to Organisation is, in part, due to the nature of audits concerned with generic efficiency and effectiveness across the Councils, such as Information Technology and Health and Safety.

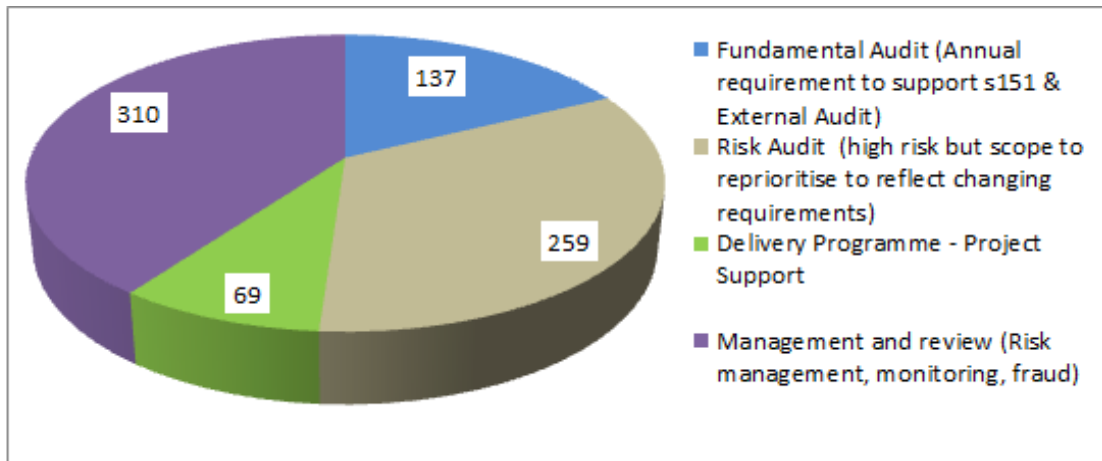
The next largest category, Assets, reflects the audits being conducted within Finance reviewing activities associated with categories of the balance sheet.

Housing delivery audits are determined by the changes within and focus on, the activities both within Supported Living and the changing legislative and regulatory landscape.

Business Growth and Community include planning activities and Safeguarding & vulnerable adults - S11 reporting.

10.9 The coverage within individual audits continues, where appropriate, to include looking at transformation opportunities for improving efficiency and adding value.

10.10 The audit work proposed in the plan is also structured to reflect the audit disciplines undertaken to support delivery of the governance and professional framework. The resources committed to each category is annotated in the detailed plan in Appendix A and in summary below:



- Fundamental Audits (Managing Finance) – Days included in the plan to cover fundamental systems audit work on which reliance may be placed by the external auditors as they assess the Councils’ final accounts. As the control environment continues to improve there has been some reduction in audit time allocated to audit in this area;
- Risk Audits – identified in the audit planning and assurance process, conducted to support management reliance over the key controls in effect to manage major aspects of the Councils’ operation. As the business continues to transform audit resource is allocated to this activity in this year’s plan;
- Delivery Programme – Resources allocated to support a number of high priority projects to provide the necessary assurances around governance, risk profile and internal control arrangements. Projects will continue to be evaluated in terms of risk and scoped accordingly as management request support from Internal Audit;

Other audit activity, including:

- Governance arrangements – Audits which contribute to the development of both Council’s Corporate Governance Framework and feed into the Annual Governance Statement;
- Monitoring Role – The Corporate Manager - Internal Audit has been appointed to the role of Deputy Monitoring Officer for the Councils, with the specific duty to ensure that the Council, its officers, and its Elected Councillors, maintain the highest standards of conduct in all they do, pursuant to Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000.
- Risk Management – Audit work will help to ensure that the Councils identify and effectively manage significant business and operational risks in line with the Risk Management Strategy. An increased commitment is proposed this year to deal with further developments;
- Counter fraud work - ongoing proactive testing of systems and processes help to identify potential fraud and misappropriation, as well as non-compliance with policies and procedures. The audit team will reactively investigate potential wrongdoing, responding to fraud and corruption relating to non-benefit fraud cases.

This includes co-ordinating data matching for the National Fraud Initiative (NFI); raising fraud awareness and providing training in areas such as money laundering; providing advice to services on introduction of new systems or procedures. Full details of counter fraud work undertaken is contained within the annual report entitled 'Managing the Risk of Fraud and Corruption 2016/17', tabled as a separate paper to this Committee;

- Business Continuity – to maintain the Councils' Business Continuity Plan and ensure it remains 'fit for purpose' by undertaking an annual refresh; establish risk management processes and procedures that aim to prevent interruptions to mission critical services; facilitate update of action cards; and provide general advice and guidance to officers.
- Advice and guidance – the team proactively provide ongoing advice across both Councils. Whether through attendance at working groups, projects or responding to enquiries, early audit advice and support can help maintain a robust control environment and feed in good practice. It is likely to remain an area of demand during 2017/18 as managers at all levels, especially those implementing new systems, structures and relocations, require support.

Conclusion

10.11 The Internal Audit Plan will be kept under review to ensure it reflects the shape of the Councils going forward. Should significant amendments be necessary these will be discussed with senior management, including the Section 151 Officer and, where deemed necessary, reported back to this Committee.

11. Appendices

Title	Location
(a) Detailed Proposed 17/18 Internal Audit Plan	Attached

12. Background Documents

12.1 None.

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Appendix A Detailed Proposed 17/18 Internal Audit Plan.

Appendix A				
Prioritised Internal Audit Plan for 2017/18				
All audits to include control environment, good practice and transformational aspects				
Audit	Days	Key areas		Intended benefits to the Council
Assets and investment – Improved achievement of strategic priorities and greater income generation through use of new and existing assets ('Profit for Purpose')				
Capital Accounting	15	Capital program and asset management, including changes in Housing Management Accounting.	F	
Local Taxation (covering Council Tax & NDR)	6	Shared Revenue Partnership feeder systems and reconciliations.	F	Covering statutory work in conjunction with External Audit. The beneficial outcomes can include an improved control environment, enhanced management information and streamlined processes thereby improving organisational efficiency.
Receivables / Debtors	10	Income management, inc. debt recovery - how fed back to business by finance and managed by service areas.	F	
Payroll/HR	10	Starters; Leavers; and variation to pay. - Link into SCC as new payroll providers.	F	In addition these reviews provide governance assurance to the S151 Officer and Senior Management.
Income Collection / Cash & Bank - new cash module in General Ledger	16	Payment methods, channel shift, unsolicited transactions, Payment Card Industry Data Security Standards.	F	Fraud may be identified as a consequence of this work.
Treasury Management	11	Corporate Cash Management and links to funding of business strategy.	F	
Investment and Development Strategy effectiveness and efficiency	30	The Asset Strategy will ensure that the use of the Councils' property portfolio is maximised, demonstrating that assets are performing well in terms of support for service delivery, generating income, and are as efficient as possible in terms of outgoings; and land and surplus buildings are used to support strategic priorities.	D	Ensure that the changes safeguard assets and incomes to the Council to support the drive to an enabled and efficient organisation, funding business development and support to the community. Advise on making the system fit for purpose in supporting smooth business growth and housing development across the districts.
	98	Assets and investment planned days		
Business growth and increased productivity – Encourage development of employment sites and other business growth, of the right type in the right places and encourage investment in skills and innovation in order to increase productivity				
Procurement	20	Compliance testing against new procurement framework / guidance.	F	Gain assurance of the veracity of the procurement processes and procedures implemented across the business to ensure that the right people are doing the right things, in the right way, at the right time, for the right reasons and are able to prove it.
Analysis and review of business principles in setting Fees and Charges	15	Setting of Fees and charges strategy, review of regulatory constraints, market challenges and consider if pricing set to recover costs or results in subsidy of the service.	R	Outcomes can include an improved control environment, enhanced management information and streamlined processes thereby improving organisational efficiency. In addition these reviews provide governance assurance to the S151 Officer and Senior Management.
Miscellaneous income streams: cf: Tourist Information Centres and Waste collection centres	5	Procedures in operation to manage, billing, fees and collecting payments - linked to finance systems for recording and collection.	R	Verify that all income is appropriately recognised, collected and reported.
Payables / Creditors	12	Transparency, cash flow, fraud (links to procurement).	F	Covering statutory work in conjunction with External Audit. The beneficial outcomes can include an improved control environment, enhanced management information and streamlined processes thereby improving organisational efficiency. In addition these reviews provide governance assurance to the S151 Officer and Senior Management
	52	Business growth and increased productivity planned days		
Community capacity building and engagement – All communities are thriving, growing, healthy, active and self-sufficient				
Neighbourhood Development Plans (NDP / NHP)	15	Localism- creation of mini plans - Review the process re decisions, overviews, external examinations, Council exposure - key risks Governance, Legal and Financial.	R	Support the development of suitable housing in the area, the development of businesses and the operational development of the Council through challenge of the identification and management of risks and procedures associated with the changes.
Redesign an integrated Planning Service	6	Provide control assurances around: data load validation.	D	Safeguarding the assets and incomes to the Council to support the drive to an enabled and efficient organisation, funding business development and support to the community. Advise on making the system fit for purpose in supporting smooth business growth and housing development across the districts.
Community Infrastructure Levy (CIL)	10	Review significant governance and efficiency issues. Administration of CIL funds to enable sustainable growth, including Expenditure and Governance models.	R	
Safeguarding & vulnerable adults - S11 reporting.	15	S11 reporting to Safeguarding board. Assurance audit re best practice, reporting processes, staff awareness and understanding.	R	Community capacity building and engagement – All communities are thriving, growing, healthy, active and self-sufficient
	46	Community capacity building and engagement planned days		
Housing delivery – More of the right type of homes, of the right tenure in the right place				
Housing Rents	10	Income collection, rent setting. - effectiveness of new IT systems & processes.	F	Covering statutory work in conjunction with External Audit. The beneficial outcomes can include an improved control environment, enhanced management information and streamlined processes thereby improving organisational efficiency.
Housing Benefits	6	Shared Revenue Partnership feeder systems and reconciliations.	F	In addition these reviews provide governance assurance to the S151 Officer and Senior Management. Fraud may be identified as a consequence of this work.
Supported living	15	Areas of Housing, Asset Management, HRA to consider and discuss in detail with Managers.	R	
Asbestos management	10	Review asbestos information given to BMBS and external contractors when emergency/out of hours repairs are required	R	Ensure that the changes safeguard assets and incomes to the Council to support the drive to an enabled and efficient organisation, funding business development and support to the community. Advise on making the system fit for purpose in supporting smooth business growth and housing development across the districts.
Fixed term /flexible tenancies	10	Introduction of fixed term/flexible tenancies which the government are proposing. Not too much is known at this time regarding how much discretion we as an authority will have and how much will be governed by legislation. There will be a knock on effect on the tenancy agreements which will need redesigning involving consultation with Legal plus the IT system could need changing	D	
Open Housing Phase 2	10	Look at management of project, esp integrity of controls to commitment of monies (procurement), budget management etc Links to procurement and finance systems .	D	Safeguarding the assets and incomes to the Council to support the drive to an enabled and efficient organisation, funding business development and support to the community. Advise on making the system fit for purpose in supporting smooth business growth and housing development across the districts.
	61	Housing delivery planned days		
An enabled and efficient organisation – The right people are doing the right things, in the right way, at the right time, for the right reasons and are able to prove it				
Make use of leading edge business systems	10	Information Governance - Sensitive and personal information relating the Councils' businesses is handled in a confidential and secure manner.	R	Gain assurance of the veracity of the processes and procedures implemented across the business to ensure that the right people are doing the right things, in the right way, at the right time, for the right reasons and are able to prove it.
IT	10	TBA but engage with counterparts in SCC.	F	In addition these reviews provide governance assurance to the S151 Officer and Senior Management
General Ledger	11	Integrity of financial information, management of the system. Migrated system and new modules.	F	
Health and Safety	25	Compliance and substantive testing of Health and Safety processes and records to confirm compliance with Council Policy. Audit will work alongside the Health and Safety Officer to support and challenge new initiatives.	R	Provide comfort to Management that the Councils' are fulfilling their legislative duties and that the welfare of staff is being met. Determine the Councils' resilience of and compliance with legislation.
Operational financial indicators	15	Review of the MI and associated challenge arising from the finance engagement model and it's support to Service Managers.	R	
Payment card procedural changes Allpay project post review.	3	Effective receipting, banking and financial recording of cash payments -link to Income Audit.	D	Outcomes can include an improved control environment, enhanced management information and streamlined processes thereby improving organisational efficiency.
Integra Migration	5	Upgrade of the system to Integra 2 and implementation of the cash system module.	D	In addition these reviews provide governance assurance to the S151 Officer and Senior Management.
Budgetary Control	5	Review & critique of finance implementation of new module and associated processes.	D	
Business Continuity	60	Produce and maintain a joint BCP. Annually refresh critical missions, facilitate update of action cards, training and awareness. Venue change specific issues.	R	This work supports the governance and effective operation of the organisation and can aid with the security of assets. It will further provide information and feedback to Members and Officers, as well as ensuring the Councils meet the reporting requirements of statutory and Local Government bodies.
	144	An enabled and efficient organisation planned days		
Other Audit Activity				
Work in progress from previous year	5	Finalisation of any outstanding work. Liaison with External Auditors over review of internal audit work.	R	Covering statutory work in conjunction with External Audit. The beneficial outcomes can include an improved control environment, enhanced management information and streamlined processes thereby improving organisational efficiency
Follow Ups	9	Implementation of audit recommendations deemed as high risk.	R	
Requests for support from management	24	Unplanned investigations assessing the impact on controls and processes through specific events.	M	
Deputy Monitoring Role	100	Work to be undertaken by the Corporate Manager - Internal Audit.	M	Provide comfort to Management that the Councils' are fulfilling their legislative and fiduciary duties, and determine the Councils' resilience of and compliance with legislation.
Annual Governance Statement	25	Collation, interpretation, challenge and presentation of management opinion of control assurance and governance across the Councils.	M	
Anti-Fraud & Corruption work including the National Fraud Initiative (NFI)	50	Proactive: Money Laundering, Policy reviews, Advice and guidance - awareness, Staff training. NFI Data monitoring. Reactive: Investigations. Data matching (statutory requirement).	R	
Management	35	Service delivery (Citee reports / Planning)	M	Supports the governance and effective operation of the organisation and can aid with the security of assets. It will further provide information and feedback to Members and Officers, as well as ensuring the Councils meet the reporting requirements of statutory and Local Government bodies.
5 Yr Quality review -(new one off)	6	Self assessment review of audit delivery.	M	
Risk Management	120	Committee report cycle – Executive and Strategy half yearly and JASC annually. Review and challenge of Significant Risk Register. Training, advice and guidance to members & officers. Annual review joint Risk Management Strategy.	M	
	374	Other Audit Activity planned days		
	775	Total Days Planned		F Fundamental Audit (Annual requirement to support s151 & External Audit) R Risk Audit (high risk but scope to reprioritise to reflect changing requirements) D Delivery Programme - Project Support M Management and review (Risk management, monitoring, fraud)