

AUDIT COMMITTEE

20 MARCH 2014

REPORT OF AUDIT AND GOVERNANCE MANAGER

A.1 INTERNAL AUDIT PLAN 2014/15

(Report prepared by Steve Blake)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek the approval of the Audit Committee for the Internal Audit Plan for 2014/15.

EXECUTIVE SUMMARY

- A high level statement of how the Internal Audit Service will be delivered and developed has been produced that meets the requirements set out in the Public Sector Internal Audit Standards.
- The plan has been produced, taking into account the requirements set by the standards, and is considered to provide sufficient coverage to enable the Audit and Governance Manager to provide in due course an opinion on the control environment of the Council.
- The plan can be delivered within the resources and budget available.
- The plan will be kept under review, and amended as necessary to reflect changing circumstances, and to provide a flexible approach to service delivery.

RECOMMENDATION(S)

- (a) That the Internal Audit Plan for 2014/15 be considered and approved**
(b) That the existing arrangements for updating the plan during the year, where necessary to reflect changing Authority activity and operational needs and to provide flexibility of service delivery, be continued, with significant amendments reported to this committee as part of the periodic Internal Audit reporting arrangements

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Provision of adequate and effective internal audit helps demonstrate the Council's commitment to corporate governance matters.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The 2014/15 Internal Audit Plan can be resourced from the 2014/15 budget.

Risk

Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.

LEGAL

The Council has a statutory responsibility to maintain adequate and effective internal audit.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.

During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.

There is no specific effect on any particular ward.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Public Sector Internal Audit Standards require that the Audit and Governance Manager: -

1. Provides a high level statement of how the Internal Audit Service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.
2. Establishes a risk based Internal Audit Plan, at least annually, to determine the priorities of the Internal Audit function, consistent with the Council's goals.
3. Has in place a mechanism to review and adjust the plan, as necessary, in response to changes to the Council's business, risks, operations, programmes, systems and controls.
4. Produces a plan that takes into account the need to produce an annual Internal Audit opinion.
5. Considers the input of senior management and the Audit Committee in producing the plan.
6. Assesses the Internal Audit resource requirements.

CURRENT POSITION

Statement Regarding Delivery and Development of the Internal Audit Service

The Internal Audit Charter was approved by the Audit Committee at its meeting on 27th June 2013. The Charter defines the purpose, authority and responsibility of the Internal Audit function.

The Internal Audit function will strive to continue to develop and deliver a service that operates within the requirements of the Public Sector Internal Audit Standards. Whilst the function is well on the way to achieving compliance, the nature of the changes from the previous Code of Practice and the need to evidence compliance in a transparent way regarding the extensive Standards checklist requires further work to be undertaken. Time has been allowed in 2014/15 to enable progress to be made.

The Internal Audit Charter remains fit for purpose, and the Internal Audit function will aim to develop and deliver a service that takes account of and follows the requirements as set out in the Charter, and : -

- Discharges the Council's statutory responsibilities with regard to internal audit
- Contributes to the Council's governance, risk and assurance arrangements
- Enables the Audit and Governance Manager to provide an annual opinion on the overall adequacy and effectiveness of the Council's control environment
- Delivers a quality service.

The Internal Audit resources available are considered sufficient to be able to deliver an Internal Audit plan that meets the above requirements. The Internal Audit function will be primarily provided by an in house team. Budget provision exists to enable some specialist external resource to be procured to cover any gaps in the in house team's skillset, if it proves necessary to do so to provide the internal audit coverage required. The Internal Audit function will continue to review, refine and develop its techniques to improve its efficiency, to improve coverage wherever possible.

The Internal Audit function will operate independently of the activities that it audits to enable auditors to perform their duties in a manner that facilitates impartial, objective and effective professional judgements and recommendations. Appropriate arrangements are in place to identify and record any conflicts of interests that occur, and to prevent such conflicts from impairing independence.

The function will seek to identify and address, in the work it undertakes, significant and emerging national and local risks. To achieve this aim the Internal Audit function will: -

- Continue to adopt a flexible approach with regard to audit planning, both in terms of having appropriate mechanisms in place to review and update the plan throughout the year as necessary, and at the individual audit level with regard to the objectives and scope of each audit undertaken.
- Maintain alignment of the Internal Audit plan and the content of audits with the Council's Corporate Risk Register and organisational objectives and priorities.

Liaison will be undertaken with the Council's external auditors to ensure that they are able to place reliance on the work of Internal Audit. Where other sources of assurance are available, including external audit, the Audit and Governance Manager will consider the placing of reliance upon those other sources where it is appropriate to do so. In such cases the level of coverage undertaken by the Internal Audit function will be varied to reflect this.

Internal Audit Plan 2014/15

The plan has been produced taking into account the requirements as set out in the Public Sector Internal Audit Standards, and the Internal Audit Charter.

In preparing the plan the Internal Audit Universe has been updated to reflect changes

within the Council and its operations and to take account of its objectives and current and emerging significant risks, as recorded in corporate and departmental risk registers. It is not feasible, or necessary, to undertake audit of all activities, or risks, in any one financial year and a documented risk assessment process is in place to determine where prioritisation should be given within the Audit Universe. A risk assessment has been undertaken to create the proposed plan.

Discussions have been held with Management Team members individually and collectively, and their input has been taken into account in the plan presented to the Committee. The Committee now has the opportunity to input into the plan.

Internal Audit Resource Requirements

The establishment for the Internal Audit function consists of 4.6 fte. However not all of this resource is available for Internal Audit as the Audit and Governance Manager has some non- audit duties. In addition there is budget available for the use of a contractor to provide a limited amount of coverage, as detailed above.

The level of Internal Audit coverage needed has previously been determined as being of the order of 630 days a year, and at the current time this is considered to remain appropriate.

After taking account of planned and unplanned absence, training and development, audit planning and reporting, administrative time and contingencies, the resources available have been calculated as being able to provide the level of coverage required.

Internal Audit Plan Detail

The plan provides an outline of the work currently proposed to be undertaken during the 2014/15 financial year. In order to provide a proactive and flexible approach the plan should be considered indicative of the work currently intended. The Internal Audit Plan needs to be flexible to ensure that internal audit resources are directed where they are most needed, and add as much value as possible to the organisation.

The plan will be kept under review during the year, in consultation with the Council's senior management, and taking account of changes to the Council's operations and risk. Changes to the plan will be brought to the attention of the Committee for approval.

The plan has been produced with an indicative resource requirement for each audit programmed. In order to allow for flexibility, the time assessed as required to undertake each assignment will be determined and agreed by the Audit and Governance Manager with the relevant Corporate Director / Head of Department at the time the audit is scoped. This will enable the scope to be tailored to ensure that the work to be undertaken is appropriate to need at the time, adds value and provides the level of assurance required.

The level and range of coverage is considered sufficient for the Audit and Governance Manager to be able to provide an annual opinion on the Council's assurance framework.

As referred to above, the Internal Audit Plan is not intended to provide coverage, in any one year, of the entire Audit Universe. If resources become available as a result of plan changes during the year, then priority will be given to audits with the highest ranking that were not included in the plan.

The currently agreed process for plan amendments is for approval to be sought from the Chairman of the Committee, with the Audit Committee being made aware of material changes made as part of the regular Internal Audit reporting arrangements. It is proposed

that these arrangements continue to allow sufficient flexibility to enable amendments to be made as and when required and without delay.

Outline of Plan

	2014/15 Plan (Days)	Comments
Assurance Work		
Key Systems	155	See Appendix A
Other Systems	273	See Appendix B
Computer Audit	32	See Appendix C
Action Tracking / Follow Up	25	Ongoing work to ensure that issues identified during audits are addressed
Carry Forward of Work in Progress at 31 st March 2014	20	For completion of 2013/14 audits
Total Assurance Work	505	
Other Work		
Proactive Anti Fraud Audits and Initiatives	20	Assurance work includes embedded control analysis regarding prevention and detection of fraud. Provision here is for specific audits on emerging fraud risks. Topics to be determined during the year.
Ad Hoc	105	Consultancy and Advice, Requested and Unplanned Audits, Investigations, Corporate
Total Other Work	125	
Total Days	630	

Alignment with Risk Registers

The Council's Corporate Risk Register as presented to the December 2013 meeting of the Committee has been mapped into the Internal Audit Universe, and the risks identified therein taken into account in the plan risk assessment undertaken. The Departmental Risk Registers have also been factored in. The Corporate Risks are all covered within the 2014/15 plan with the following exception: -

Corporate Risk 14 – Local Plan

An audit on Planning Policy, which primarily examined the Local Plan process, has only recently been completed, and did not identify any significant control issues. It is not currently considered necessary to repeat this audit in 2014/15, however if a need for an audit is identified during the year, a plan adjustment can be made.

BACKGROUND PAPERS FOR THE DECISION

Audit Plan Working Papers

APPENDICES

Appendix A - Internal Audit Plan – Key Systems
Appendix B - Internal Audit Plan – Other Systems
Appendix C – Internal Audit Plan – Computer Audit

INTERNAL AUDIT PLAN 2014/15 – KEY SYSTEMS

Appendix A

Audit	Risk Score	Days	Corporate Risk Register Ref	Comments
Housing Benefits	103	20		
Bank Account	96	10		
Council Tax	91	20	9	
Corporate and Ethical Governance	86	15	3	Public Sector Internal Audit Standards requirement
Main Accounting System	83	10		
National Non Domestic Rates	83	15	10	
Payroll	83	15		To include integration of Payroll and Human Resources into one computer system
Creditors	80	5		Light touch
Treasury Management	80	10		
Housing Rents	77	10		
Cashiers / Income Control	76	5		Light touch
Departmental Procurement	73	10		Cyclical – one Department per year. Corporate Services due
Sundry Debtors	71	10		
Total		155		

INTERNAL AUDIT PLAN 2014/15 – OTHER SYSTEMS Appendix B

Audit	Risk Score	Days	Corporate Risk Register Ref	Comments
Financial Strategy / Resilience	90	10	1, 3, 6	
Risk Management	87	10		Public Sector Internal Audit Standards requirement
Housing Repairs and Maintenance	85	16		
Coast Protection	84	5	13	
Elections and Electoral Registration	79	10	2	Carried forward from 2013/14 to enable audit to include IER
Credit and Debit Card Payments	77	5		Follow up of 2013/14 audit – Limited Assurance
Parking Services	75	5		Follow up of 2013/14 audit regarding cash handling issues
Regeneration	75	5		Review of development of Delivery Plan
Community Leadership Projects	74	10	5	
Fraud Investigation Team	74	10		
Housing Allocations	74	10		
Office Rationalisation and Modernisation	73	10		
Tending Careline	73	15	8	
Cemeteries and Crematorium	72	5		Restricted to business continuity and contract for replacement cremator
Licensing	72	10		
Sale of Council Houses	72	7		
Clacton Leisure Centre	71	12		To include cash income
VAT	70	10		
Departmental Staffing	69	10		Cyclical – on Department per year – Public Experience in 2014/15. Focus on allowances paid to staff
Information Management	69	5		Follow up of 2012/13 audit – Limited Assurance
Insurance	69	10		
Health and Safety	68	10		
Workforce / Succession Planning	68	10	4	
Frinton Walton Pool	64	10		

INTERNAL AUDIT PLAN 2014/15 – OTHER SYSTEMS Appendix B

Audit	Risk Score	Days	Corporate Risk Register Ref	Comments
Land Charges	64	10		
Leisure Services Development Programme	64	10	12	
Housing Strategy and Development	62	10	11	Deferred from 2013/14. To include building / acquisition of new Council Housing
Private Sector Housing	62	10		
Community Infrastructure Levy / S106	61	10		Follow up of 2012/13 audit – Limited Assurance
Fixed Penalty Notices	53	2		Follow up of 2012/13 audit where issues identified
Seafront	48	1		Cash handling spot check on issue from 2013/14 not resolved during 2013 summer season
Total		273		

INTERNAL AUDIT PLAN 2014/15 – COMPUTER AUDIT Appendix C

Audit	Risk Score	Days	Corporate Risk Register Ref	Comments
Firewalls, Device and Data Security	96	10	3, 7	
ICT Project Management	94	10		Specific focus on IT Infrastructure Investment project
Payroll / Human Resources – Computer Application Review	86	7		Post implementation review of new integrated system
I T Governance	85	5		Public Sector Internal Audit Standards requirement
Total		32		