

AUDIT COMMITTEE

19 MARCH 2015

REPORT OF AUDIT AND GOVERNANCE MANAGER

A.2 INTERNAL AUDIT PLAN 2015/16

(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 2015/16.

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 2015/16 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 2015/16 Internal Audit Plan can be resourced from the 2015/16 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 continues to develop its processes and procedures to demonstrate compliance, the forthcoming software upgrade provides an opportunity to develop and embed compliant practices further. In producing the plan consideration has been given to ensuring that staff resources are available to address issues regarding the standards and to successfully implement the new software. At the current time it is not possible to accurately quantify the time required for this and whilst provision has been made, it may be necessary in due course to make plan adjustments to ensure that the implementation is achieved within an appropriate timeframe.

A review has been undertaken and at the current time the Internal Audit Charter remains fit for purpose, and the Internal Audit function will continue to 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 2015/16

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

Detail regarding the proposed budget for the Internal Audit function was reported, for comment, to the Committee's December meeting. The budget at that time was considered sufficient to deliver the level of service required. That budget has since been approved without amendment.

The establishment for the Internal Audit function remains at 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, new system implementation 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 2015/16 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 each 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

	2015/16 Plan (Days)	Comments
Assurance Work		
Key Systems	140	See Appendix A
Other Systems	268	See Appendix B
Computer Audit	37	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 2015	50	For completion of 2014/15 audits
Total Assurance Work	520	
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	90	Consultancy and Advice, Requested and Unplanned Audits, Investigations, Corporate
Total Other Work	110	
Total Days	630	

Alignment with Risk Registers

The Council's Corporate Risk Register as presented to the December 2014 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 specifically identified within the 2015/16 plan with the following exceptions: -

Corporate Risk 1d – Careline – Potential loss of ECC contract

A Tendring Careline audit is currently programmed as part of the 2014/15 plan and it is expected this will be completed early in 2015/16. If the results of that audit indicate a need

for further audit work in 2015/16 regarding the risk identified in the Corporate Risk Register, then a plan adjustment will be sought in due course.

Corporate Risk 4a – Loss of key staff

Corporate Risk 4b – Lack of capacity to deliver key services

A Workforce and Succession Planning audit has recently been completed and did not identify any significant issues requiring further audit work in 2015/16.

In reality there is also an element of coverage of these risks embedded within most audits, as exposure to these risks would have the potential to lead to the failure of key controls which would be identified during audits and reported.

Corporate Risk 6a – Loss of sensitive and / or personal data through malicious actions, loss, theft and / or hacking

Corporate Risk 6d – Virus / Malware

An audit on Firewalls, Device and Data Security was undertaken in 2014/15, and did not identify any significant issues that indicated a need for a further audit at this time.

Corporate Risk 7a – Local Plan

An audit on Planning Policy, which primarily examined the Local Plan process, was undertaken in 2013/14. Since then a Local Plan Committee has been formed to control the risk identified in the Corporate Risk Register. At the current time a further audit is not considered to be a priority.

As referred to above mechanisms exist to allow amendment to the plan and if any issues arise regarding the risks in the current Corporate Risk Register, or new risks emerge including any identified by the Council's external auditors, then plan adjustments will be considered.

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 2015/16 – KEY SYSTEMS

Appendix A

Audit	Risk Score	Days	Corporate Risk Register Ref	Comments
Housing Benefits	99	15		The roll out of Universal Credit is reducing the coverage required
Bank Account	92	10		
Council Tax	87	20	8a	
National Non Domestic Rates	87	15	8b	
Housing Rents	85	10		
Payroll	83	10		
Corporate and Ethical Governance	82	10	3a, 3b	Public Sector Internal Audit Standards requirement
Creditors	80	5		Light touch
Treasury Management	80	5		Light touch
Main Accounting System	79	15	5a	
Cashiers / Income Control	76	5		Light touch
Departmental Procurement	73	15		Cyclical – one Department per year. Life Opportunities due. Provision made for follow up of Public Experience Procurement Audit
Sundry Debtors	71	5		Light touch
Total		140		

INTERNAL AUDIT PLAN 2015/16 – OTHER SYSTEMS Appendix B

Audit	Risk Score	Days	Corporate Risk Register Ref	Comments
Elections and Electoral Registration	85	10	2b	Deferred from 2014/15
Risk Management	83	7		Public Sector Internal Audit Standards requirement
Coast Protection	83	5	2a	Review of post contract processes
Housing Repair and Maintenance	81	16		
Asset Management	80	15	1a	
Office Rationalisation and Modernisation	76	10	2f	
Clacton Leisure Centre	75	5		Follow up of 2014/15 audit
Community Leadership Projects	74	10	2c, 2h	Deferred from 2014/15
Parking Services	71	10		
Leisure Services Development Programme	70	5	2e	Deferred from 2014/15
BACS	70	7		
Departmental Staffing	69	10		Cyclical – one Department per year – focus on allowances paid to staff. Corporate Services in 2015/16
Fraud Investigation Team	68	10		Deferred from 2014/15
Health and Safety	68	10		Deferred from 2014/15
Planning Enforcement	66	8		
Open Spaces, Horticulture and Play Areas	65	10		
Business Continuity	65	10	9b	
Development Management	64	10		
Food Safety	64	10		
Public Conveniences	64	10		
Cemeteries and Crematorium	64	5	2g	Replacement cremators contract
Theatres and Entertainments	64	15		
Household Waste and Recyclable Materials	63	12		
New Build / Acquisition of Housing Stock	63	10	2d	
Dovercourt Bay Lifestyles	62	10	2e	
Procurement	61	10		
Tourist Information Centres	61	10		
Emergency Planning	61	7	9a	
Seafront	48	1		Deferred from 2014/15 – spot check only
Total		268		

INTERNAL AUDIT PLAN 2015/16 – COMPUTER AUDIT Appendix C

Audit	Risk Score	Days	Corporate Risk Register Ref	Comments
ICT Project Management	97	10	1b, 1c	Specific focus on IT Infrastructure Investment project. Deferred from 2014/15
Payroll / Human Resources – Computer Application Review	89	7		Post implementation review of new integrated system. Deferred from 2014/15
Agresso – Computer Application Review	85	5		
I T Governance	85	5	6c	Public Sector Internal Audit Standards requirement
ICT Business Continuity / Disaster Recovery	79	10	1b, 9b	
Total		37		