

## AUDIT COMMITTEE

17 MARCH 2016

### REPORT OF AUDIT AND GOVERNANCE MANAGER

#### A.2 INTERNAL AUDIT CHARTER AND INTERNAL AUDIT PLAN 2016/17

(Report prepared by Steve Blake)

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To seek the approval of the Audit Committee for an updated Internal Audit Charter.

To seek the approval of the Audit Committee for the Internal Audit Plan for 2016/17.

##### EXECUTIVE SUMMARY

- An updated Internal Audit Charter has been produced reflecting legislative and other changes required.
- 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 Internal Audit Plan for 2016/17 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 updated Internal Audit Charter be approved.**
- (b) That the Internal Audit Plan for 2016/17 be considered and approved.**
- (c) 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 2016/17 Internal Audit Plan can be resourced from the 2016/17 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 undertake an 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. Periodically reviews the Internal Audit Charter and presents it for approval.
2. 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.
3. 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.
4. 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.
5. Produces a plan that takes into account the need to produce an annual Internal Audit opinion.
6. Considers the input of senior management and the Audit Committee in producing the plan.
7. Assesses the Internal Audit resource requirements.

## **CURRENT POSITION**

### **Internal Audit Charter**

The Public Sector Internal Audit Standards require that the purpose, authority and responsibility of the Internal Audit activity must be formally defined in an Internal Audit Charter, and that the charter be periodically reviewed and presented for approval.

The Internal Audit Charter was originally produced in 2013, following the introduction of the standards, and replaced the previously existing Terms of Reference and Internal Audit Strategy. The Charter has been reviewed on an annual basis, but had not been considered as requiring updating until now. The original Charter was approved by the Audit Committee in June 2013, and the periodic reviews have been incorporated into subsequent reports to the Committee.

The introduction of the Accounts and Audit Regulations 2015, a statutory instrument, has necessitated changes to be made to the Charter and the opportunity has been taken to review and update other content to improve clarity.

The Standards require the Charter to be a formal document that: -

- Defines the Internal Audit activity's purpose, authority and responsibility
- Establishes the Internal Audit activity's position within the organisation including the nature of the "Chief Audit Executive's" (Audit and Governance Manager's) functional reporting relationship with the Board (Audit Committee)
- Authorises access to records, personnel and physical properties relevant to the performance of engagements
- Defines the scope of Internal Audit activities
- Defines the terms "Board" and "Senior Management" for the purpose of Internal Audit activity
- Covers the arrangements for appropriate resourcing
- Defines the role of Internal Audit regarding fraud-related work
- Includes arrangements for avoiding conflicts of interest if Internal Audit undertakes any non-audit activities.

The proposed Charter is included at Appendix A. This document has been produced taking into account the requirements of the standards, and requires formal approval.

### **Statement Regarding Delivery and Development of the Internal Audit Service**

The Internal Audit Charter, above, 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. The function continues to develop its processes and procedures to demonstrate compliance and best practice, with the new audit software recently introduced providing opportunities to develop and embed compliant practices further.

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
- Provides a service compliant with the requirements of the standards
- 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.

To aid effective delivery of the service an up to date specialist audit software package will be maintained.

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. Budgetary 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.
- Take account of emerging risks and exposures to the Council, identified both externally and internally.

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 2016/17**

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.

The introduction of new Internal Audit software during 2015/16 has required production of a new Internal Audit Universe to take account of design features of the software. Whilst the Universe reflected the structure and operations of the Council at the time it was developed and their respective risks, there is an ongoing need to update the Universe to reflect changes to the organisation as they occur, and to take account of emerging projects and changing risks. 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 to provide a sufficient level of coverage and to enable the Audit and Governance Manager to be able to provide in due course the required assurances.

After taking account of planned and unplanned absence, training and development, audit planning and reporting, administrative time, system development 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 2016/17 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.

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, that are considered to be due.

The currently agreed process for plan amendments is for approval to be sought from the

Audit Committee, except in urgent instances when Chairman's approval will be sought. The Audit Committee will be made aware of material changes 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

	<b>2016/17 Plan (Days)</b>	<b>Comments</b>
<b>Assurance Work</b>		
Key Systems	187	Considered compulsory Provision for emerging projects such as Jaywick, Garden Communities.
Emerging Key Projects	20	
Other Systems	174	Ongoing work to ensure that issues identified during audits are addressed For completion of 2015/16 audits
Computer Audit	32	
Action Tracking / Follow Up	24	
Carry Forward of Work in Progress at 31 <sup>st</sup> March 2016	75	
<b>Total Assurance Work</b>	<b>512</b>	
<b>Other Work</b>		
Proactive Anti-Fraud Audits and Initiatives	30	Emerging fraud risks and potential exposures
Ad Hoc	88	Consultancy and Advice, Requested and Unplanned Audits, Investigations
<b>Total Other Work</b>	<b>118</b>	
<b>Total Days</b>	<b>630</b>	

A more detailed breakdown of the plan is included at Appendix B.

The Committee's attention is drawn to the following: -

- Additional time has been added to the Key Systems section of the plan for 2016/17. The additional provision includes for a Corporate Procurement Review to be undertaken as a one off exercise. This is intended to be a high level review across the whole Council taking account of issues previously identified in the work of the Internal Audit function and looking to disseminate best practice across all functions. The forthcoming restructuring of the Council has also resulted in a need to evolve the audit of Procurement at departmental level and the 2016/17 plan reflects this – this will also impact into subsequent years' plans.
- An allowance of time has been included to enable Internal Audit work to be undertaken as appropriate on the emerging key projects of the Council. These are projects that currently do not individually appear in the Internal Audit Universe in their own right pending formal decisions being made. However such projects pose potential emerging significant risks to the Council and as such there is a role for Internal Audit at the early stages in each project's development. Once such projects are approved, each project will then be included within the Audit Universe and risk assessed in its own right to establish the timing and content of audit coverage required.
- The new Internal Audit Universe has resulted in a number of changed priorities compared to the previous year's plans. As a result audits deferred in 2015/16 relating to Community Leadership Projects, Food Safety and Health and Safety have not been included in the proposed plan for 2016/17. There are no known

concerns at the current time that warrant giving these areas priority over those included. If plan adjustments during the year allow additional audits to be added to the plan, priority will be given to the highest risk scoring audits due, at that time.

- The plan includes a provision for proactive anti-fraud audit. This provision may be used in conjunction with assurance audits scheduled embedding additional content in those audits to cover fraud risks, for one off exercises, and for researching exposure and promoting awareness of specific or generic risks to relevant members of staff or the organisation as a whole.
- In considering the Internal Audit Universe, risk exposure and audit scheduling, consideration has been given to alignment of the Annual Audit Plan with the Corporate and Departmental Risk Registers. Due to the nature of activities and risks, it is not necessary to cover all risks in the Corporate Risk Register every year. Corporate risks from the December 2015 risk register have been included in the plan with the exception of: -

**1a Failure to effectively manage assets**

Asset Management audit undertaken 2015/16. Issues arising from that audit to be covered using the Action Tracking / follow Up processes.

**2b Failure to deliver IER**

Audit undertaken 2015/16.

**2c Community Leadership Projects / 2h Essex Family Solutions**

Audit was due in 2015/16, but deferred. Current audit risk assessment doesn't give this risk sufficient priority to reach the plan at this time.

**2d Building Council Homes**

Acquisition of Housing Stock within Asset Management audit 2015/16. The risk currently in the corporate register is one that cannot be mitigated by any internal actions and therefore no audit planned for 2016/17 at this time.

**4a Loss of Key Staff / 4b Lack of Capacity to Deliver Core Services**

There is an element of coverage of these risks embedded in most audits, but no specific audit planned.

**9a Ineffective Emergency Planning / 9b Ineffective Business Continuity Planning**

Audit undertaken 2015/16.

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.

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.

**BACKGROUND PAPERS FOR THE DECISION**

Audit Plan Working Papers

**APPENDICES**

Appendix A - Internal Audit Charter  
Appendix B - Internal Audit Plan 2016/17



# TENDRING DISTRICT COUNCIL INTERNAL AUDIT

## INTERNAL AUDIT CHARTER - MARCH 2016

### 1. INTRODUCTION

The CIPFA Public Sector Internal Audit Standards (PSIAS), applicable from 1<sup>st</sup> April 2013, require that the Chief Audit Executive produces an Internal Audit Charter that is consistent with the Standards, and the Definition of Internal Auditing and the Code of Ethics contained within the Standards.

The Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit function within the Council.

The Standards require that the Charter be subject to periodic review, and be formally approved by the Audit Committee. These reviews are to be undertaken by the Audit and Governance Manager and reported to the Committee at least annually.

This version of the Internal Audit Charter has been produced March 2016, and replaces that approved in 2013, and reviewed in subsequent years.

### 2. DEFINITION OF ROLES

The Standards use the terms Board, Senior Management and Chief Audit Executive.

In this Charter, and with regard to compliance with the PSIAS, the following definitions apply: -

PSIAS	TDC
Board	Audit Committee
Senior Management	Management Team
Chief Audit Executive	Audit and Governance Manager

Throughout this document the titles used by this Council have been used for clarity purposes.

### 3. REQUIREMENT FOR INTERNAL AUDIT

The Accounts and Audit Regulations 2015 requires that **“a relevant body 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”**.

Tendring District Council is a relevant body, as defined by the Regulations.

Compliance with the Public Sector Internal Audit Standards fulfils the requirements set in the Regulations.

The role of the Internal Audit function includes the discharge of statutory requirements relating to internal audit.

#### **4. COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)**

The PSIAS, and the definition of Internal Auditing and the Code of Ethics within the standards, are mandatory. Arrangements will be made to ensure that the Internal Audit function operates in accordance with the PSIAS. In the event that circumstances prevent full compliance, appropriate equivalent safeguards or measures will be adopted as permitted by the standards, and the Audit Committee made aware. The Audit and Governance Manager's Annual Report will take into account any issues of non-compliance.

The Audit and Governance Manager is responsible for maintaining an up to date Internal Audit Manual which details the framework adopted to meet the requirements set by the standards.

Internal Auditors will ensure that they undertake their duties with due professional care and in line with the requirements of the standards, and its embedded code of ethics.

The Audit and Governance Manager will make arrangements for compliance / quality reviews to be undertaken, in accordance with the PSIAS requirements, and for the results of such reviews to be reported to the Audit Committee, together with any actions necessary to achieve full compliance.

#### **5. PURPOSE, RESPONSIBILITY, OBJECTIVES AND SCOPE OF INTERNAL AUDIT**

The purpose of the Internal Audit function is to: -

- provide independent, objective assurance to the Council on its operations and control environment
- deliver an effective, cost effective, proactive and innovative function that meets the needs of the Council
- add value by assisting management to improve the delivery of Council objectives and operations through the evaluating and challenging the effectiveness of risk management, control and governance processes
- add value by assisting management to improve the delivery of Council objectives and operations by the provision of consultancy and best practice advice.

The key responsibilities and objectives for the Internal Audit function are to: -

- provide an Internal Audit services that discharges the Council's statutory responsibilities with regard to internal audit
- provide a service that is compliant with the requirements of the PSIAS
- contribute to the Council's governance, risk and assurance arrangements

- enable the Audit and Governance Manager to provide an annual opinion on the overall adequacy and effectiveness of the Council's control environment
- deliver a quality service

The scope of Internal Audit includes: -

- undertaking independent risk based reviews to provide assurance on the effectiveness, efficiency and legality of management and service delivery arrangements
- undertaking ad hoc reviews as requested by management
- undertaking / participating in investigations including those in relation to potential fraud, corruption, bribery or irregularity
- undertaking proactive anti-fraud work examining emerging fraud risks and potential exposures identified
- providing consultancy and advice on major projects, and ad hoc advice upon demand
- dissemination to the organisation of best practice

The scope of the Internal Audit function's remit includes the Council's entire control environment, not just financial controls – this includes assurance and monitoring mechanisms, including risk management arrangements. It also extends to any services provided through partnership arrangements, or by external providers.

Where the Council works in partnership with other organisations, the Internal Audit function will provide a service as agreed between the partner organisations. The nature of assurances to be provided will be consistent with the requirements of the Standards, the governance arrangements applicable to the partnership, and the terms of engagement for the assignments undertaken.

The Internal Audit function does not currently provide a service to any third party organisation, but may do so in the future if appropriate to do so. The nature of assurances to be provided in such circumstances will be consistent with the requirements of the Standards, the rules and regulations governing the organisation in question, and the terms of engagement contractually entered into.

The Audit and Governance Manager will ensure that the planned Internal Audit work in any financial year provides sufficient coverage of the key financial, and other, systems to enable an opinion on the effectiveness of the Council's control environment to be formed. In lieu of work undertaken directly by the Internal Audit function, the Audit and Governance Manager may place reliance on assurances provided by other assurance providers where he deems it appropriate to do so.

Consideration will be taken, in determining where Internal Audit activity should be focussed, of the Council's assurance and monitoring mechanism's including risk management arrangements.

The Internal Audit function can provide consultancy and advice to the functions of the Council and its management, usually of a one off and ad hoc nature. It may also be involved in assignments to aid development of new and improvement of existing processes. Mechanisms are in place to maintain independence and divisions of duty.

Arrangements will be maintained to ensure that a quality assurance programme is in place that meets the requirements of the PSIAS.

## **6. ORGANISATIONAL INDEPENDENCE OF INTERNAL AUDIT**

The Internal Audit function will be independent 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.

A mechanism will be maintained that enables conflicts of interest, including previous employment responsibilities, to be identified and recorded. Internal Auditors will not be allowed to undertake assignments / elements of assignments where a conflict of interest has been identified or to audit records where impartiality cannot be demonstrated.

The Audit and Governance Manager has some other operational responsibilities of a governance nature. Arrangements will be maintained to ensure that the post holder is not involved in audits on such areas in either an operational or supervisory role to maintain independence.

The Audit and Governance Manager will report at least annually to the Audit Committee on the organisational independence of the Internal Audit function.

## **7. ACCOUNTABILITY, REPORTING LINES AND RELATIONSHIPS**

The Internal Audit function is located within the Corporate Services Department. The Audit and Governance Manager's line manager is the Finance and Procurement Manager (S151 Officer). The Audit and Governance Manager has a right of direct access to the Corporate Director (Corporate Services) as departmental head. In addition the Audit and Governance Manager has a right of direct access to the Management Team, the Chief Executive and Corporate Directors / Head of Department individually, and Members.

The Audit and Governance Manager has the right to meet privately with the Audit Committee, when necessary.

The arrangements for working relationships with elected members shall follow the requirements of the Protocol on Member / Officer relations within the Council's Constitution, and codes of conduct.

All Internal Audit reporting, at both officer and Member level, shall be by the Audit and Governance Manager in his own name.

Following each audit the Audit and Governance Manager will report directly to the relevant Corporate Director / Head of Department providing an assurance ranking based upon the results of the assignment undertaken, with any material issues being drawn to the attention of the Council's s151 officer, other statutory officers or Management Team as appropriate to the circumstance. The results of each audit will be reported to the Audit Committee.

Corporate Directors / Head of Department are responsible for ensuring that appropriate action is taken to resolve issues reported by Internal Audit. The

Internal Audit function will have in place mechanisms to obtain assurance that actions have been appropriately implemented, and to report any significant issues arising from this to the Audit Committee.

The Council's Audit Committee has responsibility for receiving reports on Internal Audit from the Audit and Governance Manager. Reports will be produced in formats that meet any criteria laid down by the PSIAS.

The Audit and Governance Manager may be required to provide assurance to external parties, such as grant funding bodies, where so requested. He will ensure that such engagements are conducted reflecting any requirements set by such bodies, and professional standards.

The Audit and Governance Manager will maintain a dialogue with Corporate Directors / Head of Department to ensure that emerging risks, and operational changes, are reflected in the work programme for Internal Audit at the earliest opportunity.

The Audit and Governance Manager will develop and maintain relationships with the Council's external auditors and other review bodies, taking account of the differing roles and responsibilities of each organisation.

## **8. RESPONSIBILITY OF THE AUDIT COMMITTEE AND ROLE OF STATUTORY OFFICERS WITH REGARDS TO INTERNAL AUDIT**

The role of the Audit Committee with regards to Internal Audit is laid out in the Council's Constitution. The role regarding Internal Audit includes:

- Considering the Audit and Governance Manager's Annual Report and opinion.
- Considering reports on the operation of Internal Audit and summaries of specific internal audit reports.
- Considering reports from Internal Audit on agreed recommendations not implemented within a reasonable timescale.

To fulfil this role, and to meet the requirements of the PSIAS, the Committee in considering reports on the operation of Internal Audit will also receive and approve: -

- The Annual Internal Audit Plan
- Internal Audit Plan updates during the year
- The Internal Audit Charter

The Head of Paid Service (Chief Executive) has responsibility for the discharge of the functions of the Council, and would therefore be advised regarding any issues of a significantly material nature arising during audits. The post holder also has a responsibility regarding the effective discharge of the Internal Audit function.

The s151 Officer (Finance and procurement Manager) has responsibility for ensuring that the Audit and Governance Manager provides the Internal Audit service required by the Council, and is advised of any issues of a material nature identified during audits / provided with assurance as appropriate to aid in meeting his statutory obligations.

The Monitoring Officer (Legal Services Manager) has responsibility for the lawfulness and fairness of decision making, and any issues of this nature identified during audits will be drawn to the post holders attention / assurance provided as appropriate to aid the postholder to meet their statutory obligations.

## **9. FRAUD AND CORRUPTION**

Managing the risk of fraud and corruption lies with management. The Internal Audit function does not have responsibility for the prevention and detection of fraud and corruption. Internal Auditors will be alert in the work undertaken to risks and exposures that could allow fraud or corruption to occur.

The Council's Constitution (Financial Procedure Rules) requires that Corporate Directors / Head of Department report any financial irregularity or suspected irregularity to the designated Head of Internal Audit immediately. The Council's Fraud and Corruption Strategy confirms these arrangements.

The Audit and Governance Manager will take into account any reported irregularities in preparing his annual opinion, in preparing the risk based annual internal audit plan, and in scoping any related audits.

The Internal Audit plan each year can include a provision of time for proactive anti fraud and corruption work to examine emerging fraud risks and potential exposure, and any other proactive anti fraud activities appropriate to promote an effective anti fraud and corruption culture throughout the Council.

The Audit and Governance Manager will make provision in the plan to enable reactive work to be undertaken as a result of any irregularity reported where he considers it appropriate for the Internal Audit function to undertake, or be involved in, any investigation required.

## **10. INTERNAL AUDIT RESOURCE REQUIREMENTS**

The Public Sector Internal Audit Standards require that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. However the Account and Audit Regulations / PSIAS are not prescriptive regarding the level of resources required.

The level and nature of resources required for each year's plan will be considered as part of the annual audit planning process to ensure that the resources available are deemed sufficient taking account of changes to the audit universe, changes to exposure of the organisation to risk, and developing professional standards.

The resources available will be maintained, both in terms of staffing levels and proficiency, at a level sufficient to deliver the approved plan to an acceptable standard, and to meet the requirements of the PSIAS.

Provision may be made to enable the use of resources from elsewhere within the Council or externally as appropriate to cover any skills gaps related to the audit engagements planned.

Any changes to the functions of the Council, the risks the Council is exposed to, the requirement for ad hoc work, and the development of audit techniques may

change the baseline position. The Internal Audit Plan is intended to be flexible and mechanisms exist to update it during each year as required.

If at any time an imbalance between resources available and those required to deliver an effective Internal Audit function arises, then this will be drawn to the attention of the Audit Committee, together with proposed solutions.

## **11. RIGHT OF ACCESS**

The right of access for Internal Audit to records, assets, personnel and premises shall be consistent with the requirements of the Accounts and Audit Regulations. The right of access is also contained in the Council's Constitution.

The right of access shall extend to any resources bought in to supplement the in house team, in undertaking audits.

Internal Audit shall have, for the purposes of internal audit, the right of access to all establishments operated by the Council, all records held by the Council, all assets and personnel. Where the Council enters into partnership arrangements, or outsources functions, the contractual arrangements shall include provision for the right of access by the Council's Internal Auditors to all records and assets that relate to the Council. The Council's Internal Auditors shall have authority to obtain such information and explanations as are considered necessary to fulfil their internal audit responsibilities.

Internal Auditors will treat information they receive / see in the course of their duties as confidential, only disclosing such information where there is a legal or professional requirement to do so.

# INTERNAL AUDIT PLAN 2016/17

# Appendix B

Audit	Risk Score	Days	Corporate Risk Register Ref	Comments
<b>KEY SYSTEMS</b>				
Housing Benefit	79	15		
Housing Rents	79	15		
Council Tax	75	20	8a	
Business Rates	75	15	8b	
Corporate Procurement Review	67	20		High level review across whole Council
Departmental Procurement	67	30		Departments / functions to be audited to be identified in due course.
Main Accounting System	67	15	5a	
Bank Account	63	5		Light touch
Payroll	63	10		
Sundry Debtors	63	10		
Creditors	59	10		
Treasury Management	58	5		Light touch
Corporate and Ethical Governance	55	12	3a, 3b	
Payments Received	50	5		Light touch
<b>EMERGING KEY PROJECTS</b>	79	20		Provision of time for emerging projects such as Jaywick, Garden Communities.
<b>OTHER SYSTEMS</b>				
Financial Resilience	71	10	5a	
Coast Protection	67	10	2a	Cliff Stabilisation project
Housing Repairs and Maintenance	67	20		
Frinton Walton Pool	67	15		Income processes following opening of new facilities
Grants / Financial Assistance	67	15		Improvement grants / loans
Fraud and Compliance Team	63	10		Deferred from 2015/16
Building Control	63	12		
Housing Allocations	63	5		Follow up audit
Planning Policy	63	5	7a	
Street Sweeping	63	10		
Beach Huts	62	15		
Public Conveniences	58	15		Deferred from 2015/16
Risk Management	54	7		
Leisure Services	54	5	2e	Frinton Walton Pool construction contract
Development Programme				
Bereavement Services	54	10		
Staff Allowances	42	10		Departments / functions to be audited to be determined in due course



**INTERNAL AUDIT PLAN 2016/17****Appendix B**

<b>Audit</b>	<b>Risk Score</b>	<b>Days</b>	<b>Corporate Risk Register Ref</b>	<b>Comments</b>
<b>COMPUTER AUDIT</b>				
Payroll / Human Resources – Computer Application Review	71	7		Deferred from 2015/16
I T Governance	67	5	1c, 6a, 6c, 6d	
I T Project Management	63	10	1b, 1c, 2f	Deferred from 2015/16
Revenues and Benefits Computer Application Review	63	5	8a, 8b	
Uniform Application Review	58	5		Modules in use include Development Management, Building Control, Land Charges, Licensing
<b>ACTION TRACKING / FOLLOW UP</b>		24		Ongoing work to ensure that issues identified during audits are addressed
<b>CARRY FORWARD OF WORK IN PROGRESS</b>		75		To enable completion of 2015/16 audits in progress at 31 <sup>st</sup> March 2016
<b>PROACTIVE ANTI FRAUD</b>		30		To examine emerging fraud risks and potential exposures identified
<b>AD HOC</b>		88		Consultancy and advice, requested and unplanned audits, investigations