

AUDIT & GOVERNANCE COMMITTEE

Thursday, 15 March 2018

INTERNAL AUDIT: ANNUAL INTERNAL AUDIT PLAN 2018-19 (REP1656)

EXECUTIVE SUMMARY

1. This report presents the proposed Internal Audit Plan for 2018-19 as agreed with the Corporate Management Team. The construction of the Plan involves many factors and drivers and a diagram is incorporated within the Plan, which illustrates the overall methodology.
2. This report is being presented to the Audit & Governance Committee in accordance with the Committee's terms of reference which stipulate that the Committee is to *'approve, (but not direct) internal audit's work plan.'* Also *'to promote the value of the audit process.'*
3. Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (2016) (PSIA) and Local Government Application Note (2013). This report has been prepared in accordance with our Audit Charter.

Is the report Open or Exempt?	Open
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Wards Affected:	All Wards in the District
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Cabinet Member:	Councillor B Provan Cabinet Member for Resources
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Supporting Officer:	Mrs Siobhan Martin Head of Internal Audit Telephone: 01394 444254 Email: siobhan.martin@eastsoffolk.gov.uk
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1 PURPOSE OF THE REPORT/PLAN

- 1.1 Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (2016) and Local Government Application Note (2013). This report has been prepared in accordance with our Audit Charter. The Council is required under the Accounts and Audit Regulations to maintain an adequate and effective Internal Audit Service.
- 1.2 This report presents the strategic risk based Internal Audit Plan for 2018-19 as agreed with the Chief Executive and Corporate Management Team.
- 1.3 The Internal Audit work planned for the coming year is aligned to the East Suffolk Business Plan – ‘East Suffolk Means Business’; where the vision is to maintain and sustainably improve the quality of life for everyone growing up in, living in, working in and visiting East Suffolk. Planned and emerging Internal Audit exercises will directly support the good governance and risk management approach to the Councils priorities: Enabling Communities; Economic Growth and Financial Self Sufficiency described in detail in the East Suffolk Business Plan.
- 1.4 The Audit and Governance Committee is responsible for overseeing the application of audit resources and monitoring performance of the audit function.

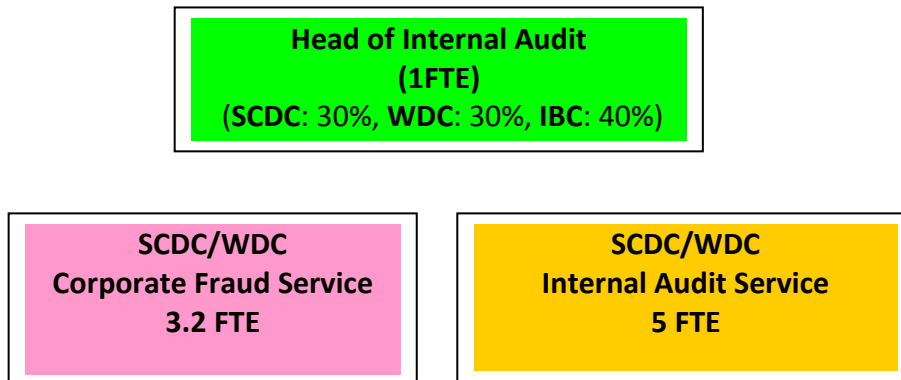
2 INTRODUCTION

- 2.1 The work of the Internal Audit Service is to provide independent assurance and report upon the effective and efficient application of internal controls, governance arrangements and value for money at the Council. All Internal Audit reports form part of the crucial evidence to enable the Chief Executive and Leader of the Council to sign the Annual Governance Statement (the obligatory statement along with the Annual Accounts.) External Audit may also place reliance upon Internal Audit work coverage to ensure that system controls are adequate and effective.
- 2.2 Internal Audit work aims to ensure services comply with the Council’s Constitution and Code of Corporate Governance. Internal Audit reports make recommendations to address any weaknesses identified and give direction on how to support continual improvements by providing professional advice and guidance.

3 STRUCTURE AND RESOURCES

- 3.1 Since 1 January 2009, Waveney District Council’s (WDC) Internal Audit Service has been partnered with Suffolk Coastal District Council (SCDC) with the Head of Internal Audit and an Audit Manager shared between SCDC and WDC.
- 3.2 Since 1 June 2004 SCDC’s Internal Audit Service has been in partnership with Ipswich Borough Council (IBC) with the Head of Internal Audit and an Audit Manager shared with Ipswich Borough Council.
- 3.3 Such partnerships have enabled greater operational efficiency and effectiveness in the delivery of Internal Audit Services and provides the opportunity for each partner to call upon a wider skills base, which can be used to achieve greater flexibility and effectiveness in all areas of audit operations.

3.4 The table below represents the current structure of the Internal Audit Service:



3.5 The Internal Audit Plan is directly linked to the resources available and an anticipated 730 productive audit days are programmed for 2018-19. Non-productive days are training, administration, holidays and ad-hoc sickness. Also the Head of Internal Audit is the Data Protection Officer and Senior Information Risk Owner for the Councils, and the team support associated work in these areas.

3.6 The service was reviewed in 2015-16, streamlined and efficiency savings targets achieved. The service is currently sufficiently resourced to be effective and efficient in line with the requirements of the Accounts and Audit Regulations and the PSIAS.

4. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

4.1 Internal Audit Services within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1 April 2013 and were revised on 1 April 2016. The standards require periodic self-assessments and an assessment by an external person every five years

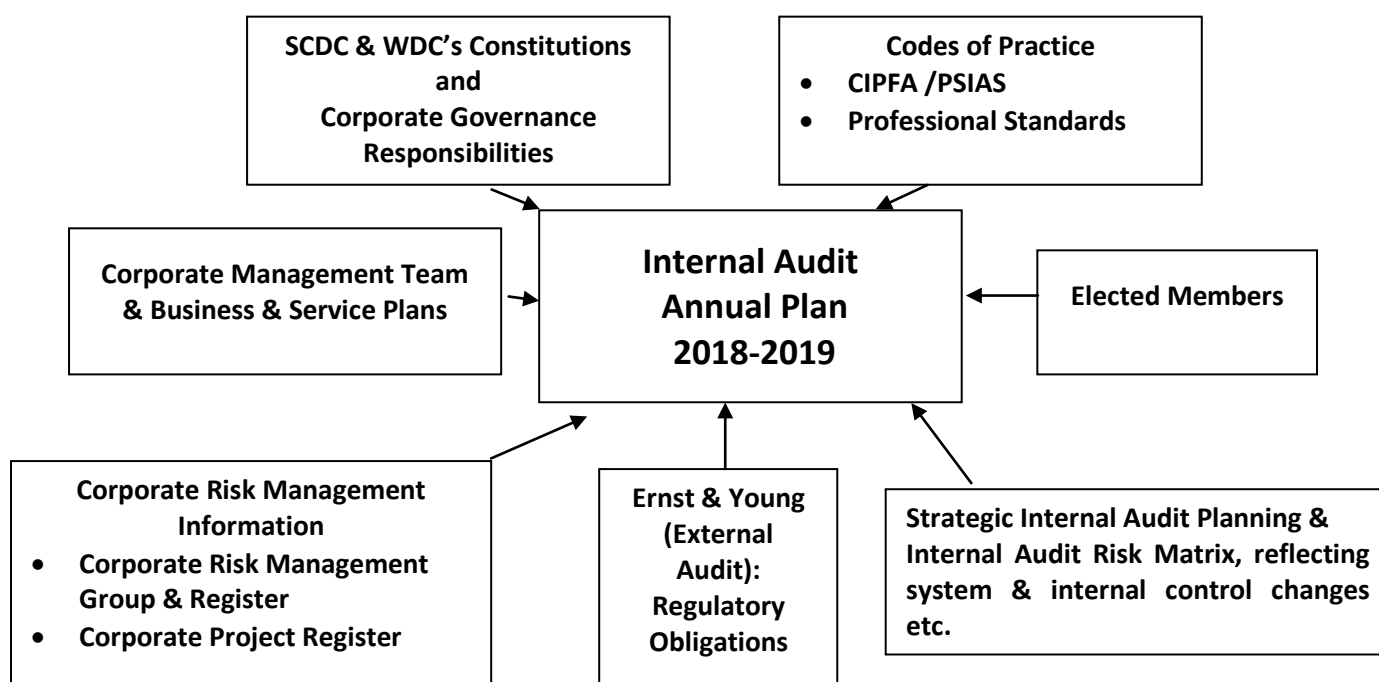
4.2 Suffolk Coastal and Waveney District Councils in partnership with Ipswich Borough Council's audit service was reviewed in November 2016 by the Chartered Institute of Public Finance and Accountancy (the main PSIAS assessor in the UK). The review also included checking compliance with the Local Government Advisory Note (LGAN) where this has requirements in addition to those in the PSIAS.

4.3 The review identified no areas of non-compliance within the PSIAS across all three Councils.

4.4 Annual self-assessment is completed by the Head of Internal Audit to ensure continued compliance and any improvement points will be raised to the Audit and Governance Committee.

5 SOURCES OF ASSURANCE

5.1 The risk based Internal Audit Plan considers many factors and ensures that all stakeholders' contributions are included. The main drivers used to formulate the Audit Plan are detailed below.



- 5.2 The risk based Annual Audit Plan for 2018-19 is aimed to be a product of all the drivers listed above. Initially developed from Internal Audit’s own Risk Matrix, the Internal Audit planning and assurance process has considered how the Service will be delivered and is aligned to organisational objectives, priorities and risks.
- 5.3 The Head of Internal Audit holds audit planning meetings on a biannual basis with the Chief Executive, Strategic Directors and Heads of Service. These meetings enable Internal Audit to develop assurance maps for each service area to identify any national and local issues or emerging risks that the Council may seek to gain assurance over.
- 5.4 The Annual Audit Plan for 2018-19 has been reviewed by the Corporate Management Team. The Council's External Auditors have also been apprised of the Annual Audit Plan for 2018-19. The Annual Audit Plan for 2018-19 aims to meet all professional Standards relating to Internal Audit in the Public Sector and should be treated as a working document, subject to amendment, as necessary, to reflect changing corporate conditions or demands as well as reflecting any changes or refinement in the Council’s Corporate Risk Register.
- 5.5 Where other external assurance providers may have undertaken relevant assurance work, Internal Audit will seek to rely on the work of these where professional standards would make it appropriate to do so e.g. Health and Safety Executive, Her Majesty’s Revenues and Customs, External Audit i.e. Ernst and Young LLP, Local Government Ombudsman (not an exhaustive list).
- 5.6 The creation of a new Council from the two existing Councils is an important strategic driver and it is clear that 2018-19 will be a challenging year for the Council overall. Internal Audit Services will play a key role in assisting service areas to achieve progress in this respect, move towards change and secure even greater efficiency and improvement.

- 5.7 Each year the Audit and Governance Committee is given the opportunity to request Internal Audit to undertake specific reviews or to provide guidance on specific concerns. A total of 15 days has been allocated to allow for this in 2018-19.
- 5.8 The work programme for the current year, 2017-18 has progressed well. A detailed report on all the work undertaken in the year 2017-18 will be provided to the Audit & Governance Committee at a future meeting, including any significant issues arising from the work performed.

6. INTERNAL AUDIT STRATEGY

- 6.1 The Internal Audit Service must be adequate, effective and efficient in order to help the Councils meet their objectives. The Internal Audit Service is clearly positioned within each Council's Constitution. The Internal Audit Charter is deemed the Internal Audit Strategy. The Audit Charter was reviewed 2017-18 so as to comply with the PSIAS.
- 6.2 Internal Audit Services apply a strategic risk based assessment process to develop annual plans. Multiyear budgets are considered along with an assessment of the necessary skills required to deliver the service. Modern methodologies and technologies are utilised to perform reviews and provide advice to drive corporate improvements across the Council. Reviews and support listed within the Annual Internal Audit Plan are aligned to the Council's objectives demonstrating the strategic nature of the Internal Audit Service. These reviews can be evaluated to assess Internal Audit and Council wide performance.

7. THE INTERNAL AUDIT ANNUAL PLAN 2018-19

- 7.1 This risk based Internal Audit Plan details the work that will provide assurance to the Council in terms of the adequacy and effectiveness of financial and management controls in the areas under review.
- 7.2 The risk based Internal Audit Plan is influenced by the resources made available by the Council for Internal Audit work. A careful balance has to be achieved in terms of keeping audit costs at a realistic level, whilst recognising that there is a minimum level of coverage that must be undertaken to ensure good governance and internal controls are in operation. In this respect, the Internal Audit Plan for 2018-19 is considered to be a realistic plan of action.
- 7.3 Internal Audit work consists of consultancy reports, advice notes, probity reports (economic, effective and efficiency reviews), along with value for money reports and computer audit reports, all agreed at the scoping stage of each exercise.
- 7.4 A risk assessment model is employed to score the relative risks of each of the identified systems in the "audit universe", which consists of all the potential auditable areas identified either by Internal Audit, or by other stakeholders and includes systems or other activity identified from risk registers. The scoring methodology requires that a number of risk attributes are assessed, including (not exhaustive) the following:-
- Key System i.e. materially affecting the general ledger
 - Risk maturity of the organisation
 - Length of time since last audit
 - Impact on the organisation, based on reputational and fiduciary risks
 - Issues identified through previous Internal Audit reviews/the Corporate Risk Register

- Likelihood of occurrence, based on soundness of internal control
- Potential for fraud and corruption
- Size of budget/number of employees
- Evidenced compliance with law, regulations
- Concerns raised by Stakeholders

7.5 The risks are then weighted to provide a level of relative risk for each system. The relative risk determines the likelihood of inclusion in the plan for the year is high, medium or low risk. Current resources facilitate focus primarily upon high risk areas in the 2018-19 Internal Audit Plan.

7.6 The combined Internal Audit Plan 2018-19 for Suffolk Coastal District Coastal and its preferred partner Waveney District Council, in relation to all high risk rated areas is listed in the following table:

Responsible Officer/ Head of Service	Area of Activity	Comments¹	Link to Corporate Risk Register & Business Plan²	Link to Public Sector Internal Audit Standards	Proposed Quarter (Number of budgeted days)³
Corporate Management Team (CMT)	Corporate Governance and Risk Management (SCDC & WDC)	Attendance on Corporate Governance Days and Provision of Independent professional advice. Responsible for Code of Corporate Governance. (C)	Failure of the delivery of the East Suffolk Business Plan (D2) & Medium Term Financial Plan (C2) Failure of Financial Governance (D2) Failure of Service Planning (C2)	2110 – Governance 2110.A1 – Ethics 2120 – Risk Management	Throughout the year (30)
CMT	Annual Governance Statement (AGS) (SCDC & WDC)	Attendance on the AGS Working Group to support changes arising from any revisions to the CIPFA & SOLACE code of practice and provide controls advice / gap analysis in connection with Internal Audit work. (C)	Failure of the delivery of the East Suffolk Business Plan (D2) & Medium Term Financial Plan (C2) Failure of Financial Governance (D2) Failure of Service Planning (C2)	2110 – Governance 2120 – Risk Management	Q1/2 (25)
CMT	Data Protection (SCDC/WDC)	Compliance with the new General Data Protection Regulations that comes into force 2018. (P)	Failure to comply with GDPR (D2)	2130 - Control	Throughout the year (55)
CMT	Merger (SCDC/WDC)	Internal Audit Services to be part of the work streams delivering the SCDC/WDC Merger Project. (C)	Failure of programme and project delivery (D2) and creation of East Suffolk Council (C2) Failure of Financial Governance (D2)	2120 – Project Risk Management	Throughout the year (35)

¹ Work performed will range from consultancy (C), probity (P), computer audit (CA), or key systems (KS) which feed into the general ledger; all detailed in each audit brief.

² Subject to change throughout the year.

³ Subject to change given findings during reviews and other emerging risks, which may need prioritising.

Responsible Officer/ Head of Service	Area of Activity	Comments¹	Link to Corporate Risk Register & Business Plan²	Link to Public Sector Internal Audit Standards	Proposed Quarter (Number of budgeted days)³
CMT	National Fraud Initiative (SCDC & WDC)	Participation in mandatory exercises and the identification of fraud through data matching exercises with the Cabinet Office. (P)	Failure of governance (D2)	2120.A2 – Managing the risk of fraud	Q3/4 (30)
CMT	Members Request (SCDC /WDC)	As agreed by the Audit and Governance Committee. (P)	TBC in line with requests received	2110 - Governance	TBC (15)
CMT	Payroll (SCDC & WDC joint report)	Payroll - Key control and audit follow-up testing where control weaknesses have been identified. (KS)	Failure of financial governance (D2) Failure of Internal Controls (D3)	2130 - Control	Throughout the year (20)
CMT	Consultancy and Special Investigations (SCDC & WDC requests)	Provide professional advice for emerging issues and any required financial, whistleblowing or employment investigations. (C)	Failure of governance (D2) Failure of programme and project delivery (D2) Failure of Financial Governance (D2)	2130 – Control 2120 – Risk Management	Throughout the year (30)
CMT	Consultants and Agency Usage (SCDC & WDC joint report)	Independent review on the financial ledger transactions. (C)	Failure of financial governance (D2)	2130 - Control	Q4 (20)
CMT	Ethics & Culture	Independent review of the governance arrangements. (P)	Cross cutting	2110 – Governance 2110.A1 – Ethics 2120 – Risk Management	Q2 (20)
CMT	Safeguarding	Independent review of the safeguarding arrangements (P)	Cross cutting & Failure to meet Safeguarding Laws (C2).	2110 – Governance 2110.A1 – Ethics 2120 – Risk Management	Q1 (20)

Responsible Officer/ Head of Service	Area of Activity	Comments¹	Link to Corporate Risk Register & Business Plan²	Link to Public Sector Internal Audit Standards	Proposed Quarter (Number of budgeted days)³
Chief Finance Officer and S151 Officer H Javadi	Key Fundamental Systems ⁴ : Accounts Payable Accounts Receivable Treasury Management Bank Reconciliation and General Ledger Fixed Asset Register Cash & Banking.	Cyclical Key control testing, review of flowcharts audit follow-up testing. Creditors, and Fixed Asset Register will have a full control review.	Failure of financial governance (D2) & Medium Term Financial Plan (C2)	2130- Control	Q3/4 (100)
	Key Fundamental Systems: National Non Domestic Rates Housing Benefits Council Tax Bailiff Services	Internal Audit will review the systems and controls in place for NNDR across all 7 Councils in the Anglia Revenues Partnership as part of the Service Level Agreement signed in 2017/18. Housing Benefits and Council Tax will be reviewed by St Edmundsbury Borough Council Internal Audit Service and Bailiff Services by Fenland District Council Internal Audit Service.	Failure of financial governance (D2) Failure of Service Delivery Contracts/Partnerships (C2)	2130-Control	Q3/4 (50)
	Criminal Finances Bill	Independent review of compliance with the HMRC guidelines. (P)	Failure of financial governance (D2)	2130 - Control	Q1 (20)
	Commercial Rents	Independent review of the effectiveness of the systems in operation, including collection and recording. (P)	Failure of financial governance (D2)	2130 – Control	Q2 (20)
	Lowestoft Charter Trustees (WDC only)	Independent examination and sign-off. (P)	Failure of financial governance (D2)	2130- Control	Q1 (2)

⁴ Where possible we will use Computer Aided Techniques; to extract our testing across the whole population. Continuing liaison with EY will ensure no duplication of testing where we are able gain assurance from their work and vice versa in line with the IA / EA protocol.

Responsible Officer/ Head of Service	Area of Activity	Comments ¹	Link to Corporate Risk Register & Business Plan ²	Link to Public Sector Internal Audit Standards	Proposed Quarter (Number of budgeted days) ³
	Charities (WDC only)	Independent examination and sign-off. (P)	Failure of governance (D2)	2130- Control	Q4 (2)
	Cash Receipting System	Independent review of the implementation of the new Cash Receipting System. (P) and (CA).	Failure of financial governance (D2)	2130 - Control	Q2 (25)
Head of Operations	Car parks (Joint report SCDC & WDC)	A review of the contract management arrangements will be undertaken. (P)	Failure of financial governance (D2)	2130 – Control 2110 – Governance	Q3/4 (10)
K Blair	Asset Management (Joint report SCDC & WDC)	A review of progress being made following the issue of the Asset Management Status Internal Audit Report issued in 2017/18. (P)	Assets not used to full potential (C1)	2130 – Control 2110 – Governance	Throughout the year (20)
	Contract Management (Joint report SCDC & WDC)	A review of progress being made following the issue of the Contract Management Status Internal Audit Report issued in 2017/18. (P)	Failure of Service Delivery Contracts / Partnerships (C2)	2130 – Control 2110 – Governance	Throughout the year (20)
	Strategic Partnerships: Sentinel Leisure Trust Waveney Norse Ltd Suffolk Coastal Norse Ltd Marina Theatre Trust Other Partnerships: Places for People Coastal management partnership. Any others confirmed by SMT.	Governance review including contractual financial and non-financial arrangements. (P)	Failure of Service Delivery Contracts / Partnerships (C2)	2130 – Control 2110 – Governance	Q3/4 (30)
	Organic Waste Recycling (Green Waste)	Independent review of the effectiveness of the systems in operation, including cash collection and recording. A review of the new integrated software between WDC and Norse. (P) and (CA).	Failure of financial governance (D2).	2130 - Control	Q1/2 (10)
	Procurement	Independent review of the effectiveness of controls in place. (P)	Failure of financial governance (D2)	2130 - Control	Q1 (23)

Responsible Officer/ Head of Service	Area of Activity	Comments¹	Link to Corporate Risk Register & Business Plan²	Link to Public Sector Internal Audit Standards	Proposed Quarter (Number of budgeted days)³
Head of Housing Services TBC	Key Fundamental Systems: Housing Rents Housing Repairs and Maintenance (WDC only)	Key control and audit follow-up testing where control weaknesses have been identified.	Failure of financial governance (D2)	2130 – Control	Throughout the Year (40)
	Disabled Facilities Grants	Controls assurance to feed into Suffolk County Council certification. (P)	Failure of financial governance (D2)	2130 - Control	Q2 (3)
	Homelessness Grant Payments	Independent review of the effectiveness of the governance and decision making arrangements in place for the provision of Homelessness Grant Payments. (P)	Failure of financial governance (D2)	2130 - Control	Q3 (15)
Head of Planning P Ridley	IDOX/UNIFORM System (Planning and Development Control)	Continuation of Post Implementation of the corporate IDOX/UNIFORM system, including cash recording. (P) and (CA).	Failure of financial governance (D2)	2130 - Control	Q1/2 (60)

8. HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?

- 8.1 The Audit and Governance Committee is directly responsible for supporting good governance arrangements and practices at the Council, which underpin the Council's entire strategic and operational workings including the East Suffolk Business Plan. The Internal Audit Plan of work provides independent fact based evidence to Senior Management and the Audit and Governance Committee upon the actual effectiveness of Council activities, which form the East Suffolk Business Plan.

9. FINANCIAL AND GOVERNANCE IMPLICATIONS

- 9.1 Internal Audit reports, advice and recommendations all aim to create and foster a robust corporate governance foundation to support sustainable services for all stakeholders. As a consequence, the Internal Audit Service aims to mitigate the risk of losses arising from error, irregularity and fraud. In addition efficiency, effectiveness and economy reviews form part of the work undertaken, and this represents a fundamental function in delivering the Council's corporate governance responsibilities.
- 9.2 The Local Government Act 1972 and the Accounts and Audit Regulations 2015 require principal local authorities to '...undertake an adequate and effective internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control.'
- 9.3 The implications and benefits of agreed recommendations produced by the Internal Audit Service contribute to the Council's overall objectives by improving controls and processes, which contribute towards efficient and effective management of services.

10. OTHER KEY ISSUES

- 10.1 This report does not require an Equality Impact Assessment, a Sustainability Impact Assessment or a Partnership Impact Assessment.

11. CONSULTATION

- 11.1 Internal consultation with the Corporate Management Team and external consultation with the Council's External Auditor has taken place. All matters raised have been incorporated within the Internal Audit Plan for 2018-19.

12. OTHER OPTIONS CONSIDERED

- 12.1 No further options have been considered.

13. CONCLUSION

- 13.1 Internal Audit will continue to provide regular reports to the Audit and Governance Committee on its activities and any significant issues arising. Where suitable, joint reports will be issued when reviews cross over Suffolk Coastal District Council and its preferred partner Waveney District Council.
- 13.2 The Head of Internal Audit issues Internal Audit Reports to the Chief Executive, Members of the Audit and Governance Committee(s), Cabinet Member for the Service area under review,

External Audit and the Council’s Section 151 Officer in accordance with best practice. Such distribution ensures that all key findings, recommendations and learning points are available for consideration and enables good governance. In addition all Members have access to issued Internal Audit reports held on the Members’ confidential section of the Council’s Intranet.

- 13.3 The Chairman of the Audit and Governance Committee and any other elected Member have free access to the Head of Internal Audit and at least one private meeting per year will be held between the Audit and Governance Committee and the Head of Internal Audit.
- 13.4 The Annual Audit Plan for 2018-19 has been considered by the Chief Executive and Corporate Management Team and aims to meet all the Professional Standards and the Codes of Practice relating to Internal Audit in the Public Sector. It should be viewed as a working document, subject to amendment as necessary to reflect changing corporate conditions or demands, as well as reflecting any changes or refinement in the Council’s Corporate Risk Register.

14. REASON FOR RECOMMENDATION

- 14.1 To support the Council’s overall governance arrangements and to ensure that the Audit and Governance Committee fulfils its terms of reference by reviewing the appropriateness of the proposed 2018-19 risk based Annual Internal Audit Plan for internal audit activity across the Council.

RECOMMENDATION

That the Audit and Governance Committee comments upon, and approves the Annual Internal Audit Plan 2018-19.

BACKGROUND PAPERS

Please note that copies of background papers have not been published on the Council’s website but copies of the background papers listed below are available for public inspection free of charge by contacting the relevant Council Department.

Date	Type	Available From
2016	East Suffolk Business Plan 2015-2023	Head of Internal Audit
Feb 2018	Strategic Service Plans	
Feb 2018	Corporate Risk Register	
April 2013 & 2016	Public Sector Internal Audit Standards	