

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Internal Audit Service: Internal Annual Plan
Meeting/Date: Corporate Governance Panel – 9 March 2016
Executive Portfolio: Resources: Councillor J A Gray
Report by: Internal Audit & Risk Manager
Ward(s) affected: All Wards

Executive Summary:

This report details Internal Audit's annual planning process and seeks approval for the Internal Audit Plan for the period 1 April 2016 to 31 March 2017 (2016/17 plan).

As required by the Public Sector Internal Audit Standards, the Internal Audit & Risk Manager (IARM) has to prepare an annual audit plan for Panel review and approval. The plan has to provide adequate coverage and scope across the Council's risk management, control and governance processes so that the IARM can prepare their annual opinion on the overall adequacy and effectiveness of these arrangements.

The plan for the period April 2016 to March 2017 is attached.

Recommendation(s):

It is recommended that the Panel approve the Internal Audit Plan for 2016/17.

1. WHAT IS THIS REPORT ABOUT/PURPOSE?

- 1.1 This report is about the internal audit planning process and internal audit plan for the year commencing April 2016.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 The Panel's terms of reference includes approving the internal audit plan and its resourcing requirements.
- 2.2 The Accounts and Audit Regulations 2015 require that the Council '...must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance'.
- 2.3 The Public Sector Internal Audit Standards (PSIAS) require the Internal Audit & Risk Manager (IARM) to:
- Prepare at least annually, a risk-based plan to determine internal audit priorities; and
 - Provide adequate coverage across the Council's systems so as to allow them to provide a written opinion on the overall adequacy and effectiveness of the Council's control environment.

3. OPTIONS CONSIDERED/ANALYSIS

- 3.1 The IARM maintains a strategic audit plan, listing all the risk and system areas that are considered likely to affect the Council's internal control environment. The strategic plan shows the relative importance of each risk (as identified by the risk register) and system area. To allow for more effective planning, a number of audit areas have been combined so that audits can address common risk themes across services, rather than be conducted on a service by service basis.
- 3.2 Discussions have been held with the Senior Management Team to ensure that the strategic audit plan is reflective of all issues across the Council and to allow new areas to be identified. Panel Members have also been given the opportunity to contribute to the planning process.
- 3.3 After completing the strategic plan review, the annual audit plan is prepared by considering service delivery issues, individual risks, materiality and previous audit review findings. The highest priority schemes which can be delivered with the resources available are then included in the audit plan.
- 3.4 Past reports have included information about the overall resources required to deliver the strategic audit plan over its four year term. That information has not been prepared this year. This is due to the likelihood that the Internal Audit Service will become part of a shared internal audit service during 2016/17 with our 3C partners. The longer term audit planning process will be reviewed as the shared internal audit service develops.
- 3.5 The audit plan does not include any technical computer audit reviews. Panel were informed in December 2015 of the delays in re-tendering the contract for this service. It is important that the Council undertakes technical computer audit reviews as the IT network and infrastructure is key to the delivery of services. It is expected that a contractor will have been appointed and be undertaking reviews by September 2016. The Panel will be informed when an appointment is made and the proposed IT audit work plan.

- 3.6 The audit plan needs to be dynamic to reflect changing circumstances. As in previous years, there will be the need to advance, defer, add or remove audits throughout the year. The audit plan for 2016/17 is attached. It is based on the service retaining an establishment of 2.86 full time equivalent auditors and delivering 462 audit days.

The audit plan lists all the areas that, without any change in circumstances, require review during the year. Panel are recommended to approve this plan, but allow the IARM to amend it as he considers necessary. As in past years, the IARM will consult with both the Head of Resources and the Chairman of the Panel on any amendments that are planned. Significant changes to the plan will be reported to the Panel.

- 3.7 The internal audit plan does not contain any reviews that could be classified as a 'consultancy' review within the terms of the Internal Audit Charter. If any 'consultancy' work is undertaken then the Head of Resources and Chairman of the Panel will be informed.

- 3.8 The PSIAS requires that the audit plan planning process takes into account other sources of assurance that will be available during the year. Managers have been requested to provide details of any planned reviews from which assurance could be obtained so as to avoid/minimise duplication of effort. With the exception of the statutory external audit of the accounts and the housing benefit grant claim, no other external assurances have been identified for 2016/17.

4. KEY IMPACTS/RISKS? HOW WILL THEY BE ADDRESSED?

- 4.1 The non-delivery of the internal audit plan may lead to a shortfall in assurance on the internal control environment and potential criticism from the external auditors.

- 4.2 Having insufficient or inexperienced auditors to deliver the audit plan is a key risk. Resources are sufficient to allow the annual plan to be delivered. Staff resources are considered when progress against the plan is reviewed by the IARM each quarter. If the IARM believes that staff resources are insufficient, then the matter will be reported to the Panel.

- 4.3 The introduction of a shared internal audit service will provide greater resilience. A larger team will assist in covering short term vacancies or any staff absences that may arise.

5. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 5.1 The audit plan will be delivered from April 2016. Retendering the technical computer audit contract will commence early in the new financial year so as to be in place by August 2016 with work delivered from September 2016.

6. LINK TO THE CORPORATE PLAN

- 6.1 The Internal Audit Service through the audit plan contributes to all the strategic themes and outcomes. Specifically it supports Corporate Management Team and Heads of Service by undertaking reviews that provide assurance that:
- significant risks identified in the risk register are managed effectively;
 - laws and regulations are being met,

- business and financial processes and systems are managed effectively; and
- assets are safeguarded.

It also improves the performance of the Council by assessing current risks, considering emerging risks, identifying efficiency gains and process improvements.

7. CONSULTATION

- 7.1 The IARM has consulted on audit plan coverage with all members of the Senior Management Team. In addition, all members of the Panel have been given the opportunity to raise any issues that they feel need to be included in the strategic audit plan.

8. RESOURCE IMPLICATIONS

- 8.1 The service budget is sufficient to deliver the audit plan.

9 REASONS FOR THE RECOMMENDED DECISIONS

- 9.1 The Panel's terms of reference require it to approve the internal audit plan.
- 9.2 The report sets out the process by which the 2016/17 plan has been prepared, the resources that are currently available and the steps being taken to procure computer audit coverage. The audit plan coverage is considered sufficient by the IARM so as to allow the Panel to meet its terms of reference through supporting the Managing Director and the Council in reviewing the comprehensiveness and reliability of its governance structures and internal control environment.

10. LIST OF APPENDICES INCLUDED

Appendix 1 – 2016/17 Internal audit plan

BACKGROUND PAPERS

Strategic audit plan
The Council's risk register

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INTERNAL AUDIT SERVICE

Internal Audit
&
Assurance Plan
2016 - 2017

Internal Audit & Assurance Plan 2016 – 2017

The Internal Audit & Assurance Plan for the period April 2016 to March 2017 has been prepared in accordance with the Public Sector Internal Audit Standards.

The Standards require that Internal Audit provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment and that the opinion should inform the annual statement of assurance on corporate governance. The plan has been developed to take account of this requirement and provides the opportunity for reviews of corporate governance, risk management and operational controls to be undertaken as well as the more traditional financial areas.

All the risks present in the risk register as at 12 February 2016 have been included within the strategic audit plan, although not all of those risks, when considering the service issues identified or alternative assurance available, are required to be audited. Reviews that have clear links to risks within the risk register will consider the effectiveness of the controls that are in place to manage the risks identified. They will also consider the manager's assurance opinion entered into the risk register.

The detailed audit plan will be prepared on a 3+9 basis – that is a detailed three month frozen plan, supported by a rolling nine month fluid plan.

The annual assurance opinion that I provide will be based upon the findings of the reviews carried out.

In addition to undertaking the audits detailed in the plan, time is also available for Internal Audit to provide both specialist (e.g. on new systems or developments) as well as general advice and assistance to managers, dealing with any whistleblowing allegations received and attending quotation openings to observe managers compliance with the Code of Procurement. The outcomes from this work will inform the annual assurance opinion.

Whilst it is envisaged that all the audits contained in the plan will be undertaken, the identification of any new risks or significant changes in residual risk scores, may require changes to the proposed plan so as to ensure that reviews are undertaken of areas identified as being of greatest risk to the achievement of Council objectives. The Head of Resources and Chairman of the Corporate Governance Panel will be informed of any changes before they are introduced.

David Harwood
Internal Audit & Risk Manager
March 2016

Internal Audit and Assurance Plan 2016-17

Vision	To improve the quality of life for the people of Huntingdonshire and work towards sustainable economic growth whilst providing value for money services					
<i>Reviews</i>	Safeguarding Code of Corporate Governance Prevention of fraud		Service standards and value for money Managing bribery risks			
Strategic priorities	A strong local economy		Enabling sustainable growth		Working with our communities	
<i>Reviews</i>	One Leisure Housing benefits Grants to outside bodies Management of street markets Choice based lettings Planning application & development control fees		Energy management across the Council's estate The management of health & safety Implementation of policy initiatives Flexi-time and work life balance Employee appraisal scheme S106 agreements The management of ill health & sickness			
CURRENT SERVICES						
	Customer Service Strategy / Service Standards	Lean	Shared Services	Zero Basing	Income Generation	Facing the Future
<i>Reviews</i>	Employee training Document Centre Lean initiative and outcomes Business continuity planning Elected Member development Purchasing and corporate cards Equipment Servicing		Client management of shared services Management of complaints and feedback Management of overtime expenditure Management of employee vacancies Forecasting accuracy and assumptions Specialist IT audits (coverage to be determined)			
Financial	To reduce the Council's reliance on Central Government Funding and in so doing create a sustainable financial platform					
<i>Reviews</i>	Commercial Investment Strategy					

In addition to the assurance that will be provided on the areas listed above, work will also be undertaken on the following areas:

- quarterly reviews of the significant controls within the following financial systems - main financial system, accounts payable and receivable, council tax and business rates;
- reviews of two specific contracts to ensure compliance with the Code of Procurement;
- an effectiveness review of the S106 Advisory Group;
- providing help and advice to managers;
- follow-up reviews of agreed audit actions introduced;
- attendance at quotation openings,
- managing whistleblowing allegations;
- reviewing and investigating National Fraud Initiative output;
- quality assessment of audit work undertaken and file review; and
- supporting the work of the Corporate Governance Panel through the delivery of training, preparation of the annual governance statement, effectiveness reviews and annual reporting.