

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Internal Audit Charter and 2018/19 Audit Plan
Meeting/Date:	Corporate Governance Committee – 28 March 2018
Executive Portfolio:	Cllr J Gray (Resources)
Report by:	Internal Audit & Risk Manager
Wards affected:	All wards

Executive Summary:

The Committee's terms of reference make it responsible for ensuring effective internal audit is undertaken by the Council and in accordance with the Public Sector Internal Audit Standards (PSIAS). This report is asking for approval to a number of changes to the Internal Audit (IA) Charter and the IA plan for quarter 1, 2018/19.

The PSIAS requires IA to be independently, externally assessed at least once every five years to show whether or not it conforms with the PSIAS. The assessment is due to be completed by March 2019. In preparation for the external review, changes are required to the IA Charter to ensure that it reflects the most recent (2017) version of PSIAS. The key changes are the adoption of the requirement to meet the mandatory elements of the global Institute of Internal Auditors (IIA) International Professional Practices Framework, namely the:

1. Definition of Internal Auditing
2. Code of Ethics, and
3. International Standards for the Professional Practice of Internal Auditing.

In addition the opportunity has also been taken to clarify some areas of the Charter and for it to reflect the changes being introduced into the 2018/19 audit planning process.

The IA plan that Committee has previously been asked to approve has traditionally covered a 12 month period. A significant amount of time is spent preparing the annual plan only for it not to be fully delivered due to the need to reallocate time to other priorities through the year. A trial is being proposed for 2018/19 of moving to a three month plan, renewed quarterly following meetings with the Senior Management Team and their managers. This will allow IA to respond quickly to changing needs, ensures the plan stays focused on current or future risks and consider their impact on the delivery of Corporate and Service Plan aims and objectives.

Recommendation

That the Corporate Governance Committee:

1. Approve the Internal Audit Charter (Appendix 1); and
2. Approve the Internal Audit plan, for quarter 1, 2018/19 (Appendix 2). .

1. PURPOSE OF THE REPORT

- 1.1 To recommend to the Committee that the Internal Audit (IA) Charter and IA audit plan for Qtr1 2018/19 be approved.

2. BACKGROUND

- 2.1 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 (PSIAS) or guidance’. The Council have adopted the PSIAS through the Committees Terms of Reference.
- 2.2 The Council requires the Internal Audit & Risk Manager (IARM) to “establish risk-based plans to determine the priorities of internal audit activity, consistent with the organisations goals”. The risk based-plan must also:
- take into account the requirement to produce an annual internal audit opinion;
 - incorporate a strategic high-level statement of how the internal audit service will be delivered and developed and how it links to the Council’s objectives and priorities;
 - explain how internal audit’s resource requirements have been assessed; and
 - include the approach to using other sources of assurance and any work required to place reliance upon those other sources.

Furthermore, the IARM must review and adjust the plan as necessary, in responses to changes in risks, operations, programs, systems, and controls.

3. ANALYSIS

Internal Audit Charter

- 3.1 The Code of Financial Management requires that the Committee approve the IA Charter, which as required by the PSIAS sets out the purpose, authority and responsibility of the Council’s IA function.
- 3.2 Whilst minor changes were made to the PSIAS in April 2016 more substantial changes were introduced in April 2017. It is proposed that the Charter be amended to account for these and also reflect changes to the internal planning process for 2018/19. The amendments are summarised below.

	Section	Proposed amendment
1	Mandatory Guidance	Addition of the requirement to meet the mandatory elements of the Inst. of Internal Auditors (IIA) International Professional Practices Framework, namely the Definition of Internal Auditing Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.
2,3	Mission of Internal Audit & Definition of Internal Auditing	Remove the previous ‘Purpose of Internal Audit’ definition and replace in full with the PSIAS text for the Mission of Internal Audit & Definition of Internal Auditing.

4	Relationship with Members & Senior Management	Adding the requirement that the CGC reviews the Council's compliance with the governance requirements contained in the CIPFA Statement on the role of the Head of Internal Audit in public sector organisations.
5	Independence & Objectivity	Clarifying that when auditor conflicts of interests occur that appropriate safeguards should be introduced. Clarity on the IARM role in respect of risk management activities. Referring specifically to the IIA position paper, <i>The Role of Internal Audit in Enterprise Wide Risk Management</i> .
6	Authority & Confidentiality	Clarifying that the IA remit extends to the entire control organisation of the Council.
7	Internal Audit Management	Remove the requirement to prepare a strategic and annual audit plan and replace with a quarterly audit plan.
9	Role of Internal Audit in fraud and corruption	Removed the fraud and corruption references within section 7, Internal Audit Management, and replace with a new section that deals solely with fraud and corruption.
10	Reporting & Monitoring	Add that the CGC will be provided with periodic updates on the work of the IAS. The updates shall cover significant findings and actions and provide information on the status of the agreed audit work plan. Amendments and revisions to the audit plan shall also be reported and agreed by the CGC.
11	Quality Assurance & Improvement Programme	Add the requirement for external assessments to conclude whether IA is in conformance with PSIAS or not.

3.3 The IA Charter is included as Appendix 1.

Available resources

3.4 From April 2018 the Internal Audit Service will have an establishment of 2.1 full time equivalents(fte).

The 2.1fte's consists of:

1.00 fte: Internal Audit & Risk Manager

0.86 fte: Internal auditor (2 posts)

0.27 fte: Computer audit specialism

3.5 As the table below shows, it is anticipated that for 2018/19 the audit service will have 322 days available for completing the audit plan, a reduction of 90 days (21%) on 2017/18.

		17/18		18/19
Total days available		694		554
Less	Leave, sick, elections etc.	66		64
	Staff development & training	12		13
	Management	71		54
	PSIAS/Shared Service/Lean	11	160	5
		534		418
Less	Risk Management & Insurance	30		40
	General advice	38		20
	Corporate Governance Cttee	15		12
	Follow-up reviews	12		12
	Action – reporting	6		6
	Annual Governance Statement	6		6
	Contingency	15	122	0
				96
	Delivery of the audit plan	412		322

- 3.6 The PSIAS requires that the audit plan must explain how internal audit's resource requirements have been assessed. The Committee were informed at their January meeting that it was likely that an auditor post was to be deleted from the establishment with effect from April 2018. The Council endorsed that decision at their February meeting. At this time, it is anticipated that 322 days will be adequate to allow internal audit to undertake sufficient work so that the annual internal audit opinion (which must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control) will not require qualification regarding the breadth and depth of work performed. If during the year that does not appear to be the case, a further report will be provided to the Committee explaining the IARMs concerns.

Internal audit plan

- 3.7 Annual internal audit plans have been prepared for many years based on an audit universe that contained details of all systems and significant processes. For the last few years the audit universe has continued to be maintained and updated with risks recorded on the risk register. A significant amount of time is spent preparing the annual plan and scheduling audits across the year, only for the plan not to be fully delivered due to the need to advance, deter, add or remove audits throughout the year.
- 3.8 A trial is being proposed for 2018/19 that will see IA move away from preparing a traditional annual audit plan to one that covers a three month period only and be updated quarterly.

Each quarters plan will be prepared following meetings with Heads of Service and their managers and discussion with the Senior Management Team collectively. Furthermore, once the 2018/19 Corporate Plan and supporting Service Plans have been approved and appropriate updates made to the risk register, these documents will be considered when the Qtr.2 (and onward) plan is being prepared. At that time, the following issues will be taken into account when preparing the quarterly audit plan.

The risks identified in the corporate and operational risk registers.

Discussions with Directors, Heads of Service and other Managers regarding any further risks which threaten the achievement of corporate or service objectives (including changes to the current control environment, the introduction of new systems and process, and/or projects and corporate initiatives).

The results of previous internal audit reviews and the findings from any external reviews undertaken.

Internal Audit's knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council's delivery plans

- 3.9 This change of approach aims to allow the plan to respond to changing circumstances and focus on current or future risks (rather than be backward looking) and their impact on the delivery of Corporate and Service Plan aims and objectives. This approach has the benefit of enabling greater flexibility and responsiveness.
- 3.10 The outcome of the new planning process will not lead to a reduction in the testing of the key controls associated with the main financial systems. With the planned introduction of the new financial management system (FMS) from April 2018, time has already been allocated in the Qtr.1 plan for IA to work with the relevant managers in order to identify the key FMS controls that will be used as the basis for the quarterly key control testing. The audit plan for Qtr.1 2018/19 is attached at Appendix 2.

Other sources of assurance

- 3.11 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 external independent reviews from which assurance could be obtained so as to avoid/minimise duplication of effort.
- 3.12 In addition to any external assurance, the Transformation Team will also be undertaking a number of service reviews during the year. At the time of preparing this report, the reviews to be undertaken by the Transformation Team during Qtr.1 2018/19 have not been agreed. They are however likely to focus on reducing avoidable contact, with an aim of creating capacity within the Call Centre to meet current and predicted demand. Internal audit intend to liaise closely with the Transformation Team to both comment upon any changes proposed to the control framework arising from the reviews they complete and be able to use their work as an additional source of assurance that will assist in the preparation of the annual internal audit opinion.

4. LINK TO THE CORPORATE PLAN

- 4.1 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.

5. RESOURCE IMPLICATIONS

- 5.1 The 2018/19 service budget is sufficient to support the internal audit establishment detailed in paragraph 3.4.

6. REASONS FOR THE RECOMMENDED DECISIONS

- 6.1 The Committee's terms of reference require it to approve both the IA Charter and IA plan.

7. LIST OF APPENDICES INCLUDED

Appendix 1 – Internal Audit Charter

Appendix 2 – 2018/19 Internal Audit plan - Qtr. 1.

BACKGROUND PAPERS

The Public Sector Internal Audit Standards

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INTERNAL AUDIT CHARTER 2018

The Council considers its Internal Audit Services to be a key component of its governance framework. This Charter provides a framework for the conduct of Internal Audit in Huntingdonshire District Council and has been approved by the Council's Corporate Governance Committee.

The key provisions of this Charter are set out below.

Mission of Internal Audit

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight *and* to specifically support the Council successfully achieve its vision and priorities as set out in the Corporate Plan

Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Independence & Objectivity

The internal audit service will remain free from interference by any element in the Council and its scope shall not be restricted in anyway. It shall be free to review the arrangements of any aspect of service delivery, finance or governance irrespective of whether those arrangements are provided directly or indirectly (via partnerships, contractually or any other business arrangement).

The objectivity, impartiality, integrity and conduct of all Internal Audit staff must be above reproach at all times.

Authority

Internal auditors are authorised to have full, free and unrestricted access to all services and functions, premises, assets, employees, elected members, suppliers and contractors, records and other documentation and information that the Internal Audit & Risk Manager (IARM) considers necessary to enable the Internal Audit Service to meet its responsibilities.

Confidentiality

All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for the conduct of internal audit activities. The IARM and individual audit staff and any contractors performing internal audit work are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

Reporting

The IARM shall submit to the Corporate Governance Committee, no later than the date at which the Council's annual governance statement is approved, an annual report and formal audit opinion.

1. Mandatory Guidance

The Internal Audit Service (IAS) will govern itself by adhering to the Public Sector Internal Audit Standards (PSIAS)¹ as required by regulation 5 of the Accounts and Audit (England) Regulations 2015.

The PSIAS encompass all three of the mandatory elements of the Institute of Internal Auditors International Professional Practice Framework, namely the:

1. Definition of Internal Auditing
2. Code of Ethics, and
3. International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).

2. Mission Statement and Aims of Internal Audit

The Mission of IA is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight *and* to specifically support the Council successfully achieve its vision and priorities as set out in the Corporate Plan.

The aims of Internal Audit are:

- To provide a high quality and effective audit service that is responsive to the needs and requirements of Members and management.
- To add value to the Council systems by identifying areas for improvement and offering advice and assistance to Members and management to ensure effective systems of internal control.
- To assist the Council in meeting its corporate governance requirements.
- To operate in accordance with the PSIAS and guidance issued and endorsed by the Relevant Internal Audit Standard Setters as applying to local government and the internal audit manual.

3. Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4. Relationship with Members & Senior Management

Corporate Governance Committee

The Accounts & Audit (England) Regulations 2015 require the Council to “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”.

The Council has established a Corporate Governance Committee (CGC) and specifically delegated to it responsibility for “fulfilling the Board responsibilities of the PSIAS and

¹ The PSIAS are based upon The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing*.

ensuring effective internal audit is undertaken in accordance with the PSIAS”² The internal audit service shall report functionally to the Corporate Governance Committee.

The Internal Audit & Risk Manager (IARM) shall have:

- free and unrestricted access to the CGC and the right to attend all of its meetings, and
- the right to meet with the Chairman of the CGC and/or the relevant Cabinet Portfolio Holder to discuss any matters or concerns that have arisen from internal audit work.

In addition to ensuring the IA service conforms with PSIAS, the CGC shall also ensure that the governance responsibilities listed against the five key principles for delivering an effective internal audit function contained within the CIPFA Statement on the role of the Head of Internal Audit in public sector organisations are delivered by the Council³.

Senior Management

The Managing Director and the Corporate Director (Services) and the Corporate Director (Delivery) together with the Head of Resources⁴ shall fulfil the role of senior management as defined by the PSIAS.

The Head of Resources shall support the CGC by ensuring that there are effective arrangements⁵ for the internal audit of the control environment.

The IARM shall:

- report administratively to the Head of Resources; and
- have free and unrestricted access to senior management.

5. Independence & Objectivity

Independence is essential to the effectiveness of the internal audit service; so it will remain free from all conditions or interference that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner. This shall include, but not be limited to matters of audit selection, scope, procedure, frequency, timing or report content.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Internal audit staff with real or perceived conflicts of interests must inform the IARM as soon as these issues become apparent so that appropriate safeguards can be put in place.

The IARM will confirm to the CGC annually, the organisational independence of the internal audit service. They shall also disclose to the CGC any interference and its related implications in determining the scope of internal auditing, performing work and/or communicating results.

The IARM is responsible for the delivery of the Internal Audit, Insurance and Risk Management services. All three areas have a key part to play in mitigating the risks facing the Council. Responsibility for these operational areas is recognised by senior management and the CGC.

In respect of risk management activities the IARM shall be guided by the Institute of Internal Audits position paper on *The Role of Internal Auditing in Enterprise-Wide Risk Management*.

² Extract from Committee’s terms of reference approved by Council on 29 March 2017.

³ Published in December 2010 (and currently under review).

⁴ Fulfilling the duties of Section 151 of the 1972 Local Government Act.

⁵ As outlined in the CIPFA publication “The Role of the CFO in public sector organisations”.

The IARM will not undertake any roles defined as inappropriate by that guidance. Inappropriate roles include setting the Council's risk appetite, imposing a risk management process and taking on full accountability for risk management. The position paper lists the following as legitimate roles (with safeguards):

- Co-ordination of risk management activities;
- Consolidating risk reporting;
- Developing a risk approach for approval and its subsequent maintenance;
- Facilitating identification and evaluation of risks; and
- Coaching management in responding to risks.

Internal audit staff will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment. They shall also not assess specific operations for which they had responsibility in the previous 12 months. Internal audit reviews of insurance and risk management services shall not be undertaken by the IAS. Internal audit reviews will be commissioned by the Head of Resources.

6. Authority & Confidentiality

The IA remit extends to the entire control environment of the Council.

Internal auditors (including contractors and external service providers engaged to perform work on behalf of the IARM) shall have full, free and unrestricted access to all services and functions, premises, assets, employees, elected members, suppliers and contractors, records and other documentation and information that the IARM considers necessary to enable the IAS to meet its responsibilities. All employees and members are required to assist the internal audit activity in fulfilling its roles and responsibilities.

All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for that purpose. Individual internal auditors are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

7. Internal Audit Management

The Council shall appoint an IARM who shall determine the priorities of, manage and deliver the internal audit service in accordance with this Charter.

The IARM shall:

- ensure they have a comprehensive understanding of the Council's systems, structures and operations so allowing the preparation of a risk based audit plan each quarter that is closely aligned to the need to provide assurance against the Council's strategic priorities, key business objectives and risks, as contained or identified within its Corporate Plan, Service Plans, risk register and framework of assurance.
- review and adjust the audit plan as necessary, in response to changes in the Council's risks, operations, programs, systems and controls.
- report annually the impact and consequence of any resource limitations to the CGC, who will then recommend to Cabinet whether or not to accept the consequence identified or seek an increase in internal audit resource.
- maintain a quality assurance and improvement programme to ensure that all audit work is completed to high standards and in accordance with the standards, practices and procedures as set out in the internal audit manual .
- undertake an annual review of the development and training needs of internal audit staff and arrange for appropriate training to be provided so that they remain proficient.
- establish effective relationships with managers at all levels.

8. Role and responsibilities

Internal audit reviews shall examine and evaluate the adequacy and effectiveness of the Council's control environment comprising risk management, control and governance processes. This shall be achieved via:

Assurance activities: *results of which will influence the opinion on the adequacy and effectiveness of the control environment.*

Risk based system audit reviews. The documentation, evaluation and testing of financial, operational and management information systems.

Information technology reviews. Specialist evaluation of hardware, software and the IT environment.

Fundamental financial systems. Reviews focusing on agreed key controls.

Performance improvement. The economy, efficiency and effectiveness of business systems and processes.

Advisory activities: *results of which will contribute to the opinion on the adequacy and effectiveness of the control environment.*

Systems & processes. Control advice on new and developing systems.

Consulting services. Reviews at the request of management, that adds value and improve governance, risk management and control processes and support management in their work.

Shared services: Where the Council provides 'shared services' to, or receives 'shared services' from other organisations, the IARM shall liaise with the other organisations IAS and agree the scope of the assurance that is to be provided or received and take account of that requirement when preparing the annual audit plan.

9. Role of Internal Audit in Fraud and Corruption

It is part of management's responsibility to consider the risk and impact of fraud and to design and implement suitable safeguards to mitigate these risks.

IA will:

- support management in minimising fraud-related risks and act as a source of advice.
- put in place arrangements that ensure IA audit is notified of all suspected or detected instances of non-welfare fraud, corruption or impropriety and in conjunction with the Corporate Fraud Team Leader promote a counter-fraud culture within the Authority and determine the most appropriate method of investigating allegations.

IA does not responsibility for the prevention or detection of fraud and corruption. Internal auditors should be alert in all their work to risks and exposures that could allow fraud and corruption to take place and to any indicators that fraud and corruption may have occurred.

10. Reporting and Monitoring

Internal Audit Reports

At the conclusion of a review, a written report will be issued to the appropriate manager, that will

- include an overall assurance opinion, but not provide absolute assurance, on the adequacy of the governance, risk and control processes;
- identify inadequately addressed risks and non-effective control processes;
- detail management's response and timescale for corrective action;
- identify issues of good practice

When corrective action has not been agreed, reporting will be escalated to a level consistent with the IARMs assessment of the risk.

The IARM shall regularly review and report to senior management, the progress made by managers in introducing the agreed corrective actions. Senior Management are responsible for ensuring that agreed corrective actions are introduced.

Reporting to the Corporate Governance Committee

The CGC will be provided with periodic updates on the work of the IAS. The updates shall cover significant findings and actions and provide information on the status of the agreed audit work plan. Amendments and revisions to the audit plan shall also be reported and agreed by the CGC.

Full copies of closed internal audit reports will be issued to CGC members on a quarterly basis.

The IARM shall present an annual report to the CGC that meets the requirements of the PSIAS. The annual report shall be timed to support the Council's annual statement of assurance on corporate governance and include an opinion on the overall adequacy and effectiveness of the control environment.

11. Quality and assurance programme

The IARM shall maintain a quality assurance and improvement programme that meets the requirements of the PSIAS. The results shall be reported to senior management and the CGC.

The IARM will arrange for an independent review of the efficiency and effectiveness of the internal audit service to be undertaken at least once every five years. The results of the review together with a statement as to whether conformance with PSIAS has been achieved or not will be reported to senior management and the CGC.

Improvement plans arising from periodic reviews of internal audit shall be prepared as appropriate, and reported to senior management and the CGC in the Internal Audit annual report.

12. Relationships with external audit and other assurance activities

Internal Audit will establish and maintain an open relationship with the external auditor and other assurance providers. Internal audit will plan its activity so that there is adequacy of audit coverage and to minimise duplication of assurance effort. However the work of Internal Audit will not be driven by external audit's own priorities.

External audit will have full and free access to all internal audit strategies, plans, working papers and reports.

13. Review of the Charter

The IARM will review each year the Internal Audit Charter and report the outcome of that review to the CGC.

Approval of the Charter shall be the responsibility of the CGC. This version was approved on the 28 March 2018.

End



Internal Audit & Assurance Plan 2018 - 2019

In delivering the Internal Audit (IA) Mission Statement -

to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight and to specifically support the Council successfully achieve its vision and priorities as set out in the Corporate Plan -

it is important that IA engagements not only consider and review internal control, risk and governance issues but also:

- remain future focused,
- positively influence and contribute to service developments and initiatives,
- lead to a strengthening of the control environment, and
- are performed in accordance with professional standards.

Remain future focused

Traditionally IA have reviewed how risks and objectives have been delivered in the past, rather than consider how they are to be managed going forward. It is the intention that the audit plan becomes much more future focused, considering the risks that lie ahead of the Council, and so allow IA to provide advice and insight that will help Corporate and Service Plan objectives be achieved. This is a step-change in approach and is unlikely to happen over the short term, as Managers will need to understand the change of approach.

As a first step, the IA planning process has been amended this year to allow IA to become more future focussed and responsive to the needs of the organisation through the quarterly refresh of the audit plan. The move away from delivering an annually agreed audit plan will allow IA to consider and respond to, amongst others, new areas of activity, priorities and emerging risks, issues of local significance and importance and the impact of change to existing controls.

Auditors have already held meetings with the Directors and Heads of Service and their managers to explain the change in audit planning approach and obtain their initial thoughts on areas for inclusion in the audit plan. These meetings will be held regularly throughout the year. Time has also been allocated at Senior Management Team meetings to allow IA to 'sense-check' the proposed audit plan with them, to ensure that it remains focused on delivering assurance against both key and emerging objectives.

Cabinet and Corporate Governance Committee members have also been contacted and asked for their thoughts on areas for inclusion in the plan. They will also be contacted during the year so their concerns continue to be heard.

Positively influence and contribute to service developments and initiatives

Due to the many challenges facing the Council, change remains a constant and all Services either have reviewed or will be reviewing how they deliver their services.

IA is able to add value at an early stage of service or transformational developments through contributing advice and assistance that influences how risks can be reduced through introducing appropriate controls. Providing assurance at an early stage will also allow IA to gain a fuller understanding as to how the changes proposed will assist in delivering service objectives and their consequential impact elsewhere across the Council. This approach should lead to a strengthening of the overall control environment and time will be made available in the audit plan for IA to undertake this type of advisory work. IA strives to be trusted advisor to senior management and the Corporate Governance Committee (CGC). Contributing positively to service developments and initiatives is one way in which that trust can be gained.

Lead to a strengthening of the control environment

The results of IA work are communicated to Managers and Members via IA reports. Arising from the external LEAN review undertaken within IA in 2017, changes have been made to the audit 'wash-up' and reporting process. The aim being to improve the discussions and feedback provided to Managers and the speed by which they respond to IA reports. In addition the IA report template has been redesigned with the assistance of an independent expert so that issues identified are reported with greater clarity and impact.

Managers agree to implement actions that will strengthen the control environment and IA will continue to use the 4Action software to monitor and report upon their introduction. IA will undertake follow-up reviews at least twice a year on a sample of actions that managers have indicated as being fully introduced. The results of the follow-up work will be one of the factors that inform the annual IA opinion and time will be made available in the audit plan for follow-up reviews to be completed.

The change to the IA planning process will require CGC to approve the audit plan on a regular basis. Together with the audit plan, CGC will also receive a summary update on the delivery of the audit plans agreed, be informed of any issues of concern and the progress being made with the implementation of agreed audit actions. Such a summary will allow the CGC to receive timely and relevant information and allow them to question IA whilst issues remain relevant.

Performed in accordance with professional standards.

The Public Sector Internal Audit Standards (PSIAS) require an external independent review of the IA service to be completed at least once every five years. The next review is due to be completed by March 2019. IA has an internal audit manual and a comprehensive set of templates that aim to ensure that audit reviews are conducted in a consistent way.

The Internal Audit & Risk Manager reviews the work performed by internal auditors at key stages throughout the audit process and evidences the checks they have performed. The IA service aims to act in conformance with the PSIAS. The external review will confirm if that is the case or not. An informal assessment is currently being completed to identify any areas of non-conformance with the PSAIS. The results of the assessment will be reported to CGC alongside an improvement action plan if required.

Time will be made available in the audit plan for participation in the external review process.

Internal Audit performance measures

At the time of preparing the audit plan, performance measures for 2018/19 had not been agreed with the Head of Resources. The measures will be contained in the IA Service Plan and reported to the CGC when agreed.

Internal Audit & Assurance Plan 2018-2019

Quarter 1

Approximately 77 days will be available in Qtr. 1 2018/19 for delivery of the plan. This time has been provisionally allocated to the following areas:

Area	
Tech 1 - New FMS	Identifying key controls across all the Technology 1 modules ahead of quarterly assurance reviews.
Main financial systems : Qtly reviews	Creditors/Accounts Payable Debtors/Accounts Receivable Housing Benefit Council Tax / NNDR
3C IT procurement	To review the opportunities for improving the efficiency of IT procurement through the adoption of one Code of Procurement across the 3Cs.
Small works contracts	To review the contract management processes supporting the small works contracts and its use.
Energy costs	To review the process for the procurement of energy and water. Annual expenditure in this area is of the region of £850k.
Computer audit reviews	To review the IT policy management system including procedures for amending, the appropriateness of content and managing the roll-out to staff and their take-up of it.

In addition to reviewing the areas listed above, time has also been made available in the IA work plan to provide for the following:

- 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 Committee through the delivery of training, preparation of the annual governance statement and its annual reporting.

David Harwood
Internal Audit & Risk Manager
March 2018