



East
Northamptonshire
Council

Governance & Audit Committee – 18 April 2016

Welland Internal Audit Consortium – Audit Plan 2016/17

Purpose of report

To seek committee approval of the Internal Audit Plan for 2016/17, in line with the requirements of the Public Sector Internal Audit Standards.

Attachment:

Appendix A: Internal Audit Plan 2016/17

1.0 Background

- 1.1 The Welland Internal Audit Consortium provides the Internal Audit service for East Northamptonshire Council and is commissioned to provide 230 audit days to deliver the Annual Audit Plan.
- 1.2 The Public Sector Internal Audit Standards require the annual Audit Plan to be reviewed and approved by the 'Audit committee'. The Audit Plan should be developed based upon key risks identified through consultation with Senior Management and members of the Committee.

2.0 Internal Audit Plan 2016/17

- 2.1 Appendix A to this report provides further detail on the development of the 2016/17 Audit Plan and a copy of the draft Internal Audit Plan

3.0 Important issues to consider

- 3.1 The Audit Plan covers the two key component roles of Internal Audit:
 - The provision of an independent and objective opinion to the Section 151 Officer/ Head of Finance and Corporate Services and the Governance and Audit Committee on the degree to which risk management, control and governance support the achievement of Council objectives; and
 - The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.

4.0 Equality and Diversity Implications

- 4.1 There are no equality and diversity implications arising from the report.

5.0 Legal Implications

- 5.1 There are no legal implications arising from the report.

6.0 Risk Management

- 6.1 There are no significant risks arising from the proposed recommendations in this report. An objective of the Audit Plan is the provision of an independent and objective

opinion to the Section 151 Officer and the Governance and Audit Committee on the degree to which risk management, control and governance support the achievement of Council objectives.

7.0 Resource and Financial Implications

7.1 There are no resource or financial implications arising from the report. The Audit Plan has been based upon the number of days commissioned from the consortium on an annual basis.

8.0 Constitutional Implications

8.1 The report does not require any amendment to the Council's Constitution.

9.0 Customer Service Implications

9.1 There are no customer service implications arising from the report.

10.0 Corporate Outcomes

10.1 Effective Management - The Annual Audit Plan is designed to provide Members with assurance as to the effective management of the council's most significant risks.

11.0 Recommendation

11.1 The Committee is recommended to

- (1) Review and approve the Internal Audit Plan for 2016/17.

(Reason: To confirm that the planned activities of the Internal Audit service provide the required range of assurances for the year ahead and, in doing so, evidence compliance with the Public Sector Internal Audit Standards)

- (2) Give authority to the S151 Officer, in consultation with the Chairman and Vice-Chairman of the Governance and Audit Committee, to make amendments to the Plan during the financial year, if required.

(Reason: To enable the Internal Audit service to respond to changes in the risk environment and ensure coverage of key risk areas)

Legal	Power: It is a statutory requirement for Councils to have an Internal Audit function in accordance with the Local Government Act 1972.				
	Other considerations: Internal audit and the "Audit Committee" should also conform to the relevant professional guidance – the Public Sector Internal Audit Standards.				
Background Papers: None					
Person Originating Report: Rachel Ashley-Caunt, Head of Internal Audit, ☎ 07824 537900 ✉ rashley-caunt@rutland.gov.uk					
Date: 30 th March 2016					
CFO		MO		CX	



Internal Audit Plan
2016 / 17
EAST NORTHAMPTONSHIRE COUNCIL



Head of Internal Audit: Rachel Ashley-Caunt

INTERNAL AUDIT PLAN 2016/17

1. Introduction

- 1.1 This report sets out the proposed work of Internal Audit at East Northamptonshire Council for 2016/17 for review and approval by the Governance and Audit Committee.
- 1.2 Internal Audit provides independent assurance designed to add value and support the Council in achieving its priorities and objectives. To deliver this, East Northamptonshire Council commissions 230 days from the Welland Internal Audit Consortium on an annual basis.
- 1.3 The provision of assurance services is the primary role for Internal Audit in the UK public sector. This role requires the Head of Internal Audit to provide an annual Internal Audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 1.4 Internal Audit also provide consultancy services which are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.
- 1.5 In setting the annual Audit Plan, the Public Sector Internal Audit Standards require:
- The audit plan should be developed taking into account the organisation's risk management framework and based upon a risk assessment process undertaken with senior management and the Audit Committee;
 - The audit plan should be reviewed and approved by an effective and engaged Audit Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
 - The Head of Internal Audit should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.

2. The Audit Plan

- 2.1 The Audit Plan is designed to support the provision of the annual Head of Internal Audit Opinion. The basis for forming this opinion is as follows:
- An assessment of the design and operation of the underpinning Governance, Assurance and Risk Frameworks and supporting processes; and
 - An assessment of the range of individual opinions arising from the risk based assignments, which will be reported throughout the year.
- 2.2 In forming this opinion, the Head of Internal Audit can also consider other appropriate sources of assurance available. As such, in developing the Audit Plan, any other potential sources of assurance in relation to the identified risks have been considered and work will be

aligned with other assurance providers to ensure the Internal Audit resource is focused upon areas where value can be added and the use of all assurances is maximised.

3. Planning Process

3.1 In order to ensure that the Audit Plan for 2016/17 addresses the Council's key risks and adds value, the Head of Internal Audit has identified and prioritised the areas for coverage by:

- Reviewing the Council's Risk Registers and Corporate Plan;
- Analysing coverage of Internal Audit reviews over the last four years and the assurance opinions provided following each review, to identify any assurance gaps or areas where follow up work would be of value;
- Identifying any other sources of assurance for each of the Council's key risks, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
- Identifying any areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last four years;
- Workshop and training with the Governance and Audit Committee to discuss the planning process and areas where Members require assurances from Internal Audit during 2016/17; and
- Meeting with members of Corporate Management Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

3.2 The process has also incorporated consideration of potential audits which can be undertaken by drawing upon similar emerging themes from the Councils within the Welland Internal Audit Consortium.

3.3 Following this consultation and review, a Draft Internal Audit Plan has been compiled and is provided in Table 1. Also provided, in Table 2, is a reserve list of audit assignments which were considered for inclusion in the plan but, following consultation with management, it has been agreed that these are lower risk or would be of greater value in 2017/18. If the risk environment changes during 2015/16, the Audit Plan can be amended and these assignments can be re-assessed for possible coverage.

3.4 The Audit Plan covers the two key component roles of Internal Audit:

- The provision of an independent and objective opinion to the Section 151 Officer and the Governance and Audit Committee on the degree to which risk management, control and governance support the achievement of Council objectives; and
- The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements. Any assignments which are designed as consultancy support rather than assurance provision are highlighted as such in the draft plan.

3.5 In order to ensure the Audit Plan addresses the Council's key risks and that the service is able to respond to any in year changes to the organisation's business, risks, operations,

programs or systems, it is vital that the content of the Plan be subject to ongoing review throughout the financial year. To enable the service to be responsive and ensure all audit resources are used effectively and add maximum value, it is recommended that arrangements be agreed to allow changes to the Plan to be made between Governance and Audit Committee meetings, involving consultation between the Head of Internal Audit, the S151 Officer and the Chair/Vice Chair of the Committee. Any such changes would then be reported at the next Governance and Audit Committee meeting.

4 Resources

- 4.1 The Welland Internal Audit Consortium provides the Internal Audit function for five local authorities (Corby Borough Council, Harborough District Council, East Northamptonshire Council, Melton Borough Council and Rutland County Council).
- 4.2 Since August 2014, the Head of Internal Audit has been provided by LGSS (Local Government Shared Services) under a management arrangement with the Consortium. This provides the Consortium with additional resilience and the benefit of shared practice and experience from the wider LGSS client base. This arrangement is formally agreed until 31st March 2017.
- 4.3 The audit assignments for all of the Welland authorities are delivered by a team of audit staff including a mix of highly regarded professional qualifications (including ACCA, CIPFA and IIA) and extensive experience in the public and private sector. In the last twelve months the Consortium has established a Trainee Auditor post to develop and train new audit staff and recruitment to this post is currently underway. One existing member of the team is also due to undertake final stage exams in 2016 for the Institute of Internal Auditors (IIA).
- 4.4 Absences and resource gaps/vacancies are currently filled by buying in external resources, mostly through the Consortium's connections with LGSS. The current vacancies will be reviewed during 2016/17 and the most cost effective and reliable option for filling these will be discussed with the Consortium Board.
- 4.5 Efforts are constantly made to ensure all clients benefit from the shared service arrangement. This includes achieving efficiencies in delivering assignments, sharing of knowledge and experience and opportunities to deliver cross-cutting reviews.
- 4.6 On an annual basis, the Head of Internal Audit completes a self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards. In doing so, the Head of Internal Audit must consider whether the resource base and mix is adequate and would highlight to the S151 officer and Members if there were any concerns that the resources in place could not provide the required coverage to inform the annual Assurance Opinion.

Table 1: Draft Internal Audit Plan 2016/17

Assignment	Assurance provided	Initial planned timing	Proposed days	Risk ref
Corporate / Cross Cutting				
Health & Safety	To provide assurance that the Council, as an employer, is operating in accordance with health and safety regulations and legislative requirements. Assurance sought by G&A Committee.	Q1	12	ENV 009
Local Taxation	To provide assurance that the material risks associated with the collection and management of local taxes and the council tax support scheme are sufficiently mitigated.	Q3	12	FIN 005
Procurement Compliance	Testing of a small sample of goods and services procured across the Council for compliance with contract procedure rules.	Q3	5	FIN 001 FIN 005
HR Data Quality	To provide assurance over the accuracy of HR data held on iTrent following recent data quality issues. This has been subject to a review by officers but independent assurance would be of value to confirm controls are operating to ensure data held is complete and accurate.	Q2	10	ICT 002
Finance				
Implementation of new finance system	To provide consultancy support during design phase, to ensure controls are suitably enforced in the new system, changes to access rights are appropriate and support in identifying potential flaws before sign off. This is a high risk area and audit involvement upfront is a key control in ensuring new systems are fit for purpose.	TBA – Based on timing	10 (shared with CBC)	FIN 003 FIN 005
Financial Management & Value for Money (VfM)	To provide assurance over the council's financial management arrangements, including savings plans, and assessment against the new VfM code to be applied by the external auditors. Included on Audit Plans at other client sites – opportunity for cross cutting review.	Q1/2	12	FIN 001
Financial Systems	Full review of all financial systems following new system implementation. To cover: Creditors, Debtors, Payroll, Treasury Management and Main Accounting	Q4	60	FIN 005
Counter Fraud and Governance				
Counter Fraud review – CIPFA	To provide assurance over the council's counter fraud arrangements by assessing and benchmarking against the new CIPFA tool issued in 2015. Supports Internal Audit assurance opinion over control framework to prevent and detect fraud and identify areas for improvement.	Q1	4	FIN 005 CCS 018

Assignment	Assurance provided	Initial planned timing	Proposed days	Risk ref
Service Delivery				
S106 Agreements	To provide assurance over the controls in place for negotiation and agreement of legal agreements, collection of income, monitoring of existing agreements and clawbacks. Deferred from 2015/16 Audit Plan. This area has not been subject to Internal Audit review in the last four years.	TBA	20	CORP 002 PLN 011
Building Control	To provide assurance over the recovery of income from building control. Also, potential to review arrangements in place for succession planning within the service.	TBA	10	PLN 003
Pest Control contract	To provide consultancy support in reviewing the value for money delivered by the current pest control contract and to inform the planned review of this contract in 2016.	Q1	10	ENV 001
IT				
IT Policies and Procedures	To review new and revised IT policies to ensure all key policies are in place, fit for purpose, communicated and compliant with good practice. To include high level review of procedures for ensuring PSN compliance.	Q2	10	ICT 003 ICT 004
Support to East Northamptonshire Council - to include Committee meeting preparation and attendance, Committee liaison and development, senior management support and engagement, Annual Report, work with External Auditors, queries and ad-hoc support, support on National Fraud Initiative and Annual Governance Statement, strategic management, development of the annual Audit Plan.			35	
Management of the Welland Internal Audit Consortium – to include Joint Committee work and attendance, Consortium Board reporting and attendance, development and training of the Internal Audit team, staff supervision and appraisals, budget monitoring.			21	
Total Days Commissioned			230	

Table 2: Reserve list 2016/17

Audit Area	Assurance provided and planned coverage if not included in 2016/17 Audit Plan.	Action if not reviewed in 2016/17
Allowances & Expenses	To provide assurance that payments made to Members and employees for allowances and expenses are legitimate, not excessive and in line with policy. To also include election staff pay. Members' allowances have not been reviewed by Internal Audit in the last four years.	Include in 2017/18 Audit Planning.
Disabled Facilities Grants – Care and Repair	To follow up on issues highlighted in previous Internal Audit report and provide assurance over processes for management of DFGs and payments for commissioned work.	Include in 2017/18 Audit Planning.