



Governance & Audit Committee – 20 March 2017

Welland Internal Audit Consortium – Internal Audit Plan 2017/18

Purpose of report:

To seek committee approval of the Internal Audit Plan for 2017/18, in line with the requirements of the Public Sector Internal Audit Standards.

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. From 1 April 2017, it is intended that this service will be delivered by LGSS, in line the same service standards and approach.
- 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 2017/18

- 2.1 Appendix A to this report provides further detail on the development of the 2017/18 Audit Plan and a copy of the draft Internal Audit Plan.

3.0 Equality and Diversity Implications

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

4.0 Legal Implications

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

5.0 Risk Management

- 5.1 There are no significant risks arising from the proposed recommendations in this report.

6.0 Financial Implications

- 6.1 There are no financial implications arising from the report. The Audit Plan has been based upon the number of days commissioned by East Northamptonshire Council on an annual basis.

7.0 Corporate Outcomes

- 7.1 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.

8.0 Recommendations

8.1 (1) The Committee reviews and approves the Audit Plan for 2017/18.

(2) The Committee gives authority to the S151 Officer and the Chairman and Vice-Chairman of the Governance and Audit Committee to agree amendments to the Plan during the financial year, if required.

(Reason – To demonstrate that the committee is discharging its responsibilities in conformance with the Public Sector Internal Audit Standards).

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, rashley-caunt@rutland.gov.uk					
Date: 28 th February 2017					
CFO		MO		CX	

(Committee Report Normal Rev. 22)



Internal Audit Plan
2017 / 18
EAST NORTHAMPTONSHIRE COUNCIL



Head of Internal Audit: Rachel Ashley-Caunt

INTERNAL AUDIT PLAN 2017 / 18

1. Introduction

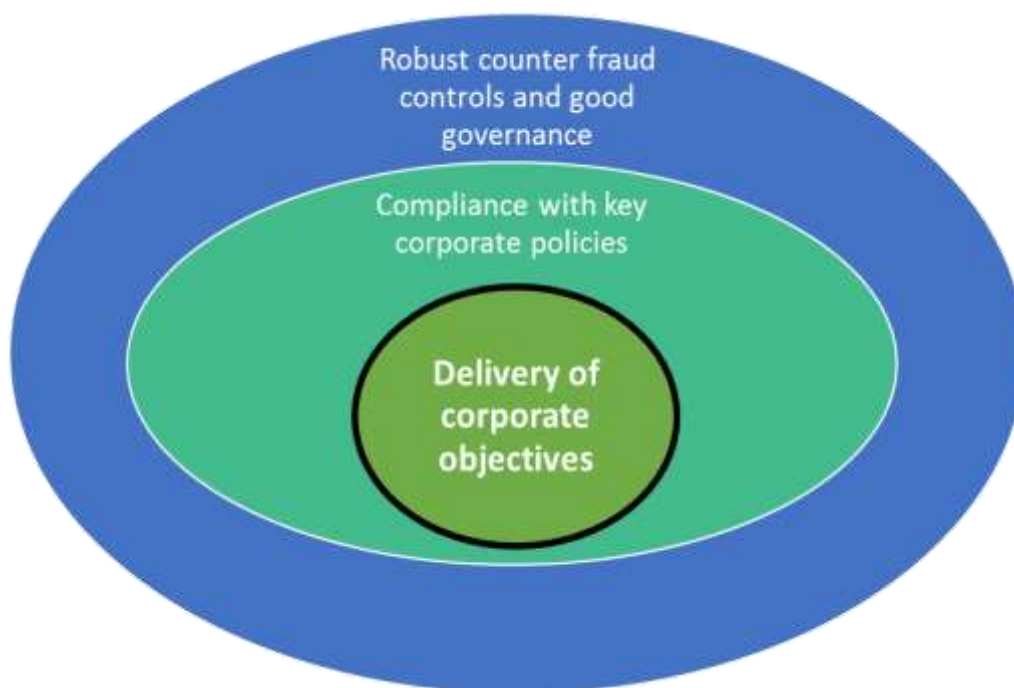
- 1.1 This report sets out the proposed work of Internal Audit at East Northamptonshire Council for 2017/18 for review and approval by the Governance and Audit Committee.
- 1.2 Internal Audit provides independent assurance designed to add value and support the Council in achieving its priorities and objectives. To deliver this, East Northamptonshire Council commissions 230 days for delivery of the Internal Audit service 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. Any proposed consultancy work is clearly specified as such on the Audit Plan.
- 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 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.

- 2.2 At the centre of the organisation, is the core delivery of the Council’s corporate objectives and corporate plan. The risk based audits are focused upon providing independent assurance over the controls in place to manage risks faced in achieving these objectives.
- 2.3 In order to protect the Council in delivering these objectives, it is essential that the Council’s key corporate controls and policies are operating effectively to prevent the risk of financial loss, failure to comply with legislation, lack of accountability and reputational damage. These controls and policies range from key financial controls and systems to health and safety policies, from data management to procurement rules. These policies and controls must be complied with by all service areas to secure the Council’s standing.
- 2.4 Further protecting and underpinning the Council’s ongoing delivery of its objectives are robust counter fraud controls and good governance. Without these, the Council would be exposed to the risk of fraud and corruption (both internally and externally), uninformed or non-transparent decision making, loss of accountability and direction, poor risk management and failure to embed and demonstrate ethical behaviours and values.
- 2.5 As such, the Audit Plan is designed to deliver independent, objective assurance on each of these areas – which are vital to the successful delivery of the Council’s objectives and services. See Exhibit 1.

Exhibit 1. Assurance areas



Value for money

- 2.6 In addition to assurance over governance, risk management and controls, the Audit Plan should also provide assurance over the Council's delivery of value for money. Assurance over value for money is embedded within each audit assignment.
- 2.7 The National Audit Office¹ refers to the following three key requirements in relation to value for money, which will form areas of assurance in the risk based audits proposed for 2017/18, as applicable to the risk area:
- **Informed decision making**
 - Acting in the public interest, through demonstrating and applying the principles and values of sound governance;
 - Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management;
 - Reliable and timely financial reporting that supports the delivery of strategic priorities; and
 - Managing risks effectively and maintaining a sound system of internal control.
 - **Sustainable resource deployment**
 - Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions;
 - Managing and utilising assets effectively to support the delivery of strategic priorities; and
 - Planning, organising and developing the workforce effectively to deliver strategic priorities.
 - **Working with partners and other third parties**
 - Working with third parties effectively to deliver strategic priorities;
 - Commissioning services effectively to support the delivery of strategic priorities; and
 - Procuring supplies and services effectively to support the delivery of strategic priorities.
- 2.8 The proposed Audit Plan for 2017/18 will provide assurances over these key areas within the context of the assignments detailed. The audit of the use of specialist resources in the Planning service, for example, will consider value for money achieved from resource deployment and workforce planning in this area.
- 2.9 Some of the corporate level audits will provide specific assurances in relation to the value for money requirements – the audit of compliance with procurement rules will provide assurance over the effective procurement of supplies and services, including when working with third parties, and the review of the efficiency plan delivery will provide assurance over decision making, management of strategic objectives and delivery of savings.

¹ Auditor Guidance Note 3 Auditors' Work on Value for Money Arrangements (November 2015)

3. Planning Process

3.1 In order to ensure that the Audit Plan for 2017/18 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;
- Undertaking an assurance mapping exercise against the risks identified to highlight any gaps in the assurance framework and 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;
- Paper to the Governance and Audit Committee in November 2016 to agree the audit planning process and consult Members on any areas where assurance is sought; 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 2018/19. If the risk environment changes during 2017/18, the Audit Plan can be amended and these assignments can be re-assessed for possible coverage.

3.4 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 Chair of the Governance and Audit Committee.

4 Resources

4.1 Since August 2014, the Head of Internal Audit for the Welland Internal Audit Consortium has been provided by LGSS (Local Government Shared Services) under a management arrangement with the Consortium. This has provided 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. From 1st April 2017, it is proposed that the Council's internal audit service be formally delegated to LGSS.

- 4.2 The audit assignments for all of the LGSS clients 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. Absences and resource gaps/vacancies can be filled by the wider LGSS team, providing the resilience and stability of a shared service.
- 4.3 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.
- 4.4 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.
- 4.5 During 2016/17, LGSS has been subject to an external assessment. At the time of reporting, the services to Cambridgeshire County Council (in the 'Eastern' LGSS region which will provide services to East Northamptonshire Council from 1st April 2017) have recently been assessed as compliant with the Public Sector Internal Audit Standards.

Table 1: Draft Internal Audit Plan 2017/18

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing
Corporate Governance and Counter Fraud	<p>Cyber Security To provide assurance that the Council is taking pro-active steps to address the risks of a cyber-attack – including IT system controls, staff awareness and incident planning. Joint review with other councils in consortium.</p>	12	Q2
Key Corporate Controls and Policies	<p>Key Financial Controls (working with EnCor across ENC and CBC)</p> <ul style="list-style-type: none"> • Creditors • Debtors • Main Accounting • Payroll (including expenses and allowances) • Treasury Management 	60	Q4
	<p>Procurement Compliance To test compliance with Contract Procedure Rules on the procurement of goods and services across the Council. To inform annual assurance opinion on value for money and counter fraud controls.</p>	6	Q3
	<p>Contractor Health and Safety To provide assurance over controls in place to ensure that organisations/companies that ENC has a contract with, to provide services on its behalf, comply with health and safety legislation. To focus on higher risk contracts such as those involving manual work and particular health and safety risks.</p>	12	Q1
Corporate Objective: Effective Processes – Effective Management, Partnership Working and High Quality Service Delivery	<p>Benefits To provide assurance that the key control framework in place addresses the risks associated with the administration and payment of Housing Benefits. Focus on benefits overpayments.</p>	15	Q3
	<p>Efficiency Plan To review a small sample of actions within the Council’s Efficiency Plan to provide assurance that delivery is on track to achieve the required outcomes.</p>	7	Q4
	<p>Taxi Fares (consultancy) To independently review work by the Council on calculation of taxi fares ahead of approval in 2017.</p>	5	Q1
Corporate Objective: Improvements for the Community – Safe, Clean and Healthy	<p>Safeguarding To provide assurance that the Council is fulfilling its responsibilities in safeguarding the most vulnerable members of the community. To include assurance that suitable training and policies are provided, appropriate checks are exercised before granting of taxi and private hire licences and suitable DBS checks on undertaken for relevant officer posts. Also on audit plans at other sites within consortium – joint review.</p>	18	Q2

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing
	<p>Housing Options and Homelessness To provide assurance that there are adequate processes and controls in place to ensure that housing and homelessness applications are handled in accordance with established local policies and national legislation. Also conducted at other sites within consortium – to share good practice and solutions adopted.</p>	15	Q2
Corporate Objective: Improvements for the Community – Prosperous and Sustainable	<p>Local Plan Process – Embedded Assurance Review To provide assurance throughout the lifecycle of the Local Plan project on the effectiveness of governance and management arrangements. To include assurance over governance and decision making, risk management, time management, resources and issue management.</p>	15	Q1 – Q4
	<p>Planning Service – Use of Specialist Resources To provide assurance over the effective use of specialist skills and expertise within the Planning service. To include comparison with approaches adopted at other local authorities to maximise value for money and efficient use of resources.</p>	10	Q1
Support to East Northamptonshire Council	Including support and reporting to Governance and Audit Committee, management support and engagement, ad-hoc advice and assistance, annual Internal Audit report, follow ups on audit recommendations and partnership working with external auditors.	35	
Management & development of delegated Internal Audit service	Development and management of Internal Audit service in line with the Public Sector Internal Audit Standards, including annual standards assessment, continuous improvement, internal audit charter and manual, management, training and development of the team and performance reporting.	21	
Total days		230	

Table 2: Reserve list 2017/18

Assurance areas	Audit area and basis for lower priority assessment	Action if not covered in 2017/18
Corporate Governance and Counter Fraud	Ethical Governance and Counter Fraud Arrangements Recent Internal Audit reviews of Counter Fraud Arrangements and Effectiveness of Whistleblowing provide assurances over majority of these arrangements.	To include in Audit Plan 2018/19 process.
Key Corporate Controls and Policies	Data Management Ongoing internal reviews and development underway. Management overseeing the programme of work. Independent review in 2018/19 to be of greater value.	To include in Audit Plan 2018/19 process.
	Business Continuity Management Ongoing internal reviews and development underway. Management overseeing the programme of work. Independent review in 2018/19 to be of greater value to management.	To include in Audit Plan 2018/19 process.
	IT Disaster Recovery Extensive ongoing review of IT Strategy to include disaster recovery arrangements. Also, Cyber Security audit will be seeking some assurance over controls in place to manage major incidents.	To seek assurances over Disaster Recovery arrangements at higher level in Cyber Security audit.
	IT Asset Management Extensive ongoing review of IT Strategy to include disaster recovery arrangements. Management overseeing the programme of work. Independent review in 2018/19 to be of greater value to management.	To include in Audit Plan 2018/19 process.
Corporate objective: Effective Processes – Effective Management, Partnership Working and High Quality Service Delivery	Data Quality No significant concerns highlighted by management. Lower risk than other risk areas identified.	To include in Audit Plan 2018/19 process.
	Leases Legal specialists have been involved in reviewing arrangements in last two years. Lower risk than other risk areas identified.	To include in Audit Plan 2018/19 process.
Corporate Objective: Improvements for the Community – Prosperous and Sustainable	Planning Enforcement Assessed lower risk/value added than other areas highlighted.	To include in Audit Plan 2018/19 process.
Corporate Objective: How we Learn and Grow	Complaints Management No significant concerns highlighted by management. Lower risk than other risk areas identified.	To include in Audit Plan 2018/19 process.
	Training Effectiveness No significant concerns highlighted by management. Lower risk than other risk areas identified.	To include in Audit Plan 2018/19 process.