LGSS Internal Audit – Internal Audit Plan 2019/20

Purpose of report:

To seek committee approval of the Internal Audit Plan for 2019/20, in line with the requirements of the Public Sector Internal Audit Standards.

Appendix A: Internal Audit Plan 2019/20

1.0 Background

1.1 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 2019/20

2.1 Appendix A to this report provides further detail on the development of the 2019/20 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 Privacy Impact Implications

5.1 There are no privacy impact implications arising from this report.

6.0 Risk Management

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

7.0 Financial Implications

7.1 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.

8.0 Corporate Outcomes

8.1 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.
9.0 Recommendations


(2) The Committee gives authority to the S151 Officer, in consultation with 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).

<table>
<thead>
<tr>
<th>Legal</th>
<th>Power: It is a statutory requirement for Councils to have an Internal Audit function in accordance with the Local Government Act 1972.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Other considerations: Internal audit and the “Audit Committee” should also conform to the relevant professional guidance – the Public Sector Internal Audit Standards.</td>
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Background Papers: None

Person Originating Report: Rachel Ashley-Caunt, Head of Internal Audit, rashley-caunt@rutland.gov.uk

Date: 5th March 2019

CFO 14/03/19
MO 11/03/19
CX 11/03/19

(Committee Report Normal Rev. 22)
Internal Audit Plan
2019/20
EAST NORTHAMPTONSHIRE COUNCIL

Head of Internal Audit: Rachel Ashley-Caunt
INTERNAL AUDIT PLAN 2019/20

1. Introduction

1.1 This report sets out the proposed work of Internal Audit at East Northamptonshire Council for 2019/20 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.

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

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.

The National Audit Office 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.

The proposed Audit Plan for 2019/20 will provide assurances over these key areas within the context of the assignments detailed.

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.

3. Planning Process

In order to ensure that the Audit Plan for 2019/20 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 January 2019 to agree the audit planning process and consult Members on any areas where assurance is sought; and

1 Auditor Guidance Note 3 Auditors’ Work on Value for Money Arrangements (November 2015)
• 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 LGSS client base.

3.3 Following this consultation and review, a draft Internal Audit Plan has been compiled and is provided in Table 1. The plan is primarily based on business as usual for 2019/20 and may require amendment during the year if risks change in light of ongoing unitary council discussions. There will be a quarterly review of the plan in consultation with CMT. Within the plan are 18 days of contingency to support flexibility in year and agreement has also been reached with CMT as to which audit assignments are essential and which can be subject to risk assessment against alternative work, as required. Those considered essential are annotated as such on the plan.

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 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.

4.2 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.

4.3 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 2019/20

<table>
<thead>
<tr>
<th>Assurance Areas</th>
<th>Internal Audit Assignments (including assurances sought and basis for inclusion)</th>
<th>Risk ref</th>
<th>Priority?</th>
<th>Audit days</th>
<th>Initial timing</th>
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</thead>
</table>
| **Corporate Governance and Counter Fraud**           | **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.                                                                                         | FIN 005  | Essential | 8           | Q4             |
| **Key Corporate Controls and Policies**              | **Key Financial Controls**  
(working with EnCor across ENC and CBC)                                                                                                                                                                                                                                      | FIN 005  | Essential | 60          | Q4             |
|                                                      | • Creditors                                                                                                                                         |          |           |             |                |
|                                                      | • Debtors                                                                                                                                           |          |           |             |                |
|                                                      | • Main Accounting                                                                                                                                  |          |           |             |                |
|                                                      | • Payroll                                                                                                                                           |          |           |             |                |
|                                                      | • Treasury Management                                                                                                                               |          |           |             |                |
| **IT Asset Management**                             | To provide assurance over the management of the Council’s IT assets, including equipment and licence, to ensure that the risk of loss of assets and insufficient licensing are effectively managed.                                                                                       | CORP 016 | Essential | 12          | Q2             |
| **Temporary staffing**                              | To provide assurance over the controls operating over appointment and management of temporary staff, including compliance with IR35 regulations.                                                                                                                          | CORP 011 | -         | 12          | Q2             |
| **Unitary council preparations – embedded assurance**| To provide assurances over the Council’s preparation for the unitary transition, whilst maintaining business as usual – scope to be further defined in consultation with management.                                                                                                                           | CORP 12  | -         | 10          | TBC            |
| **Corporate Objective: Financial Stability**         | **Asset Management**  
To provide assurance over the management of the Council’s asset register and delivery of maintenance/management plans.                                                                                                                                                                         | CORP 011 | -         | 12          | Q3             |
| **Corporate Objective: Customer focused services**   | **Waste contract management**  
To provide assurance over the effective management of the waste contract to ensure that performance and payment is in accordance with the contractual arrangements.                                                                                                                                                   | ENV 006  | -         | 10          | Q2             |
|                                                      | **Disabled Facility Grants (DFGs)**  
To support annual verification.                                                                                                                                                                                                                                                                                   | ENV 008  | -         | 2           | Q2             |
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<tbody>
<tr>
<td><strong>Homelessness</strong></td>
<td>To provide assurance over the management of homelessness applications and compliance with the Council’s duties under the Homelessness Reduction Act.</td>
<td>CORP 011</td>
<td>-</td>
<td>12</td>
<td>Q1</td>
</tr>
<tr>
<td><strong>Community Safety and ASB</strong></td>
<td>To provide assurance over the Council’s engagement in partnership working, initiatives, record keeping and information sharing arrangements.</td>
<td>CORP 007</td>
<td>-</td>
<td>12</td>
<td>Q1</td>
</tr>
<tr>
<td><strong>Corporate Objective: Regeneration and Economic Development</strong></td>
<td><strong>Enterprise Centre – Embedded Assurance</strong> To provide assurance through the lifecycle of this capital project – including risk management, procurement contract management and governance. To share lessons learnt from similar projects at other authorities and good practice.</td>
<td>CORP 018 FIN 001 /002</td>
<td>Essential</td>
<td>12</td>
<td>Q1 – Q4</td>
</tr>
<tr>
<td><strong>Contingency</strong></td>
<td>For ad-hoc work during the year, as required, to support the unitary transition and enable flexibility during the year pending changes to other planned assignments. Assurances may include closure of existing authority and setting up of the new unitary authority.</td>
<td></td>
<td></td>
<td>18</td>
<td></td>
</tr>
<tr>
<td><strong>Support to East Northamptonshire Council</strong></td>
<td>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.</td>
<td></td>
<td></td>
<td>29</td>
<td></td>
</tr>
<tr>
<td><strong>Management &amp; development of delegated Internal Audit service</strong></td>
<td>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.</td>
<td></td>
<td></td>
<td>21</td>
<td></td>
</tr>
<tr>
<td><strong>Total days</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>230</td>
</tr>
</tbody>
</table>
Table 2: Reserve list 2019/20

<table>
<thead>
<tr>
<th>Audit Assignment</th>
<th>Basis for lower priority assessment</th>
<th>Action if not covered in 2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>New electronic document and records management system (EDRMS system) – post implementation review</td>
<td>Assurances to be gained from unitary council preparation work.</td>
<td>NFA</td>
</tr>
<tr>
<td>Development management</td>
<td>Implications from unitary discussions and preparation mean this would be of reduced valued in 2019/20.</td>
<td>NFA</td>
</tr>
<tr>
<td>Leisure services contract management</td>
<td>Assessed as lower risk.</td>
<td>NFA</td>
</tr>
<tr>
<td>Office transformation project</td>
<td>Key assurances over procurement can be achieved through the Procurement Compliance audit.</td>
<td>Include in Procurement Compliance audit sample testing</td>
</tr>
</tbody>
</table>