



Governance & Audit Committee – 11th May 2020

LGSS Internal Audit – Internal Audit Plan 2020/21

Purpose of report:

To seek committee approval of the Internal Audit Plan for 2020/21, in line with the requirements of the Public Sector Internal Audit Standards.

Appendix A: Internal Audit Plan 2020/21

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 2020/21

2.1 Appendix A to this report provides further detail on the 2020/21 Audit Plan including a draft programme of audits.

3.0 Equality and Diversity Implications

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

4.0 Privacy Impact Assessment

4.1 There are no privacy impact implications arising from the report.

5.0 Health Impact Assessment

5.1 There are no health impact implications arising from the report.

6.0 Legal Implications

6.1 There are no legal implications arising from the report.

7.0 Risk Management

7.1 There are no significant risks arising from the proposed recommendations in this report. The audit plan has been developed taking into account the Council's risk management framework and based upon a risk assessment process undertaken with senior management and the Audit Committee. Audits are focused upon providing independent assurance over the controls the Council has in place to manage and mitigate its risks.

8.0 Financial Implications

8.1 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.

9.0 Corporate Outcomes


9.1 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.

10 Recommendations

10.1 (1) The Committee reviews and approves the Audit Plan for 2020/21.

(2) The Committee gives delegated authority to the S151 Officer to, in consultation with the Chair and Vice Chair of the Governance and Audit Committee, 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: 5 th March 2020					
CFO 17/03/20			MO		CX

(Committee Report Normal Rev. 22)



Internal Audit Plan
2020/21
EAST NORTHAMPTONSHIRE COUNCIL



Head of Internal Audit: Rachel Ashley-Caunt

INTERNAL AUDIT PLAN 2020/21

1. Introduction

- 1.1 This report sets out the proposed work of Internal Audit at East Northamptonshire Council for 2020/21 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.

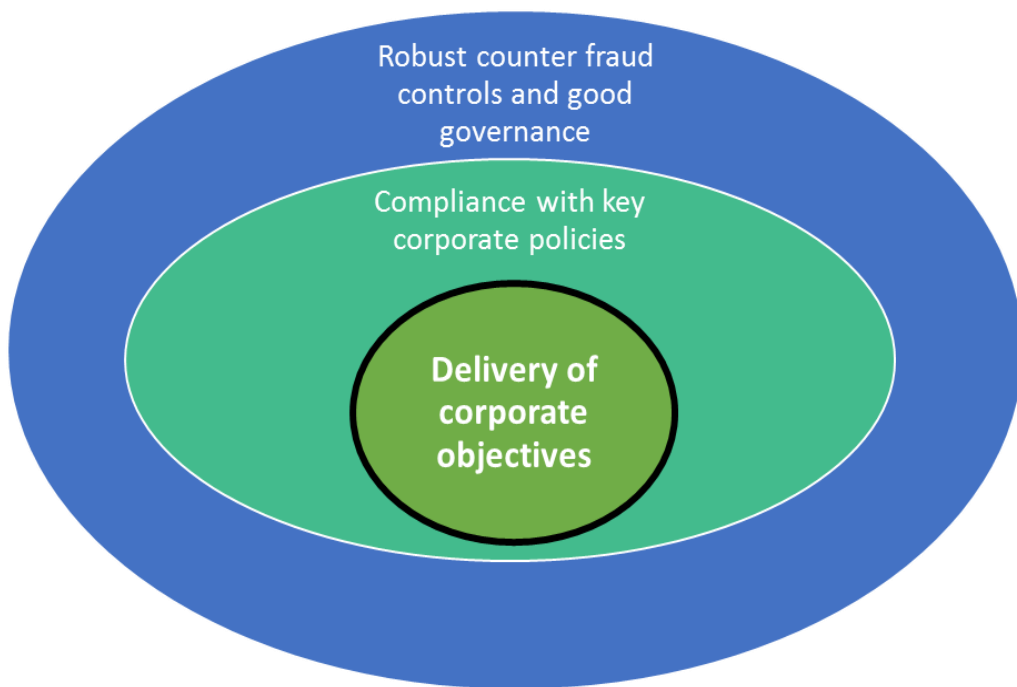
2. The Audit Plan

- 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

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 2020/21, 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 2020/21 will provide assurances over these key areas within the context of the assignments detailed.

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.

3. Planning Process

3.1 In order to ensure that the Audit Plan for 2020/21 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 2020 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 2020/21 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 11 days to support unitary council related work, as required.

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 2020/21

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Risk ref	Audit days	Initial timing
Corporate Governance and Counter Fraud	<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>	FIN 005	8	Q4
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 	FIN 005	52	Q4
	<p>Cyber security – follow up Follow up on implementation of audit recommendations arising from the 2018/19 audit.</p>		12	Q2
	<p>Absence management To provide assurance over consistent compliance with the Council’s policies for managing employee absence and supporting staff back to work.</p>		10	Q1
	<p>Establishment control To provide assurance over the consistent and timely update of the Council’s establishment records to reflect changes in structures and roles and support informed decision making.</p>		7	Q1
	<p>Local taxation To provide assurance over compliance with key controls in the collection of council tax and business rates income.</p>		15	Q3
	<p>General Data Protection Regulation (GDPR) – follow up To provide assurance over the Council’s arrangements for complying with the GDPR and Data Protection Act and ensuring consistent compliance with key controls.</p>		7	Q2
	<p>Human Resources SLA (consultancy) Following changes in the delivery of the service, to conduct a consultancy review of delivery against the SLA and the effective management of the new service.</p>		10	Q3
Corporate Objective: Financial Stability	<p>Asset Management – follow up To provide assurance over the management of the Council’s assets and delivery of</p>	CORP 011	12	Q2/3

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Risk ref	Audit days	Initial timing
	maintenance/management plans. To follow up on implementation of actions arising from the 2019/20 audit.			
Corporate Objective: Customer focused services	Building control To provide assurance over the efficient and effective delivery of the service, supported by benchmarking against other authorities where appropriate.		12	Q1
	Contactors Health & Safety To provide assurance over controls in place to ensure health and safety compliance by key contractors, delivering work on the Council's behalf.		12	Q1
Corporate Objective: Regeneration and Economic Development	Enterprise Centre – Embedded Assurance / Post Delivery stage To provide assurance over the post delivery stage of the project. To also provide audit assurances over the operation of the centre under business as usual.	CORP 018 FIN 001 /002	12	Q1 – Q4
	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	11	TBC
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.		29	
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 2020/21

Audit Assignment
CCTV
Land charges
Car parks
Investment strategy
Closedown preparation
Lease management (Stanwick lakes / Twywell)
Planning enforcement
Enterprise East Northants