

West Suffolk Internal Audit Plan 2014/15

1. Introduction

1.1 The objectives of Internal Audit are to:

- provide a professional, independent and objective assurance and advisory service that assists the Head of Resources and Performance in her statutory duty as Section 151 Officer at both West Suffolk councils and ensure that the finances of each council are properly administered; and
- work with management to improve the operation of the councils.

2. Drivers for the 2014/15 Audit Plan

2.1 This Audit Plan marks a departure from previous annual audit plans in that:

- It is the first truly joint West Suffolk Audit Plan as all audits covering both councils will be undertaken as a single audit review.
- Previously the Audit Plan has provided for a number of non-fundamental audits to be undertaken – however this current year's Plan is instead based on the view that for 2014/15 such time is better used on proactively assisting with corporate projects where timely audit input can help prevent or bring early resolution to internal control or governance issues. 2013/14 has seen a significant period of transformational change within West Suffolk; significant flexibility and dynamism is therefore necessary in the audit plan in order to be responsive to changing risks and this will allow maximum added value to be gained from the audit resource.
- The plan more overtly reflects West Suffolk's drive to behave more commercially, in a number of ways, including:
 - requests for audit assistance will increasingly be considered in the light of assisting West Suffolk to behave more commercially;
 - the audit plan will include the amount of income expected to be generated in the current year; and
 - the team is operating with significantly reduced staffing compared to 2013/14 (see para 8 below) while seeking to do more with less by refocussing work.

- 2.2 The Audit Plan takes into account the need to produce an annual internal audit opinion for each West Suffolk council, in support of, and taking into account the assurance framework operating at both councils. This is achieved through a consideration of the risks of undertaking or not undertaking relevant audit work throughout the year, including fundamental systems audits, corporate project work, ad hoc advice and assistance, etc. This annual internal audit opinion underpins the Annual Governance Statement.
- 2.3 All audit work will be undertaken in the context of adding value wherever possible in support of the vision and priorities contained within the West Suffolk Strategic Plan 2014-16.

3. Core Financial Systems and Fundamental Review Work (audits which must be undertaken every year):

- 3.1 The following audits must be undertaken every year as these form the foundations of the annual internal audit opinion (paragraph 2.2 refers):

- Accounts Payable (Creditors)
- Accounts Receivable (Debtors)
- Main Accounting System (General Ledger)
- Payroll
- Treasury Management
- Council Tax
- Non Domestic Business Rates
- Housing and Council Tax Benefits
- ICT Audit
- Cash Handling

- 3.2 It is worth noting that where complex new systems have recently been implemented, including Accounts Payable, Accounts Receivable, and the Main Financial System, these systems will require significantly more audit resource to audit in the first year or two after implementation to ensure that controls are operating as expected.

4. Corporate Work

- Project Work – projects to be undertaken will be agreed with senior management based on current priorities, risks, and furthering the behaving more commercially agenda. This is likely to include work on fees and charges, specific accounting issues affecting West Suffolk, and a number of other areas to be agreed;
- Significant involvement in the preparation of the Annual Governance Statement;
- Input to corporate working groups including the Information Governance Group and the Strategic Risk Management Group;
- Financial vetting of potential contractors;

- General advice and assistance to departments – there is expected to be fairly high demand for this due to recent system changes and ways of working; and
- Managing and developing the councils' anti-fraud framework including:
 - ✓ Presenting to Performance and Audit Scrutiny Committee an annual report on managing the risk of fraud;
 - ✓ Considering the risk of fraud in planning all audit work;
 - ✓ Maintaining a watching brief on good practice externally;
 - ✓ Regular review and update of fraud related policies as appropriate;
 - ✓ Initiatives to raise fraud awareness and the importance of corporate governance;
 - ✓ Providing significant support to the regular National Fraud Initiative exercise;
 - ✓ Investigating any non-ARP related suspected frauds / irregularities; and
 - ✓ Acting as Money Laundering Reporting Officer – including responsibility for review and maintenance of anti-money laundering arrangements at the councils, plus reporting of any relevant suspicious activity to the National Crime Agency.

5. Follow-Up Work

Follow-up work will be undertaken to check the extent to which agreed recommendations / actions have been implemented in respect of previous audits undertaken. Where this follow-up work relates to a core financial system or fundamental review work, this will form an integral part of the annual audit for that area. However, where this relates to a non-fundamental system a separate follow-up audit will be undertaken and a follow-up audit report issued.

6. Behaving More Commercially

- 6.1 All audit work undertaken will take into account the need for services to behave more commercially and opportunities for this will be specifically considered in audit reviews where appropriate.
- 6.2 Internal Audit Income Generation 2014/15:
 - Approximately £21,000 income is expected to be achieved from audit work undertaken on behalf of East Cambs DC and Breckland DC. This work includes the ARP audits undertaken on behalf of these authorities as well as other audits requested by East Cambs DC.
 - Other possibilities for income generating work are also currently being explored. These possibilities will be considered in the light of staff resources and the needs of West Suffolk.

7. Other Responsibilities

In addition to the audit reviews identified above there is also time allocated in the Internal Audit Plan regarding:

- Managing the annual review of the system of internal audit;
- Further work towards achieving increasing compliance with the Public Sector Internal Audit Standards;
- Reviewing, revising, and creating where necessary new Internal Audit strategies, policies, procedures, and audit approach;
- Reporting Internal Audit activities to the Performance and Audit Scrutiny Committees and Joint Leadership Team;
- Liaising with other Internal Audit services across Suffolk and Cambridgeshire with a view to achieving continuous improvement of the internal audit product; and
- Liaising with External Audit.

8. Staff Resources

8.1 The Public Sector Internal Audit Standards (Standard 2030) require that the Audit Plan explains how Internal Audit’s resource requirements have been assessed. The West Suffolk councils have been going through a significant period of change and it is important that this is reflected in the current and future staffing and skills base of Internal Audit. Internal Audit resource requirements are based on a recognition that:

- recent implementation of (complex) new systems and changes in ways of working will require additional work by Internal Audit to assess the new controls in operation;
- the ability to be flexible wherever possible and react to departments’ need for advice and assistance including corporate project work is a crucial element of Internal Audit’s ability to add maximum value;
- the majority of the fundamental systems work must take place in the second half of the year in order to achieve as much coverage of the year as possible and enable external audit to place maximum reliance on our work (NB external audit proposed fees are partly based on this assumption);
- all services, including Internal Audit, have an ongoing obligation to ensure that the cost of the service is minimised wherever appropriate.

Establishment	Currently in post
Audit Manager	Audit Manager
Senior Auditor x 2	Senior Auditor x 2
Auditor x 3	Auditor x 0.6 (on maternity leave)

Appendix C

As can be seen above there are currently 3.6 full time equivalent staff in post (0.6 of which is on maternity leave) out of an approved establishment of 6 full time equivalents.

It is intended that one Auditor post will be filled on a temporary basis from approximately July to March while maintaining a watching brief on staff resources to ensure that an adequate and effective audit service is maintained.