

# Informal Joint Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Outline Internal Audit Plan 2018/2019</b>	
<b>Report No:</b>	<b>PAS/FH/18/013</b>	
<b>Report to and date:</b>	Performance and Audit Scrutiny Committee	31 May 2018
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<b>Purpose of report:</b>	To provide members with the proposed Outline Internal Audit Plan for 2018/2019.	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  <b>It is RECOMMENDED that the Internal Audit Plan for 2018/19 be <u>approved</u>.</b>	
<b>Key Decision:</b>  <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	

<b>Consultation:</b>		<ul style="list-style-type: none"> <li>The Internal Audit Plan has been compiled in consultation with the Assistant Director Resources and Performance (as Section 151 Officer), Leadership Team, Service Managers, and the external auditors.</li> </ul>	
<b>Alternative option(s):</b>		N/A	
<b>Implications:</b>			
Are there any <b>financial</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any <b>staffing</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any <b>ICT</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any <b>legal and/or policy</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any <b>equality</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
Internal controls within the council may not be efficient and effective and as a result the council may not be identifying significant weaknesses that could impact on the achievement of the council's priorities and/or lead to fraud, financial loss or inefficiency.	Medium	Members receive and approve the Internal Audit Plan and receive a progress report on work against the Plan during the year.	Low
<b>Ward(s) affected:</b>		N/A	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		N/A	
<b>Documents attached:</b>		<b>Appendix A</b> – Outline Internal Audit Plan 2018/19	

## **1. Key issues and reasons for recommendation**

### **1.1 Background Information**

1.1.1 The objectives of internal audit are to:

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

1.1.2 The internal audit service is delivered and developed in accordance with the West Suffolk Internal Audit Charter approved by this committee in May 2017.

### **1.2 What is the Internal Audit Plan and why does it matter?**

1.2.1 The proposed 2018/19 Audit Plan, provided at **Appendix A**, is a **risk based plan of work** for the Internal Audit team that provides a framework for ensuring that audit resources are focused on activities that will make the most difference to supporting West Suffolk priorities.

1.2.2 The Internal Audit Plan takes into account the need to produce an annual internal audit opinion for each West Suffolk council – this **internal audit opinion**:

- takes into account the strategies, objectives and risks of the councils as well as the expectations of senior management, the Performance and Audit Scrutiny Committee, and any other relevant stakeholders;
- concludes on the overall adequacy and effectiveness of the councils' framework of governance, risk management and control;
- supports and takes into account the assurance framework operating at both councils; and
- underpins the Annual Governance Statement.

### **1.3 How was the draft Internal Audit Plan produced?**

1.3.1 A series of meetings was held with senior managers within the councils to discuss and gain a better understanding of any current or upcoming service or corporate challenges or risks. From these meetings, and a review of the Strategic Risk Register, a list of potential audit areas was produced and then **risk assessed** using the following criteria:

- materiality – in monetary terms the relative significance or importance of the system or process to the councils;

- corporate importance – the extent to which the councils depend on the correct running of the system, whether for legal or regulatory requirements or to meet strategic priorities;
- vulnerability – the extent to which the system or process is liable to breakdown, corruption, loss, error etc.;
- management concerns – direct requests for support; and
- controls assurance – information taken from previous internal audit work as well as other assurance processes within, and external to, the councils.

1.3.2 Each auditable area was given a score based on the above **risk assessment** and from this score, allocated a priority from 1 (high) to 3 (low) resulting in a risk based proposed plan of work.

#### **1.4 What is included in the draft Internal Audit Plan?**

1.4.1 In essence the draft Internal Audit Plan includes two categories of work – that which supports the annual internal audit opinion (**assurance work**) and other **non-assurance work**, as follows:

##### **Assurance work**

- main financial systems
- corporate and business area audits
- follow up work on previous audits to check whether agreed actions have been implemented
- added value work – areas identified by management and Internal Audit that would benefit from audit input in the form of providing support and advice to management including reviewing relevant arrangements
- proactive anti-fraud work
- other assurance work – working groups, general advice and assistance, liaison with external audit

##### **Non-assurance work**

- fee earning – ARP audits on behalf of other partners and grant certification work
- financial vetting, and financial due diligence for investment decisions
- annual Independent Examination of West Stow Anglo Saxon Village Trust accounts
- one-off certification of a statement of income and expenditure in respect of an Arts Council grant for the project 'Building Resilience in St Edmundsbury's Museums'.

1.4.2 The intention is that as far as possible the audits will be undertaken in priority order and as many of the audits completed as possible within the available resources. It should however be recognised that not all of the identified pieces of work may be undertaken due to:

- potentially changing risks / priorities within the year and the need for flexibility in the use of audit resources to respond to these accordingly; and

- the need to work up and agree with officers a detailed scope for each audit area which will determine the audit resources required for each piece of work.

1.4.3 Equally, it is also the case that pieces of work not currently included in the Audit Plan may need to be added where risks / priorities change within the year. The draft Audit Plan as presented at Appendix A does however represent the Internal Audit Service Manager's current view of how audit resources can be most effectively used – where significant deviations to the plan are required this would be reported to the Performance and Audit Scrutiny Committee as appropriate.

1.4.4 The Internal Audit Service Manager will remain alert to changing circumstances and emerging risks through a number of channels, including:

- attendance at senior officer meetings including Senior Management Team (Leadership Team plus Service Managers), officer working groups, staff briefings, feedback from Section 151 Officer, and networking with other West Suffolk colleagues;
- regular liaison and meetings with external audit; and
- professional reference material, websites, and discussion forums.

1.4.5 Where any sources of assurance other than the work contained within this Plan are relied on in forming the annual audit opinion for each council, additional work may be undertaken by Internal Audit where necessary and appropriate to validate these other sources of assurance.

## **1.5 What staff resources does the Internal Audit team have and how are these allocated?**

1.5.1 The Public Sector Internal Audit Standards require that the Audit Plan explains how Internal Audit's resource requirements have been assessed. Internal Audit resource requirements are based on a recognition that:

- the ability to be flexible wherever possible and react to services' need for advice and assistance is a crucial element of Internal Audit's ability to add maximum value;
- the councils have a statutory obligation to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, thereby covering a broad spectrum of work; and
- audit coverage needs to be appropriate and sufficient to enable the Internal Audit Service Manager to discharge his duty to provide a robust annual internal audit opinion in support of the West Suffolk Annual Governance Statement.

1.5.2 The Internal Audit Service Manager considers that the current Internal Audit staff resource is adequate to fulfil the requirements of this Audit Plan and meet statutory obligations. The following full time equivalent posts are filled:

Internal Audit Service Manager – 1 FTE  
Senior Auditors – 2 FTEs  
Auditor - 0.6 FTE (currently on maternity leave)

- 1.5.3 A rough approximation of the proportion of staff resources expected to be allocated to the categories of work detailed in paragraph 1.4.1 is included at **Appendix A.**
- 1.5.4 The training and personal development needs of Internal Audit staff are established through a review process and it is the responsibility of the Internal Audit Service Manager to ensure that audit staff receive the appropriate professional, technical and personal development training. The existing skills, knowledge, and experience of internal audit staff have been taken into account when drafting the Audit Plan.