

West Suffolk Internal Audit Plan 2015/16

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.

1.2 The internal audit service is delivered and developed in accordance with the West Suffolk Internal Audit Charter approved by both councils Performance and Audit Scrutiny committees in April 2013.

1.3 The Service Manager (Internal Audit) will remain alert to emerging local and national issues and risks through a number of channels, including:

- attendance at senior officer meetings including Senior Management Team (Leadership Team and Service Managers) and Programme Group, the member and officer Strategic Risk Management Group, staff briefings, feedback from S151 Officer, and networking with other West Suffolk colleagues;
- regular liaison and meetings with other councils' audit managers within the region;
- regular liaison and meetings with external audit; and
- professional reference material, websites, and discussion forums.

2. Drivers for the 2015/16 Audit Plan

2.1 Following the same approach as last year this is a joint West Suffolk Audit Plan and each audit covering both councils will be undertaken as a single audit review.

2.2 The Audit Plan necessarily involves a degree of flexibility in the utilisation of audit resources so that these resources can react quickly to changing risks within the councils and assist with corporate projects where timely audit input can help prevent or bring early resolution to internal control or governance issues.

- 2.3 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.
- 2.4 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.
- 2.5 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, and therefore must be given priority in the Audit Plan, as these form the foundations of the annual internal audit opinion (paragraph 2.3 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

Priorities of other work within the Audit Plan need to be assessed on an ongoing basis as these may change during the year.

- 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;
- Significant involvement in the preparation of the Annual Governance Statement;
- Input to corporate working groups including the Officer Information Governance Group, Officer Records Management Working Group, and the Strategic Risk Management Group;
- Financial vetting of potential contractors;
- General advice and assistance to departments; 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;
 - ✓ Proactive anti-fraud reviews
 - ✓ 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
 - ✓ The Service Manager (Internal Audit) 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 Income generated by Internal Audit in 2015/16 from audit work undertaken on behalf of other local authorities is likely to be approximately £24k - £25k. This work includes the council tax, non-domestic rates, and housing and council tax benefits audits for two of our Anglia Revenues Partnership partners (East Cambridgeshire DC and Breckland Council) as well as additional audit work requested by East Cambridgeshire DC, and audit of certain grant claims for Suffolk CC.
- 6.3 The team is always open to other opportunities for generating further income but any significant increase in fee earning work may require additional staff resources and therefore any such opportunities would need to be considered in the light of any additional costs incurred as well as the needs of the West Suffolk councils.

7. Other Responsibilities

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

- maintaining Internal Audit's Quality Assurance and Improvement Programme (the internal processes which ensure that Internal Audit substantially complies with the audit standards that public sector organisations are obliged to work to, and also assess Internal Audit's efficiency and effectiveness while identifying any areas for improvement);
- 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 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:

- the ability to be flexible wherever possible and react to services' need for advice and assistance including corporate project work is a crucial element of Internal Audit's ability to add maximum value;
- all services, including Internal Audit, have an ongoing obligation to ensure that the cost of the service is minimised wherever appropriate;
- 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.

8.2 The Service Manager (Internal Audit) 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:

Service Manager (Internal Audit)
Senior Auditor x 2
Auditor x 0.6