

Report of the Chief Audit and Control Officer

INTERNAL AUDIT PLAN 2019/201. Purpose of report

To approve the Internal Audit Plan for 2019/20.

2. Detail

The Public Sector Internal Audit Standards requires the Chief Audit and Control Officer, as the designated 'chief audit executive', to prepare an annual risk based audit plan.

The Internal Audit Plan governs the activity for the year. A management report is produced at the completion of each audit assignment with recommendations for improvement. Regular progress reports covering all Internal Audit activities are submitted to this Committee for scrutiny. The Committee can request further audit reviews to be undertaken and can request other Committees to investigate matters arising from any activities within their remit.

The proposed Internal Audit Plan for 2019/20 is included in the appendix for consideration. The plan has been prepared in accordance with the principles of the Internal Audit Charter. The plan has recognised the Council's priorities as outlined in the Corporate Plan and links closely to the corporate risk management and business planning processes having been prepared with due consideration to the identified strategic risks. The Chief Audit and Control Officer has also considered the valuable comments received regarding key risks and sources of assurance from individual members of the General Management Team and Heads of Service.

Recommendation

The Committee is asked to RESOLVE that the Internal Audit Plan for 2019/20 be approved.

Background papers

Nil

APPENDIX

INTERNAL AUDIT PLAN 2019/20

1. INTRODUCTION

1.1 Background

This Internal Audit Plan sets out the proposed coverage for Internal Audit work in 2019/20. The mandate for the plan is derived from the Public Sector Internal Audit Standards ('the Standards') produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in collaboration with the Chartered Institute of Internal Auditors (IIA).

The Standards require the periodic preparation of a risk-based plan, which must be linked to a strategic high-level statement of how the service will be delivered and developed in accordance with the Internal Audit Charter and how this links to the Council's objectives and priorities.

The core work of Internal Audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. The Standards and the Local Government Application Note constitute proper practices so as to satisfy the requirements for larger relevant bodies as set out in the Regulations.

The Governance, Audit and Standards Committee (the designated audit 'board') should review and assess the annual internal audit work plan, although the development of the risk-based plan remains the responsibility of the Chief Audit and Control Officer after consultation with senior management and the Committee.

1.2 Internal Audit Charter

The Standards require the purpose, authority and responsibility of internal audit activity to be formally documented in a charter document. The Governance, Audit and Standards Committee approved the current Internal Audit Charter on 29 November 2017.

Internal Audit will govern itself by adhering to the Standards, which are based upon the Institute of Internal Auditors' mandatory guidance including the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing*. Supplementary guidance issued and endorsed by the relevant internal audit standard setters as applicable to local government will also be adhered to along with the Council's relevant policies and procedures and the internal audit manual. Non-conformance with the Standards shall be reported to the Deputy Chief Executive and the Governance, Audit and Standards Committee.

1.3 Aims of the Plan

Internal Audit activity is planned at all levels of operation in order to establish priorities, achieve objectives and ensure the efficient and effective use of audit resources. The Internal Audit Plan will support an opinion based on an assessment of the design and operation of the internal control environment and the adequacy and effectiveness of controls noted from risk-based audit assignments carried out during the year. The aim of the plan is to:

- Deliver a risk-based audit programme through a detailed risk assessment of systems and services across the Council
- Be proactive in looking at what risks the Council is facing and trying to minimise the impact of these risks through audit work
- Add value by providing practical, value-added recommendations in areas of significant risk and by working with senior management in attempting to save resources and enhance controls wherever possible
- Provide assurance to senior management and the Governance, Audit and Standards Committee.

1.4 Developing the Plan

The Internal Audit Plan is designed to support the Chief Audit and Control Officer's annual opinion on the overall adequacy and effectiveness of the control environment. The required basis for forming this opinion is:

- An assessment of the design and operation of the overall internal control environment, governance and risk management arrangements
- An assessment of the adequacy and effectiveness of controls, based upon the results of the risk-based audit assignments that are reported during the course of year.

It follows that an effective risk-based audit plan should focus resources into areas of principal risk. The plan has been prepared in accordance with the requirements of the Internal Audit Charter and has been informed by:

- A review of the risks contained within the Strategic Risk Register, Business Plans
- Consideration of progress made with the action generated by the Annual Governance Statement process
- Consultation with Chief Officers and other senior management to identify key auditable areas based on an assessment of corporate priorities and current and future issues and risks
- An understanding of the challenges to the Council to deliver its objectives within legislation and the current environment.

The allocations set out in the plan for each review will include time spent on researching and preparing the audit programme, terms of reference, completing site work, testing and the drafting and reviewing of the audit report. The timings assume that the expected key controls are in place and working effectively. Further substantive testing may be required should an assessment of key controls provide limited assurance and additional time may be required to carry out such testing.

The Internal Audit Plan will be regularly reviewed. If additional risks are identified and/or there are changes to priorities during the year, the plan will be reconsidered in conjunction with the Deputy Chief Executive. Any significant changes to the plan will be reported back to the Governance, Audit and Standards Committee for approval.

1.5 Resourcing the Plan

The net resources available in 2019/20 are 351 audit days.

The amount of assurance work proposed is set at 276 days. This equates to a reduction of 8% when compared to planned assurance work delivered in the current year. This is due to a vacancy within the establishment that is anticipated to be filled by June 2019. The coverage in terms of the number of high risk assurance audits proposed to be delivered will be similar.

A further 10 days will be provided to support the Council and its wholly owned leisure company, Liberty Leisure Limited, with assurance work relating to its leisure centre operations and the new online ticket portal. The plan includes provision for 25 days to be completed as part of the ongoing Internal Audit collaboration with Erewash Borough Council.

In addition, the plan includes 40 days for corporate fraud and corruption prevention activity. The Governance, Audit and Standards Committee approved an updated Fraud and Corruption Policy in March 2017. The Council's approach to fraud and corruption proposes that Internal Audit will take a prominent role in leading and co-ordinating anti-fraud and corruption activities. Internal Audit will be supported in this by engaging specialist fraud investigation services as necessary from local authority partners.

Finally, 25 days are allocated towards audit follow-up work and 'contingency' for special investigations, projects, value for money work and consultancy.

1.6 Reporting and Relationships

The Internal Audit Charter establishes the reporting and relationships. This includes the reporting arrangements for individual assignments and for the periodic reporting of activities to the Governance, Audit and Standards Committee. The relationships with Members, Chief Officers and Heads of Service, the external auditors and other assurance providers are also determined in the Charter.

In accordance with the Standards, the Chief Audit and Control Officer will deliver a formal assessment of the design and operation of the overall internal control environment, governance and risk management arrangements and an opinion on the adequacy and effectiveness of controls, based upon the results of the risk-based audit assignments reported during the year. This opinion will be formally recorded in the Internal Audit Annual Review Report to be presented to the Governance, Audit and Standards Committee.

Internal Audit will bring to the attention of the Deputy Chief Executive and the Committee any significant internal control issues that it feels should be declared in the Council's Annual Governance Statement.

1.7 Performance Monitoring

The work of Internal Audit is regularly reviewed to provide assurance that it complies with the Standards, conforms to other relevant professional standards and meets the requirements of the Internal Audit Charter.

Service delivery will be monitored as part of a quality assurance and improvement programme. This will include the regular reporting of progress to the Governance, Audit and Standards Committee, self-assessment and external quality assessment against the Standards, assessment of client feedback and production of performance indicators.

2. SUMMARY OF AUDIT DAY ALLOCATIONS

The following table summarises the allocation of days to each department.

	<u>Audit Days</u>
Deputy Chief Executive's Department	
- Corporate	28
- Revenues, Benefits and Customer Services	43
- Finance Services	26
- Other Department	38
Chief Executive's Department	
- Corporate	13
- Housing	44
- Other Department	13
Strategic Director's Department	
- Corporate	8
- Other Department	63
Assurance Work	276
Trading Companies – Liberty Leisure Limited	10
Corporate Counter Fraud Activities	40
Contingency (including Internal Audit Follow-up Work, Special Investigations, Projects, Value for Money and Consultancy)	25
Net Audit Days	351

3. DETAILED INTERNAL AUDIT PLAN

The following tables provide a detailed breakdown of the audits planned for 2019/20. These reviews have been categorised as follows:

- Category A, being the review of key financial systems, such as Council Tax, Rents and Benefits that are the Section 151 Officer's audit priority areas and which are reviewed annually.
- Category B, being high risk/profile areas that should be reviewed and followed-up on a yearly basis.
- Category C, being the audit of operational activities that have been identified as medium to high risk that should be reviewed on at least a cyclical basis.

DEPUTY CHIEF EXECUTIVE'S DEPARTMENT	Category	Days
Corporate		
Financial Resilience (incl. Business Strategy; MTFS; Capital)	B	10
Local Authority Trading Company – Governance	B	8
Procurement and Contract Management	B	10
Revenues, Benefits and Customers Services		
Benefits (incl. Welfare Reform)	A	15
Business Rates	A	8
Council Tax	A	10
Sundry Debtors	A	10
Finance Services		
Asset Register	A	5
Bank Reconciliation	A	3
Creditors and Purchasing	A	10
Key Reconciliations	A	2
Treasury Management	A	6
Property Services		
Asset Management (incl. Strategy; Leisure Facilities; Disposals)	B	8
Beeston Town Centre Redevelopment	B	6
Health and Safety (Premises Safety; Fire Risk; Lone Workers etc.)	B	8
Bramcote Crematorium	C	8
CCTV	C	8
Total Deputy Chief Executive's Department		135

CHIEF EXECUTIVE'S DEPARTMENT	Category	Days
Corporate		
Governance (incl. Culture and Ethics, Declarations of Interest etc.)	B	10
Whistleblowing Policy and Complaints	B	3
Housing		
Rents (including Welfare Reform; Evictions Protocol)	A	12
Choice Based Lettings	B	10
Housing Repairs	B	12
Independent Living Service	B	10
Neighbourhoods and Prosperity		
Planning Applications Process (Consultancy)	C	5
Public Protection		
Enforcement	C	8
Total Chief Executive's Department		70

STRATEGIC DIRECTOR'S DEPARTMENT	Category	Days
Corporate		
Information Governance	B	8
Human Resources		
Payroll (including Officers Allowances)	A	10
Human Resources (incl. Policy; Skills/Resilience; Absences etc.)	B	10
ICT and Corporate Communications		
Computer/Cyber Risk	B	12
Administration and Electoral Services		
Cash Receipting	A	8
Elections	C	5
Environment		
Depot Security	C	5
Operational Risk Management (incl. Risk Assessment)	C	5
Recycling	C	8
Total Strategic Director's Department		71

LIBERTY LEISURE LIMITED	Category	Days
Leisure Centre Operations (Chilwell Olympia)	LLL	8
Online Ticket Portal	LLL	2
Total Liberty Leisure Limited		10