

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	28 March 2018
Subject:	Internal Audit Six Monthly Plan 2018-19 (April – September)
Report of:	Graeme Simpson, Head of Corporate Services
Corporate Lead:	Mike Dawson, Chief Executive
Lead Member:	Councillor D J Waters, Leader of the Council
Number of Appendices:	1

Executive Summary:

The Public Sector Internal Audit Standards (PSIAS) REF 2010 (Planning) requires that the Chief Audit Executive (CAE) is responsible for developing a risk based plan. Ref 2030 (Resource Management) requires that the CAE must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the plan.

Recommendation:

That Members APPROVE the Internal Audit Six Month Plan 2018/19 (April-September), as detailed in Appendix 1.

Reasons for Recommendation:

The Terms of Reference of the Audit Committee require Members to consider a summary of proposed internal audit activity.

The PSIAS requires that the CAE reports functionally to the Board, an example of functional reporting is approving the internal audit plan.

Resource Implications:

None.

Legal Implications:

None.

Risk Management Implications:

If an internal audit plan is not developed and approved then there will be no steer as to where audit resources should be deployed.

If the plan does not give adequate coverage of the internal control environment then resources will not be deployed effectively to the higher risk areas.

Performance Management Follow-up:

The Audit Committee will receive, on a quarterly basis, a monitoring report on achievement against the plan, and an audit opinion for each individual audit. Any audit within the plan where recommendations have been made to improve control are subject to a follow-up audit. Progress in the implementation of internal audit recommendations is reported to Audit Committee.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1** Internal audit sits within Corporate Services and has direct reporting to the Chief Executive. This arrangement demonstrates compliance with PSIAS ref 1110 – organisational independence, as it allows the Head of Corporate Services (delegated as CAE within the audit charter) to report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities.
- 1.2** PSIAS ref 2010 – planning, requires that the CAE is responsible for developing a risk based plan to take into account the requirement to produce an annual internal audit opinion. The input of senior management and the Board (Audit Committee) must be considered in the process. The plan has been endorsed by Corporate Management Team.
- 1.3** As the Committee is aware, an external assessment of the internal audit activity has recently been undertaken. Whilst no aspect of the internal audit activity was assessed as being non-compliant with the Public Sector Internal Audit Standards (PSIAS) recommendations have been made for improvement. Some of these recommendations relate to audit planning. Due to the nature of the recommendations and taking into account feasible implementation dates for their implementation it is proposed to set a six monthly plan.
- 1.4** The setting of a six month plan will enable a more flexible approach to be taken to audit planning. It will also allow the Council's risk management arrangements to be sufficiently developed in readiness for setting a plan for the second half of the year. This will be brought to Audit Committee for approval at its September meeting. This approach recognises the rapidly changing environment the Council operates in particularly around its transformation agenda. Moving away from a more rigid annual plan will allow audit planning to better track and respond to the audit of developing risk areas.

2.0 PUTTING TOGETHER THE PLAN

- 2.1** The plan provides a total of 185 productive days and is delivered by two full-time equivalent staff members. This resource is appropriate, sufficient and will be effectively deployed to achieve the plan. Appropriate refers to the mix of knowledge, skills and other competencies need to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.

2.2 The number of days is the net total following allowance for non-working days such as weekends and bank holidays, annual leave, sickness and training. A number of days have also been included within the plan to support implementation of the Quality Assurance and Improvement Programme (QAIP). The QAIP will be updated to include recommendations from the recent external assessment on compliance with the Public Sector Internal Audit Standards. The overall annual number of days is deemed adequate to ensure there is adequate coverage of the council's control environment. The plan is divided into key areas as follows: -

2.2.1 Governance related activity

The Council has an assurance framework that helps contributes towards the effectiveness of its overall governance arrangements. On an annual basis the Council must produce an Annual Governance Statement (AGS). The purpose of the statement is to demonstrate the effectiveness of the governance arrangements and, if necessary, identify and take action on any significant governance issues that arise. Internal audit work therefore supports the completion and integrity of the AGS. Moving forward, and in response to recommendations made from the PSIAS review, internal audit will give more focus to governance related activities such as risk and ethics within the audit planning stage. For example, a key area of governance and risk at the moment is compliance with the General Data Protection Regulations.

2.2.2 Corporate Improvement

This is an allocation of days, specifically requested by Corporate Management Team (CMT). This is ad-hoc work and can either be of a consultancy or assurance type nature. Using the independence of internal audit can help inform CMT of specific issues when a need arises. Examples of previous work undertaken under this heading include the benchmarking of planning data – this has been used to inform the planning review and audit days used to assess how well the 'Management Commitments' – staff engagement have been developed across service areas.

2.2.3 Fundamental Financial Systems

This is the audit review of the key financial systems which inform the year end Statement of Accounts. Although internal audit sits within the Chief Executive's Unit, it still recognises its responsibility to support the Head of Finance and Asset Management to discharge his duties as the Council's Section 151 Officer, one of which is to maintain sound financial control. As has been reported previously to Audit Committee, both by internal audit and external audit, the Council has good financial control. On this basis, the financial systems will not always be audited on an annual basis. Particular focus will be given to where a material change has occurred in the systems. For example, a new income system has recently been implemented and a new purchase ordering system is now fully adopted.

2.2.4 Service areas

These are service related activities that have been risk assessed based upon factors such as size of budget, inherent risk, previous audit history and the period since last audit. Areas of work included within the first half year plan include the new garden waste sticker system, including the implementation of one annual renewal date; review of council tax liability - as new policies have been approved, for example, empty homes premium; and, an audit review of ICT activity, which will be informed by the ICT risk assessment.

2.2.5 Other areas

There is an allocation of days under 'consultancy and advice'. This covers representation on corporate groups such as the Procurement Group, 'Keep Safe, Stay Healthy' Group and individual project groups. For example, internal audit input has been requested on a S106 working group. The days also cover general advice given on an ad hoc basis such as advice on procurement, financial procedure rules, data retention etc. An estimated number of days are allocated for follow-up reviews. This is an important element of audit work to provide assurance as to whether audit recommendations have been successfully implemented. There is an allocation of days to cover 2017/18 work which is ongoing at 31 March 2018.

3.0 OTHER OPTIONS CONSIDERED

3.1 None

4.0 CONSULTATION

4.1 Consultation has taken place with Corporate Management Team.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 Internal Audit Charter.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 None.

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 None.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 None.

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 Internal Audit contributes to value for money through its routine audit work and corporate improvement work.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 None.

Background Papers: None

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Appendices: Appendix 1 – Internal Audit Six Month Plan