

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	19 September 2018
Subject:	Internal Audit Six Monthly Plan 2018-19 (October – March)
Report of:	Head of Corporate Services
Corporate Lead:	Chief Executive
Lead Member:	Lead Member for Corporate Governance
Number of Appendices:	Two

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 Monthly Plan 2018/19 (October – March) as detailed in Appendix 1.

Reasons for Recommendation:

1. The Terms of Reference of the Audit Committee require Members to consider a summary of proposed internal audit activity.
2. 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 the Corporate Services group 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. Safeguards have been put in place to protect the independence of the CAE, given the operational responsibilities of the role.
- 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 members of the Committee are aware, an external assessment of the internal audit activity was undertaken in November 2017. A report on the findings of that assessment was presented at Audit Committee on 28 March 2018. Whilst no aspect of the internal audit activity was assessed as being non-compliant with the Public Sector Internal Audit Standards (PSIAS) recommendations were made to improve the internal audit process. A workshop was also held with Committee Members to consider the recommendations and action plan in further detail. A small number of the recommendations relate to audit planning.
- 1.4** As part of implementing the action plan, and as discussed at the workshop, there was agreement to develop a six-monthly audit plan. Such a plan for the period April 2018-September 2018 was subsequently approved at Audit Committee on 28 March 2018. The setting of a six-month plan will enable a more flexible approach to be taken to audit planning. Rather than setting a rigid annual plan, this approach recognises the changing environment the Council operates in particularly around its transformation agenda. It allows audit planning to better track and respond to the audit of developing risk areas. As covered in the workshop, improvements have also been made to the planning of individual audit assignments so they are more risk focussed.

1.5 The external assessment recommended that audit planning should consider the strategic risks facing the Council. The development of the Council's risk management arrangements was included as a significant governance issue within the 2017/18 Annual Governance Statement. An action includes the implementation of a new strategic risk register. This is currently under development. The target date for completion is December 2018 where it will be presented at Audit Committee. The risks contained within this register will help inform future audit planning. The register will be a dynamic document. The six-monthly internal audit plan will help ensure flexibility to audit risks reported within the register.

2.0 PUTTING TOGETHER THE PLAN

2.1 The plan provides a total of 195 productive days and is delivered by two full time equivalent (FTE) members of staff. This resource is deemed 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 the ongoing implementation of the Quality Assurance and Improvement Programme (QAIP). The QAIP has been updated to include recommendations from the external assessment on compliance with the PSIAS. The overall annual number of days is deemed adequate to ensure there is adequate coverage of the Council's control environment. The plan takes into account 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. In response to recommendations made from the PSIAS review, more focus to governance related activities such as risk and ethics is included within the audit planning stage. A key area of governance and risk at the moment is compliance with the General Data Protection Regulation. Days have been allocated in the second half of the year to review the Council's project management arrangements.

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 a high level review of how well the 'Management Commitments' – staff engagement have been developed across service areas and a review of recovery procedures in relation to trade waste.

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 necessarily be audited within the half year plan. Particular focus will be given to where a material change has occurred in the systems.

2.2.4 Service Area Related Activity

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 second half year plan include an allocation of days for ICT – this will be informed by the emerging ICT risk assessment, UBICO client monitoring and a review of the new S106 process. The proposed plan can be found in Appendix 1.

2.2.5 Other Areas

- There is an allocation of days under 'consultancy and advice'. This covers representation at corporate groups such as the Procurement Group, Keep Safe, Stay Healthy Group, Programme Board and individual project groups. 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 work which is ongoing as at 30 September 2018.
- Days allocated for ongoing work to implement the team's Quality Assurance and Improvement Programme (this includes days allocated for the peer review of individual audit assignments and supporting documentation, such as working papers).

3.0 STATUS OF SIX MONTHLY PLAN (Apr – Sept)

3.1 An overview of the status of the planned audits agreed at Audit Committee on 28 March 2018 can be found in Appendix 2. The progress is at the time of writing the report, so is essentially as at 30 August 2018. A number of audits are therefore currently in progress but will be completed by the end of the period. There will be an outstanding audit in relation to ICT. A draft ICT risk assessment has been undertaken and, when finalised in October, will help inform the areas to be audited. Days will be carried forward to the second half of the year plan.

4.0 OTHER OPTIONS CONSIDERED

4.1 None.

5.0 CONSULTATION

5.1 Consultation has taken place with Corporate Management Team.

6.0 RELEVANT COUNCIL POLICIES/STRATEGIES

6.1 Internal Audit Charter.

7.0 RELEVANT GOVERNMENT POLICIES

7.1 None.

8.0 RESOURCE IMPLICATIONS (Human/Property)

8.1 None.

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

9.1 None.

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

10.1 Internal Audit contribute to VFM through their routine audit work and corporate improvement work.

11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

11.1 None.

Background Papers: None.

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Appendices: Appendix 1 – 2018/19 Six Monthly Internal Audit Plan (October to March).