

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	28 March 2019
Subject:	Internal Audit Six Month Plan 2019/20 (April-September)
Report of:	Head of Corporate Services
Corporate Lead:	Chief Executive
Lead Member:	Lead Member for Corporate Governance
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:

To APPROVE the Internal Audit Six Month Plan 2019/20 (April-September) as detailed in Appendix 1.

Reasons for Recommendation:

1. The Terms of Reference of the Audit and Governance 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:

The undertaking of an audit will require the support and engagement of individual services.

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 and Governance Committee receive at each meeting, 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 implementing internal audit recommendations is reported to each Audit and Governance 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. 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 and Governance 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 were 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 related to audit planning.
- 1.4** As discussed at the workshop, there was agreement to develop a six month audit plan. The setting of a six-month plan enables 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.
- 1.5** The external assessment recommended that audit planning should consider the strategic risks facing the Council. The new corporate risk register will therefore help inform the work of internal audit.

2.0 PUTTING TOGETHER THE PLAN

2.1 The plan provides a total of 200 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 appropriate to ensure there is adequate coverage of the Council's control environment. The plan attached at Appendix 1 takes into account key areas as follows:

2.2.1 Governance related activity

The Council has an assurance framework that contributes towards the effectiveness of its overall governance arrangements. On an annual basis the Council must produce an Annual Governance Statement. 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 Annual Governance Statement. 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.

2.2.2 Corporate Risk Register

It is important the Committee gain assurance that risks reported within the register are being managed. Internal audit will on a rolling basis, review individual risks and ascertain that mitigating controls are actually in place and working effectively and there is progress in implementing actions to mitigate the risk further.

2.2.3 Corporate Improvement

This is an allocation of days, specifically requested by Corporate Management Team. 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 Corporate Management Team of specific issues when a need arises or utilise internal audit to undertake a piece of work where there may not be available resource. Examples of recent work undertaken under this heading include: advising upon risk and compliance in relation to the car pool project; update of corporate business continuity plan; and procurement. Horizon work includes a critical friend review of planning performance agreements.

2.2.4 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 the 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 or where an audit has not been undertaken for a while to review the key controls of the system.

2.2.5 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.

2.2.6 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 such as the recently formed Community Infrastructure Levy 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 work which is ongoing as at 31 March 2019.
- 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 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 contribute to value for money through their routine audit work and corporate improvement work.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 None.

Background Papers: None

Contact Officer: Head of Corporate Services
01684 272002 Graeme.Simpson@tewkesbury.gov.uk

Appendices: Appendix 1 – Internal Audit Six Month Plan 2019/20 (April to September)