

Agenda Item No: 9
Report To: Audit Audit Committee
Date: 18 March 2014
Report Title: Internal Audit Operational Plan 2014/15
Report Author: Brian Parsons - Head of Audit Partnership



Summary:	The report sets out the one-year Internal Audit operational plan for 2013/14 and asks that the Audit Committee review and approve the Plan.
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Key Decision: NO

Affected Wards: N/A

Recommendations: **The Audit Committee is asked to:-**

Review and approve the contents of the one-year operational Internal Audit plan (shown at Appendix 1)

Policy Overview: Not applicable

Financial Implications: None directly

Risk Assessment Yes

Equalities Impact Assessment No

Other Material Implications: Legal: The Accounts and Audit Regulations 2011 place a statutory duty on the Council to 'undertake an adequate and effective internal audit of its accounting records and its system of internal control'.

Background Papers: None

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Report Title: Internal Audit Operational Plan 2014/15

Purpose of the Report

1. The report sets out (at Appendix 1) the one-year operational Internal Audit plan for the financial year 2014/15 and asks that the Audit Committee review and approve the plan.
2. The purpose of the report is to meet the requirements of the Public Sector Internal Audit Standards in relation to audit planning; and to help to discharge the Section 151 officer's responsibility for financial control; and to inform Management / Members of the planned audit work to be undertaken in 2014/15.

Issue to be Decided

3. A risk based internal audit operational plan has been produced to meet the requirements of the Accounts and Audit Regulations 2011 in accordance with the Public Sector Internal Audit Standards.
4. The Audit Committee is asked to review and approve the Plan.

Background

5. The Accounts and Audit Regulations 2011 place a statutory duty on the Council to 'undertake an adequate and effective internal audit of its accounting records and its system of internal control in accordance with the proper practices in relation to internal control'. The 'proper practices' for internal audit are defined as being those which are set out in the Public Sector Internal Audit Standards, which were set for local government by CIPFA in collaboration with the Chartered Institute of Internal Auditors.
6. The Plan has been prepared in accordance with the standards set out within the PSIAS and has included the following;
 - Desktop review of strategic documents and plans
 - Interviews with senior officers
 - Creation and risk assessment of the 'audit universe'
7. The Standards require the Head of Internal Audit to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisations goals. (PSIAS 2010 & 2010 A.1)
8. The Head of Internal Audit is required to review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.

9. The Standards state that the Head of Internal Audit must communicate the internal audit plans to senior management and the 'board' (the Audit Committee) for review and approval.

Preparation of the operational plan

10. The preparation of the plan gave specific consideration to:
- the arrangements for the prevention of fraud and corruption
 - corporate governance
 - compliance with legislation/changes in legislation
 - compliance with codes of conduct
 - compliance with constitutional rules (e.g. Financial Rules, Contract Rules)
 - the 'national agenda'
 - coordinating work, or at least as much as is practical, with the external auditors to ensure that best use is made of audit resources, and:
 - Coordinating work, where appropriate and efficient, with the work carried out by Mid Kent Audit for its three other local authority clients.
11. The plan seeks to:
- provide sufficient coverage of the control environment to allow conclusions to be drawn on its effectiveness and to allow the Head of Audit Partnership to deliver an annual internal audit opinion and report that can be used by the Council to inform its governance statement. The annual internal audit opinion will conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
 - give adequate coverage to allow the external auditors to place reliance on the work of Internal Audit
 - add value and improve the organisation's operations
 - Help the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Plan

12. The plan (Appendix 1) shows the projected internal audit work for 2014/15.
13. The plan currently shows a total of 24 audit projects, which is based on the available auditor resources.
14. The approach to planning has been standardised across the four partnership sites and has included consideration of strategic documents and plans, interviews with senior managers, review of the strategic risk register and the creation and risk assessment of the 'audit universe'. The risk assessment has involved considering audit subjects in terms of materiality, inherent risk, control risk and taking into account changes to systems, revised management arrangements, and past history.
15. The actual time spent on the audit depends on the complexity of the subject, the scope of the work, the quality of the systems and documents that will be examined, the helpfulness of the staff that we need to work with and the issues that arise during the audit. In general terms it takes longer to audit a subject where poor controls are in place. The time allocations shown in the

plan are indicative and will be subject to adjustment as necessary when individual engagement briefs are prepared.

16. The resources available to provide the Internal Audit service to Ashford Borough Council primarily consist of two full-time operational auditors, supported operationally by an Audit Manager for two days of the week, and strategically by the Head of Audit Partnership.
17. Each auditor is expected to complete up to twelve projects each year. The Audit Manager works closely with the auditors to ensure that productive time is maximised.
18. The Plan is flexible in the sense that a new audit topic can be added in the future, subject to the deletion of one of the planned audits.
19. It is anticipated that greater use of auditor rotation across the four partnership sites will occur in the forthcoming year where it is efficient to do so. Therefore it is anticipated that one auditor may be allocated to undertake similar reviews across several Council clients with a view to gaining efficiencies in time spent on the review area.
20. The Internal Audit Plan for Ashford is sovereign. However, where possible it has been aligned with the Audit Plans for Maidstone, Swale and Tunbridge Wells to facilitate the sharing of audit work programmes and to allow the movement of auditors between sites.
21. The plan sets out the audit work that will be carried out in relation to the key financial systems; Council Tax and Council Tax Support, Business Rates, Creditor Payments, Rents and Rent Arrears. The financial materiality of these systems largely dictates that the systems need to be reviewed annually.
22. The plan goes on to set out the other service areas that will be subject to an internal audit; some of which have little or no financial risk but are subject to regulatory, legal, technological or reputation risk. These subjects may be reviewed annually or biennially or triennially depending on their risk profile.
23. The new Head of Audit Partnership has had only limited opportunity to be involved in the planning process. If he considers that any significant changes need to be made to the 2014/15 plan, he will report accordingly to the Committee.

Reporting the work

24. A written report is provided to the respective Head of Service on completion of each audit project. The Internal Audit report sets out the findings, conclusions and recommendations arising from the audit. A copy of every report is provided to the Deputy Chief Executive (Section 151 Officer) and the Chief Executive.
25. Heads of Service are required to complete an action plan setting out how they will address the recommendations. The action plan is assessed for adequacy by the Audit Manager.

26. A follow-up is carried out approximately six months after the original report was issued to establish whether the proposed action has been implemented in practice. The results of the follow-up are reported in writing to the respective Head of Service, with copies to the Deputy Chief Executive and the Chief Executive.
27. If the initial report identifies that only minimal or limited controls are in place and the Head of Service fails to respond adequately or if it is found that the agreed action has not been taken at the time of the follow-up, the matter will be reported to the next meeting of the Audit Committee. The Head of Service will be invited to attend the meeting to explain the action that will be taken to address the control weaknesses.
28. The outcomes from Internal Audit reviews are reported to the Audit Committee twice a year. An Interim Report is prepared to show the results of work in the first half of the financial year; this is reported to the Committee in December. The Annual Internal Audit Report shows the work for the complete financial year and is reported to the Committee in June to support the Annual Governance Statement. The annual report contains the opinion of the Head of Audit Partnership on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

Risk Assessment

29. The Internal Audit operational plan sets out a series of projects for 2014/15 to examine the adequacy of the controls that the individual Head of Service has put in place to manage a very broad range of risks to the delivery of strategic and operational objectives.

Equalities Impact Assessment

30. None

Other Options Considered

31. There is a requirement under the Public Sector Internal Audit Standards that the Head of Internal Audit should prepare a risk-based plan to determine the priorities of the internal audit activity. There are no alternative options.

Consultation

32. The Internal Audit Plan has been prepared in consultation with Heads of Service to inform the planning process.
33. There is an ongoing process of dialogue with Heads of Service in relation to Internal Audit work including meetings between the Audit Manager and the respective Head of Service to discuss the plan of audit work relative to their area of responsibility. These discussions inevitably lead to amendments to the plan.
34. The draft plan has been discussed with the Deputy Chief Executive (as s151 Officer) and circulated to Management Team. Further feedback is being

sought on some of the proposed areas before finalising the plan. Any proposed changes will be reported to the Committee meeting.

35. Before any actual audit work commences, the respective Head of Service is consulted on the timing, scope and objectives of the audit project.

Implications Assessment

36. The Internal Audit plan has been prepared to take account of the corporate plan priorities, together with the systems in place to deliver the priorities and manage the risks to their delivery.

Handling

37. The operational plan will provide the majority of the work of the Internal Audit Team over the forthcoming financial year. The auditors will be allocated audit projects in line with the agreed plan

Conclusion

38. The Accounts and Audit regulations 2011 place a statutory duty on the Council to 'undertake an adequate and effective internal audit of its accounting records and its systems of internal control in accordance with the proper practices in relation to internal control'.
39. The Head of Audit Partnership is satisfied that completion of the attached operational audit plan for 2014/15 will meet the statutory duty and will allow the risks to the achievement of the Council's operational and strategic objectives to be reviewed.

Portfolio Holder's Views

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INTERNAL AUDIT PLAN 2014/15

No.	Subject	Scope	Assurance Category	Estimated. Audit Days
1	Council Tax	System & transactions	Key Financial Assurance	15
2	Income Management (new system)	Post implementation review	Key Financial Assurance	16
3	Housing Benefits	System & transactions	Key Financial Assurance	18
4	Business Rates	Systems & transactions	Key Financial assurance	15
5	National Fraud Initiative	The Audit Commission data matching exercise - Internal Audit facilitate the process	Governance/Counter Fraud	15
6	Governance & Ethics	Compliance	Governance/Counter Fraud	15
7	Asset Property Management /Investment Properties	Asset Management Plan	Corporate Priority Assurance	20

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8	Creditors	Operations	Corporate Priority Assurance	12
9	Farrow Court	Project Group representative reviewing - Governance framework	Corporate Priority Assurance	15
10	Housing Maintenance Contracts	Systems & transactions	Operations Assurance	15
11	Homelessness/Hostel	Systems & Transactions	Operations Assurance	15
12	Licencing	Systems & transactions	Operations Assurance	15
13	Cemetery	System & transactions	Operations Assurance	12
14	Courtside	Systems & transactions	Operations Assurance	15
15	GM – Project Board	Project Group representative – reviewing Governance framework	Corporate Priority Assurance	15
16	Project Office	Governance framework	Operations Assurance	15
17	Waste Management	Operations	Corporate Priority Assurance	15

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18	Greenov	First Level Controller/Audit sign off of funding claims	Operations assurance	15
19	Economic Development –Portas /Markets /Funding	Systems & transactions	Operations Assurance	15
20	ICT – Disaster Recovery	Operations	Operations Assurance	15
21	GIS	Systems/Compliance review	Operations Assurance	15
22	Housing Rents	Systems & Transactions	Key Financial Assurance	15
23	Strategic Risk *	Governance	Governance Assurance	15
24	Elections	System & transactions/Claims	Operations Assurance	12

*Strategic Risk Assurance – Specific Risk to be selected at a later stage.