
2016/17 INTERNAL AUDIT PLAN

1 PURPOSE OF REPORT

- 1.1 To provide an update on the delivery of the 2016/17 Internal Audit plan.

2 INTRODUCTION

- 2.1 The Audit Committee agreed the 2016/17 Internal Audit plan in June 2016.
- 2.2 The appendix shows whether planned Internal Audit work is completed, in progress, or if yet to start.
- 2.3 The UK Public Sector Internal Audit Standards require the Audit Committee to approve (but not direct) the annual Internal Audit Plan and then receive regular updates on its delivery. This report contributes to discharging this duty.

3 RISK IMPLICATIONS

- 3.1 Failure to operate a robust assurance process (which includes delivering the Internal Audit Annual Plan) increases the risk that inadequacies in the Council's risk management, governance and control arrangements are not identified and effective remedial action agreed and implemented. Such weaknesses may impact on the Council's ability to deliver its Business Plan and protect its reputation.
- 3.2 If the Internal Audit plan is not substantially completed by June 2017, the Head of Internal Audit may not be able to give a sufficiently informed annual opinion at the June Audit Committee meeting. The Head of Internal Audit's opinion is a source of assurance for the Annual Governance Statement, which is also considered by the Audit Committee in June, and is of interest to the external auditor for their assessment of the Council's arrangements to economically, efficiently and effectively use its resources. The lack of a Head of Internal Audit opinion could negatively impact on both the Annual Governance Statement and Use of Resources assessment.
- 3.3 The main risks to delivering the Internal Audit plan in time for the annual Head of Internal Audit opinion in June 2017 are being actively managed. These risks are summarised below:-
- risk of insufficient resources – the Auditor resource (1.8 FTE) means there is reduced resilience against unforeseen issues (such as sickness) or other unplanned work which may be necessary in year.

This risk is actively managed through on-going resource planning and prioritising of work.

- risk of insufficient resources – two of the team's three auditors each work two days a week, which can potentially increase the number of calendar days (not staff days) needed to complete and agree audit work.

This risk is actively managed through on-going resource planning to ensure staff are proactively managing their time and making required appointments with auditees well in advance to minimise 'down time'.

- risk of insufficient resources – the team does not have a permanent Head of Internal Audit. The current memorandum of understanding with Essex County Council for the current Head of Internal Audit service ends on 31 March 2017. There is a potential risk that if there is not a Head of Internal Audit in place from 1 April 2017 onwards, the required actions needed from that role cannot be effectively discharged, most notably the providing of an annual Head of Internal Audit opinion. This could negatively impact on the Council's Annual Governance Statement and external auditor's opinion on the Council's Use of Resources opinion.

This risk is being managed through the Assistant Director, Democratic Services, in consultation with the Section 151 Officer, given their overall accountability for the sufficiency and effectiveness of Internal Audit, working with senior management to identify and then secure the required resources beyond the end of the year.

- risk of insufficient specialist resources – the current year's Internal Audit budget does not include any specific funds for external IT audit. Although the Council does have relevant reserves from which additional funds can be drawn following the approval of the Section 151 Officer, given other demands on these funds, it may not be possible to engage sufficient external specialist IT audit resource to appropriately review key IT-related risks.

This risk is actively managed through regular discussion with the Section 151 Officer on the need for, and the amount of any additional funds needed.

This risk is also managed through the on-going identification of alternative sources of assurance available, which may reduce the amount of Internal Audit work necessary.

4 RESOURCE IMPLICATIONS

- 4.1 There are no specific new financial implications arising from this report.

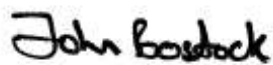
5 LEGAL IMPLICATIONS

- 5.1 The UK Public Sector Internal Audit Standards require the Audit Committee to approve (but not direct) the annual Internal Audit Plan and then receive regular updates on its delivery. This report contributes to discharging this duty.

6 RECOMMENDATION

6.1 It is proposed that the Committee RESOLVES

That the progress made to date on delivering the 2016/17 Internal Audit plan be noted.



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Background Papers:-

None.

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If you would like this report in large print, Braille or another language please contact 01702 318111.

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Activity to be Audited	Objective of work	Business Plan priority	Status
Corporate risk: The Council could fail to provide consistent Value for Money (VFM) across all services or obtain VFM in its procurement			
Procurement	To assess whether the requirements of Contract Procedure Rules are complied with for a sample of purchased good and services across a range of values and service areas.	Become financially self-sufficient	Field work complete November 2016, draft report with Audit Sponsor. Report to next Audit Committee
Contract Management	To assess whether the council's key contracts are well managed to ensure compliance and achieve required outcomes. Where possible, this work will identify and assess the extent existing sources of assurance activity can be relied on.	Become financially self-sufficient	Mixed Recycling Facility contract – completed November 2016 During the remainder of Q3 and Q4, the management of waste and street cleansing contracts will be reviewed.
Disabled Facilities Grants	To assess whether grants are being awarded in line with established criteria and adaptive works are being effectively delivered.	Take early intervention Maximise assets	Completed September 2016
Information Technology	To develop the IT audit approach including identifying and risk assessing key IT-related risks (e.g. security) <i>Due to the specialist nature of the work, this work will be delivered in conjunction with the Council's contracted IT auditors PwC</i>	Maximise assets	To be completed in the remainder of Q3 and Q4, taking in account where possible assurance from the incoming IT services contractor

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Activity to be Audited	Objective of work	Business Plan priority	Status
Information Technology	To undertake a programme of assurance reviews of key risk areas. <i>Due to the specialist nature of the work, this work will be delivered by PwC</i>	Maximise assets	IT server migration project – work in progress Further assurance work to be completed in Q4 once the outcome of the current server migration project is more fully understood
Information Technology	To assess whether there is a robust IT strategy articulating how the council will effectively use technology to engage with residents and deliver services.	Maximise assets Enable communities	To be completed in Q4 once the outcome of the current server migration project is more fully understood
Corporate risk: Failure to ensure good governance of the Council's activities and delivery of its priorities			
Programme Office	To assess whether there are robust processes in place to develop and agree Business Plan-related projects and then monitor their overall delivery.	Become financially self-sufficient	To be completed in Q4
Key financial systems	To assess whether the key controls in the key financial systems are adequately designed and effectively applied. <i>This is a reduced programme compared to 2015/16. Assurance will be "rolled over" from 2015/16 where possible. Testing will focus only on key controls relating to significant income or expenditure streams.</i> <i>Where considered necessary work</i>	Maximise assets	Ongoing across Q2 to Q4. Housing Benefit Subsidy Claim – completed June 2016 Significant work in progress: <ul style="list-style-type: none"> • Creditors • Debtors • Council Tax

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Activity to be Audited	Objective of work	Business Plan priority	Status
	<i>will be extended to address any issues identified</i>		<ul style="list-style-type: none"> • Business Rates • Housing Benefits
Health and Safety	<p>To assess whether the improvement actions from the peer review are effectively implemented.</p> <p>Where possible, this work will identify and assess the extent existing sources of assurance activity can be relied on.</p>	All priorities	To be completed in Q4 – start delayed until new Health and Safety Officer in post
Counter Fraud	<p>To identify and agree upon the most effective means of:</p> <ul style="list-style-type: none"> • delivering proactive counter fraud work • receiving and dealing with fraud referrals <p><i>This work will be delivered by Essex County Council</i></p>	Maximise assets	Work in progress
Counter Fraud	<p>To deliver a programme of proactive counter fraud work and where necessary investigate any fraud referrals.</p> <p><i>Due to the specialist nature of this work, it is proposed this work is delivered by specialist counter fraud resources.</i></p>	Maximise assets	To be completed in the remainder of Q3 and Q4 once the work above concludes
Counter Fraud	<p>To provide oversight of, and reports to Audit Committee on, whether accountable officers for National Fraud Initiative data matches are taking appropriate and prompt action.</p> <p><i>This work is an oversight role only to ensure the Chief Audit Executive is aware of the extent and nature of matches should it indicate any significant control issues and to gain assurance any issues arising are being dealt with.</i></p>	Maximise assets	<p>To start from Q4 onwards.</p> <p>National Fraud Initiative data match set to be published 2017</p>

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Activity to be Audited	Objective of work	Business Plan priority	Status
Performance and risk management	To assess whether there are robust frameworks to manage and report on performance and risk. Where possible, this work will assess the extent existing sources of assurance activity can be relied on.	Maximise assets	To be completed in Q4
Housing	To assess whether decisions to allocate housing are made correctly in line with established policy.	Maximise assets Early intervention	To be completed in Q4
Service Assurance Statements	To test check a number of 2016/17 Service Assurance Statements to assess the extent they can be relied upon as a source of assurance for the 2016/17 Annual Governance Statement and Head of Internal Audit reports.	All priorities	To be completed in Q4 once statements have been completed by Assistant Directors
Corporate Risk: We fail to deliver the objectives of the Council's Business Plan in terms of measurable outcomes			
See also: Programme Office			
See also: Performance and risk management			
Organisational Change	To work with staff throughout 2016/17 to provide constructive challenge over the governance (e.g. project management) and the design of controls into any new or changed systems and processes.	All priorities	Throughout 2016/17 Initial planning of work re. LATCo governance underway
Corporate Risk: There is a failure of safeguarding arrangements			
Safeguarding	To assess whether key safeguarding considerations are effectively and consistently taken into account in line in line with the local Safeguarding Policy and the Children's/ Adult safeguarding audit Action Plan.	Early intervention	Field work complete November 2016, draft report with Audit Sponsor. Report to next Audit Committee

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<i>Corporate Risk: There is a serious Food or Health and Safety, Environmental or other incident for which the Council is culpable</i>			
Environment Health	To assess whether there is effective planning and delivery of statutorily required Environmental Health inspections.	Early intervention	To be completed in Q4
See also: Health and Safety			
<i>Council held data is lost, disclosed or misused to detriment of individuals or organisations as result of inadequate protection</i>			
Information Governance	To assess whether there is an up to date policy framework setting out how the council will manage data.	All priorities	Audit brief being produced, to be completed in Q3 and Q4
<i>Corporate Risk: We fail to respond to, or provide, relevant services in the event of an incident or disaster</i>			
Business Continuity	To assess whether there are robust and comprehensive Business Continuity plans (including those related to key third parties) that have been tested to demonstrate their effectiveness. Where possible, this work will identify and assess the extent existing sources of assurance activity can be relied on.	All priorities	Initial work under way – work timed to consider the imminent new Business Continuity Plan
<i>We fail to innovate and develop new ways of meeting customer needs and expectations</i>			
See also: Programme Office			
See also: Organisational Change			
See also: Information Technology (strategy review)			
<i>Failure to produce and meet a balanced budget and MTFS that allow for the successful delivery of the Business Plan priorities or the Capital Programme</i>			
Budget monitoring	To assess whether there is effective monitoring of delegated budgets to ensure budgets are met and any remedial action needed and	Become financially self-sufficient	Completed – November 2016

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	proactively taken.		
<i>The inability to recruit, retain, develop and manage appropriately skilled staff to deliver the Council's priorities</i>			
No planned coverage			Included in Safeguarding audit
<i>Failure to enter into and manage effective partnerships for the delivery of services and outcomes</i>			
No planned coverage			
<i>Community cohesion is impacted adversely by service changes or withdrawals</i>			
No planned coverage			
<i>Failure to engage with stakeholders to understand and communicate what the Council should be trying to achieve</i>			
No planned coverage			
<i>Other audit activity chargeable to the audit plan</i>			
Audit planning	To develop the 2017/18 audit plan		Q4
Reporting to Audit Committee	To write and agree the required reports to Audit Committee throughout 2016/17		Throughout 2016/17
Audit management	To undertake required management activity including quality assurance processes and to review and where necessary update the Audit Charter and Strategy		Throughout 2016/17 Audit Charter updated in November 2016