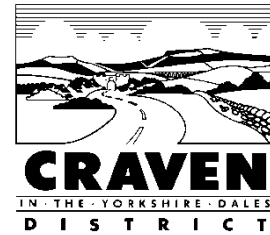


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Audit and Governance Committee 30 March 2015

DRAFT INTERNAL AUDIT PLAN 2015/16



Report of the Audit Manager – Shared Internal Audit Service

Wards Affected: All

1.0 PURPOSE OF REPORT

1.1 To present the draft plan for internal audit work for 2015/16.

2.0 RECOMMENDATION

2.1 To consider and approve the draft plan.

3.0 BACKGROUND INFORMATION

3.1 The 2015/16 Internal Audit Plan is the first year of the new agreement for the Harrogate and Craven Shared Internal Audit Service. This is for a three year period – from 1 April 2015 to 31 March 2018.

3.2 In general, continuing the collaboration between the two Councils for a further three years is in the public interest. More specifically, the reasons why Harrogate and Craven decided to continue with the Shared Service arrangements were:-

- To realise further efficiency gains and service improvements for the mutual benefit of both Councils;
- To maintain capacity, resilience and critical mass;
- To ensure service continuity, facilitating better assessment of the direction of travel in achieving improvements to internal controls and in risk management and governance arrangements.
- To ensure flexibility in the delivery of the audit service.

3.3 The draft audit plan for 2015/16 is attached at Appendix A. This sets out the areas, functions or activities at Craven which are to be reviewed and the estimated number of days for each.

3.4 It may be helpful to remind Members about the role of internal audit. The definition included in the Public Sector Internal Audits Standards is:

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“Internal auditing is an independent objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

4.0 THE REPORT

- 4.1 Under the Public Sector Internal Audit Standards, the “Chief Audit Executive” must give an overall opinion on the adequacy and effectiveness of their authority’s internal controls, risk management and governance arrangements. The 2015/16 Internal Audit Plan must therefore include a sufficient range of audit work for this opinion to be given at the year-end in the Annual Internal Audit Report.
- 4.2 Annual Internal Audit Plans for the past three years have concentrated on the major financial systems (Council tax, payroll, creditors, debtors etc). The Council’s financial management arrangements have improved considerably over that time period such that for the most part, Internal Audit is able to give either “Significant” or “Good” levels of assurance that adequate and effective internal controls are in place.
- 4.3 The approach for the next three years is to move to a more risk-based approach and focus on other areas which also carry a risk for the Council. This doesn’t mean that the review of the major financial systems will be excluded altogether but it does mean that a rolling programme will be introduced whereby each system is reviewed say every other year rather than annually. The change to a more risk-based approach reflects the movement in local government internal audit nationally and was a recommendation from the external assessment undertaken by Mazars.
- 4.4 The draft Internal Audit Plan for 2015/16 is attached at Appendix A. The total number of days provided for in the Plan is 240. In addition, there is a further 10 days for any ad hoc or unforeseen work or for the provision of consultancy advice.
- 4.5 Particular points to note include:-
 - Creditors and Treasury Management – Full review of these areas under the rolling programme of the audits of major financial systems. Included because the 2014/15 audits were interim audits to review the implementation of recommendations from the respective previous audits. Most recent reviews of the other systems were either “significant” or “good” levels of assurance.
 - Belle Vue Service Charge – objective is to give independent assurance on the validity of the figures. Follows on from the 2013 review by Internal

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Audit and the subsequent discussions.

- Risk-based audits/Service area reviews – except for IT, the areas listed reflect the outcome of consultation with the Corporate Leadership Team on the priority areas to review based on an analysis of risk. A provision for audit work on IT has been added as this is a key risk area, not least because of the changes in resources over the past year and potential further changes in management arrangements.
- Follow-up of recommendations – includes the follow-up work on the Parking Management and Civil Parking Enforcement audit requested by the Committee at its meeting in January.

4.6 Where possible, Internal Audit intends to rely on other sources of assurance to make the best use of resources overall and avoid duplication of work. These include work undertaken by the Council's external auditors (Mazars).

4.7 Concerning the relative priority of work, the audits listed in the "Risk-based audit/service reviews" section in Appendix A are in priority order and will be progressed during April to December. Work on the two areas in the rolling-programme of major financial system audits will take place during Quarter 4.

5.0 IMPLICATIONS

5.1 Financial and Value for Money Implications

The Council pays a daily fee to Harrogate BC as its contribution towards the cost of the Shared Service which is hosted by Harrogate.

5.2 Legal Implications

Audit planning must comply with the requirements of the Public Sector Internal Audit Standards and the accompanying Application Note for Local Authorities produced by the Chartered Institute of Public Finance and Accountancy. These Standards and Note set out the "proper internal audit practices" which authorities must now follow to comply with the Accounts and Audit Regulations.

5.3 Contribution to Council Priorities

The delivery of an Internal Audit Service contributes to Council transformation.

5.4 Risk Management

The Internal Audit function is an integral part of internal control.

The major risks to the provision of the service to Craven include:-

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- Insufficient resources and capacity – for example due to long-term sickness or vacant posts arising. If the situation arises, it will be addressed by the Internal Audit Shared Service Partnership Board, reporting to the respective audit committees of the two Councils if necessary.
- The need for a major investigation which will mean that some planned work will have to be deferred or an increase in the days provided at an additional cost to Craven.

5.5 Equality Impact Assessment

The Council's Equality Impact Assessment Procedure has been followed. An Equality Impact Assessment has not been completed on the proposals as completion of Stage 1 – Initial Screening of the Procedure identified that the proposed policy, strategy, procedure or function does not have the potential to cause negative impact or discriminate against different groups in the community based on age, disability, gender, race/ethnicity, religion or religious belief (faith), sexual orientation or rural isolation.

6.0 CONSULTATION WITH OTHERS

Corporate Leadership Team, Strategic Manager – Financial Services (S151 Officer).

7.0 ACCESS TO INFORMATION: BACKGROUND DOCUMENTS

None.

8.0 AUTHOR OF THE REPORT

Martin Helm, Audit Manager, Craven District Council and Harrogate Borough Council Shared Internal Audit Service.

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions. (Telephone 01423 556114, email – martin.helm@harrogate.gov.uk).

9.0 APPENDICES

Appendix A – Draft Internal Audit Plan 2015/16

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APPENDIX A

2015/16 DRAFT INTERNAL AUDIT PLAN

Audit	Days	Comments
<u>Rolling Programme/Annual Audits</u>		
Creditors	20	Rolling programme of the audit of major financial systems.
Treasury Management	10	Rolling programme of the audit of major financial systems.
Procurement	15	To review the effectiveness of the arrangements for contract risks and contractor performance.
Belle Vue Service Charge	10	Review of the validity of the charge levied on Craven DC.
Transparency	10	To give assurance on compliance with the Transparency Code published by the Department for Communities and Local Government in October 2014.
	65	
<u>Risk-based Audits/Service Area Reviews</u>		
On-line Payments to the Council	20	To give assurance on the adequacy and effectiveness of the internal controls. Includes car parking permits and garden waste.
Building Control	20	Considered to be a relatively high priority service for review.

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Audit	Days	Comments
Bereavement Services	20	Considered to be a relatively high priority service for review.
Grants	15	To review the arrangements for awarding grants and monitoring how the funding is spent. Includes Community Grants and grants funded from the localism reserve.
Fraud	10	To assess the Council's arrangements for managing the risk of fraud and corruption against the Code of Practice published in 2014.
IT	20	Specific area of work subject to consideration.
	105	
<u>Other Work</u>		
Follow-up of recommendations	20	Includes PCI Data Security Standards, Data Security and Parking Management and Civil Parking Enforcement audits.
Contingency	25	Pool of days which can be drawn down during the year for example if additional time is needed for planned audit work or for investigations.
Planning/Reporting/Committee meetings etc	25	Includes preparation and monitoring of the Audit Plan, review of audit files and reports and attending meetings.
	70	
TOTAL	240	

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