

Internal Audit Plan

2017/18

D R A F T

Background

1. The Accounts and Audit Regulations 2015 requires the Council to have an effective Internal Audit Function which would provide an opinion on the adequacy and effectiveness of financial control, as well as to provide reasonable assurance on the Council's overall governance and internal control processes. This includes the arrangements for the Annual Governance Statement, the review of the effectiveness of internal audit and the management of business risks.
 2. This requires an annual internal audit plan which:
 - Draws on effective co-operation with External Auditors and other external review agencies, from which the public may gain assurance regarding the effectiveness of the Council's system of internal control.
 - Provides Councillors, the Chief Executive, the Section 151 Officer, and other senior managers with an overall opinion on the status of the Council's governance arrangements, including internal control and risk management.
 - Supports the Chief Finance Officer in fulfilling his obligations under Section 151 of the 1972 Local Government Act and the Accounts and Audit Regulations 2015, to ensure the Council operates safe and efficient financial and management information systems.
 - Enables the Council to place assurance on the work of Internal Audit in fulfilling its obligations under the Accounts and Audit Regulations 2015, Regulation 4, to establish proper practices for the publication of an Annual Governance Statement; and Regulation 6 to review the effectiveness of the internal audit function.
 - Conducts audit reviews of the Council's risk management, internal control, and governance arrangements in a way that takes full account of the Council's objectives and risks.
 - Aims to improve the Council's risk management, internal control, and governance arrangements by providing line management with practical recommendations arising from audit work; including consultancy and advice and information as necessary or on request.
 - Delivers an audit service that meets the Public Sector Internal Standards 2016 and relevant guidance issued by CIPFA.
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Internal Audit's objectives

3. The internal audit function is provided through a shared services arrangement with Dartford Council, which came into force in April 2010. Its remit is set out in the Internal Audit Charter. The objective of the team is to provide an independent, objective assurance and consultancy activity designed to add value to the existing internal control and governance framework to support the achievements of services and corporate objectives. This plan outlines the team's work for Sevenoaks District Council only, regarding the provision of Internal Audit Services, in fulfilment of the Council's Section 151 responsibilities and its obligations under the Accounts and Audit Regulations 2015.
4. In recognition of the statutory requirement, it is the responsibility of Internal Audit to review, appraise and report upon:
 - The soundness, adequacy, and application of financial and other management controls.
 - The extent of compliance with, relevant and financial effect of, established policies, plans and procedures.
 - The extent to which the organisation's assets and interests are accounted for and safeguarded from losses of all kinds arising from:
 - Fraud, bribery, corruption and other offences
 - waste, extravagance, and inefficient administration, poor value for money and other causes.
 - The suitability and reliability of financial and other management data developed within the organisation.
 - The effectiveness of the Council's risk management framework

Proposed Audit Techniques

5. To fulfil our responsibility, we propose to adopt the following techniques. The relevant technique adopted will depend on the nature and scope of each audit review:

Risk-based audit

Risk-based auditing takes account of the Council's strategic and operational objectives, and evaluates through audit testing the management of risks to achievement of these objectives, thereby providing an opinion on the quality of internal control within a system. Recommendations for improvements in control are proposed proportionate to the impact and likelihood of existing risks.

Systems-based audit

Where appropriate, Audit may undertake wider documentation, evaluation and testing of financial operational and management information systems providing an opinion as to the adequacy of control and offering suggestions and advice to enable strengthening of systems weaknesses and assist in improving the effectiveness of controls.

Systems based auditing provides high quality assurance on management controls for those systems evaluated externally.

Our systems-based audit work is based on the CIPFA System Control Matrices. The matrices draw on the approach, standards, and guidance of a variety of audit and regulatory bodies, including the Audit Commission.

Financial/Probity Reviews

Examination of financial records for compliance with agreed policy, regulations, and procedures.

Investigation of Irregularities

We will undertake enquiries into cases of discovered or reported irregularity including, where required, liaison with other investigatory bodies, such as the National Fraud Initiative (NFI). These usually lead to the enhancement of risk management activities within the Council, and strengthening of internal controls.

Advice and Information

We offer advice, information and assistance to all levels of management on internal control, governance and risk management.

IT audit

IT audit is a specialist area, to this effect we will seek to buy in technically qualified and experienced agency staff, or liaise with other Kent Councils for assistance in providing this service for any relevant aspects, which requires technical expertise.

VFM audit

Value for money considerations will be factored into our approach where relevant and appropriate. This would enable us to determine whether managers are making use of the opportunities available to them for obtaining good value for money, especially within the current austerity environment.

Audit Approach

6. In order to make best use of staff resources and to maximise the team's effectiveness, the need for audit reviews in individual areas, is considered based on an audit needs analysis, which evaluates the audit universe using a scoring system.
7. The audit needs analysis then informs the annual operational plan, which sets out the areas to be covered in 2017/18, taking into account the highest scores on the audit needs analysis and resource constraints. Areas that have not scored highly enough for the operational plan for this year are considered for inclusion in the strategic audit plan.
8. In order to ensure that the Audit Plan for 2017/18 addresses the Council's key risks and add value, we have identified and prioritised the areas for coverage by:-
 - Reviewing the Council's Risk Registers and Corporate Plan;
 - Identifying any other sources of assurance for each of the Council's key risks, which may reduce the added value of an Internal Audit review.
 - Analysing coverage of Internal Audit reviews over the last three years and the assurance opinions provided following each review, to identify any gaps or areas where follow up work would be of value.
 - Identifying any areas of the Audit Universe, which have not been subject to Internal Audit review during the last three years.
 - Meetings with Senior Management to discuss key risks and emerging risk areas for the year ahead and also any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

The Plan for 2017/18

9. The table on Annex 1 to this report sets out the audit plan for 2017/18 and a summary of the scope of each review. As part of the process, an annual review of key financial systems and payroll is carried out. These are systems with high inherent risks, usually areas of major income and expenditure where a failure to manage risks effectively might result in material financial loss, or significant damage to the Council's reputation. The reviews are intended to ascertain the arrangements management have in place to manage strategic, operational or business risks and to give an assurance regarding their effectiveness.

[See Annex 1, attached - for details of reviews proposed for 2017/18]. In addition to the programmed reviews, the resource plan also includes work in the following aspects:

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Arrangements to prevent fraud and corruption

<i>audit area</i>	<i>review objectives</i>
Contracts	To check that contract payments are only made in accordance with contract terms and when properly authorised.
Cashing up	To check that officers are able to account for all income received by them on the day of the cashing up.
Housing Benefit, Council Tax Support, Council Tax Discounts and Housing Records	To check the robustness of the process to prevent and detect fraud in accordance with National Fraud Initiative requirements.
Special investigations	To carry out investigations into suspected internal frauds, losses etc. in accordance with the Fraud Response Plan.

Follow up of recommendations made in previous audit reports

Audit reports	To follow up recommendations made in previous reports, to confirm that agreed action has been implemented effectively within the agreed time scales. Additional audit resource has been allocated to this area for the 2017/18 year to help ensure this happens and to give additional support and advice to services where appropriate.
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Available Resources

10. A resource plan for 2017/18 is set out on Annex 2 to this report. This plan assumes that the current staffing of the shared services establishment for Internal Audit, which consists of a Principal Auditor (Acting as Audit Manager), 3.8 Senior Auditors, and 0.5 Admin assistant will continue. This also takes into account additional training needs for the team on the new audit software 'TeamMate' which will be used for all reviews conducted in 2017/18.

Internal Audit Performance

11. During 2017/18, the team will continue to work in compliance with the Public Sector Internal Audit Standards and professional guidance issued by CIPFA.
 12. The following proposed performance indicators relating to the delivery of the Annual Internal Audit Plan are based on a balanced scorecard approach which considers four perspectives, the customer, innovation & leaving, internal processes and financial. This approach is used across local authorities in Kent.
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Proposed Performance Indicators - based on a Balanced Scorecard Approach

Customer Perspective	Innovation & Learning Perspective								
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Reporting Protocol

- Internal Audit work undertaken during the year will be periodically reported to clients (Service Managers, Heads of Service, Chief Officers and the Chief Executive), the culmination of the year's work being an Annual Report to the Audit Board. The reports provide overall audit opinions as to the adequacy and effectiveness of the control environment within the area examined. The Annual Report will contain an overall opinion on the adequacy of internal control, governance and risk management within the Council.

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Audit Opinion

14. The simplified Audit Opinions Framework which was introduced last year continues to work well and has been well received by Service Managers and their teams.
15. We aim to involve auditees at key stages of the audit process and to ensure their agreement to audit findings and recommendations. The table below sets out how auditees will be involved in the audit process this year. There are no changes to the process from last year.

Audit stage	Involvement
Agreement of brief at the start of the audit	Head of Service/Chief Officer
Feedback and discussion of main findings arising from an audit	Service Manager/Head of Service
Agreed report	Chief Executive Chief Financial Officer Chief Officer as appropriate Head of Service Service Manager
Audit satisfaction questionnaire completion	Head of Service/Service Manager as appropriate
Mid-year progress reports	Strategic Management Team and Audit Committee
Annual Report Annual Plan	Strategic Management Team and Audit Committee

Audit Recommendations

16. We will continue to report recommendations by highlighting the significance of each item in relation to risk and materiality. Thus as a guide, recommendations will be graded as follows:

High - Fundamental weaknesses in the system or process under review.

Medium - System weaknesses which leave the system open to minor risks.

Low - Desirable but non-threatening improvements.
