

# BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

<b>From: Head of Corporate Organisation</b>	<b>Report Number: JAC48</b>
<b>To: Joint Audit and Standards Committee</b>	<b>Date of meeting: 16 March 2015</b>

## INTERNAL AUDIT PLAN 2015/16

### 1. Purpose of Report

1.1 This report details the proposed Internal Audit Plan for the next financial year.

### 2. Recommendations

2.1 Members are requested to review, assess and approve the Internal Audit Plan 2015/16, as detailed in Appendix A.

The Committee is able to resolve this matter.

### 3. Financial Implications

3.1 There are no financial implications, as the Internal Audit Plan will be funded from within approved budgets.

### 4. Risk Management

4.1 Each Council is required by statute to maintain an adequate and effective Internal Audit function. This forms an integral part of each Council's corporate governance and internal control arrangements. It is therefore essential that the Internal Audit Plan directs resources to areas of highest risk and has the approval and support of senior management and Members.

4.2 The preparation and development of the Internal Audit Plan is described in more detail from paragraph 8.1 onwards.

4.3 The key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Internal control weaknesses and potential for fraud exists.	Unlikely	Bad	Work programme that focuses on key areas, including fundamental systems.
Inefficient processes or systems in place	Unlikely/Probable	Noticeable/Bad	Audit work considers efficiency issues and appropriate recommendations are made.

### 5. Consultations

5.1 The Internal Audit Plan was discussed with senior management including the s151 Officer as part of the audit planning process.

## **6. Equality Analysis**

6.1 There are no equality and diversity implications arising from this report.

## **7. Shared Service / Partnership Implications**

7.1 The Internal Audit Plan builds on past joint working facilitating the integration of the service with the aim of reducing costs, increased capacity and resilience, and will enable both Councils to be in a position to improve service delivery through advocating, supporting and reviewing the processes and outcomes from the transformation work.

## **8. Key Information**

### **Approach to Audit Planning**

8.1 The provision of a risk based Internal Audit Plan consistent with each Council's priorities is an essential part of ensuring probity and soundness of each Council's internal controls, risk exposure and governance framework.

8.2 The plan has been constructed to ensure that it delivers against the Public Sector Internal Audit Standards (PSIAS) and the requirement to produce an annual Head of Internal Audit opinion. In doing this it can be confirmed that the plan covers the following activities:

- Governance processes
- Ethics
- Information technology governance
- Risk Management
- Fraud management

8.3 The planning process also recognises that the Councils are continuing to strive to improve services and use innovative approaches in addressing service delivery against a background of reducing resources and the transformation into a more commissioning organisation.

8.4 Internal Audit resources have therefore been targeted across the Councils' services using a risk based approach to support project teams through this change to help maximise the effectiveness of internal control.

### **Plan structure and key items to note**

8.5 The coverage within individual audits will be expanded, where appropriate, to include looking at transformation opportunities for improving efficiency and adding value.

8.6 The types of audit in the plan are as follows:

- Managing Finance – Days continue to be included in the plan to cover fundamental systems audit work on which reliance may be placed by the external auditors as they assess the Councils' final accounts.

- Governance arrangements – Audits which contribute to the development of both Council’s Corporate Governance Framework and feed into the Annual Governance Statement.
- Risk Management – Audit work in this area will help to ensure that the Councils identify and effectively manage significant business and operational risks in line with the Risk Management Strategy.
- Delivery Programme – Resources have been allocated to support a number of high priority projects to provide the necessary assurances around governance, risk profile and internal control arrangements.
- Counter fraud work - There will be ongoing proactive testing of systems and processes to identify potential fraud and misappropriation, as well as non-compliance with policies and procedures. The audit team will reactively investigate potential wrongdoing, responding to fraud and corruption relating to non-benefit fraud cases. This includes co-ordinating data matching for the National Fraud Initiative (NFI); raising fraud awareness and providing training in areas such as money laundering; providing advice to services on introduction of new systems or procedures. Full details of the counter fraud work undertaken is contained within the annual report entitled ‘Managing the Risk of Fraud and Corruption 2014/15’ also presented to this Committee today.
- Advice and guidance – the team to proactively provide ongoing advice across both Councils. Whether through attendance at working groups, projects or responding to enquiries this remains an area where early advice and support can help maintain a robust control environment and feed in good practice. It is likely to be an area of increased demand during 2015/16 as managers at all levels, especially those implementing new systems and structures, will require support.

## Conclusions

- 8.7 The Internal Audit Plan will be kept under review to ensure it reflects the shape of the Councils going forward. Should significant amendments be necessary these will be discussed with senior management, including the Section 151 Officer and reported back to this Committee.

## 9. Appendices

Title	Location
(a) Internal Audit Plan for 2015/16	Attached

## 10. Background Documents

- 10.1 None

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## Prioritised Internal Audit Plan for 2015/16

**All audits to include control environment, good practice and transformational aspects**

<b>Audit</b>	<b>Days</b>	<b>Key areas</b>	<b>Classification</b>
Work in progress from previous year	10	Finalisation of any outstanding work. Liaison with External Auditors over review of internal audit work.	E
<b>FUNDAMENTAL AUDITS (annual audits required by external audit)</b>			
Housing Benefits	7.5	Shared Revenue Partnership feeder systems and reconciliations.	E SP C
Local Taxation (covering Council Tax & NDR)	7.5	Shared Revenue Partnership feeder systems and reconciliations.	E SP C
Housing Rents	15	Income collection, rent setting.	E SP H SP C
Receivables / Debtors	15	Income management, equalities (vulnerable groups).	E SP C
Payroll/HR	15	Starters; Leavers; and variation to pay.	E
Income Collection / Cash & Bank	15	Payment methods, channel shift, unsolicited transactions, Payment Card Industry Data Security Standards.	E SP C
Payables / Creditors	15	Transparency, cash flow, fraud (links to procurement).	E SP E&E
Treasury Management	15	Cashflow, maximising investments (links to capital accounting).	E
General Ledger	20	Integrity of financial information.	E
IT	15	Device control, PSN assurance, licensing.	E
Capital Accounting	15	Monitoring of contract spend, assets.	E SP H E&E SP SP C
<b>Total Fundamental Systems</b>	<b>155</b>		
<b>RISK AUDITS (scope to reprioritise to reflect changing requirements)</b>			
Budgetary Control	20	Effectiveness of budgetary controls covering policies and procedures; budget setting; delegated responsibility, budget monitoring; virements and management information.	E SP H E&E SP SP C
Procurement	20	Efficiencies, local spend, compliance testing against procurement framework/guidance.	D SP E&E
<b>Delivery Programme - Project Support:</b>			
Project no.1 - Make use of leading edge business systems	10	Information Governance - Sensitive and personal information relating the Councils' businesses is handled in a confidential and secure manner.	E SP H E&E SP SP C
	10	MSDC Open Housing moving to converge with BDC Open Housing. Provide assurance on the project management and governance and material changes to the key control environment.	
Project no.3 - Community Infrastructure Levy (CIL)	10	Develop appropriate processes, procedures and governance arrangements for the administration of CIL funds to enable sustainable growth.	E SP H E&E SP SP C
Project no.6 - New HRA homes and appropriate use of existing HRA stock to meet housing need	25	Develop governance framework around the new build project.	E SP H E&E SP

Audit	Days	Key areas	Classification
Project no.10 - Redesign an integrated Planning Service	20	Provide control assurances around: data load validation; changes to processes; and risks associated with 2 systems merging.	E SP H      SP E&E
Project no. 29 - Leisure centres contracts review	25	Support transformational review of leisure services by providing probity and analysis support.	E SP H SP E&E SP C
Impact on various projects - Investment and Development Strategy	25	To support the development of the Strategy by providing assurance, governance and risk profile advice/guidance	E SP H SP E&E SP C
<b>Total Risk Audits</b>	<b>165</b>		
Follow Ups	15	Implementation of audit recommendations deemed as high risk.	E
Contract Audit Reviews	15	Final accounts.	D
Anti-Fraud & Corruption work including the National Fraud Initiative (NFI)	60	Proactive: Money Laundering, Policy reviews, Advice and guidance - awareness, Staff training. Reactive: Investigations. Data matching (statutory requirement).	E
Management	45	Service delivery.	E
<b>Other audit work</b>	<b>135</b>		
<b>Total Audit Days</b>	<b>465</b>		

**KEY**

E                      Essential/High Priority  
D                      Desirable/High Risk

SP H                      Links to Strategic Priority: Housing - **MSDC** - Ensure that there are enough good quality, environmentally efficient and cost effective homes with the appropriate tenures and in the right locations. **BDC** - Shape, influence and provide the leadership to achieve the right mix and supply of housing.

SP E & E                      Links to Strategic Priority: Economy and Environment - **MSDC** - Lead and shape the local economy by promoting and helping to deliver sustainable economic growth which is balanced with respect for wildlife, heritage and the natural and built environment. **BDC** - Shape, influence and provide the leadership to enable growth whilst protecting and enhancing our environment.

SP C                      Links to Strategic Priority: **MSDC** - Strong and Healthy Communities - Encourage and support individuals and communities to be self sufficient, strong, healthy and safe. **BDC** - Our Communities (Wellbeing) - Shape, influence and provide the leadership to support and facilitate active, healthy and safe communities.