

# **INTERNAL AUDIT STRATEGIC PLAN**

**2018/19 – 2020/21**

**&**

**ANNUAL PLAN**

**2018/19**

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## **Internal Audit Team**

Lead Audit Specialist (Chief Internal Auditor) – Joanne Cassar MIIA MAAT

Audit Specialist – Richard Norris

Audit Specialist – Debbie Warren-Gash MAAT

## Introduction

1. The role of Internal Audit is best summarised through its definition within the Public Sector Internal Audit Standards (PSIAS) as:

*“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”.*

2. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.
3. The aim of Internal Audit’s work programme is to provide independent and objective assurance to management, in relation to the business, activities, systems or processes under review that:
  - the framework of internal control, risk management and governance is appropriate and operating effectively; and
  - risk to the achievement of the Council’s objectives is identified, assessed and managed to a defined acceptable level.
4. The Internal Audit Plan provides the mechanism through which the Lead Audit Specialist (Chief Internal Auditor) can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.
5. A copy of the assurance methodology can be found in appendix two.

## Conformance with Standards

6. The Strategic Internal Audit Plan 2018/19 to 2020/21 has been prepared in recognition of the responsibilities of the Chief Financial Officer under S.151 of the Local Government Act 1972 and the Accounts & Audit Regulations 2015 and in accordance with the Public Sector Internal Audit Standards 2013 (the Standards).

## Council Risk & the Audit Universe

7. The Standards require the Lead Audit Specialist to develop and maintain a risk-based strategy for delivering the internal audit service. The risk strategy methodology can be found in Appendix 1.

8. The Council continues to develop the 12 service plans to support the Corporate Strategy and the 10 corporate objectives. Supporting the 12 service plans will be 12 Risk Registers which will be more closely aligned to corporate objectives. The current and future Risk Registers are fundamental to the development of the Internal Audit Plan. The Lead Audit Specialist will monitor the risk registers closely over the course of the year to ensure the plan remains agile to the rapidly changing landscape.
9. The Audit Universe identifies the main auditable areas within the Council. This is kept under regular review and updated to reflect new ways of working. Each auditable area is risk assessed annually as part of the planning process and a risk factor is applied to as summarised below (see appendix 1 for risk strategy methodology).
  - High – audit in alternate years (biennially).
  - Medium – audit on a cyclical basis every 3-5 years.
  - Low – audit on a non-cyclical basis based on a continued assessment of risk.

### **Developing the Internal Audit Plan**

10. To ensure that the Audit Plan was aligned to the Corporate Strategy, Service Plans, and Risk Management Framework and that it continues to add value, consultation took place with Management Team, Local Area Managers, the Commercial Manager, the Strategy Leads and Lead Specialists for the 4 themes and members of the Senior Leadership Team.
11. Based on the conversations with key stakeholders, review of key corporate documents and risk registers, along with our understanding of the organisation a three year Strategic Plan and an Annual Plan for the coming year have been developed.
12. During the year dialogue with key stakeholders will continue to ensure that the plan reflects the needs of the Council. The three year Strategic Plan is reviewed and updated as necessary each year and presented to the Audit & Resources Committee.
13. The Council is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.
14. In compiling the Plan the following was considered:
  - Any audit not completed as part of the Annual Plan for 2017/18 has been reassessed for risk and incorporated into this 3 year Strategic Internal Audit Plan.
  - A review of the Audit Universe was carried out and the following assurance reviews were added to the plan:
    - Social Media Policy

- Marketing
  - Records & Information Management
  - Community Engagement
  - Safeguarding
  - Housing Development (Transactions)
  - Enforcement
- A review of key control areas (major systems) which are key internal control systems and are specifically defined as being those that control the Council's collection and paymaster functions and the associated corporate accounting arrangements. These were traditionally reviewed annually however have been risk assessed and will now be reviewed biennially and require a resource of 125 days.
  - A total of 19 days has been included in the Plan for Corporate Governance reviews which includes input in to the Annual Governance Statement, Business Continuity Planning, Local Government Transparency Agenda, Partnership Arrangements and the Quality Assessment and Improvement Programme (QAIP) for Internal Audit.
  - A total of 25 days has been included in the plan for assurance and consultancy work required as part of new systems and processes being developed as part of Service Redesign.
  - The IT element of the Plan has been assessed and resourced in accordance with latest guidelines. Where appropriate, reliance will be placed on the work of external consultants to avoid any duplication of efforts. A specific IT audit provision of 20 days per annum has also been included within the Plan which is provided through contract arrangement by Portsmouth City Council.
  - 10 days has been made available for members to request a review during the year which is high risk and is not covered elsewhere in the plan.
  - 15 days is included in the plan for consultancy and value for money reviews which will be determined through the year as a result of corporate performance monitoring. Internal Audit will work closely with Performance and Governance to align work, avoid duplication and improve processes.
  - A contingency of 20 days is included within the Plan to cover special investigations and other demands not specifically provided for. Investigations into potentially fraudulent activities will always be undertaken as a matter of priority.
  - 15 days has also been included within the Plan to cover the transition of work between 2017/18 and 2018/19 and a provision of 20 days has also been made for demand-led activity (Help & Advice). Past experience has indicated that these contingencies are likely to be fully utilised.
15. In developing the Plan it must also be recognised that Internal Audit are integral to the review of systems, processes and procedures that are being undertaken as part of the Service Redesign programme and whilst the

Standards are specific in identifying the requirements of the planning process, there is also a need to maintain flexibility within the Plan. Both the Plan and the associated risk assessment will be kept under regular review and updated as the results of audit work are finalised, new systems are developed and other factors arise which may affect organisational priorities. As a result, the Plan will remain fluid and some work may be accelerated and other work may attract a lower priority.

### **Strategic Internal Audit Plan 2018/19-2020/21**

16. Based on the above principles, the risk factor, consideration of current and new initiatives during the forthcoming year and liaison with key stakeholders, the Strategic Internal Audit Plan 2018/19 to 2020/21 has been prepared as detailed below.
17. This Plan is endorsed by the Chief Financial Officer and the Lead Audit Specialist as being sound, robust and sufficient to safeguard the Council's internal control framework and sufficient to enable the Lead Audit Specialist to produce an Annual Assurance Statement.

**Strategic Internal Audit Plan 2018/19-2020/21**

	<b>2017/18 Agreed days</b>	<b>2018/19 DAYS PLANNED</b>	<b>2019/20 DAYS PLANNED</b>	<b>2020/21 DAYS PLANNED</b>
MAJOR SYSTEMS	110	125	85	115
CORPORATE GOVERNANCE	16	19	10	27
CORPORATE SUPPORT	85	73	58	53
CORPORATE SYSTEMS	31	38	28	23
STRATEGY	33	25	38	15
SUPPORT SERVICES	62	50	33	30
SERVICE DELIVERY	157	80	125	122
CONTRACT AUDIT	30	15	15	15
MEMBERS SCRUTINY	10	10	10	10
INVESTIGATIONS/CONTINGENCY	35	20	20	20
CONSULTANCY	0	15	15	15
PRIOR YEAR END COMPLETION	15	15	15	15
HELP & ADVICE	20	20	20	20
<b>TOTAL RECHARGEABLE DAYS</b>	<b>604</b>	<b>505</b>	<b>472</b>	<b>480</b>
<b>NON RECHARGEABLE DAYS</b>	<b>266</b>	<b>216</b>	<b>222</b>	<b>222</b>
<b>TOTAL PLAN DAYS</b>	<b>870</b>	<b>721</b>	<b>694</b>	<b>702</b>
<b>RESOURCES AVAILABLE</b>	<b>870</b>	<b>666</b>	<b>639</b>	<b>637</b>
<b>Shortfall in resources</b>	<b>N/A</b>	<b>55*</b>	<b>55</b>	<b>65</b>

\* Shortfall in resources to be met through appointment of an Audit Specialist on a casual basis. The Lead Audit Specialist is to review resources for the longer term.

### **Annual Internal Audit Plan 2018/19**

18. The Annual Internal Audit Plan provides the mechanism through which the Lead Audit Specialist can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.
19. Following Phase One of Service Redesign, the new structure from December 2016 for Internal Audit reduced resources from 3.4 to 2.4 full time equivalents (FTEs) which was filled by the existing Lead Audit Specialist (0.8 FTE) and two Internal Audit Specialists (1.6 FTE). For 2018/19 this resource provides a total of 596 days.
20. It was agreed by the Audit and Resources Committee on 6 September 2016 that the reduction of 1 FTE audit resource should not impact the section until the programme was complete. To cover the shortfall of resources during 2017/18 an Internal Audit Specialist was appointed on a fixed term contract of 12 months from April 2017 and Portsmouth City Council continued to provide additional audit resources of 50 days to assist with the delivery of the plan. The arrangement with Portsmouth City Council will continue into 2018/19 with provision of 50 days in addition to the 20 days specialist IT audit resource. A total audit provision of 666 days is currently available for 2018/19.
21. The Annual Internal Audit Plan for 2018/19 will require total resources of 721 days to complete. The remaining shortfall of 55 days will be resourced through a casual arrangement with an experienced Internal Auditor.
22. Total audit days are apportioned between rechargeable and non-rechargeable work. Non-rechargeable time includes annual leave, sickness, training and development, appraisals and day to day management which cannot otherwise be charged to a specific audit review but is key to the effective day to day planning and operation of the unit and development of staff. The total rechargeable days for 2018/19 are 505 days.

## Annual Internal Audit Plan for 2018/19

AUDIT UNIVERSE	RISK INDEX H=High M=Medium L=Low (see appendix 1)	2018/19 PLANNED AUDIT DAYS
<b>Major Financial Systems</b>		
Accounting System	H	
Accounting for Fixed Assets	H	
Budgetary control	H	15
Treasury Management	H	15
Cash Collection & Banking	H	20
Bank Reconciliation	H	5 (follow up)
Accounts Receivable	H	5 (follow up)
Accounts Payable	H	20
Payroll	H	15
Local Taxation	H	
Housing Benefit & Council Tax Support	H	20
Contingency	-	10
<b>Corporate Governance</b>		
Annual Governance Statement	-	1
Internal review of Audit	-	2
External review of Audit	-	
Follow up of Audit Recommendations		5
Corporate Governance	H	5
Business Continuity Planning	H	5
Local Government Transparency Agenda	-	1
<b>Corporate Support</b>		
Audit Liaison	-	6
Prevention of Fraud & Corruption	-	20
National Fraud Initiative	-	10
IT System Development/Implementation	-	5
Corporate Risk Management Group	-	2
Procurement Executive Group	-	2
ICT Security Group	-	1
Future Eastleigh/Service Re-Design	-	25
Other Project Groups	-	2
<b>Corporate Systems</b>		
Housing Development (Transactions)	H	10
Community Investment Programme	H	10
Safeguarding – Children and Vulnerable Adults	H	8
Health & Safety (inc Events Management/CDM)	M	10
Insurance	M	
Taxation – VAT & Sub Contractors	M	
Commercialisation	M	
Contract Management	M	

Authorised Signatories	L	
Car Club	L	
Controlled Stationery	L	
<b>Strategy Directorate</b>		
Strategic Planning	H	
Procurement Arrangements	H	10
Risk Management	H	
Social Media Policy	H	5
Community Grants	M	
Project Management/PIR Controls	M	10
Performance Management	M	
Sponsorship & Advertising Income	M	
Marketing	M	
Community Engagement	M	
Electoral Registration	M	
Election Expenses	L	
Communications & Civic/Mayoralty	L	
<b>Support Services Directorate</b>		
Business Applications	H	5
ICT Service Delivery & Management	H	10
IT Infrastructure	H	5
Information Legislation (Data Protection/FOI)	H	10
Records and Information Management	H	10
Corporate Credit Card	M	5
Travel, subsistence, officer expenses	M	5
Legal Fees	M	
Recruitment & Selection	M	
Time & Attendance System	M	
Training & Development	M	
Sickness Absence Monitoring	M	
Car & Travel Loans	L	
Members Allowances	L	
Licensing – SCC Partnership	L	
Cheque security & control	L	
Print Unit (Glass Box)	L	
Petty Cash	L	
<b>Service Delivery Directorate</b>		
Asset Management	H	10
Commercial Rents	H	
Developers Contributions	H	
Commercial Waste	M	
Waste Management	M	
Green Waste System	M	
Street Scene	M	10
Pest Control	M	
Small works	M	
Fleet Management	M	

Tree Stock Management	M	5
Vehicle Workshop	M	
Asset Maintenance	M	
Facilities Management	M	
Places Leisure Eastleigh Management Arrangements	M	
The Point & The Berry (Business & Operations)	M	10
Arts Development (inc Youth Theatre)	M	
Wessex House	M	
Countryside Management (all parks)	M	10
Case Management	M	
Customer Compliments & Complaints	M	
Car Parks	M	5
Residents Permits	M	10
Civil Parking Enforcement	M	5
Enforcement	M	10
Health Licences (inc Private Rented Accommodation)	M	
Hampshire Home Choice	M	
Homelessness	M	
Tenancy Start Up /Top Up Rent	M	
Housing Grants & DFGs	M	
Planning Fees	M	
Land Charges	M	
Building Control Fees	M	
Community Safety	M	
Cemeteries	L	
Hire of Community Facilities	L	
Sport (Park Sport) – Income	L	
Traffic Management	L	5
Markets	L	
Allotments	L	
Grange Park Management Agreement	L	
<b>Contract Audit</b>	-	<b>15</b>
<b>Members Scrutiny</b>	-	<b>10</b>
<b>Consultancy/Improvement (VFM)</b>	-	<b>15</b>
<b>Investigations/Contingency</b>	-	<b>20</b>
<b>Prior Year Audit Completion</b>	-	<b>15</b>
<b>Help and Advice</b>	-	<b>20</b>
<b>Total Rechargeable time</b>		<b>505</b>
<b>Non-Rechargeable time</b>		<b>216</b>
<b>Total Audit days</b>		<b>721</b>

## Appendix 1

### Internal Audit - Risk Based Strategy 2018/21

The Audit Universe details the main auditable areas across Eastleigh Borough Council. The Public Sector Internal Audit Standards 2013 (PSIAS 2013) require the Lead Audit Specialist (CIA) to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

*“The Lead Audit Specialist is responsible for developing a risk-based plan. The CIA takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the CIA uses his/her own judgement of the risks after consideration or input from senior management and the Audit & Resources Committee. The CIA must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems and controls.” Source PSIAS 2013.*

Each year the Lead Audit Specialist carries out a Risk Assessment of each auditable area which assists in determining the audit coverage for that coming year. This is considered alongside input from senior managers, the Audit & Resources Committee and External Audit.

The risk assessment is split into 4 areas; Corporate Priority, Control Environment assessment, financial risk score and Reputational risk score. This is determined by the Lead Audit Specialist's assessment with input from responsible officers, Audit & Resources Committee and External Audit alongside a review of Risk Registers. If a review hasn't been covered before or for some time then an average score of 2 is given

Corporate Priority	Score	Control Environment	Score
High	3	Poor	3
Medium	2	Average	2
Low	1	Good	1
Financial Risk	Score	Reputational Risk	Score
High	3	High	3
Medium	2	Medium	2
Low	1	Low	1

Each audit is risked assessed using the 4 areas above and the score is combined to give an overall score. This score will determine if the audit is risked as high, medium or low as shown below:

#### Overall score:

Score	Risk	Audit frequency
7 or less	Low risk	Audit on a non-cyclical basis based on a continued assessment of risk
Score 8-10	Medium risk	audit on a cyclical basis every 3-5 years
Score 11+	High risk	audit in alternate years (biennially)

## Appendix 2

### Internal Audit – Assurance Methodology

#### Opinion

- For each internal audit assignment, we arrive at a conclusion that assesses the audit assurance in one of four categories. These will arise from:
  - Our assessment of the controls that are in place and;
  - Our assessment of compliance with these controls.

Level	Control Assessment	Compliance Assessment
<b>Substantial</b>	There are robust controls in place.	There is compliance with controls.
<b>Adequate</b>	There are opportunities to improve controls.	There is non-compliance with some of the controls.
<b>Limited</b>	Significant weaknesses in controls exist.	There is a significant level of non-compliance with controls.
<b>Nil</b>	There are no controls in place.	There is no compliance with controls.

- Audit objectives are established for each assignment. Each objective is assessed and the results are used to form an overall opinion.

#### Recommendations

- Recommendations are graded to assist management with prioritising implementation as follows:

Priority	Explanation
<b>1 (Critical risk)</b>	Significant control weaknesses which require immediate action. For example, a breach of law.
<b>2 (High risk)</b>	There is a key control missing, not working or being adhered. This could lead to a risk of material inaccuracy/loss. Management attention is required to remedy the situation within a month.
<b>3 (Medium Risk)</b>	There is a key control missing, not working or being adhered. This could lead to a risk of material inaccuracy/loss. Management attention is required to remedy the situation within three months.
<b>4 (Low Risk)</b>	There is a weakness or opportunity for improvement although this does not expose the Council to any significant risk.