



Nottinghamshire County Council

Delivery model

Understanding
the Council's
assurance
needs

Deploying
Internal Audit
resources

Maintaining
quality and
VFM

Reviewiing &
reporting
progress

Strategic Internal Audit Plan
2019-2021



Purpose of the Strategic Internal Audit Plan

The purpose of this document is to plan for how the Internal Audit service will deliver its mission, as set out in the Internal Audit Charter:

'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'

The Strategic Internal Audit Plan sets out how the service's operating model will deliver what the Council requires of the service:

- To provide assurance to Members and Senior Officers that the Council has effective arrangements in place to deliver its Council Plan objectives
- To meet the statutory responsibility of the Section 151 Officer to arrange for the continuous, independent internal audit of the Council
- To meet the requirement under the Public Sector Internal Audit Standards for the Group Manager - Assurance to deliver an annual opinion of the Council's arrangements for governance, risk management and control.

The Strategic Internal Audit Plan covers the period November 2019 to May 2021, to link in with the timescale of the current Council Plan. Going forward, the Strategic Internal Audit Plan will align with the time horizons of future Council Plans.



Delivery model

The Strategic Internal Audit Plan will be delivered by the in-house Internal Audit team. The service is committed to maintaining the strengths and benefits of operating as an in-house unit:

- Detailed knowledge of the activities of the Council
- Speed of response and flexibility
- Value for money
- Track record of delivering an effective in-house service meeting internal audit standards
- High quality advice and consultancy
- Commitment to the Council and support for the delivery of its priorities.

The service will continue to be outward-looking and keen to engage with its peers in other authorities, to look for opportunities for improvement. Central to this is its collaboration with Assurance Lincolnshire. The service will work to consolidate this partnership over the period of this strategic plan and to exploit every opportunity it offers to improve standards and value for money.



Understanding the Council's assurance needs

This Strategic Internal Audit Plan sets the medium-term framework within which the operational internal audit plans are designed and delivered. Internal Audit operates three Termly Plans in each financial year, covering the following periods:

- Term 1: April to July
- Term 2: August to November
- Term 3: December to March

This approach provides for the timely refresh of Internal Audit's priorities, ensuring the service is responsive to the changing risk profile of the Council. However, the service recognises the potential risk that a continuous focus on the short-term may lead to drift from its longer-term objectives and failure to deliver a balanced span of assurance. Accordingly, the **strategic priorities** for internal audit coverage over the period of this plan are the following:

a) To review the governance, risk management and control arrangements to deliver the council's objectives

The Council Plan is delivered by the Council's services, therefore this objective will be delivered through the risk-assessed priorities for the review of services in each Termly Plan. This is a significant element of the Strategic Internal Audit Plan, providing for the flexibility and responsiveness the Council requires to ensure audit coverage keeps pace with the changing risk profile of the organisation. This will be achieved through effective consultation with senior officers and members:

- With senior officers – scheduled termly slots at Corporate Directors' Strategic Leadership Team meetings and at Corporate Leadership Team meetings to discuss priorities for audit coverage in the coming term. These scheduled arrangements will also be complemented by ongoing and less formal liaison with Group Managers to update the service's intelligence about emerging risks.
- With members – each Termly Plan is scheduled for discussion and agreement at the Governance & Ethics Committee, affording members of the Committee with the opportunity to influence the service's coverage. In addition to this, the Group Manager – Assurance meets regularly and jointly with the Chairman of the Governance & Ethics Committee and the Committee's Opposition Group Lead to discuss governance issues. These meetings provide an opportunity for all Members to channel any suggestions for audit coverage through these lead Members.

Through these arrangements, timely and relevant assurance will be delivered to Members and Senior Officers.

b) To provide assurance that the Council's core systems and processes are operating effectively

The statutory duty of the Section 151 Officer, coupled with the PSIAS requirements for the Group Manager – Assurance, bring with them their own requirements for coverage by the Internal Audit service. These are focused on timely assurance that the Council's core systems and processes continue to be well controlled, governed and risk-managed. In order to ensure a balanced view of assurance is delivered over the life of the Strategic Internal Audit Plan, the following sets out a number of core systems and procedures that will be scheduled for coverage on a periodic basis, rather than on a pure risk basis, with all scheduled to be covered at least once during each strategic plan period.

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| ➤ Corporate governance | ➤ Budgetary control |
| ➤ Business continuity | ➤ Commissioning |
| ➤ Counter-fraud & counter-corruption | ➤ Employee controls - recruitment, remuneration, attendance management, etc |
| ➤ Health & safety | ➤ Payment card industry (PCI) compliance |
| ➤ Information governance | ➤ Procurement to Pay |
| ➤ Risk management | ➤ Accounting clearing house |
| ➤ Service planning & performance management | ➤ Payroll |
| ➤ ICT external assurance | ➤ Pensions |
| ➤ ICT access controls | ➤ Corporate financial management |
| ➤ ICT networks | ➤ Accounts receivable |
| ➤ Learning, development & workforce planning | ➤ Asset management |

It is important to ensure assurance about the above processes is delivered in the most efficient and effective manner. Two particular approaches will be developed over the course of this strategic plan to pursue this:

- Assurance mapping – pro-actively using evidence available from 2nd and other 3rd line assurance providers to ensure Internal Audit's coverage is both targeted and complementary.
- Continuous auditing – working with 2nd line assurance providers to develop automated approaches to delivering exception reporting for action by 1st line managers.

The service liaises on a quarterly basis with the Council's external auditors, to ensure effective co-ordination of the total audit effort the Council receives.

c) To provide advisory and consultancy-style input to the Council's key developmental and transformation projects

This is required to maximise the timeliness with which Internal Audit is able to influence change within the Council. The Council needs Internal Audit to be a trusted advisor, helping to ensure transformation projects have appropriate governance, risk management and control designed in while change is happening rather than after the event

d) To assist the Council in implementing its Counter-Fraud & Counter-Corruption Strategy

The prevention and detection of fraud are the responsibility of management. However, Internal Audit has a key role to play in helping the Council to promote a strong counter-fraud culture. Strong arrangements for deterrence, coupled with robust preventative controls, should lead to fewer actual attacks that need to be detected and acted upon. Internal Audit is well positioned to take the lead in promoting the Council's Counter-Fraud and Counter-Corruption Strategy.



Deploying Internal Audit resources

Internal Audit has a number of tools at its disposal to deliver its objectives. Most notable are the following types of audit input and approach which will be priorities for deployment in delivering this Strategic Internal Audit Plan:

- **Risk based audit**

This is the primary means by which Internal Audit will deliver its objectives, being the approach deployed to review each prioritised area of service and activity in the Termly Plans. The approach features risk-based evaluation and testing of the control framework to ensure that each area of activity reviewed is well governed to deliver its objectives. This approach results in the delivery of an assurance opinion about the adequacy of governance, risk management and control procedures in a service area. This provides Members and Senior Officers with a clear, independent level of assurance about each area subject to audit. The profile of assurance opinions issued each year is a key contributor to the Group Manager – Assurance’s annual opinion.

- **Advisory & consultancy style input**

Advisory input will be provided in a scalable manner, ranging from formally scoped, consultancy-style pieces of work to the provision of ad hoc emailed or verbal advice in response to day-to-day requests from operational staff. Whilst Internal Audit is often approached by senior managers to become involved in significant, developmental projects, the service will also be pro-active in ensuring its involvement in key transformation programmes. Priorities for Internal Audit’s advisory input will be a feature of each Termly Plan, for consultation and agreement.

- **Counter-fraud**

In taking the lead on promoting a strong counter-fraud culture in the Council, Internal Audit will provide for time in each of its Termly Plans for the following:

- e) Preparing and publishing periodic updates across the Council about counter-fraud risks, developments, best practice and recent successes
- f) Taking the lead in compiling the Council’s Annual Fraud Report
- g) Acting as the key point of contact for the Council’s participation in the National Fraud Initiative and in other national and regional counter-fraud networks.

It is important for the service to deploy its resources to maximise its impact for the Council. To this end, the service will continuously review best practice tools and techniques to identify ways in which improvements may be made. For this strategic period, the following are the service’s priorities for development:

- **Data analytics: ‘Big Data = Big Assurance’**

The Service has an internal plan for the implementation of data analytics across all of its work. This will be developed through formal training for audit staff, where appropriate, along with a collaborative ‘show and tell’ approach to better use the analytical tools the service already has available. This will also embrace sharing experience with our collaboration partners, Assurance Lincolnshire, and through participation in regional and national internal audit networks. All audit staff will be encouraged to develop their competence and confidence in data analytic techniques. In this way, the Council will receive greater levels of assurance and greater insight into the effectiveness of its services.

- **Assurance mapping**

The service will continue to support the Council in its implementation of an annual assurance mapping process. The service will continue to take the lead in its design, implementation and reporting.

The benefits of this process for Internal Audit are recognised and will be applied in two key ways:

- In assessing priorities for Internal Audit coverage in each Termly Plan – intelligence available through the assurance map will be used to identify where there are gaps in assurance towards which Internal Audit should direct its efforts.
- During each audit assignment, evidence available from 2nd line and other 3rd line assurance providers will be identified and assessed for reliance purposes.

- **Continuous auditing**

Internal Audit will continue to work with 2nd line assurance providers, most notably with the Business Services Centre, to develop an approach to continuous auditing in the Council's core systems, which have a track record of delivering substantial levels of assurance. This will seek to establish a continuous and trusted flow of assurance to senior managers (and to Internal Audit), such that management attention is directed through automated procedures to deal with transactions falling outside of agreed tolerances. In this way, continued, high levels of assurance will be captured by means of automated processes, rather than by the deployment of Internal Audit staff. This approach is likely to be applicable to the Council's core systems and will release Internal Audit staff to be deployed on more complex priorities.



Maintaining quality and VFM

Successful delivery of this Strategic Internal Audit Plan relies fundamentally on the skills and abilities of the Council's Internal Audit Team. Priority areas for improvement are identified routinely through staff members' individual Performance & Development Reviews and more collectively through the service's annual Quality Assurance & Improvement Plan. Training requirements are identified through both of these routes, and these will be prioritised for delivery. In assessing which requirements to meet, consideration will be given to:

- The impact that new skills will have when deployed to deliver Termly Plans
- How widely new skills may be transferred to, and applied by, all staff in the team
- The relative costs and benefits of the training options available
- Opportunities to collaborate with Assurance Lincolnshire in the delivery of training.

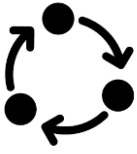
During the current Strategic Plan, the service will implement a revised staffing structure. This is designed to address a number of drivers for change:

- To streamline management capacity in the service
- To provide for improved flexibility and resilience in service delivery
- To implement an apprenticeship programme to provide for an internal flow of the skilled auditors the Council needs in the service.

The service will deliver its service in compliance with and in support of the Council's objective to provide cost-effective services. Priorities for this strategic plan period will be:

- Implementing the revised staffing structure to reduce the degree to which the service has to engage higher cost resources through external temporary worker agencies
- Exercising a cost-benefit approach to commissioning training

- Maximising use of the Council's smarter working tools and technologies to limit staff travel expenses.



Reviewing and reporting progress

Internal Audit reports on the outcomes of its work three times a year through its Termly updates. These are reported to the Corporate Leadership Team and to the Governance & Ethics Committee.

The third Termly Report each year also incorporates the Group Manager – Assurance's Annual Audit Report to the Council. That annual report presents an appropriate opportunity to assess progress with implementing this Strategic Internal Audit Plan and in assessing whether the plan needs to be revised in any way.