

## Internal Audit Strategy and Risk Based Plan 2014/15

### 1. Internal Audit Strategy

1.1. This strategy is the high level statement of how the Internal Audit service will be delivered and developed in accordance with its approved terms of reference (the Audit Charter) and how it links to the Council's organizational objectives and priorities.

### 1.2. Service Purpose

1.2.1. The key purposes of the Internal Audit service are to:

- provide the Council\* with independent assurance regarding the effectiveness of its systems of Governance and Internal Control;
- support the Council in delivering organizational change and its development programme; and
- help the Council secure and demonstrate value for money throughout its activities.

\* This purpose also relates to Preston City Council with regards to the audit by Lancaster's Internal Audit of the Revenues and Benefits Shared Service arrangements.

### 1.3. Strategic Aims & Objectives

1.3.1. Internal Audit's strategic aims and objectives are defined as:

- promoting and helping develop standards of risk management throughout the Council's operations;
- contributing to improving standards of internal control and governance within the authority and its key partnerships;
- supporting the Council in the implementation of its change programme and providing assurance on the effectiveness of both new and existing arrangements;
- supporting the Council in identifying efficiencies and achieving value for money in service delivery; and
- continuing to develop the scope, robustness and effectiveness of Internal Audit's assurance and support work.

### 1.4. Identifying and accommodating significant local and national issues and risks

1.4.1. Emerging local and national issues that might warrant Internal Audit attention will primarily be identified through:

- contributing to the development, updating and monitoring of the assurance framework;
- reviewing the Corporate Plan and individual service plans; and
- through regular consultation and liaison with Chief Officers, the statutory officers, service managers and the corporate Management Team.

1.4.2. This approach will seek to ensure that significant risks are adequately identified, assessed and evaluated in terms of the level of assurance necessary and already available, and will involve:

- tracking corporate policy/priority developments and the decisions taken by the authority's decision-making bodies;

- regular consultation with service managers and the Corporate Management Team;
- regular liaison with other review bodies, especially the Council's external auditor;
- liaison with/considering the approach and work programmes of other internal review bodies, for example the Overview & Scrutiny function;
- liaison with other local government auditors and active participation in local/regional professional groups;
- consideration of key corporate risks; and
- maintaining a professional focus and taking advantage of opportunities for professional updates/development, including CPD where appropriate.

1.4.3. In line with the above, the risk-based audit plan is designed to be sufficiently flexible to meet the changing risks and priorities of the Council. It provides for a programme of work to be developed on a rolling basis to reflect and accommodate significant risks and assurance needs identified through an ongoing review of the assurance framework.

1.4.4. Internal Audit activity may involve any one, or a combination of the following:

- a specific piece of Internal Audit assurance work;
- efficiency/VfM or support work directed at improving the efficiency of existing procedures and/or standards of governance and control;
- contributing to corporate groups/projects/reviews (officer and/or Member based) established for a given purpose/objective.

## 2. Internal Audit Risk Based Plan 2014/15

| 1. ASSURANCE WORK  |  |              |
|--|--|--------------|
| CORE FINANCIAL SYSTEMS   |  |              |
| Approach and objectives  | Covers the following areas:  | Planned Days |
| <p>The focus will be on those systems (selected from the areas listed alongside) which currently demonstrate higher levels of risk.</p> <p>The objective is to provide assurance that in practice, key system controls remain robust and are operating securely and efficiently.</p> <p>There will be a focus throughout this work on providing assurance on the robustness of measures to combat fraud and corruption</p>   | <ul style="list-style-type: none"> <li>➤ Main Accounting</li> <li>➤ Asset Management</li> <li>➤ Payroll</li> <li>➤ Ordering &amp; Payments</li> <li>➤ Sundry Debtors</li> <li>➤ Income Management</li> <li>➤ Treasury Management</li> <li>➤ Housing Rents</li> <li>➤ Anti-Fraud &amp; Corruption Arrangements</li> </ul>   | 60           |
| <p><b>Revenues and Benefits Shared Service</b></p> <p>Coverage is agreed through consultation with the Shared Service managers and Preston CC's head of internal audit.</p>  | <ul style="list-style-type: none"> <li>➤ Council Tax</li> <li>➤ Housing Benefit &amp; Council Tax Benefit</li> <li>➤ Council Tax Support</li> <li>➤ National Non-Domestic Rates</li> </ul>   | 40           |
| CORE MANAGEMENT ARRANGEMENTS   |  |              |
| Approach and objectives  | Covers the following areas:  | Planned Days |
| <p>Assurance work in 2014/15 will continue to focus on key corporate systems (selected from the areas listed alongside) with the objectives of:</p> <ul style="list-style-type: none"> <li>➤ providing assurance that newly introduced arrangements are fit for purpose;</li> <li>➤ existing arrangements remain robust and reliable; and</li> <li>➤ helping identify and implement efficiencies and improvement.</li> </ul> | <ul style="list-style-type: none"> <li>➤ Financial Management</li> <li>➤ Performance Management</li> <li>➤ Human Resource Management</li> <li>➤ Risk Management</li> <li>➤ Information Management</li> <li>➤ Corporate Governance</li> <li>➤ Partnership / Shared Services Arrangements</li> <li>➤ Procurement &amp; Contract Management</li> <li>➤ Project and Programme Management</li> <li>➤ National Fraud Initiative</li> </ul> | 50           |

| <b>RISK BASED ASSURANCE WORK PROGRAMME</b>  |  |                     |
|---|--|---------------------|
| <b>Approach and objectives</b>  | <b>The following areas are currently in progress or registered as potential audits in 2014/15:</b>   | <b>Planned Days</b> |
| <p>Drawing on the Corporate Plan and service plans, the risk based programme is developed and reviewed in consultation with Chief Officers and service managers, taking account of the nature and levels of risk in their spheres of activity.</p> <p>The main objectives in this work are to provide assurance that:</p> <ul style="list-style-type: none"> <li>➤ sound arrangements are in place to identify and assess risks;</li> <li>➤ risks are being effectively managed;</li> <li>➤ value for money is being achieved.</li> </ul> | <ul style="list-style-type: none"> <li>➤ Salt Ayre Sports Centre</li> <li>➤ Fleet Management (Environmental Services)</li> <li>➤ Commercial Property Leases and Licensing</li> <li>➤ Planning – Strategic Housing Market Assessment</li> <li>➤ Council Housing Tenancy Fraud</li> <li>➤ Outdoor Events Management</li> </ul> | 180                 |
| <b>FOLLOW-UP REVIEWS</b>  |  |                     |
| <b>Approach and objectives</b>  | <b>Covers the following areas:</b>   | <b>Planned Days</b> |
| <p>Following the production of an Internal Audit report and assurance opinion, a follow-up review is undertaken at an agreed time (usually after 6 months) to review progress with the agreed action plan.</p> <p>Progress is reported to management and to the Audit Committee.</p>  | All Internal Audit reports which result in the production of an assurance opinion and action plan.   | 50                  |
| <b>SUB-TOTAL – ASSURANCE WORK</b>   |  | <b>380</b>          |
| <b>2. CONSULTANCY WORK</b>  |  |                     |
| <b>Work Area and Objectives</b>   | <b>This Covers</b>   | <b>Planned Days</b> |
| <p><b>Ad-Hoc Advice</b></p> <p>To provide an on-demand advice service in respect of day-to-day internal control, risk management and governance matters.</p>  | <ul style="list-style-type: none"> <li>➤ Advice provided on request from employees and elected members;</li> <li>➤ Liaison with the external auditor and other agencies;</li> <li>➤ Publication of fraud alerts and other guidance notices;</li> <li>➤ Provision of training.</li> </ul>                                     | 65                  |
| <p><b>Support Work (projects and other support)</b></p> <p>To provide support and advice to management in the development and implementation of new policies, systems and projects.</p>   | <p>Current support areas include:</p> <ul style="list-style-type: none"> <li>➤ Review of Financial Regulations</li> </ul>  | 15                  |
| <p><b>Corporate Service Reviews</b></p> <p>To contribute to review teams and/or undertake specific audits to inform service reviews.</p>  | <p>Reviews currently being supported are:</p> <ul style="list-style-type: none"> <li>➤ Environmental Services and Housing job costing systems</li> </ul>   | 50                  |
| <b>SUB-TOTAL – CONSULTANCY WORK</b>   |  | <b>130</b>          |

| <b>3. OTHER</b>  |  |                     |
|--|--|---------------------|
| <b>Work Area and Objectives</b>  | <b>This Covers</b>   | <b>Planned Days</b> |
| <p><b>Non Audit Duties</b></p> <p>The professional standard regarding independence states that Internal Auditors should have no operational responsibilities.</p> <p>Internal Audit currently departs from this expectation in that the Internal Audit Manager currently shares Deputy Section 151 duties with the Financial Services Manager.</p> <p><b>Work for Other Bodies</b></p> | <ul style="list-style-type: none"> <li>➤ Deputy Section 151 duties (undertaken by the Internal Audit Manager)</li> <li>➤ Agreement has been reached to provide the Lake District National Park Authority with its internal audit service for 2014/15.</li> </ul>   | <p>10</p> <p>50</p> |
| <b>4. AUDIT MANAGEMENT</b>   |  |                     |
| <b>Work Area and Objectives</b>  | <b>This Covers</b>   | <b>Planned Days</b> |
| <p>Planning, Monitoring and Committee Work</p>   | <ul style="list-style-type: none"> <li>➤ Development and updating of the Internal Audit Strategy and Risk Based Audit Plan;</li> <li>➤ Monitoring and review of activity;</li> <li>➤ Reporting to and attending Audit Committee / other member meetings</li> </ul> | <p>50</p>           |
| <b>5. CONTINGENCIES</b>  |  |                     |
| <b>Work Area and Objectives</b>  | <b>This Covers</b>   | <b>Planned Days</b> |
| <p><b>Investigations</b></p> <p>Requests to undertake investigative work are irregular and unpredictable</p> <p>At the time of preparing the plan the section was not involved in any ongoing investigations</p>   | <ul style="list-style-type: none"> <li>➤ Investigating and reporting on alleged malpractice</li> <li>➤ Attending and submitting evidence to disciplinary hearings as necessary</li> </ul>  | <p>30</p>           |
| <p><b>General Contingency</b></p> <p>A general provision made to help accommodate unforeseen variations in demand for Internal Audit work during the year</p>  | <ul style="list-style-type: none"> <li>➤ Additional calls for work, particularly in areas such as investigations, or in support of corporate initiatives/major projects.</li> </ul>  | <p>40</p>           |
| <b>TOTAL – ALL ACTIVITIES</b>  |  | <b>690</b>          |