

AUDIT COMMITTEE

Internal Audit Strategy and Risk Based Plan 2019/20

20 February 2019

Report of Internal Audit and Assurance Manager

PURPOSE OF REPORT

To seek the Committee's approval for a proposed Internal Audit Strategy and Annual Risk Based Plan for 2019/20

This report is public

RECOMMENDATIONS

1. That the Internal Audit Strategy and Risk Based Plan for 2019/20 be approved.
2. That the Audit Committee approve the appointment of Lancashire County Council Internal Audit Services for the delivery of up to 50 audit days to assist with the delivery of the 2019/20 Audit Plan.
3. That the Audit Committee note that a re-structure is currently taking place, which is exploring the possibilities of extending the current arrangements with Wyre Council for a further three years in relation to the post of the Internal Audit and Assurance Manager (IAAM).

1.0 Introduction

- 1.1 The terms of reference of the Audit Committee include the wording: "To approve the risk-based internal audit plan, including resource requirements and the approach to using other sources of assurances and any work required to place reliance upon those other sources".
- 1.2 Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) (CIPFA 2013) Professional standards for Internal Audit in local government specify that "The Chief Audit Executive (the IAAM) must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."
- 1.3 The standards also specify that "The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities."

2.0 Proposal Details

Internal Audit Strategy

- 2.1 In accordance with the standards, an internal audit strategy has been incorporated in the risk-based plan. Both documents are attached to this report at Appendices A and B.
- 2.2 As the organisation reviews its priorities and continues to respond to continuing financial pressures and political uncertainties, there is an ongoing need to ensure that standards of risk, governance and internal control in the organisation are maintained. Internal audit's strategy aims both to promote these standards and develop the level and quality of independent assurance provided to the organisation on the effectiveness of its arrangements.

Risk Based Plan 2019/20

- 2.3 The risk-based plan submitted at Appendix B takes account of the characteristics and relative risks of the council's activities. The on-going development of the council's strategic risk register and assurance mapping has assisted with re-focusing the risk-based plan. Although specific pieces of work have been identified, it is important to note that it is flexible and should any new risks materialise following a review of the strategic risk register or from the development of operational risk registers, consideration will be given to making changes to this plan. The Audit Committee will be informed of any changes made in the future to the approved risk-based plan.
- 2.4 Following the resignation of the Deputy IAAM in December 2018, subject to Audit Committee approval, temporary arrangements have been provisionally made with Lancashire County Council to provide up to 50 audit days to assist in the delivery of the 19/20 audit plan.
- 2.5 The risk-based plan for 2019/20 is based on estimated available resources of 320 days, this being delivered by the in-house team (220 days – 1 FTE) the input of the IAAM (50 days) and up to 50 days from Lancashire County Council. Whilst this is a reduction of 144 days from the 2018/19 plan, assurances sought from the mapping exercise and also the draft strategic risk register allows confidence to be sought that audit coverage is still sufficient to be able to deliver an overall opinion going forward.
- 2.6 Whilst the contract with Wyre Council for the post of the IAAM ceases on the 31 August 2019, a review of the Internal Audit Services is currently being completed by the Director of Corporate Services, which if approved will see the continuation of the current arrangements with Wyre Council for a further three years. On that basis, a full year's allocation of 50 days has been allocated to the 2019/20 audit plan for the IAAM. A further report on the restructure will be presented to the Audit Committee in due course.

Financial Considerations

- 2.6 The risk based plan for 2019/20 is expected to be delivered within the overall 2019/20 budget for the internal audit and assurance service.

3.0 Details of Consultation

- 3.1 The Executive Team, which includes the Monitoring Officer and all Service Managers have been consulted in the preparation of the risk based plan for 2019/20.

4.0 Options and Options Analysis (including risk assessment)

- 4.1 Members are invited to comment on and then approve the proposed risk based plan for 2019/20 which includes the appointment of Lancashire County Council to assist in the delivery and to also note the pending restructure of the Internal Audit Service.

4.2 There are no alternative options identified.

5.0 Conclusion

5.1 Audit strategy and planning are key elements in the provision of an effective internal audit service. The proposed risk-based plan seeks to maintain a firm platform for the ongoing effectiveness and improvement of the council's internal audit service.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

This report has no direct impact on these areas.

FINANCIAL IMPLICATIONS

The annual risk based plan for 2019/20 is expected to be delivered within the overall 2019/20 budget for the internal audit and assurance service. Due to a vacancy within the team, up to 50 audit days are to be sourced from Lancashire County Council at a cost of £325 p/day (total £16,250 plus VAT). The costs will be met from vacancy savings.

There are no further financial implications arising from the report at this point.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments

LEGAL IMPLICATIONS

None arising from this report

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note (LGAN)

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Internal Audit Strategy

1. Internal Audit Strategy

- 1.1. This strategy is the high-level statement of how the internal audit service will be developed and delivered in accordance with its approved terms of reference (the Audit Charter) and how it links to the council's strategic organisational objectives and priorities.

2.0 Service Purpose

- 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 risk, governance and internal control;
- support the council in delivering organisational 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.

3.0 Strategic Aims & Objectives

- 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;
- developing the corporate 'assurance framework' and coordinating the capture and reporting of sources of assurance;
- developing and supporting managers in the management of risk;
- working closely with the corporate enquiry team to develop programmes of work to combat and reduce the risk of fraud;
- 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 work.

4.0 Identifying and accommodating significant local and national issues and risks

- 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, strategic risk register and individual service plans; and
 - regular consultation and liaison with the External Auditors, Section 151 Officer, Service Managers and the Executive Team.
- 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, the Executive Team and the Audit Committee Chairman;
 - 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 and 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 continuous professional development where appropriate.
- 4.3 In line with the Council's developing risk management strategy and associated assurance framework, the risk-based audit plan seeks to provide assurance in areas of significant risk where alternative sources of assurance are not readily available. Typically this will tend to focus on the auditing of "underlying risks", being those risks which are not being addressed by a current corporate or service-based project or initiative. The plan will be reviewed and updated on a rolling basis to accommodate any emerging significant risks and assurance needs identified through an ongoing review of the assurance framework.
- 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; or
 - contributing to corporate groups/projects/reviews (officer and/or Member based) established for a given purpose/objective.

DRAFT AUDIT PLAN - 2019/20

Category of work
<i>General / Meetings / Non-Chargeable</i>
Internal Audit Management / Audit committee work
Advice and assistance
Qualification training / professional development
<i>2018/19 Audit Plan work</i> (work rolled forward / work in progress)
Financial Planning and MTFS
Recovery of Legal Fees & Court Costs
Council Housing Assets - Cost of works
Economic Development/Regeneration Strategy
Green Waste
Local Authority Trading Work
Trade Waste
Salt Ayre
Project Assurance Work
Yet to be allocated (Canal Quarter/Bailrigg Garden Village/Eden Project/Heysham Gateway/Lower Lune Phase 3 Flood Defence Scheme)
Audit contingencies
Contingencies for investigations/whistleblowing
Follow-up work
Follow up of 2018/19 Audit work
Financial System work
Overtime (holiday pay on overtime)
Assurance work requested
Fixed Asset Register
Payroll Budget / E Budgeting
Property Investment Strategy
Debt Recovery
Health and Safety
Planning - S106/CIL Education Contributions
Service specific work
Vehicle Maintenance Unit
Dog Warden - Enforcement
Revenue shared service financial systems
Council Tax (Preston / Lancaster) - Occupation Validation
Housing Benefits - E forms (Lancaster)
Other areas of work
GDPR Compliance work
Preparation of the Annual Governance Statement
Validation of assurance mapping work