

Internal Audit Strategy and Risk Based Plan 2016/17

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 organisational 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;
- 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.

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
- 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, the Corporate Management 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 & 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 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.

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.

Internal Audit Risk Based Plan 2016/17

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"> ➤ Main Accounting ➤ Asset Management ➤ Payroll ➤ Ordering & Payments ➤ Sundry Debtors ➤ Income Management ➤ Treasury Management ➤ Housing Rents ➤ Anti-Fraud & Corruption Arrangements 	50
<p>Revenues and Benefits Shared Service</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"> ➤ Council Tax ➤ Housing Benefit & Council Tax Benefit ➤ Council Tax Support ➤ National Non-Domestic Rates 	40
CORE MANAGEMENT ARRANGEMENTS		
Approach and objectives	Covers the following areas:	Planned Days
<p>Assurance work in 2016/17 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"> ➤ providing assurance that newly introduced arrangements are fit for purpose; ➤ existing arrangements remain robust and reliable; and ➤ helping identify and implement efficiencies and improvement. 	<ul style="list-style-type: none"> ➤ Financial Management ➤ Performance Management ➤ Human Resource Management ➤ Risk Management ➤ Information Management ➤ Corporate Governance ➤ Partnership / Shared Services Arrangements ➤ Procurement & Contract Management ➤ Project and Programme Management ➤ National Fraud Initiative 	50

RISK BASED ASSURANCE WORK PROGRAMME		
Approach and objectives	Covers the following areas:	Planned Days
<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"> ➤ sound arrangements are in place to identify and assess risks; ➤ risks are being effectively managed; ➤ value for money is being achieved. 	<p>Areas identified for assurance audit through the risk-based planning process and consultation with Chief Officers and senior managers.</p>	120
FOLLOW-UP REVIEWS		
Approach and objectives	Covers the following areas:	Planned Days
<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>	<p>All Internal Audit reports which result in the issuing of either a 'limited' or 'minimal' assurance opinion and associated action plan.</p>	50
SUB-TOTAL – ASSURANCE WORK		310
2. CONSULTANCY WORK		
Work Area and Objectives	This Covers	Planned Days
<p>Ad-Hoc Advice</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"> ➤ Advice provided on request from employees and elected members; ➤ Liaison with the external auditor and other agencies; ➤ Publication of fraud alerts and other guidance notices; ➤ Provision of training. 	50
<p>Corporate Risk Management</p>	<ul style="list-style-type: none"> ➤ Provision of corporate support and guidance on the risk management strategy and associated issues 	20
<p>Support Work</p> <p>To provide support and advice to management in the development and implementation of new policies, systems and projects.</p>	<p>Support areas may include:</p> <ul style="list-style-type: none"> ➤ RIPA central record ➤ Annual governance review 	20
SUB-TOTAL – CONSULTANCY WORK		90

3. MANAGERIAL DUTIES		
Work Area and Objectives	This Covers	Planned Days
Internal Audit Management	<ul style="list-style-type: none"> ➤ Development and updating of the Internal Audit Strategy and Risk Based Audit Plan. ➤ Monitoring and review of activity. ➤ Reporting to and attending Audit Committee / other member meetings. 	40
<p>Non Audit Duties</p> <p>The professional standard regarding independence states that Internal Auditors should have no operational responsibilities. The Council's arrangements currently depart from this expectation in the following areas:</p>		
Deputy Section 151 Officer Duties	<ul style="list-style-type: none"> ➤ The IAAM currently shares Deputy Section 151 duties with the Financial Services Manager 	20
Information Governance Function	<ul style="list-style-type: none"> ➤ Line management responsibility for the Council's information governance function 	25
Corporate Enquiry Team	<ul style="list-style-type: none"> ➤ Client officer responsibility for the delivery of the shared corporate counter fraud service 	10
SUB-TOTAL – MANAGERIAL DUTIES		95
5. CONTINGENCIES		
Work Area and Objectives	This Covers	Planned Days
<p>Investigations</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"> ➤ Investigating and reporting on alleged malpractice ➤ Attending and submitting evidence to disciplinary hearings as necessary 	20
<p>General Contingency</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"> ➤ Additional calls for work, particularly in areas such as investigations, or in support of corporate initiatives/major projects. 	20
SUB-TOTAL – CONTINGENCIES		40
TOTAL – ALL ACTIVITIES		535