

AUDIT COMMITTEE

Internal Audit Strategy and Risk Based Plan 2018/19

21 February 2018

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 2018/19

This report is public

RECOMMENDATIONS

1. That the Internal Audit Strategy and Risk Based Plan for 2018/19 be approved.

1.0 Introduction

- 1.1 The terms of reference of the Audit Committee include: "To approve Internal Audit strategic plans and the Annual Internal Audit Plan" (the Constitution, part 3 section 8, TOR 11).
- 1.2 Professional standards for Internal Audit in local government¹ specify that "The Chief Audit Executive (the Internal Audit and Assurance Manager) 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."

¹ *Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) (CIPFA 2013)*

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 2018/19

- 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 assurance mapping has assisted with re-focusing the risk-based plan. Although the plan is specific, it is important to note that it is flexible and should any new risks materialise, 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 retirement of the former Internal Audit and Assurance Manager (IAAM) on the 19 May 2017, interim arrangements were put in place with Wyre Borough Council, providing temporary cover for the senior management responsibilities of the IAAM's post. The audit plan for 2018/19 has been formulated with the assumption that these arrangements will be extended for a further 12 months, subject to Audit Committee approval.
- 2.5 The risk-based plan for 2018/19 is based on estimated available resources of 464 days, this being delivered by the in-house team (2 FTE) plus the input of the IAAM for a further 12 months from the 1 April 2018.

Financial Considerations

- 2.6 The risk based plan for 2018/19 is expected to be delivered within the overall 2018/19 budget for the internal audit and assurance service.

3.0 Details of Consultation

- 3.1 Management Team has been consulted in the preparation of this report. Management Team, statutory officers and senior managers have been consulted in the preparation of internal audit's risk based audit plan for 2018/19.

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 2018/19.
- 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 2018/19 is expected to be delivered within the overall 2018/19 budget for the internal audit and assurance service.

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

Contact Officer: Joanne Billington

Telephone: 01524 582028

E-mail: jbillington@lancaster.gov.uk

Ref:

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 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 and individual service plans; and

- regular consultation and liaison with Chief Officers, the statutory officers, service managers and the Corporate Management 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 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 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;
 - contributing to corporate groups/projects/reviews (officer and/or Member based) established for a given purpose/objective.

Category of Audit	Total Days	Internal Audit & Assurance Manager	Audit Team (x2 FTE)
General / Meetings / Non-Chargeable			
Internal Audit Management / Audit Committee work	31	23	8
Advice and assistance	15	0	15
Qualification training	20	0	20
Total	66	23	43
2017/18 Audit Plan work (work rolled forward / work in progress)	22	2	20
Total	22	2	20
Audit Contingencies			
Contingencies for investigations/whistleblowing	20	0	20
Total	20	0	20
Follow Up Work			
Follow up of assurance audits	30	0	30
Total	30	0	30
Financial Systems			
Treasury Management	10	0.5	9.5
Creditors	10	0.5	9.5
VAT	10	0.5	9.5
Payroll	10	0.5	9.5
Insurance (position statement)	10	0.5	9.5
Total	50	2.5	47.5
Core Management			
Canal Corridor North Health Check	5	0	5
Council Housing Assets	12	0.5	11.5
Money Laundering (compliance with new regs)	12	0.5	11.5
Disabled Facilities Grants	10	0.5	9.5
Pre-employment checks	10	0.5	9.5
GDPR compliance	12	0.5	11.5
Ethical Governance Survey	12	0.5	11.5
Economic Development/Regeneration Strategy	12	0.5	11.5
Elections	12	0.5	11.5
Council Housing - compliance work	25	0.5	24.5
White Lund Nursery – cash and banking	5	0.5	4.5
Community Infrastructure Levy	10	0.5	9.5
Pest Control	10	0.5	9.5
Dog Warden Service	10	0.5	9.5
Communications	12	0.5	11.5
Emergency responses (to Flooding)	10	0.5	9.5
ICT related review (software licences, patch management)	15	0.5	14.5
Total	189	8.0	181
Revenue Shared Service Financial Systems			
Council Tax - Lancaster	10	0.5	9.5
Council Tax - Preston	10	0.5	9.5
Housing Benefits - Lancaster	10	0.5	9.5
Housing Benefits - Preston	10	0.5	9.5

Total	40	2	38
Other Areas of Work			
Annual Governance Preparation	13	5	8
Risk management and assurance framework	6	1	5
PSIAS Peer Review - Wyre Borough Council	3	0	3
National Fraud Initiative 2018/19	5	0	5
Supporting Corporate Enquiry Team	20	2	18
Total	47	8	39
GRAND TOTAL	464	45	419