

Taunton Deane Borough Council

Corporate Governance Committee – 21 March 2016

SWAP Internal Audit – Internal Audit Plan 2016/17

This matter is the responsibility of Executive Councillor Richard Parrish

Report Author: Alastair Woodland, Audit Manager, SWAP

1 Executive Summary

- 1.1 This report introduces the Internal Audit Plan for 2016/17 and also incorporates an 'Internal Audit Charter' which sets out the operational relationship between TDBC and the South West Audit Partnership (SWAP).
- 1.2 This is a flexible plan that may be amended during the year to deal with shifts in priorities. The following plan has the support of the Section 151 Officer.

2 Recommendations

- 2.1 The Corporate Governance Committee is requested to approve the Internal Audit Plan for 2016/17.
- 2.2 The Corporate Governance Committee is requested to approve the Internal Audit Charter.

3 Risk Assessment

- 3.1 Any risks identified will feed in to the corporate risk management process.

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
Impact							

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background and Full details of the Report

Internal Audit Plan 2016-17 (Appendix A)

- 4.1 The Internal Audit service for Taunton Deane Borough Council is delivered by South West Audit Partnership (SWAP).
- 4.2 The internal audit plan for 2016/17 is set out in the attached report from SWAP. I am satisfied that this plan is focussed on key risks areas, and will help provide me with assurance on internal controls.
- 4.3 This has been discussed and supported by the Councils Joint Management Team and is now shared with Members for approval.

Internal Audit Charter (Appendix B)

- 4.4 The internal audit service provided by the South West Audit Partnership (SWAP), works to a Charter that defines its roles and responsibilities and the roles and responsibilities of the Borough's managers as they relate to internal audit. Best practice in corporate governance requires that the Charter be reviewed and approved annually by the Corporate Governance Committee.

4.5 The Charter was last reviewed by the Corporate Governance Committee at their meeting on 9th March 2015.

4.6 As the Charter has only recently been updated to reflect the changes in roles and responsibilities, mainly job titles, and to address some of the minor requirements of the Public Sector Internal Audit Standards, there are no further changes required at this time.

5 Links to Corporate Aims / Priorities

5.1 There are no direct implications from this report.

6 Finance Implications

6.1 The plan will be delivered within the agreed budget for internal audit.

7 Legal Implications

7.1 There are no legal implications from this report.

8 Environmental Impact Implications

8.1 There are no direct implications from this report.

9 Community Safety Implications

9.1 There are no direct implications from this report.

10 Equality and Diversity Implications

10.1 The approval of the internal audit plan does not require an equalities impact assessment to be prepared.

11 Social Value Implications

11.1 There are no direct implications from this report.

12 Partnership Implications

12.1 The Strategic Director and the Internal Audit Team (SWAP – South West Audit Partnership) meet regularly to review the progress against plan. Quarterly updates are provided to this Committee.

13 Health and Wellbeing Implications

13.1 There are no direct implications from this report.

14 Asset Management Implications

14.1 There are no direct implications from this report.

15 Consultation Implications

15.1 There are no direct implications from this report.

Democratic Path:

- **Corporate Governance Committees – Yes**
- **Executive – No**
- **Full Council – No**

Reporting Frequency : **Once only** **Ad-hoc** **Quarterly**
 Twice-yearly **Annually**

List of Appendices

Appendix A	SWAP Internal Audit Plan 2016/17
Appendix B	SWAP Internal Audit Charter

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Taunton Deane Borough Council

Internal Audit Plan 2016-17

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

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Role of Internal Audit & Background

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The Annual Audit Plan

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Appendix A - Plan Summary

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SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

Our audit activity is split between:

- **Key Control Audit**
- **Governance, Fraud & Corruption Audit**
- **IT Audit**
- **Operational Audit**
- **Follow-Up Audit**
- **Non-Opinion Reviews**

Role of Internal Audit

The Internal Audit service for Taunton Deane Borough Council (TDBC) is provided by South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors and also guided by interpretation provided by the Public Sector Internal Audit Standards. The work of the Partnership is also guided by the 'Internal Audit Charter' which was last reviewed and approved by the Audit Committee at its meeting on 9th march 2015.

Internal Audit provides an independent and objective opinion on the Authority's governance, risk and control environment by evaluating its effectiveness. In order to achieve this, the audit activity is split across the review categories listed to the left.

Background

It is recommended by the Public Sector Internal Audit Standards that organisations nominate a 'Board' to oversee (monitor and scrutinise) the work of Internal Audit. As such, in addition to senior management oversight, this Council has determined that, the Corporate Governance Committee will undertake this function. The plan is presented in **Appendix A** to this report and represents the internal audit activity for the 2016/17 financial year.

It should be noted that plan days are only indicative for planning our resources. At the start of each audit an initial meeting is held to agree the terms of reference for the audit which includes the objective and scope for the review. Any changes to individual plan items, in terms of days, are managed within the annual payment made by the Council. The plan is pulled together with a view to providing assurance to both Officers and Members that current risks faced by the Authority are adequately controlled and managed. As with previous years the plan will have to remain flexible as new and emerging risks are identified. Any changes to the agreed plan will only be made through a formal process involving the Director of Operations (Section 151 Officer) and reported to this Committee.



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

The Annual Plan

The Annual Plan

In order to develop the plan for the year, the Audit Manager reviewed the Corporate Risk Register, Service Plans and Service Risk Registers as well as liaising with the Joint Management Team (JMT) and the Section 151 Officer.

The audit plan is notionally broken down across various audit categories; the following summarises each:

Key Control Audits – focus primarily on key risks relating to the Council’s major financial systems. The External Auditors have emphasised for this year that while they do not place reliance on the work of Internal Audit, they will continue to take assurance from it. The scope of some of these reviews will therefore change in emphasis to include controls that haven’t been included in previous years.

Fraud/Governance Audit – The focus of the Governance reviews is primarily the key risks relating to cross cutting areas that are controlled and/or impact at a corporate rather than service level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. This work will, in some cases, enable SWAP to provide management with added assurance that they are operating best practice as we will be conducting most of these reviews at all our Partner Sites.

Fraud will continue to be a focal point of our work programmes in all areas, but to support the Council will have a specialist team that are able to respond and carry out ad-hoc investigations if the need should arise.

IT Audits – are completed to provide the Authority with assurance with regards to their compliance with industry best practice. Some of these audits have come from previous year assessments and our awareness of current IT risks.

The Annual Plan - Continued

The Annual Plan - Continued

Operational Audits – are detailed evaluation of service or functions control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

Follow Up Audits – Where an audit receives a Partial or No Assurance level, SWAP are required to carry out a follow up review to provide assurance that identified weaknesses have been addressed and risks mitigated. Known follow ups from work undertaken in the 2015-16 plan have been built in. A contingency has also been built in into the plan so that, should any early reviews be awarded this level of assurance, they can be followed up in a timely manner.

Non-Opinion Reviews – are undertaken at the specific request of management, where they may have some concerns or are looking for advice on a particular subject matter. Such reviews are not normally afforded an audit opinion.

The Annual Plan - Continued

The Annual Plan - Continued

Audit Drivers - A key element of risk based audit planning is the relative prioritisation of audit review work. This helps to ensure that resources are targeted at the most significant aspects of the Councils operations. A brief description explaining the context behind each of these 'drivers' is as follows;

SWAP Best Practice Reviews - These are audits which are carried out across the SWAP Partnership the outcomes of which will help to share knowledge and inform best practice and risk mitigation.

Risk Register - These reviews are undertaken to assess activity and provide assurance on the management and appropriate mitigation of corporate risk/and or service risk register.

Audit History - These reviews have been prioritised as a result of the time period since the last review.

Performance - These reviews are included to inform the Councils performance management framework and may also include areas of poor performance.

Impact - his provides coverage of those areas which are considered business critical

Business Change/Improvement - This recognises increased risk as a result of significant change

Fraud - To recognise the inherent risk of fraud in particular systems or activities of the Council.

Corporate Priorities - Assess performance and support development of areas contained in the Corporate Plan.

The schedule provided at **Appendix A** details the Annual Internal Audit Plan for 2016/17.



Audit Title	Resource (days)	Key Drivers							
		SWAP Best Practice Reviews	Risk Register (Corporate or Service)	Audit History	Performance	Impact	Business Change/Improvement	Fraud	Corporate Priorities
Key Control									
Housing Rents	15					Y		Y	
Main Accounting	17		Y			Y		Y	
Creditors	15					Y		Y	
Council Tax & NNDR	15					Y		Y	
Debtors	15		Y			Y		Y	
Housing Benefits	12					Y		Y	
Payroll	8					Y		Y	
Treasury Management	8					Y		Y	
Governance, Fraud & Corruption									
Imprest/Cash Spot Checks	10			Y				Y	
Transformational Programme	10		Y			Y	Y		Y
DLO Transformation/Relocation Programme	15		Y			Y	Y		
SWO Succession Planning	15		Y			Y	Y		
Information/Data Security/Data Protection	12	Y				Y			
Members Expenses	10			Y				Y	
Absence Management	12				Y				



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Audit Title	Resource (days)	Key Drivers							
		SWAP Best Practice Reviews	Risk Register (Corporate or Service)	Audit History	Performance	Impact	Business Change/Improvement	Fraud	Corporate Priorities
ICT Audits									
New Financial System	15		Y			Y	Y		
To be confirmed	20								
Operational Audits									
Housing – Responsive Maintenance	14			Y				Y	Y
Licensing	12				Y	Y			
Supported Housing - (Extra Care and Sheltered)	12		Y	Y					
Capital Programme Approval & Monitoring	12			Y		Y			
Crematorium	12		Y	Y		Y			
Follow-Up Audits									
Housing Voids	4								
Gas Servicing	4								
Asset Management	4								
IT Hardware Asset Management	4								
Software Asset Management	4								
Commercial Rents	4								
Non Project Related									
Follow-ups Contingency	6								
Corporate Advice	10								
Committee Reporting & Attendance	8								
Planning/Client Liaison	12								
Contribution to SWP	2								



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Code of Practice for Internal Audit in England and Wales.

Internal Audit Charter

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Taunton Deane Borough Council, and to outline the scope of internal audit work.

Approval

This Charter was approved by the Corporate Governance Committee on 25th September 2006 and is reviewed each year to confirm it remains accurate and up to date. It was last reviewed by the Corporate Governance Committee¹ on 9th March 2015.

Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled company. This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the Director - Operations (Section 151 Officer) in consultation with the Chief Executive of SWAP.

Role of Internal Audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management and of Internal Audit

Management²

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Council's Chief Executive and the Corporate Governance Committee.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Authority. Management is also responsible for the appropriate and effective management of risk.

Internal Audit

Internal audit is responsible for operating under the policies established by management in line with best practice.

¹ The Standards require that Internal Audit report to the Board. CIPFA have, via the Public Sector Internal Audit Standards (PSIAS) Guidelines, determined that the Corporate Governance Committee in this instance represents the Board.

² In this instance Management refers to the Joint Management Team.

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). SWAP has been independently assessed and found to be in Conformance with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for Taunton Deane Borough Council will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. The Chief Executive for SWAP and the Group Audit Manager also report to the Strategic Director, as Section 151 Officer, and reports to the Corporate Governance Committee as set out below.

Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of Taunton Deane Borough Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether Taunton Deane Borough Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- reviewing the operations of the council in support of the Council's anti-fraud and corruption policy.

- at the specific request of management, internal audit may provide consultancy services provided:
 - the internal auditors independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
 - management understand that the work being undertaken is not internal audit work.

Planning and Reporting

SWAP will submit to the Corporate Governance Committee, for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Director. SWAP will report at least two times a year to the Corporate Governance Committee. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Corporate Governance Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Director - Operations (Section 151 Officer) and to other relevant line management.

The Chief Executive of SWAP will submit an annual report to the Corporate Governance Committee providing an overall opinion of the status of risk and internal control within the council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and SWAP Directors have the unreserved right to report directly to the Leader of the Council, the Chairman of the Corporate Governance Committee, the Council's Chief Executive Officer or the External Audit Manager.

Revised March 2016