

Report to Audit committee
17 March 2015
Report of Head of internal audit and risk management, LGSS
Subject Draft internal audit plan for Norwich City Council 2015-16

Item

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Purpose

This report provides the audit committee with an outline of the 2015-16 internal audit plan for Norwich City Council as attached at appendix 1.

Recommendation

To endorse the draft internal audit plan for Norwich City Council for 2015-16

Corporate and service priorities

The report helps to meet the corporate priority Value for money services.

Financial implications

None directly

Ward/s: All wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

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Background documents

Report

Background

1. The audit committee procedure rules include “Consider, endorse and monitor delivery of the internal audit annual work programme, including any significant in-year changes to the programme or resource requirements.”
2. Internal audit provides an independent assurance function which reviews and reports on the adequacy and effectiveness of the council’s risk management, governance and internal control processes. In doing so it contributes to the proper, economic, efficient and effective use of the council’s resources.
3. As a requirement of the Accounts and Audit Regulations 2011, the council is required to make provision for internal audit in accordance with “proper practices in relation to internal control.”
4. The *UK Public Sector Internal Audit Standards* came into effect on 1 April 2013. The standards include the requirement for the head of internal audit to prepare a risk-based internal audit plan which takes into account ‘the requirement to produce an annual internal audit opinion and the assurance framework’. In preparing the plan, he or she ‘takes into account the organisation’s risk management framework’ or ‘uses his/her own judgment of risks after consideration of input from senior management’.
5. The standards also state that the plan must be linked to a high-level statement of how the internal audit service will be delivered.
6. Since 2012-13 the internal audit function has been delivered by LGSS. The plan will be delivered by Norwich-based LGSS staff, supplemented as necessary by resources from the wider LGSS internal audit and risk team, eg specialist computer auditor for ICT audits.
7. LGSS ensures that the audit plan is delivered in accordance with the requirements of the council under the service level agreement, and to the standard expected by the external auditor (EY) under the ‘managed audit’ regime.

Audit planning methodology

8. The audit standards require that audit plans will be prepared using a risk-based approach, aligned to council risk registers, taking account of the risk maturity of the organisation and the assurance framework.
9. The *CIPFA statement on the Role of the Head of Internal Auditor (HIA) in Local Government* outlines that a key principal role of the HIA must be to give “an objective and evidenced based opinion on all aspects of governance, risk management and internal control”.
10. Taking these requirements into account, the bulk of internal audit’s planned work is therefore devoted to reviewing and providing assurance on the council’s control environment. The plan has also taken account of national and local developments and initiatives to ensure that audit coverage is directed towards areas of highest risk or current importance to the council. The draft plan has therefore been prepared by reference to the corporate and service risk registers.

11. The plan has also been developed through consultation with the business manager's group, which comprises members of corporate leadership team, the chief finance officer (section 151 officer), executive heads and heads of service. Where appropriate the plan has either been revised or additional areas of focus added.
12. In order to deliver the planned work, the annual risk based plan is then translated into individual audit assignments by:
 - The identification and recording of the objectives, risks and controls;
 - Evaluating and reviewing the application of risk management processes associated within the system;
 - Evaluating the controls in place to mitigate material risks, forming an opinion on the appropriateness of design and operating effectiveness of these controls;
 - Determining an appropriate strategy to test the effectiveness of controls;
 - Arriving at conclusions and reporting them, leading to management actions;
 - Providing an opinion on the effectiveness of the control environment; and
 - Monitoring the implementation of agreed changes to the internal control arrangements.
13. With the move of the fraud team to DWP in April, the council has asked LGSS to look at ways to save £10,000 from the internal audit budget. This equates to about 35 days, and these have been added to the time allowed for fraud work, which now totals 80 days. Adjustments have been made to time allowed for other reviews in order to keep to the overall budgeted resource.
14. The draft plan is shown at **appendix 1**. Members will note that the indicative resources for 2015-16 are 590 days, which is a slight reduction of 10 days compared to the 2014-15 plan.
15. The plan will be kept under review in conjunction with the council's assurance processes and any changes to priorities or the risk environment. Members will be kept informed of any changes to and progress against the plan as part of the regular reporting process.

Conclusion

16. The audit planning process and internal audit plan for the council for 2015-16 contributes to members' assurance on the council's main business risks, and supports the annual governance statement. Any amendments to the plan resulting from changes in priorities or risks during the year will be reported, together with progress against the plan.

LGSS Internal Audit - Draft Internal Audit Plan for Norwich City Council 2015-16			
	2015-16		
	Estimated		
	Days	Comments / Type of review	Corp Risk
Financial systems			
Purchase to pay	20	Audited annually under managed audit regime	C5
Accounts receivable	20	Audited annually under managed audit regime	C5
Payroll	10	Audited annually under managed audit regime	C5
Housing rents/arrears	15	Audited annually under managed audit regime	C5
Housing benefits	20	Audited annually under managed audit regime	C5
Council tax	15	Audited annually under managed audit regime	C5
NNDR	15	Audited annually under managed audit regime	C5
Bank reconciliations	5	Risk based audit	C5
Cash receipting	15	Risk based audit	A1, C5
Sub-total	135		
Corporate			
Strategic risk management	15	Administration and reporting of corporate risk register	A2
Corporate governance	25	Co-ordination & preparation of AGS; corporate governance group; policy updates	A2
Sub-total	40		
Business relationship management			
Procurement & contract management arrangements	25	Allowance for possible input to tendering, monitoring, procedural compliance. Involvement in specific contracts. Plus presence on project teams	A3, C2, C4
Insurance	10	Risk based audit	C3, C5
Financial IT system implementation	30	Audit presence on project team	A2, C2
Information management	15	Risk based audit	C3
Register of electors	10	Risk based audit	C3, C5
ICT audits:	10	Incl. embedded assurance re Corp Info Assurance Group; input into IT audits	C3
ICON cash receipting	15)	C3
UNIFORM	15) Taken from IT audit needs analysis	C3
Website and e-forms	15)	C3
Sub-total	145		
Regeneration & development			
CIL expenditure	15	Risk based audit. Increased to 15 days following comments from BMG	A6
Sub-total	15		
Strategy, people & neighbourhoods			
HRA business plan & HIP	15	Risk based audit	A8, B1, B2, B4
Private sector leasing	15	Risk based audit	C5
Right to buy	15	Risk based audit	C5
Safeguarding duties	15	Risk based audit	A4
Garages	5	Risk based audit	B2, C5
Allotments	5	Risk based audit	C5
Sub-total	70		
Customers, communications & culture			
Go4Less	5	Risk based audit	C5
Sub-total	5		
Fraud & corruption			
Anti-fraud and NFI work	80	Fraud risks; key contact duties for NFI matches and 2015-16 upload (SPD matches)	C5
Special investigations	15	Contingency	C5
Sub-total	95		
Contingencies			
To complete 2014-15 plan	40		
Follow-ups	20	Follow ups required by Code of Practice	
Advice, guidance, etc	25	Contingency for advice, guidance & unplanned work requests	
Sub-total	85		
Total planned time	590		
Resources			
	Days		
Head of audit / Audit manager	65		
Principal auditor	180		
Senior auditor	200		
Senior auditor / graduate trainee	100		
Computer auditor	45		
	590		

Corporate Risks	
Risk description	Risk ref.
Customer demand	A1
Delivery of the corporate plan and key supporting policies and strategies within the council's strategic framework	A2
Relationship management with key service delivery partners and the management of contracts	A3
Safeguarding children, vulnerable adults and equalities duties	A4
Delivery of Joint Core Strategy (JCS)	A6
Housing investment strategy	A8
Public sector funding	B1
Income generation	B2
Capital developments	B4
ICT strategy	C2
Information security	C3
Failure of major contractor or legal challenge following an unsuccessful tender bid	C4
Fraud & corruption	C5