

Report to	Audit committee 11 March 2014	Item
Report of	Head of internal audit and risk management, LGSS	9
Subject	Draft internal audit plan for Norwich City Council 2014-15	

Purpose

This report provides the audit committee with an outline of the 2014-15 internal audit plan for Norwich City Council as attached at annex 1.

Recommendation

To endorse the draft internal audit plan for Norwich City Council for 2014-15

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

Service and corporate risk registers

Report

Background

1. The proposed audit committee procedure rules (on today's agenda) 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." The previous CIPFA Code of Practice for Internal Audit has been replaced by the UK Public Sector Internal Audit Standards, effective from 1 April 2013.
4. The standards require, amongst other things, 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 majority of 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 (Ernst & Young LLP) under the 'managed audit' regime.

Audit planning methodology

8. The draft CIPFA statement on the Role of the Head of Internal Auditor (HIA) in Local Government outlines that a key principle role of the HIA must be to give, "an objective and evidenced based opinion on all aspects of governance, risk management and internal control".
9. Taking this 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, and references to specific risks can be found in the columns headed 'Corporate risk' and 'Service risk'.

10. 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.
11. 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.
12. There are some areas of a corporate governance or consultancy nature which do not form part of internal audit's assurance work, and these are shown separately at the end of the plan under the heading *Non-assurance and consultancy work*.
13. The draft plan itself is shown at **annex 1**. Members will note that the indicative resources for 2014-15 are 600 days, which is a slight reduction of 25 days compared to the 2013-14 plan.
14. 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 significant changes to and progress against the plan as part of the regular reporting process.

Conclusion

15. The audit planning process and internal audit plan for the council for 2014-15 provides members with assurance on the council's main business risks, and supports the annual governance statement. Any significant amendments to the plan resulting from changes in priorities or risks will be reported, together with progress against the plan.

LGSS Internal Audit - Draft Audit Plan for Norwich City Council 2014-15					
	2014-15				
Audit Assurance Work					
	Estimated Days	Comments	Corp Risk	Service Risk	3-yr Plan
Fundamental systems					
Accounts payable (creditors)	20)			
Accounts receivable (debtors)	15)			
NCC payroll	15)			
Housing rents/arrears	20) Audited annually under managed audit regime			
Housing & council tax benefits	25)			
Council tax	15)			
NNDR	15)			
Sub-total	125				
Corporate					
Procurement & contract management arrangements	35	Allowance for possible input to tendering, monitoring, procedural compliance. Involvement in specific contracts. Plus presence on project teams	A3, C4		Y
Claims certification	20				Y
Probity	20				Y
Sub-total	75				
Business relationship management					
Financial IT system replacement	30	Upgrade or replace Oracle Financials			
Council tax & NNDR systems	15	VFM review - impact of scheme changes on collection rates			
ICT audits:	10	Embedded assurance - Corporate Information Assurance Group			
Civica	10)			
Northgate	10) Taken from IT audit needs analysis			
Workforce	10)			
Parking Gateway	10	B/f from 2013-14 due to computer auditor vacancy			
Bacstel IP	10	B/f from 2013-14 due to computer auditor vacancy			
Sub-total	105				
Operations					
CIL income	10			P8	Y
Provision market	15				Y
Licensing	10				Y
Leasehold services	15				Y
Cemeteries	15				Y
Home improvements	15				Y
Off-street parking	15			CD2	Y
Sub-total	95				

	Estimated Days	Comments	Corp Risk	Service Risk	3-yr Plan
Strategy, people & democracy					
Sub-total	0				
Customers, communications & culture					
Land charges	10				Y
Sub-total	10				
Non-specific					
Ad-hoc investigations	20	Contingency			
To complete 2013-14 plan	35				
Follow-ups	25	Follow ups required by PSIAS			
Sub-total	80				
Total for audit assurance work	490				
Consultancy & non-assurance work					
Corporate governance	30	Co-ordination & preparation of AGS; corporate governance group			
Anti-fraud and NFI work	45	Fraud risks & key contact duties for NFI 2014-15 (upload) and 2013-14 (SPD match)	C5		
Advice, unplanned work requests	35	Contingency			
Total for non-assurance/consultancy work	110				
Total Allocated Days	600				
Indicative resources post-restructure			Service risks:		
Head of audit	10		<u>P = Planning:</u>		
Principal client auditor	140		Risk 8: Community Infrastructure Levy was introduced in July 2013. Risk is that levies due are not collected through administrative or process error		
Client auditors x 2	400				
LGSS support	50				
	600				
			<u>CD = City development:</u>		
			Risk 2: Reduced car parking income (off or on-street) due to economic or other effects		