

North Somerset Council

REPORT TO THE	AUDIT COMMITTEE
DATE OF MEETING:	19 MARCH 2015
SUBJECT OF REPORT:	AUDIT & ASSURANCE PLAN 2015-16
TOWN OR PARISH:	NONE
OFFICER/PRESENTING:	JEFF WRING - HEAD OF PARTNERSHIP
KEY DECISION:	NO
RECOMMENDATIONS:	

The Audit Committee approves the Audit & Assurance Plan 2015-16 (Appendix A).

1. SUMMARY OF REPORT

This report outlines the Annual Audit and Assurance Plan 2015-16 which forms the principal work of the Internal Audit Service for 2015-16. The Audit Committee is requested to consider and approve the plan.

2. POLICY

The Annual Audit and Assurance Plan forms a key element of the council's corporate governance arrangements. The work provides assurance and improves the council's internal controls to ensure delivery of the council's objectives. The outputs inform the Head of Audit's opinion of the council's governance, risk and control environment. In turn this informs the council's Annual Governance Statement.

3. DETAILS

The Public Sector Internal Audit Standards require Internal Audit to prepare a risk-based plan and this is attached at Appendix A. Audit reviews covering areas such as strategic risks, fraud and core systems will be included in the plan as standard and topics ranked for inclusion in the Plan.

Key factors used to assess functions and prepare the plan include –

- Financial – the budget associated with the system/service or other financial impact such as costs associated with a judicial review or fine;
- Service users – the potential impact on service users of any function/change;
- Council – the significance of the system/service for the council's operation including compliance with legislative and statutory responsibilities; and
- Other significant factors such as Corporate Priorities & Corporate Risks.

Notwithstanding the assessment, specific circumstances (such as a significant reputational issue or request of S151 or Corporate Management Team) may on occasion mean that a low scoring topic is nevertheless included in the Plan.

Resources available to deliver the Plan will also inform the quantum of the Plan and as previously detailed the budget reductions during 2014/15 obviously impact on the number of audit days and areas to be reviewed in 2015/16. Some of these reductions have been however mitigated by our new partnership arrangements which have given

us new efficiency opportunities to reduce the amount of time spent on reviews. In addition there is the potential to work jointly on single reviews and likely areas for this approach have been highlighted at Appendix A.

The Plan will remain fluid during the year to enable the service to respond to the council's changing risk environment and the Committee will receive an update on performance during the year.

4. CONSULTATION

In developing the Audit Plan, the Internal Audit Service drew upon local and national intelligence and reports. It consulted with senior officers and External Audit. The Service used a risk framework to identify the topics to be included in the draft Plan.

5. FINANCIAL IMPLICATIONS

The costs of delivering the Annual Audit Plan are contained within the Internal Audit Service's budget. If this work identifies weaknesses in the council's control environment, this may result in additional costs. The work may also identify efficiencies and savings in the council's operation.

6. RISK MANAGEMENT

The Plan describes how Internal Audit will take a risk based approach in applying its limited resources to provide a sufficient level of assurance to those charged with governance. This includes a risk assessment tool used to inform the content of the Annual Audit Assurance Plan.

7. EQUALITY IMPLICATIONS

Embedded within the audit process is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

8. CORPORATE IMPLICATIONS

Failure to agree a sufficient Annual Assurance Plan may result in an inability to provide assurance to officers, members and the public of the soundness of the council's corporate governance

OPTIONS CONSIDERED

None as follows professional standards.

AUTHORS

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BACKGROUND PAPERS

None

ATTACHMENTS

Appendix A Annual Audit & Assurance Plan 2015-16



Internal Audit Annual Plan

2015/16

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1. Introduction:

- 1.1 The purpose of this document is to explain:
- The role of Internal Audit
 - How the function carries out its Internal Audit work
 - Relationship with the Council's External Auditor
 - How the annual plan is prepared, and
 - Present the 2015/16 Annual Audit Plan

2. The Internal Audit function within the Council:

- 2.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on its control environment. Internal Audit is not limited to the Council's financial systems and records, but extends to all activities of the Council.
- 2.2 The function is required to compile each year an Internal Audit Plan for approval by the Council's Audit Committee.
- 2.3 The Audit Team is compliant with the Public Sector Internal Audit Standards.

Internal Audit Independence:

- 2.4 A critical element of the performance of Internal Audit function is independence from the activities audited. This enables the Audit Team to form impartial and effective judgment for the opinions and recommendations made.
- 2.5 To help ensure independence, the Audit Team is part of a partnership arrangement hosted by Bath & North East Somerset Council and so is not fettered by any management reporting line restrictions. It also has unrestricted access to Senior Management & Members, particularly, the Leader of the Council, Chair of the Audit Committee, the Chief Executive, Strategic Directors, the Council's s151 Officer and the Council's Monitoring Officer. Additionally, the Head of Partnership (responsible for the Audit Team) reports in his own name.
- 2.6 The Audit Team forms part of the core governance structure of the organisation and its input is required as part of the Council's Annual Governance review which results in the publication of the Council's Annual Governance Statement.

3. Relationship with the Council's External Auditor:

- 3.1 As part of their audit of the Council's financial statements, the Council's external auditor, Grant Thornton, have a dedicated plan from which they carry out specific reviews of the Council's activities. To facilitate this work they have issued a plan for the audit of the 2014/15 accounts.
- 3.2 The External Auditors carry out their own risk assessment methodology to assist in agreeing their work plan.
- 3.3 The working relationship between the Audit Team and the External Auditors carrying out the internal audit and external audit functions respectively is important and must take account of their differing roles. The External Auditor has a statutory responsibility to express an opinion on the Council's financial statements, whilst the Internal Audit function is

responsible for assessing the adequacy and effectiveness of the internal controls and advising Management accordingly.

3.4 The External Auditors seek to place a risk based assessment around the work they need to do and take into consideration the work of the internal audit function i.e. the Audit Team. To maintain effective working there is regular contact between the two parties.

4. Preparation of the Annual Plan:

The Audit Team has adopted a risk based approach in determining its Annual Plan.

Internal Audit Plan Risk Assessment:

4.1 To properly develop and substantiate the overall Annual Audit Plan it is necessary to carry out an assessment of the Council's activities by using a risk assessment model.

This model has been adopted by North Somerset Council over many years and is being continually updated and refined and the risk assessment model criteria can be seen below:

Potential audit topics will be subject to a systematic risk evaluation as shown below. This approach has shown itself to work effectively and deliver a Plan which provides the level of assurance required by those charged with governance.

Audit reviews covering areas such as strategic risks, fraud and core systems will be included in the plan as standard. The long list of potential audit topics for inclusion in the annual audit assurance plan will be assessed using a four point scale as follows:

- Financial – the budget associated with the system/service or other financial impact;
- Service users – the potential impact on service users of any change;
- Council – the significance of the system/service for the council's operation including compliance with legislative and statutory responsibilities (this might include reputational factors); and
- Other significant factors such as Corporate Priorities and Corporate Risks

Score	Financial	Impact on service users	Council's operation
4	>£10m	Risk of death or serious injury. Major impact on the quality of life of significant number of people	Risk of the Council failing to deliver its strategic priorities in large part
3	£10m-£1m	Major impact on the quality of life of 100 - 1000 people	Risk of Council failing to deliver or being perceived as not delivering a significant statutory responsibility, strategic priority or major service. Risk of prosecution/judicial review with high reputational/other impact
2	£1m-£100k	Some impact on the quality of life of >100 people or a significant impact on >10 vulnerable people	Risk of non-delivery or perceived non delivery of a statutory service.
1	<£100k	No or minimal impact on a small number of service users such as some inconvenience	Risk of the Council failing to deliver its statutory responsibility in a narrow technical area

- 4.2 Scores will be totalled and review topics ranked for inclusion in the Annual Audit Assurance Plan. Notwithstanding the score, specific circumstances may on occasion mean that a low scoring topic is included in the Plan. Resources available to deliver the Plan will also inform the quantum of the Plan
- 4.3 In view of the ever changing environment in which Local Government exists the Internal Audit Annual Plan will be under constant review and subject to change to ensure it remains appropriate. This process will be carried out in consultation with the appropriate key officer, i.e. Strategic Directors, S151 Officer or Heads of Service.

The Audit Plan is attached at **APPENDIX 1**.

5. Internal Audit Function Methodology:

Individual Audit Reviews:

- 5.1 At the commencement of each Audit Review, an Audit Brief (**Annex A**) will be prepared and issued to the relevant Client and responsible Manager. This Brief will identify the objectives of the review and areas to be covered. This Brief will be subject to agreement between the client (Council Service) and the auditor.
- 5.2 At the conclusion of each review, an end of review meeting will be held with the client (usually Service Manager) to discuss the matters arising. The Assistant Director or Head of Service may be involved at this stage. Wherever possible this meeting will occur before a 'draft' audit report is produced.
- 5.3 Following the conclusion of the audit review work a 'draft' audit report will be issued to Management. The report will provide a graded 'Assurance Level' (see ANNEX B); a summary of identified strengths & weaknesses; and a detailed action plan recording weaknesses and recommendations.
- 5.4 The nominated responsible Manager is required to respond to the audit findings and recommendations and prepare an action plan recording responsible officers and timescale for implementation.
- 5.5 The management comments and implementation plan are compiled into a 'final' version of the report. This is issued to the recipients of the 'draft' version and the Audit Client. It should be noted that the relevant Strategic Director will also be informed on an exception basis of the work carried out depending on the opinion of the work carried out by the Audit Team.

Audit Review 'Follow-Ups':

- 5.6 Internal Audit reports / recommendations are subject to "follow-up". The objective of this process is to ensure actions are implemented within the agreed timescales.
- 5.7 All recommendations are subject to a 'follow-up' process. The process is dependent on the risk classification of the weaknesses / recommendations. For all 'Low' and 'Medium' risk recommendations, management are required to confirm implementation of actions. For all

'Critical' and 'High' risk recommendations the Audit & Risk Team will carry out appropriate testing to confirm implementation.

5.8 The findings of Audit Review 'Follow-Up' will be reported to the relevant manager(s) and the Audit Client and as stated in 5.5 on an exception basis to the relevant Strategic Director.

6. *Investigation of Financial Irregularities:*

6.1 The Internal Audit function does not have responsibility for the prevention and detection of fraud and other financial irregularities. The Team will however be alert in all their work to the possibility of theft, fraud, corruption and bribery.

6.2 Members of staff working within the Council are required to report any possible wrongdoing. The Audit Team will provide a professional response to any such reports received. In this respect, attention is drawn to the Council's own Anti-fraud & Corruption and Whistle blowing policies. These can be found on the Intranet.

ANNEX A – AUDIT BRIEF

Title/ Reference	XX..	XX..
Purpose of Review	To review the risks and internal controls related to the scope of the audit (detailed below) and provide management with an opinion on the adequacy of the framework of internal control.	
Scope of Review	The audit will review the following key risks/control objectives: <ul style="list-style-type: none"> • 1 • 2 • 3 • 4 • 5 • 6 	
Key Stages of Review Process		
Timeframe	Fieldwork Starts: Month/Year	Draft Report: Month/Year
Key Contacts	Lead Auditor: XX	Lead Client: XX
Service Charter & Professional Standards	<p>Our customer service charter outlines what you can expect from us and what in turn we need from you to complete this audit. (hyperlink)</p> <p>All audit work is reported to and monitored by the Audit Committee. All audit work complies with Public Sector Internal Audit Standards. (Hyperlink)</p>	

ANNEX B – AUDIT OPINIONS

Assurance Rating	Opinion
Level 5	The systems of internal control are excellent with a number of strengths and reasonable assurance can be provided over all the areas detailed in the Assurance Summary
Level 4	The systems of internal control are good and reasonable assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary
Level 3	The systems of internal control are satisfactory and reasonable assurance can be provided. However there is one area detailed in the Assurance Summary which requires improvement and specific recommendations are detailed in the Action Plan
Level 2	The systems of internal controls are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the risk exposure
Level 1	The systems of internal controls are poor and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee

Key Contact Details

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<p>Audit & Corporate Governance Manager</p>	<p>Pete Cann Pete.cann@n-somerset.gov.uk</p> <p>Internal Audit Service Tel: 01934 63 4750 Secure Email (GCSx): peter.cann@n-somerset.gcsx.gov.uk Post: Town Hall, Walliscote Grove Road, Weston-super-Mare, BS23 1UJ Location: 1st Floor - Zone A, Castlewood, Tickenham Road, Clevedon Web: www.n-somerset.gov.uk</p>

APPENDIX 1 - AUDIT PLAN 2015/16 – LIST OF AUDIT REVIEW AREAS (Shaded means joint work with B&NES)

THEME	REVIEW TITLE
SERVICE BASED RISKS	
People & Communities	Better Care Fund
People & Communities	Direct Payments
People & Communities	Appointee's – Conflicts of Interest
People & Communities	Schools – Programme of Reviews
People & Communities	Schools - Financial Value Standard
People & Communities	Looked After Children
People & Communities	Responsible Officer Service
People & Communities	Business Continuity Planning in Schools
Development & Environment	City Region Deal/LEP
Development & Environment	Regeneration and Economic Development
Development & Environment	Household Waste & Recycling Centre's
Development & Environment	Taxi Licensing
CORE SYSTEMS/FINANCIAL MANAGEMENT	
Development & Environment	CONFIRM – Interfaces & Financial Reconciliations
People & Communities	SWIFT – Interfaces & Financial Reconciliations
Corporate Services	iTrent/Payroll – Extension of Use
Corporate Services	Programme of Core System Reviews
Corporate Services	Banking Arrangements
Corporate Services	Council Tax and NNDR
Corporate Services	Somerset Business Rates Pool
Corporate Services	Grant Funding Overview
Corporate Services	Agilisys Client Contract & Financial Management
Service Specific	Individual Grant Certifications
Service Specific	Data Analytics Reviews
Service Specific	Financial Viability Assessments for Contracts

THEME	REVIEW TITLE
PROCUREMENT & COMMISSIONING	
Corporate Services	Corporate Procurement Arrangements
People & Communities	Domiciliary Care Contract
CORPORATE GOVERNANCE	
Corporate Services	Strategic Risk Management Support
Corporate Services	Business Continuity Support and Testing
Corporate Services	Annual Governance Review
Corporate Services	Electoral Services
Corporate Services	Safer Recruitment
COUNTER FRAUD WORK	
Service Specific	Series of Fraud Prevention Reviews
Service Specific	Fraud Data Analytics Reviews
TRANSFORMATION PROGRAMME (Including Information Management & Digital Strategy)	
Corporate Services	Transformation Programme - Benefits Realisation
Service Specific	Use of Social & Electronic Media
Service Specific	Online Payments and Refunds
Service Specific	Mobile Working
Service Specific	IT Audits TBA