

North Somerset Council

REPORT TO THE:	AUDIT COMMITTEE
DATE OF MEETING:	30 MARCH 2017
SUBJECT OF REPORT:	AUDIT & ASSURANCE PLAN 2017-18
TOWN OR PARISH:	NONE
OFFICER/PRESENTING:	JEFF WRING - HEAD OF AUDIT WEST
KEY DECISION:	NO

RECOMMENDATIONS:

The Audit Committee approves the Draft Audit & Assurance Plan 2017-18.

1. SUMMARY OF REPORT

This report outlines the Annual Audit and Assurance Plan 2017-18 which forms the principal work of the Internal Audit Service for 2017-18. The Audit Committee is requested to consider and recommend the plan for approval.

2. POLICY

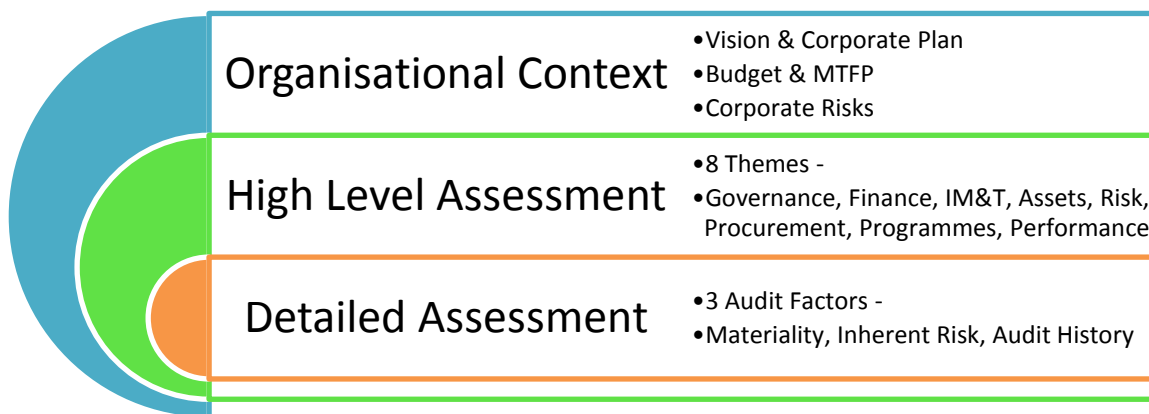
The Annual Audit and Assurance Plan forms a key element of the council's corporate governance arrangements. The work provides assurance and improves the council's internal controls to ensure delivery of the council's objectives. The outputs inform the Head of Audit's opinion of the council's governance, 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. As detailed to the Committee at its December meeting a new risk assessment methodology is being used to compile the plan.

The essential elements of the Reasonable Assurance Model are as follows –

1



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 recent years obviously impact on the number of audit days and areas to be reviewed. 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 are being assessed.

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 budget set aside for the contract with Audit West. 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.

2

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

9. OPTIONS CONSIDERED

None as report follows professional standards.

AUTHORS

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BACKGROUND PAPERS

None

ATTACHMENTS

Appendix A Annual Audit & Assurance Plan 2017-18

APPENDIX A

Audit & Assurance Plan 2017/18

Delivering Independent Assurance to Local Government



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A great place to live, where people, businesses and communities flourish

Modern Efficient Services and a Strong voice for North Somerset

CONTENTS

1. Introduction.....Page 3

2. Scope and Scale of the Council..... Page 4

3. Key Priorities & Key Risks..... Page 5

4. Reasonable Assurance Model..... Page 6

5. Our Methodology, Approach & Standards..... Page 8

6. Our List of Planned Audit Areas..... Page 16

1. Our Strategy

Introduction

North Somerset Council strives to deliver excellent services to local people and make our area *the* place to live, invest, and visit in the UK. The Council has recognised through its Corporate Plan the importance of excellence in resource management and sound governance as fundamental to achieving its priorities. This will require significant transformation to be a modern, innovative and accessible organisation.

The Audit & Assurance function fully recognizes its need to be flexible and agile in the face of the significant changes affecting the whole of the public sector and meet the needs of its stakeholders. Independent assurance which is strong but supportive can provide a helpful and positive role not just to services but to elected Members and the Community at large by demonstrating that the Council is operating effectively and protecting its assets and resources for the benefit of all its stakeholders.

In seeking innovation and effectiveness, North Somerset Council has partnered with Bath & North East Somerset Council to provide a more resilient and better skilled audit and assurance function. This service – Audit West – is a fully integrated function able to serve not just its core partners but also provide a wider range of assurance based services to other clients such as Academies and the wider public sector.

This is not without challenges as resources have reduced significantly and this therefore necessitates a different approach to the way we work, approach and view risk and how we deliver independent assurance. This strategy is an example of this new approach as we have now replaced our traditional and often

outdated methodologies with new risk based approaches to our planning and review of Council Services.

Our strategy to deliver this is based on the following key priorities –

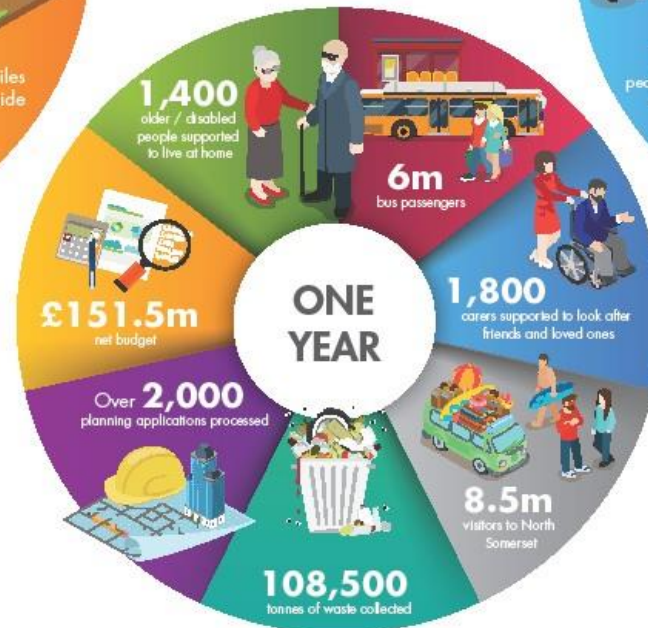
- **Providing Reasonable Assurance**
- **Providing Value for Money**
- **Maximising Technology**
- **Investment in Skills**
- **Commercial Growth**

We will continue to work with all our stakeholders - especially the Audit Committee, Statutory Officers and Senior Management – to improve the service we offer but also to provide an independent voice in supporting service change and transformation

The remainder of this document outlines our approach and also the indicative areas for our audit and assurance plan for 2017/18.



Scope and scale



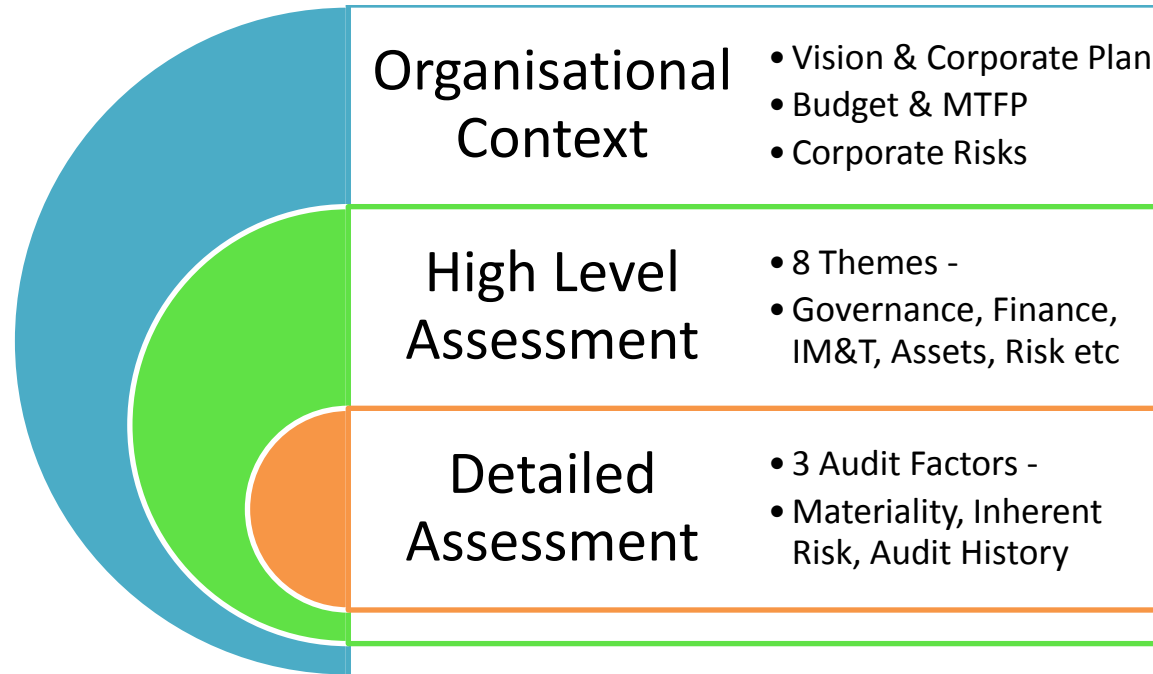
3. Key Priorities for North Somerset

Prosperity & Opportunity	Health & Wellbeing	Quality & Places
<ul style="list-style-type: none"> - Drive growth in the Local economy and create jobs - Ensure that all our Town Centres are thriving - Enable young people to fulfil their potential - Ensure that all our communities share in prosperity and employment growth 	<ul style="list-style-type: none"> - Enable residents to make healthy choices and promote active lifestyles which reduce ill health and increase independence - Support families to give their children the best start in life - Commission or provide quality health and care services, which deliver dignity, safety and choice 	<ul style="list-style-type: none"> - Enable sustainable housing growth which protects our natural and built environment - Build and sustain great places to live and visit which are vibrant, accessible, and safe - Empower local people to contribute to their communities to provide their own solutions
<p>Supported by the following four enablers</p>		

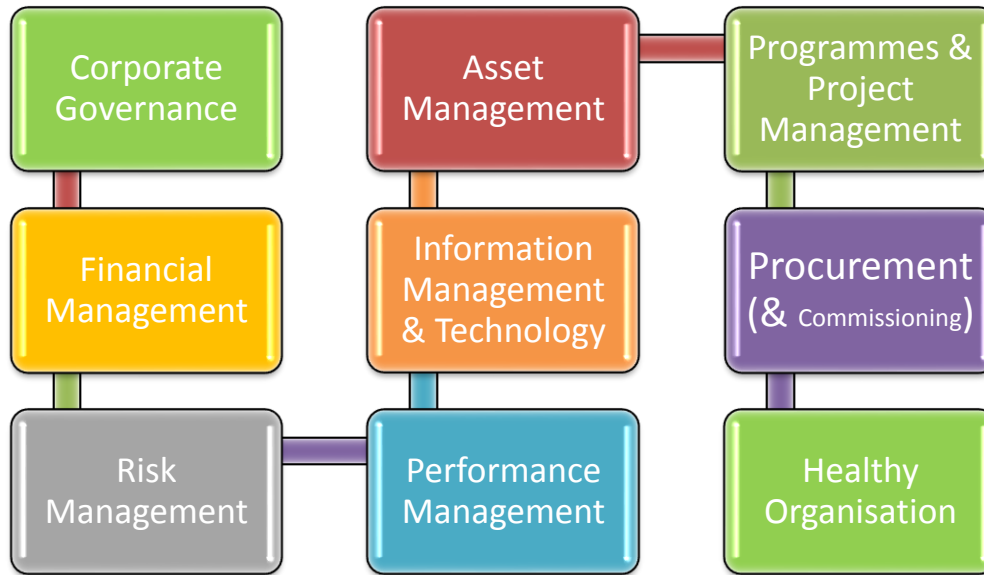


4. Reasonable Assurance Model – Producing the Audit Plan

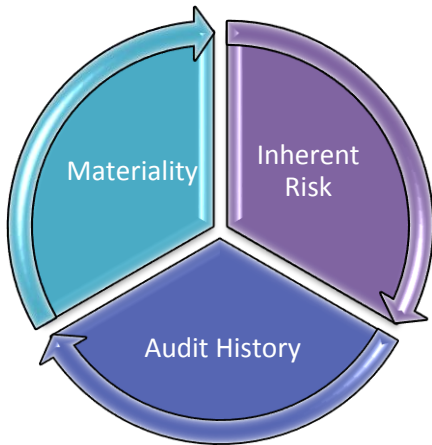
The model is based on the fundamental requirement that the audit plan proposed will deliver sufficient work to enable the Head of Audit to independently assess the internal control framework and give a reasonable assurance opinion at the end of each year. This involves considering current context of the Council, what a 'healthy organisation' requires to operate effectively and then assessing independently against this in a staged process as follows –



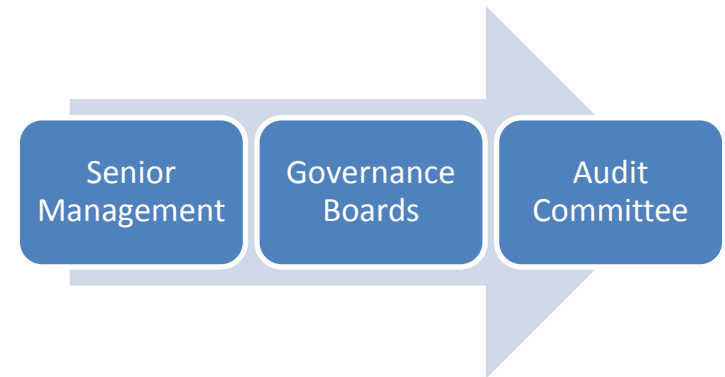
HIGH LEVEL ASSESSMENT AREAS – REASONABLE ASSURANCE



DETAILED ASSESSMENT CRITERIA



CONSULTATION & APPROVAL



5. Methodology, Approach & Standards

Introduction:

Internal Audit is an assurance function that provides an independent and objective opinion to the Council on its control environment. Scope of Internal Audit activity is not limited to the Council's financial systems and records, but extends to all functions of the Council.

Internal Audit is required to compile each year a Plan of its intended activity for approval by the Council's Audit Committee.

Internal Audit is required to be compliant with the Public Sector Internal Audit Standards and designs its methodologies to ensure it meets these standards and considers all available best practice.

Independence:

A critical element of the performance of Internal Audit is independence from the activities audited. This enables the function to form impartial and effective judgment for the opinions and recommendations made.

To help ensure independence, Internal Audit is part of a partnership arrangement with 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 Audit West (responsible for the partnership arrangements) reports in his own name and acts as Chief Internal Auditor for each Council.

Internal Audit 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.

Relationship with the Council's External Auditor:

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 2016/17 accounts.

The External Auditors carry out their own risk assessment methodology to assist in agreeing their workplan.

The working relationship between Internal Audit and the External Auditors carrying out their respective functions 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.

The External Auditors whilst not formally required to seek reliance on the work of Internal Audit take into account the outcomes of all audit activity and consider their approach and plans to maximise their effectiveness and there is therefore regular contact between the two parties.

Performance Management

The function recognises the importance of regular and effective performance management to ensure an effective service is being operated. A quarterly dashboard is produced and reported to each key stakeholders, including the Audit Committee.

Performance Indicators and Measures are set in the following areas –

Completion of the Plan
Audit Recommendations Implemented
Assurance Levels Provided
Productivity
Customer Satisfaction
Numbers of Investigations
Unplanned Work

Preparation of the Annual Plan: Reasonable Assurance Model

Internal Audit has adopted a risk based approach in determining its Annual Plan using the reasonable assurance model.

Stage 1 - Assess levels of Assurance & Risk over 8 key themes

- Corporate Governance
- Financial Management
- Performance Management
- Risk Management
- Asset Management
- Procurement (& Commissioning)
- Programme & Project Management
- Information Management & Technology

Stage 2 – Risk Assessment using 3 key factors

- Materiality
- Inherent Risk
- Audit History

Stage 3 – Consult & Approve the Plan

- Senior Management
- Audit Committee

Unplanned Work

The plan also allows for a contingency for any unplanned work. Unplanned work consists of the investigation of irregularities and prioritised 'consultancy' work. If this contingency number of days is fully utilised and further unplanned work is required it is the intention that planned audit reviews, with the lowest risk rating, will be replaced by the unplanned work activity.

In view of the ever changing environment in which Local Government exists the Plan will be reconsidered at regular intervals to confirm that the remaining work planned is still appropriate. This process will be carried out in consultation with Senior Management and in particular the S151 Officer who acts as the principal client for the function.

Methodology:

Individual Audit Reviews:

At the commencement of each Audit Review, an Audit Brief (**Annex A**) will be prepared and issued to the relevant Head of Service/Director 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.

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 Head of Service/Director may be involved at this stage. Wherever possible this meeting will occur before a 'draft' audit report is produced.

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.

The nominated responsible Manager is required to respond to the audit findings and recommendations and prepare an action implementation plan recording responsible officers and timescale for implementation.

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 Head of Service/Director. It should be noted that the relevant Strategic Director and Audit Committee will be informed of the outcome of any work which falls into a level 1 rating.

Audit Review 'Follow-Ups':

Internal Audit reports / recommendations are subject to "follow-up". The objective of this process is to ensure actions are implemented within the agreed timescales.

All recommendations are subject to 'follow-up'. 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 Internal Audit will carry out testing to confirm implementation.

The findings of Audit Review 'Follow-Up' will be reported to the relevant manager(s) and Head of Service/Director. As stated above the relevant Strategic Director will be informed of the outcome of this work where there is a level 1 rating.

Investigation of Fraud & Corruption:

Senior Management have the primary responsibility for the prevention and detection of fraud and other financial irregularities. Internal Audit will however ensure it provides a lead in supporting management in this area, including design of appropriate strategies, policies and levels of control and will be alert in all their work to the possibility of theft, fraud, corruption and bribery.

Members of staff working within the Council are required to report any possible wrongdoing. Internal Audit 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.

Internal Audit will conduct all investigations relating to fraud and corruption and do so according to professional standards, all applicable legislation and internal policies and procedures relating to staff conduct and the disciplinary process.

ANNEX A - AUDIT BRIEF

• Title	{Title}	
• 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"> • Ensure..... • Ensure..... • Ensure..... 	
• Key Stages of Review Process	<pre> graph TD A((Agree Brief with Client)) --> B((Compile & Issue Draft Report)) B --> C((Agree Opinion & Final Report with Client)) C --> D((Implement & Follow-up)) D --> E((Discuss Summary Findings with Client)) E --> F((Testing & Field Work)) F --> A </pre>	
• Timeframe	Fieldwork Starts: {Date}	Draft Report: {Date}
• Key Contacts	Lead Auditor: {Name}	Lead Client: {Name}
• Service Charter & Professional Standards	Our customer service charter outlines what you can expect from us and what in turn we need from you to complete this audit. All audit work is reported to and monitored by the Audit Committee. All audit work complies with Public Sector Internal Audit Standards.	

Audit Opinions

Assurance Level 5 (Excellent)

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.

• *Assurance Level 4 (Good)*

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.

• *Assurance Level 3 – (Satisfactory)*

The systems of internal control are satisfactory and reasonable assurance can be provided. However, there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan.

• *Assurance Level 2 – (Weak)*

The systems of internal control 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 risk exposure.

• *Assurance Level 1 – (Poor)*

The systems of internal control 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.

Contact Details

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6. Audit Plan – 2017/18

Results of our Reasonable Assurance Model Risk Assessment –

HIGH LEVEL OF RISK LOW		INFORMATION MANAGEMENT & TECHNOLOGY				
	FINANCIAL MANAGEMENT	PROGRAMME & PROJECT MANAGEMENT	PROCUREMENT (& Commissioning)			
	PERFORMANCE MANAGEMENT	RISK MANAGEMENT	ASSET MANAGEMENT			
	CORPORATE GOVERNANCE					
HIGH		LEVEL OF ASSURANCE			LOW	

AUDIT PLAN AREAS –

Audit Area	Service or Reasonable Assurance Theme	Directorate
Contract Management	Procurement	ALL
Spend Analysis (No PO No Pay, Use of Benchmarking, etc)	Procurement	ALL
Transformation & Project Management	Risk Management	ALL
Business Continuity	Risk Management	ALL
Annual Governance Review	Corporate Governance	ALL
Counter Fraud Plan	Risk Management	ALL
Risk Management	Risk Management	ALL
Corporate Financial Monitoring	Financial Management	ALL
Follow-Up Reviews of 16/17 Audit's	Corporate Governance	ALL
Shared Lives	Risk Management	P&C
Personal Budgets	Risk Management	P&C
Community Meals & Canteen Service	Risk Management	P&C
Spot Providers/ Block Contracts	Risk Management	P&C
Social Impact Bond	Risk Management	P&C
Schools (assurance visits to Schools)	Corporate Governance	P&C
NSETC Funding	Corporate Governance	P&C
Housing (Rolling Programme of Reviews)	Risk Management	P&C
Corporate Property Maintenance (inc Children's Centres)	Risk Management	P&C
Information Governance	Information Management	P&C
Joint Funding & Income Arrangements	Risk Management	P&C
Ordinary Residence	Risk Management	P&C
Agylisys Contract Expenditure	Financial Management	P&C
ICT Audit's	Information Management	CS
Information Security	Information Management	CS
GDPR (Data Protection)	Information Management	CS
Core Systems & Financial Management	Financial Management	CS
Debt Recovery – Follow Up	Financial Management	CS

Audit Area	Service or Reasonable Assurance Theme	Directorate
Data Analytics (Rolling programme of reviews inc. Creditors, Payroll, Gap Analysis)	Financial Management	CS
NNDR Specialist Work (Business Rates/ Mapping)	Risk Management	CS
HR – Adherence to policies	Corporate Governance	CS
HR – Overtime and enhanced hours	Corporate Governance	CS
HR – Starters & Leavers Process	Corporate Governance	CS
DevCo & Teckal (Project Board Attendance, etc)	Corporate Governance	CS
Contract Management (Waste)	Risk & Performance Management	D&E
Cashless Car Parks/ Cash Collection	Risk & Performance Management	D&E
Grants Claims – inc City Deal/ LEP/ etc (IA Sign-Off)	Risk & Performance Management	D&E
Land Charges	Risk & Performance Management	CS
Historic Environment Records	Risk & Performance Management	D&E
Fleet Management	Asset Management	D&E
Sea Front Operations	Financial Management	D&E
Concessionary Fares	Financial Management	D&E
Business Engagement (Internal & External)	Risk Management	D&E
HCA Funding Framework	Financial Management	D&E