

# North Somerset Council

<b>REPORT TO THE:</b>	<b>AUDIT COMMITTEE</b>
<b>DATE OF MEETING:</b>	<b>25<sup>TH</sup> APRIL 2018</b>
<b>SUBJECT OF REPORT:</b>	<b>AUDIT &amp; ASSURANCE PLAN 2018-19</b>
<b>TOWN OR PARISH:</b>	<b>NONE</b>
<b>OFFICER/PRESENTING:</b>	<b>JEFF WRING - AUDIT WEST</b>
<b>KEY DECISION:</b>	<b>NO</b>

## RECOMMENDATIONS:

The Audit Committee approves the Audit & Assurance Plan 2018-19.

## 1. SUMMARY OF REPORT

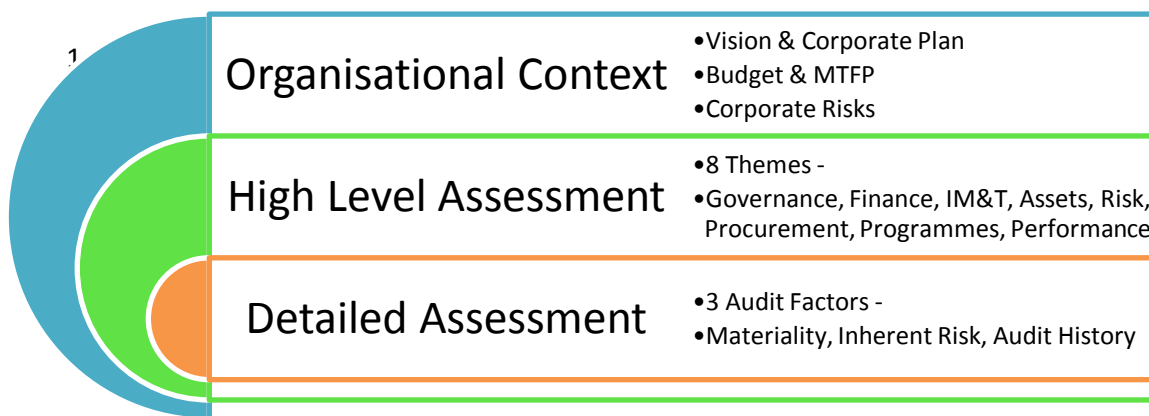
This report outlines the Annual Audit and Assurance Plan 2018-19 which forms the principal work of the Internal Audit Service for 2018-19. The Audit Committee is requested to consider and recommend the plan for approval.

## 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 as well as informing the 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. The plan is formulated using the Reasonable Assurance Model the essential elements of the model are as follows –



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 partnership arrangements which have given us new efficiency opportunities to reduce the amount of time spent on reviews.

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 and consulted with a range of stakeholders. 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.

#### **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

2

#### **9. OPTIONS CONSIDERED**

None as report follows professional standards.

### **AUTHORS**

Jeff Wring      Audit West      [jeff.wring@n-somerset.gov.uk](mailto:jeff.wring@n-somerset.gov.uk)

### **BACKGROUND PAPERS**

None

### **ATTACHMENTS**

Appendix A Annual Audit & Assurance Plan 2018-19

APPENDIX A

# Audit & Assurance Plan 2018/19

Delivering Independent Assurance to Local Government



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

Modern Efficient Services and a Strong voice for North Somerset

## **CONTENTS**

**1. Introduction & Our Role.....Page 3**

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

**3. Key Priorities..... Page 5**

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

**5. Areas for Review..... Page 9**

**6. Methodology, Approach & Standards..... Page 11**

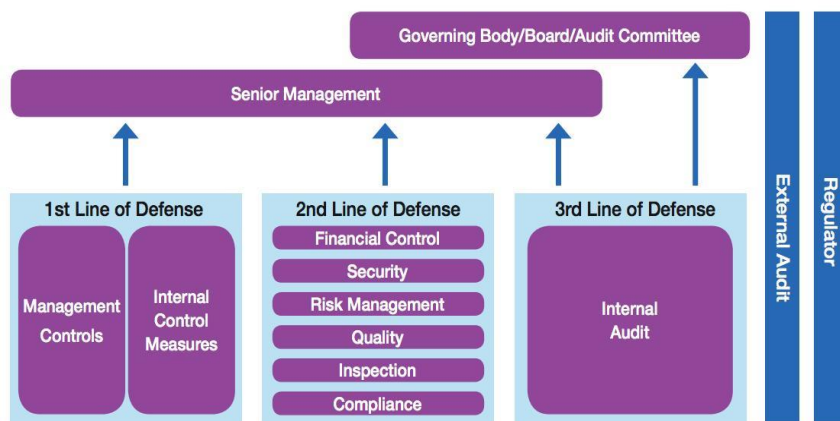
# 1. Our Role

## Introduction

North Somerset Council strives to deliver excellent services to local people and make its 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.

Audit West 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.

## Three Lines of Defence Model



By being independent of management Audit West maintain the third line of defence and we continue to do this effectively by working 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.

We also aim to offer continued value to all our clients based on the following key priorities –

- **Use of our Reasonable Assurance Model**
- **Maximising Use of Technology**
- **Investment in Skills**
- **Offering complimentary assurance services**
- **Providing Value for Money**

The remainder of this document outlines our approach and also the indicative areas for our audit and assurance plan for 2018/19.



# Scope and scale



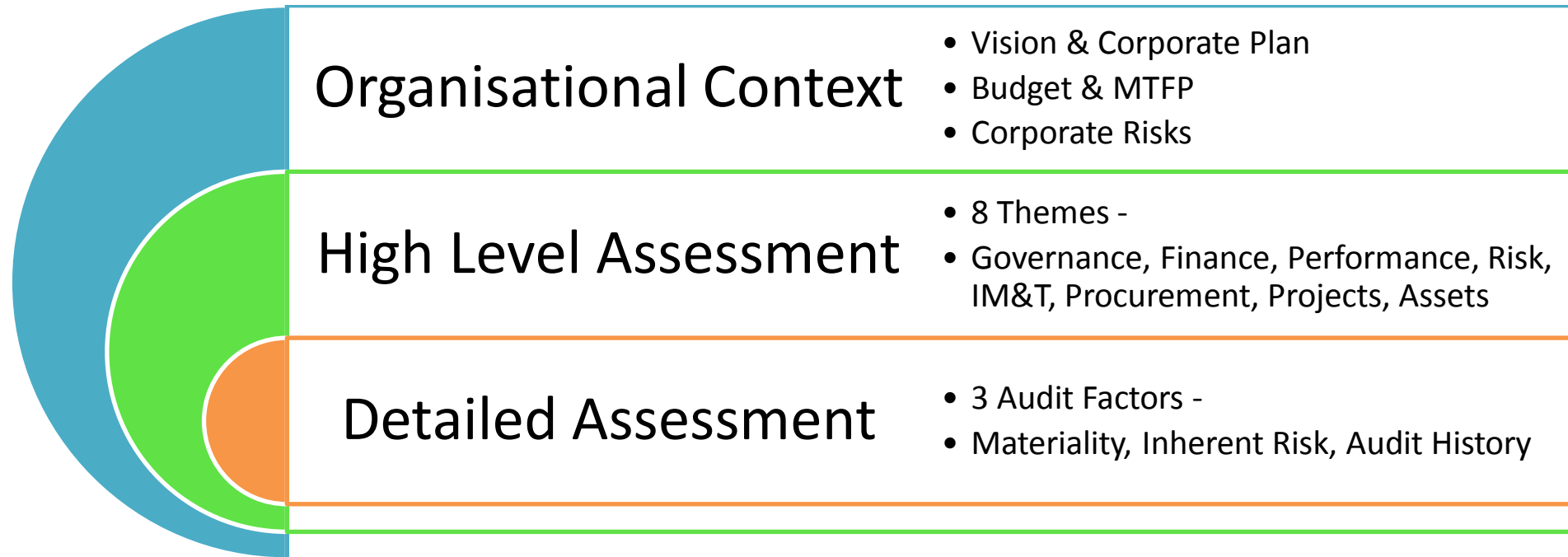
### 3. Key Priorities for North Somerset

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



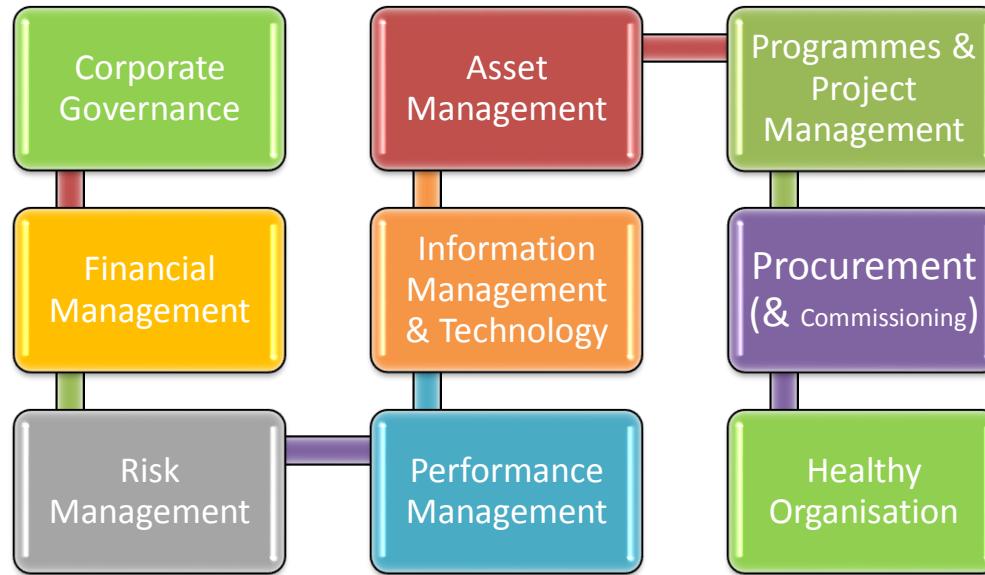
## 4. Reasonable Assurance Model – Producing the Audit Plan

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 –

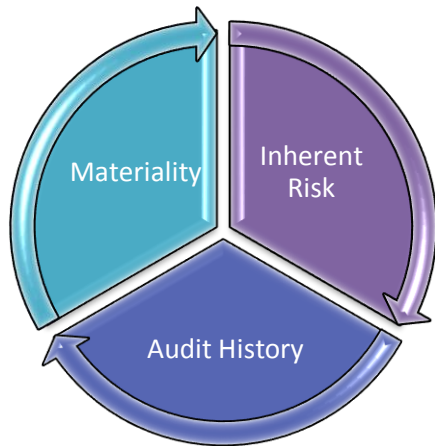




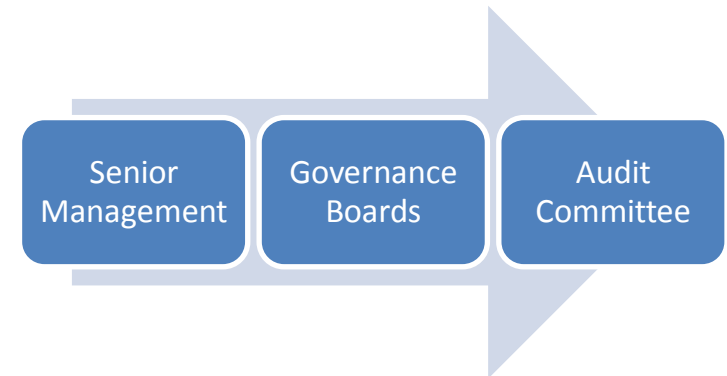
**HIGH LEVEL ASSESSMENT AREAS – REASONABLE ASSURANCE**



**DETAILED ASSESSMENT CRITERIA**



**CONSULTATION & APPROVAL**



Results of our Reasonable Assurance Model Risk Assessment –

<b>LEVEL OF RISK</b>	HIGH		<b>FINANCIAL MANAGEMENT</b>			
			<b>INFORMATION MANAGEMENT &amp; TECHNOLOGY</b>	<b>PROCUREMENT (&amp; Commissioning)</b>		
		<b>CORPORATE GOVERNANCE</b>	<b>ASSET MANAGEMENT</b>	<b>PROGRAMME &amp; PROJECT MANAGEMENT</b>		
			<b>PERFORMANCE MANAGEMENT</b>	<b>RISK MANAGEMENT</b>		
	LOW					
		HIGH	<b>LEVEL OF ASSURANCE</b>			LOW

## 5. Areas for Review

### INTERNAL AUDIT PLAN 2018/19 – PROPOSED REVIEW AREAS

Audit Area	Service or Reasonable Assurance Theme	Directorate	Indicative Start (Q)
Core Financial Systems	Financial Management	CSD	3/4
Council Tax Payments	Financial Management	CSD	2
Housing Benefit Overpayments	Financial Management	CSD	3
ICT Cyber Security	Information Management	CSD	2
ICT Disaster Recovery & Back-Up Arrangements	Information Management	CSD	1
Data Protection (GDPR) & Information Management	Information Management	ALL	ALL
Contract Monitoring & Payments	Procurement & Commissioning	ALL	1
Supplier Resilience	Procurement & Risk Management	ALL	2/3
Corporate Fraud Strategy	Risk Management	ALL	1/2
Policy Review – Anti Bribery/ Money Laundering	Risk Management	ALL	1/2
Whistleblowing	Risk Management	ALL	1/2
Delegated Authority (Sign-Offs)	Corporate Governance	ALL	3
Declaration of Interests & Code of Conduct	Corporate Governance	ALL	2
Risk Management Arrangements	Risk Management	ALL	1
NNDR Specialist Work (Business Rates/ Mapping)	Risk Management	CSD	ALL
Data Analytics (Rolling programme of reviews inc. Creditors, Payroll, Gap Analysis)	Financial Management	CSD	ALL
Annual Governance Review	Corporate Governance	ALL	4
Follow-up Reviews of 17/18 Audits	Corporate Governance	ALL	ALL
SPV – Governance & Performance Reporting	Corporate Governance & Performance Management	CSD	1 & 3
Health & Safety Compliance	Risk Management	CSD	2
Evacuation Procedures – Major Incidents	Risk Management	CSD	3
Section 117/ CCG Funding	Risk Management	P&C	1/2
Individual Care Packages – Resource Allocation	Risk Management	P&C	4
Better Care Fund	Risk Management	P&C	3/4

<b>Audit Area</b>	<b>Service or Reasonable Assurance Theme</b>	<b>Directorate</b>	<b>Indicative Start (Q)</b>
<b>Financial Assessment Process</b>	Risk Management	P&C	1
<b>Adult Care Finance System (Liquid Logic)</b>	Information Management	P&C	ALL
<b>Fostering – Recruitment Process &amp; Payments</b>	Risk Management	P&C	1
<b>South West Sub-Regional Children’s Residential Placements</b>	Procurement & Commissioning	P&C	3
<b>Children’s Direct Payments</b>	Risk Management	P&C	4
<b>Transitions – Children’s to Adult Services</b>	Risk Management	P&C	2/3
<b>Social Impact Bond – PRG Payments</b>	Risk Management	P&C	2
<b>Housing Complaints Process</b>	Performance Management	P&C	4
<b>Homelessness</b>	Performance Management	P&C	3
<b>Public Health</b>	Risk Management	P&C	3
<b>Schools – Assurance Visits</b>	Corporate Governance	P&C	ALL
<b>Schools Financial Value Standard Certification</b>	Corporate Governance	P&C	4
<b>NSC Contract Management Arrangements (inc Highways)</b>	Procurement & Commissioning	ALL	4
<b>Waste Contract</b>	Procurement & Commissioning	D&E	3
<b>Leisure Contract – Profit Share</b>	Procurement & Commissioning	D&E	2
<b>Integrated Transport Unit</b>	Performance & Asset Management	D&E	3
<b>Sea Front Operations</b>	Performance Management	D&E	2
<b>Wyvern SW Limited (DevCo) inc Updates to Constitution</b>	Corporate Governance	D&E	2/3
<b>Commercial Investments</b>	Risk and Asset Management	CSD	ALL
<b>Cashless Car Parking</b>	Financial Management	D&E	1
<b>Community Infrastructure Levy</b>	Financial Management	D&E	4
<b>Grant Claims – Internal Audit Sign-Off</b>	Financial Management	ALL	ALL
<b>National Productivity Investment Fund</b>	Financial Management	D&E	TBC
<b>Fuel Cards</b>	Financial & Asset Management	D&E	1

**NB – Shaded rows indicate potential for joint working across BANES**

## 6. 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 and 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 delivered through a contractual 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, Directors, the Council's s151 Officer and the Council's Monitoring Officer. Additionally, the Head of Audit West (responsible for the overall arrangements) reports in his own name and acts as Chief Internal Auditor for North Somerset Council.

### **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. The External Auditors carry out their own risk assessment methodology to assist in agreeing their work plan.

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

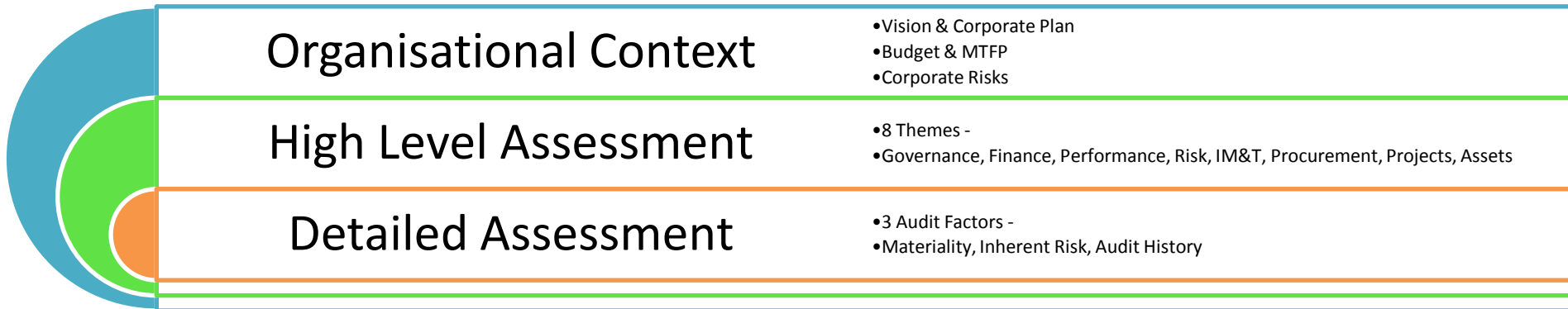
The function recognises the importance of regular and effective performance management to ensure an effective service is being operated. A performance dashboard is produced and reported to each key stakeholders, including the Audit Committee.

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.



## 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.

At the conclusion of each review, an end of review meeting will be held with the Client to discuss the matters arising. 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. The relevant Director, Chief Executive and the Audit Committee will be informed of the outcome of any work which receives a level 1 rating.

### **Audit Review 'Follow-Ups':**

Internal Audit recommendations are subject to "follow-up" to ensure actions are implemented within the agreed timescales. The process is dependent on the risk classification and for all 'Critical' and 'High' risk recommendations Internal Audit will carry out testing to confirm implementation and report its back to the Client. Where an area has a level 1 rating this may be reported to the Audit Committee.

### **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.

Whistleblowing arrangements set out how Staff & Contractors can report concerns and Internal Audit will respond to any such reports received and conduct all investigations relating to fraud and corruption in accordance with the Council's disciplinary process.

### **Professional Standards**

All Internal Audit functions are required to comply the professional standards set out by the Chartered Institute of Internal Auditors and endorsed by CIPFA. Evidence of this compliance is through a formal external assessment every 5 years and annual self-assessments.

Audit West received a formal external self-assessment in March 2018 and it was confirmed that it was confirming with the standards. Updates will be provided to the Audit Committee of areas for improvement on an annual basis.

## AUDIT BRIEF

• <b>Title</b>	{Title}	
• <b>Purpose of Review</b>	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.	
• <b>Scope of Review</b>	The audit will review the following key risks/control objectives: <ul style="list-style-type: none"> <li>• Ensure.....</li> <li>• Ensure.....</li> <li>• Ensure.....</li> </ul>	
• <b>Key Stages of Review Process</b>	<pre> graph TD     A((Agree Brief with Client)) --&gt; B((Compile &amp; Issue Draft Report))     B --&gt; C((Agree Opinion &amp; Final Report with Client))     C --&gt; D((Implement &amp; Follow-up))     D --&gt; E((Discuss Summary Findings with Client))     E --&gt; F((Testing &amp; Field Work))     F --&gt; A   </pre>	
• <b>Timeframe</b>	<b>Fieldwork Starts:</b> {Date}	<b>Draft Report:</b> {Date}
• <b>Key Contacts</b>	<b>Lead Auditor:</b> {Name}	<b>Lead Client:</b> {Name}
• <b>Service Charter &amp; Professional Standards</b>	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**

<b>Engagement Lead –</b>	Jeff Wring 01225 477323 <a href="mailto:jeff_wring@bathnes.gov.uk">jeff_wring@bathnes.gov.uk</a>  01275 884459 <a href="mailto:jeff.wring@n-somerset.gov.uk">jeff.wring@n-somerset.gov.uk</a>
<b>Audit Manager (North Somerset)</b>	Peter Cann 01275 884750 <a href="mailto:Peter.cann@n-somerset.gov.uk">Peter.cann@n-somerset.gov.uk</a>
<b>Address</b>	Audit West Resources The Guildhall High Street BATH, BA1 5AW