

AUDIT AND RISK COMMITTEE

25 April 2017

INTERNAL AUDIT PLAN 2017/18

Report of the Head of Internal Audit

Strategic Aim:	All		
Exempt Information		No	
Cabinet Member(s) Responsible:		Councillor Oliver Hemsley – Portfolio Holder for Growth, Trading Services and Resources (excluding Finance)	
Contact Officer(s):	Rachel Ashley-Caunt, Head of Internal Audit	Tel: 07824 537900 rashley-caunt@rutland.gcsx.gov.uk	
Ward Councillors	N/A		

DECISION RECOMMENDATIONS

1. That Members review and approve the Internal Audit Plan for 2017/18.
2. That Members give authority to the Assistant Director – Finance to make changes to the Audit Plan 2017/18 in consultation with the Chair of the Audit & Risk Committee.

1 PURPOSE OF THE REPORT

- 1.1 To seek the Committee's approval of the Internal Audit Plan for 2017/18, in line with the Public Sector Internal Audit Standards.

2 BACKGROUND AND MAIN CONSIDERATIONS

Internal Audit Plan

- 2.1 The Internal Audit Plan sets out the assignments that will be delivered by the Internal Audit team during the financial year. In accordance with the Public Sector Internal Audit Standards (PSIAS), the Audit Plan should be risk based and developed with input from senior management and the Audit Committee.
- 2.2 LGSS provides the Internal Audit service for Rutland County Council and is commissioned to provide 370 days to deliver the Audit Plan.

- 2.3 Appendix A provides details on the process followed to develop the Internal Audit Plan for 2017/18 and a copy of the draft Plan is provided in Table 1.
- 2.4 At the January 2017 meeting, Members of the Audit and Risk Committee were invited to highlight any areas where assurance from Internal Audit is sought during 2017/18 for inclusion and prioritisation in the development of the Audit Plan. The areas raised by the Committee have been considered and risk assessed in the development of the Plan. The Plan will remain subject to ongoing review during the year and amendments to reflect any changes in the risk environment can be made accordingly.
- 2.5 To ensure that the Internal Audit activities are consistently focused upon the Council's key risks, the plan will remain subject to ongoing review by the Head of Internal Audit throughout the year and will be subject to regular consultation with senior management. To enable the Internal Audit team to be responsive and amend the planned activities to address any new or emerging risk areas as required, it is recommended that a mechanism be agreed to allow for changes to the Audit Plan between Audit and Risk Committee meetings. Any such amendments could be subject to formal approval by the Assistant Director - Finance and the Chair of the Audit and Risk Committee and would be reported at the subsequent Audit and Risk Committee meeting.

3 CONSULTATION

- 3.1 No external consultation is required but, as noted above, senior management and the Audit and Risk Committee have been involved in developing audit proposals for 2017/18.

4 ALTERNATIVE OPTIONS

- 4.1 Members are able to approve the plan as presented in Appendix A or approve it with amendments.

5 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising from this report. The Audit Plan has been based upon the number of days commissioned by the Council on an annual basis.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

- 6.1 The Audit and Risk Committee is responsible for oversight of the work of Internal Audit including approving the annual Audit Plan and satisfying itself that the conclusions reached in the annual audit report are reasonable in light of the work undertaken. It is also responsible for gaining assurance that the Internal Audit service is complying with Internal Audit Standards.
- 6.2 There are no legal implications arising from this report.

7 EQUALITY IMPACT ASSESSMENT

- 7.1 There are no equality implications.

8 COMMUNITY SAFETY IMPLICATIONS

8.1 There are no community safety implications.

9 HEALTH AND WELLBEING IMPLICATIONS

9.1 There are no health and wellbeing implications.

10 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

10.1 The draft Internal Audit Plan for 2017/18 has been developed following a risk based approach, with input from Senior Management and the Audit and Risk Committee. The Plan is presented to the Audit and Risk Committee for final refinement and formal approval.

11 BACKGROUND PAPERS

11.1 There are no additional background papers to the report.

12 APPENDICES

12.1 Appendix A: Draft Internal Audit Plan 2017/18

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.



Internal Audit Plan
2017 / 18
RUTLAND COUNTY COUNCIL



Head of Internal Audit: Rachel Ashley-Caunt

INTERNAL AUDIT PLAN 2017 / 18

1. Introduction

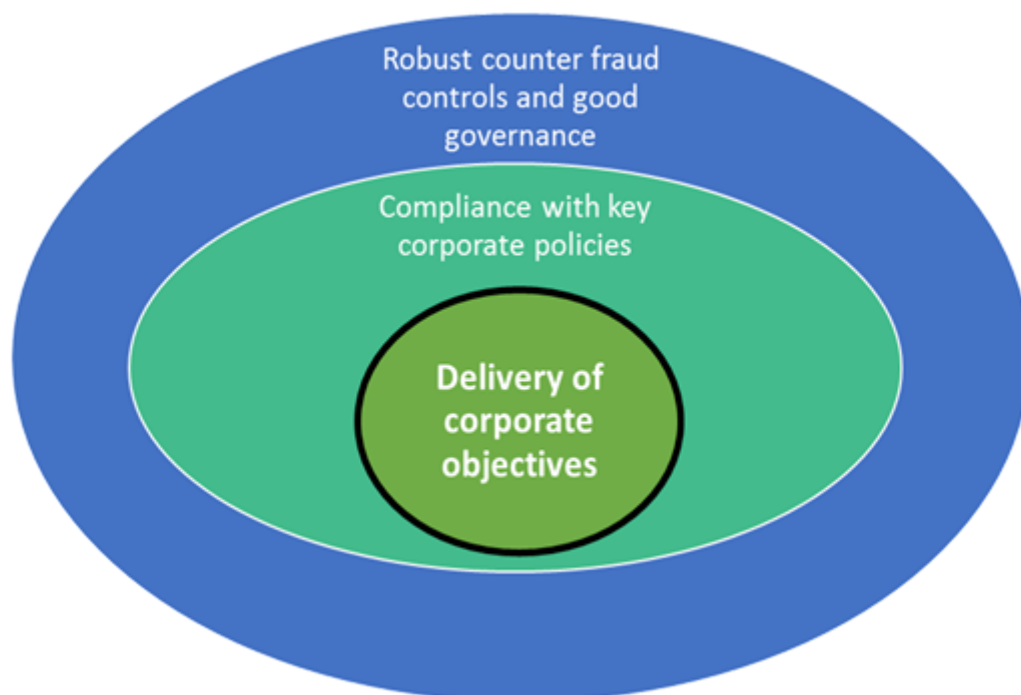
- 1.1 This report sets out the proposed work of Internal Audit at Rutland County Council for 2017/18 for review and approval by the Audit and Risk Committee.
- 1.2 Internal Audit provides independent assurance designed to add value and support the Council in achieving its priorities and objectives. To deliver this, Rutland County Council commissions 370 days for delivery of the Internal Audit service on an annual basis.
- 1.3 The provision of assurance services is the primary role for Internal Audit in the UK public sector. This role requires the Head of Internal Audit to provide an annual Internal Audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 1.4 Internal Audit also provide consultancy services which are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion. Any proposed consultancy work is clearly specified as such on the Audit Plan.
- 1.5 In setting the annual Audit Plan, the Public Sector Internal Audit Standards require:
- The audit plan should be developed taking into account the organisation's risk management framework and based upon a risk assessment process undertaken with senior management and the Audit Committee;
 - The audit plan should be reviewed and approved by an effective and engaged Audit Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
 - The Head of Internal Audit should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.

2. The Audit Plan

- 2.1 The Audit Plan covers the two key component roles of Internal Audit:
- The provision of an independent and objective opinion to the Section 151 Officer and the Audit and Risk Committee on the degree to which risk management, control and governance support the achievement of Council objectives; and
 - The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.

- 2.2 At the centre of the organisation, is the core delivery of the Council's corporate objectives and corporate plan. The risk based audits are focused upon providing independent assurance over the controls in place to manage risks faced in achieving these objectives.
- 2.3 In order to protect the Council in delivering these objectives, it is essential that the Council's key corporate controls and policies are operating effectively to prevent the risk of financial loss, failure to comply with legislation, lack of accountability and reputational damage. These controls and policies range from key financial controls and systems to health and safety policies, from data management to procurement rules. These policies and controls must be complied with by all service areas to secure the Council's standing.
- 2.4 Further protecting and underpinning the Council's ongoing delivery of its objectives are robust counter fraud controls and good governance. Without these, the Council would be exposed to the risk of fraud and corruption (both internally and externally), uninformed or non-transparent decision making, loss of accountability and direction, poor risk management and failure to embed and demonstrate ethical behaviours and values.
- 2.5 As such, the Audit Plan is designed to deliver independent, objective assurance on each of these areas – which are vital to the successful delivery of the Council's objectives and services. See Exhibit 1.

Exhibit 1. Assurance areas



Value for money

2.6 In addition to assurance over governance, risk management and controls, the Audit Plan should also provide assurance over the Council's delivery of value for money. Assurance over value for money is embedded within each audit assignment.

2.7 The National Audit Office¹ refers to the following three key requirements in relation to value for money, which will form areas of assurance in the risk based audits proposed for 2017/18, as applicable to the risk area:

- **Informed decision making**

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance;
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management;
- Reliable and timely financial reporting that supports the delivery of strategic priorities; and
- Managing risks effectively and maintaining a sound system of internal control.

- **Sustainable resource deployment**

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions;
- Managing and utilising assets effectively to support the delivery of strategic priorities; and
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

- **Working with partners and other third parties**

- Working with third parties effectively to deliver strategic priorities;
- Commissioning services effectively to support the delivery of strategic priorities; and
- Procuring supplies and services effectively to support the delivery of strategic priorities.

2.8 The proposed Audit Plan for 2017/18 will provide assurances over these key areas within the context of the assignments detailed. The audit of the waste contract, for example, will consider value for money achieved from the procurement exercise and ongoing contract management.

2.9 Some of the corporate level audits will provide specific assurances in relation to the value for money requirements – the audit of compliance with procurement rules will provide

¹ Auditor Guidance Note 3 Auditors' Work on Value for Money Arrangements (November 2015)

assurance over the effective procurement of supplies and services, including when working with third parties.

3. Planning Process

2.10 In order to ensure that the Audit Plan for 2017/18 addresses the Council's key risks and adds value, the Head of Internal Audit has identified and prioritised the areas for coverage by:

- Reviewing the Council's Risk Registers and Corporate Plan;
- Undertaking an assurance mapping exercise against the risks identified to highlight any gaps in the assurance framework and identifying any other sources of assurance for each of the Council's key risks, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
- Identifying any areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last four years;
- Workshop session and paper to the Audit and Risk Committee in January 2017 to agree the audit planning process and consult Members on any areas where assurance is sought; and
- Meeting with members of Senior Management Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

2.11 The process has also incorporated consideration of potential audits which can be undertaken by drawing upon similar emerging themes from the councils across LGSS.

2.12 Following this consultation and review, a Draft Internal Audit Plan has been compiled and is provided in Table 1. Also provided, in Table 2, is a reserve list of audit assignments which were considered for inclusion in the plan but, following consultation with management, it has been agreed that these are lower risk or would be of greater value in 2018/19. If the risk environment changes during 2017/18, the Audit Plan can be amended and these assignments can be re-assessed for possible coverage.

2.13 In order to ensure the Audit Plan addresses the Council's key risks and that the service is able to respond to any in year changes to the organisation's business, risks, operations, programs or systems, it is vital that the content of the Plan be subject to ongoing review throughout the financial year. To enable the service to be responsive and ensure all audit resources are used effectively and add maximum value, it is recommended that arrangements be agreed to allow changes to the Plan to be made between Audit and Risk Committee meetings, involving consultation between the Head of Internal Audit, the S151 Officer and Chair of the Audit and Risk Committee.

3 Resources

3.1 Since August 2014, the Head of Internal Audit for the Welland Internal Audit Consortium has been provided by LGSS (Local Government Shared Services) under a management arrangement with the Consortium. This has provided the Consortium with additional

resilience and the benefit of shared practice and experience from the wider LGSS client base. This arrangement is formally agreed until 31st March 2017. From 1st April 2017, it has been approved that the Council's internal audit service be formally delegated to LGSS.

- 3.2 The audit assignments for all of the LGSS clients are delivered by a team of audit staff including a mix of highly regarded professional qualifications (including ACCA, CIPFA and IIA) and extensive experience in the public and private sector. Absences and resource gaps/vacancies can be filled by the wider LGSS team, providing the resilience and stability of a shared service.
- 3.3 Efforts are constantly made to ensure all clients benefit from the shared service arrangement. This includes achieving efficiencies in delivering assignments, sharing of knowledge and experience and opportunities to deliver cross-cutting reviews. The Cyber Security audit is on the audit plans of all five authorities within the former Welland group and will be conducted as a cross cutting review. The Internal Audit service has also built up a good working relationship with the East Midlands Police Cyber Crime Unit who will be providing input and support on these audits.
- 3.4 On an annual basis, the Head of Internal Audit completes a self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards. In doing so, the Head of Internal Audit must consider whether the resource base and mix is adequate and would highlight to the S151 officer and Members if there were any concerns that the resources in place could not provide the required coverage to inform the annual Assurance Opinion.
- 3.5 During 2016/17, LGSS has been subject to an external assessment. At the time of reporting, the services to Cambridgeshire County Council (in the 'Eastern' LGSS region which will provide services to Rutland County Council from 1st April 2017) have recently been assessed as compliant with the Public Sector Internal Audit Standards.

Table 1: Draft Internal Audit Plan 2017/18

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing	Corporate Risk ref
Corporate Governance and Counter Fraud	Cyber Security To provide assurance that the Council is taking pro-active steps to address the risks of a cyber-attack – including IT system controls, staff awareness and incident planning. Joint review with other councils in consortium.	12	Q2	11
	Risk Management To provide assurance over the Council's arrangements for effectively identifying, reporting, managing and monitoring risks. Public Sector Internal Audit Standards require Internal Audit to review the organisation's risk management on a regular basis, to inform the annual assurance opinion.	10	Q1	11
	Fraud Risk Register To provide assurance over the effective management of the Council's fraud risks, including the robustness of the Fraud Risk Register. The review will include selecting a sample of areas from the register and assessing whether controls noted are working as intended and appropriate actions are being taken.	15	Q3	11
	Council Tax Fraud and NDR Fraud To provide assurance over controls in place to prevent and detect Council Tax and NDR fraud, including pro-active measures and recovery. Area of ongoing fraud nationally, with Single Person Discount and NDR frauds being regularly reported at other authorities.	15	Q1	11
Key Corporate Controls and Policies	Key Financial Controls To provide assurance over the design and compliance with key controls across the Council's key financial systems. To cover: <ul style="list-style-type: none"> • Payroll • Debtors • Creditors • Main Accounting System • Benefits • Local Taxation 	85	Q3 & 4	11
	Contract Procedure Rule Compliance To provide annual assurance over compliance with the Council's procurement rules across the organisation. To review a sample of procurements for evidence of compliance and strengthening of controls following previous audit recommendations.	10	Q4	11

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing	Corporate Risk ref
	Business Continuity Management and Emergency Planning To provide assurance over the robustness and completeness of the Council's business continuity plans and the arrangements in place to fulfil the Council's duties as a Category 1 responder in the case of an incident in the local area. This is a key risk area for the Council and no independent sources of assurance have been provided for at least three years.	15	Q2	3
	Treasury Management To provide assurance that the Treasury Management function is conducted in line with statutory and regulatory requirements and best practice guidance so that investments are appropriately safeguarded and transactions and records are complete, accurate and timely. No Internal Audit review since 2012/13 – but resulted in 'Good Assurance'.	10	Q3	11
Corporate Objective: Sustainable growth	Waste Contract To review the management of the contract and provide assurance that this is being managed effectively to maximise value for money, monitor and challenge performance and ensure payments are in accordance with the contractual agreements. This is a high value, important contract and no independent assurance has been provided in recent years.	18	Q2	2
	Affordable Housing - Monitoring To provide assurance over the monitoring of compliance with affordable home requirements for developments in the county. No independent assurance provided and supports the Council's corporate objectives.	15	Q1	7
	Barleythorpe Business Centre (Consultancy) To provide consultancy support on the development of the Barleythorpe site and ensure that lessons learnt from the 2015/16 audit of Oakham Enterprise Park are suitably acted upon and robust controls are in place from the outset for the management of leases, income and governance.	5	TBC	7
Corporate Objective: Safeguarding	Safeguarding Children To provide assurance over the implementation of the action plan arising from the OFSTED inspection.	15	Q4	4
	Safer Recruitment To provide assurance over the checks conducted on those working with vulnerable people (including children) on behalf of the Council, including in schools and nurseries. No independent assurances over school recruitments in last five years and an area of high risk identified nationally.	15	Q2	4
	Deputyships and Court of Protection To provide assurance over the embedding of controls implemented following the audit and the effectiveness of these in practice. Internal Audit review in 2014/15 resulted in 'Limited Assurance'.	12	Q3	5

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing	Corporate Risk ref
	Direct Payments To provide assurance over the controls exercised in the administration and monitoring of direct payments. To ensure that use of these monies is meeting the needs of the service user and is not subject to misuse or non-compliance with terms and conditions.	15	Q2	5
Corporate Objective: Sound financial and workforce planning	Castle Restoration To support a post implementation review of this project. To provide assurance over the effective management of the project and whether the outcomes are consistent with the business case.	12	Q1	-
Corporate Objective: Reaching our potential	SEN (Consultancy) To provide consultancy support in the review of SEN arrangements including assisting in identifying any areas for improvement to support the requirements of the Children and Families Act.	8	Q1	-
Other assurances	Grant Claim Verifications Changing Lives, Highways Maintenance Block, Integrated Transport Block, Pothole Action Fund and National Productivity Investment Fund allocations.	7	As req'd	
	Limited Assurance reports – follow ups Where audits in 2016/17 resulted in 'Limited Assurance' opinions, action plans were agreed to resolve all issues raised. This review will report on the updated status of those action plans.	10	Q4	
Support to Rutland County Council	Including support and reporting to Audit and Risk Committee, management support and engagement, ad-hoc advice and assistance, annual Internal Audit report, follow ups on audit recommendations and partnership working with external auditors.	33		
Management & development of delegated Internal Audit service	Development and management of Internal Audit service in line with the Public Sector Internal Audit Standards, including annual standards assessment, continuous improvement, internal audit charter and manual, management, training and development of the team and performance reporting.	33		
Total days		370		

Table 2: Reserve list 2017/18

Audit Area	Basis for lower priority	Action if not reviewed in 2017/18
Schools Formula Funding	Area to be subject to significant change in 2018/19 limiting value of an Internal Audit review of processes in 2017/18.	On reserve list – if not covered, no further action planned at this time.
Blue Badges	Low financial risk compared with other risks on Audit Plan.	Could be selected as an area for review under Fraud Risk Register audit sample testing.
Agresso – Support/training	Compliance with controls and systems will be tested in financial system audits. This would provide assurance over effectiveness of user support.	To support the Council's management (under budget for Advice and Assistance) in seeking feedback directly from users on support/training – i.e. to advise on surveys or strategies, if useful.
Procurement Cards	The Council has also launched its own internal review focussing on how users can make the best use of Agresso.	Could be selected as an area for review under Fraud Risk Register audit sample testing.
	Low financial risk compared with other risks on Audit Plan.	
	Assessed as lower risk than other areas included on Audit Plan – in likelihood/impact.	
Registration Services		To include the key fraud risks relating to Registration Services in the audit of the Fraud Risk Register . If any areas of concern identified, to schedule full service audit in 2018/19 or amend current year plan. On reserve list – if not covered, include in Audit Planning process 2018/19 .
Highways Winter Maintenance Programme	Assessed as lower risk in discussions with management.	
Concessionary Fares	Assessed as lower risk in discussions with management.	On reserve list – if not covered, include in Audit Planning process 2018/19 .