



**Internal Audit –
Annual Audit Plan
2016 - 2017**

1. PURPOSE OF THE ANNUAL INTERNAL PLAN

- 1.1 The Council is required under the Accounts and Audit Regulations to maintain an adequate and effective Internal Audit Service. This is achieved through the delivery of the Annual Audit Plan and an appraisal of the Internal Audit function.
- 1.2 This report presents the risk based Internal Audit Plan for 2016-17 as agreed with the Chief Executive, Chief Operating Officer and Heads of Service. The construction of the Plan involves many factors and drivers and a diagram is incorporated in this report at 3.3 to illustrate the overall methodology.
- 1.3 The Audit and Governance Committee is responsible for overseeing the application of audit resources and monitoring performance of the audit function.

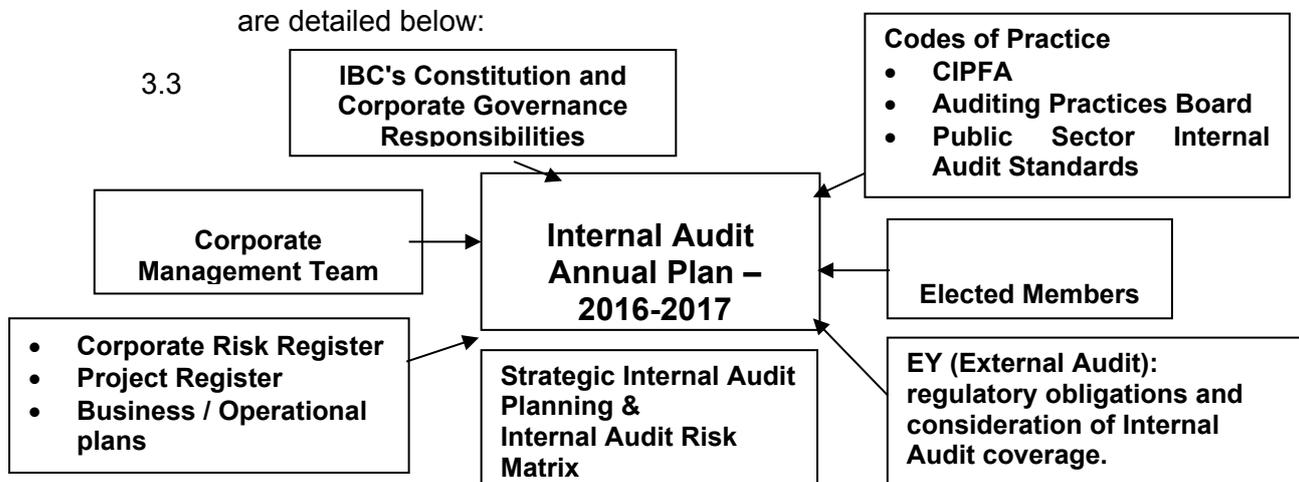
2. INTRODUCTION

- 2.1 The work of the Internal Audit Service is to provide independent assurance and report upon the effective and efficient application of internal controls, governance arrangements and value for money at the Council. All Internal Audit reports form part of the crucial evidence to enable the Chief Executive and Leader of the Council to sign the Annual Governance Statement (the obligatory statement in the Annual Accounts).
- 2.2 The work also enables compliance with the Council's Constitution and Code of Corporate Governance. Reports will make recommendations to address any weaknesses identified and give direction on how to support continual improvements by providing professional advice and guidance.

3. BACKGROUND

- 3.1 There are 4.2 full time equivalent (fte) officers available to deliver this plan, with 2 fte posts currently vacant. Excluding strategic management of the service, there are currently 428 audit days available to cover this year's plan. However, plans are in place to recruit to one of the fte vacant posts which will provide a total of 603 audit days to cover the proposed plan. The team provides 40 audit days to its partner authority Suffolk Coastal District Council throughout the year. The Audit Partnerships Manager post is shared between Waveney District Council, Suffolk Coastal District Council and Ipswich Borough Council.
- 3.2 The Internal Audit Plan considers many factors and ensures that all stakeholders' contributions are included. The main drivers used to formulate the Annual Audit Plan are detailed below:

3.3



- 3.4 The risk based Annual Internal Audit Plan for 2016-17 is a product of all the drivers listed above. Initially developed from Internal Audit's own Risk Matrix, the planning process has considered how the service will be delivered and it's alignment with organisational objectives and priorities.
- 3.5 Annual audit planning meetings are held with the Chief Executive, Chief Operating Officer, Heads of Service and Operational Managers. These meetings enable Internal Audit to develop assurance maps for each service area and to identify any national and local issues or emerging risks that the Council may seek to gain assurance over.
- 3.6 The Plan has been reviewed by the Corporate Management Team as well as the Council's External Auditors. It aims to meet all Professional Standards relating to Internal Audit in the Public Sector and should be treated as a working document, subject to amendment, as necessary, to reflect changing corporate conditions or demands as well as reflecting any changes or refinement in the Council's Corporate Risk Register.
- 3.7 Internal Audit Services operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which came in to force on 1st April 2013. These standards aim to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the Public Sector.
- 3.8 Where other external assurance providers may have undertaken relevant assurance work, Internal Audit will seek to rely on the work of these where professional standards would make it appropriate to do so.
- 3.9 The Council's transformation agenda remains an important strategic driver for the coming year and it is clear that 2016-17 will be a challenging year for the Council overall. Internal Audit Services will play a key role in assisting service areas achieve progress in this respect, move towards change and secure even greater efficiency and improvement.
- 3.10 Since 1st June 2004 Ipswich Borough Council has been in partnership for the delivery of Audit and Fraud services, which have enabled even greater operational efficiency and effectiveness in the delivery of Internal Audit Services. This provides the opportunity for each partner to call upon a wider skills base, which can be used to achieve greater flexibility and effectiveness in all areas of audit operations.
- 3.11 Each year the Audit and Governance Committee is given the opportunity to request Internal Audit to undertake specific reviews. A total of 15 days has been allocated to allow for such request.
- 3.12 The work programme for the current year, 2015-16, has progressed well. A detailed report on all the work undertaken in the year ending 31 March 2016 will be provided to the Audit and Governance Committee at a future meeting including the significant issues arising from the work performed.

4. THE INTERNAL AUDIT PLAN 2016-17

- 4.1 This Audit Plan details the work that will provide assurance to the Council in terms of the adequacy and effectiveness of financial and management controls in the areas reviewed.
- 4.2 The Plan is clearly influenced by the resources made available by the Council for Internal Audit work and a careful balance has to be achieved in terms of keeping audit costs at a realistic level, whilst recognising that there is a minimum level of coverage

that must be undertaken to ensure that the External Auditors can be satisfied that an adequate amount and quality of audit work is being performed, and ensuring that the Head of Internal Audit is able to provide an annual evidence-based opinion. In this respect the Audit Plan for 2016-17 is considered to be a challenging but realistic plan of action.

4.3 The following audit was removed from the 2015-16 plan and has not been carried forward given other areas receiving a higher risk assessment. The removed item was:

- Benefit Claim Risk Based Verification

The Internal Audit team liaised with the Council's External Auditors regarding the coverage of this area. It was identified that this is sufficiently covered within External Audit's testing and therefore would have been a duplication of effort.

4.4 The description of 'Audit Category' in the Table at item 4.6 refers to the following:

C: Consultancy work, requested by Heads of Service, Senior Management Team.

CA: Reviews to be led by the Partnership's Computer Audit Specialist

CA – C: Computer audit consultancy work.

KS: Key system review (elements of coverage to be agreed with the External Auditors).

P: Probity reviews; economic, effective and efficiency reviews; value for money reviews.

4.5 A 'Risk Category' is also identified in the Table at item 4.6 below. A risk assessment model is employed to score the relative risks of each of the identified systems in the "audit universe", which consists of all the potential auditable areas identified either by Internal Audit or other stakeholders and includes systems or other activity identified from risk registers. The scoring methodology requires that a number of risk attributes are assessed, including the following:-

- Rated as a 'Key System' by External Audit and requiring annual review
- Risk maturity of the organisation
- Length of time since last audited
- Impact on the organisation, based on reputational risk and significant fiduciary risk
- Identified through previous Internal Audit reviews/the Corporate Risk Register
- Likelihood of occurrence, based on soundness of internal control
- Potential for fraud and corruption
- Size of budget/number of employees
- Evidenced compliance with law, regulations
- Concerns raised by Stakeholders

The risks are then weighted to provide a level of relative risk for each system. The relative risk determines the likelihood of inclusion in the plan for the year and has been recorded as:

H = High Risk Audit Priority

M = Moderate Risk Audit Priority

L = Low Risk Audit Priority

4.6 The Internal Audit Plan 2016-17 for Ipswich Borough Council is listed on the following table:

Portfolio Holder	Service Area / Responsible Officer	Risk Category (High, Medium or Low)	Audit Category	Link to Corporate Risk Register (CRR)	Link to Public Sector Internal Audit Standards (PSIAS)	Period of Review Q= Quarter	Area of Activity
Leader of the Council & Executive	Corporate Management Team- Organisation wide.	H	C	CRR-4 CRR-17	2110 – Governance 2110.A1 – Ethics 2120 – Risk Management	Through-out the year	Corporate Governance /Annual Governance Statement Provision of independent professional advice. Support changes arising from any revisions to the CIPFA & SOLACE code of practice, gap analysis review.
		H	C	CRR-9 CRR-16	2110 – Governance 2120 – Risk Management	Through-out the year	Issues arising from the Shared Services arrangements and across other Suffolk Authorities and other emerging key projects To assist the management of change. To provide professional advice in response to working closer with preferred partners and commenting upon critical milestones.
		H	P	CRR-4	2120.A2 – Managing the risk of fraud	Through-out the year	National Fraud Initiative Participation in mandatory exercises and the identification of fraud through data matching exercises with the Audit Commission.
		M	P		2110 – Governance	Through-out the year	Members' Requests Commissioned by the Audit & Governance Committee.
		M	C	CRR-4 CRR-13 CRR-16 CRR-1	2130 – Control 2120 – Risk Management	On request	Consultancy and Special Investigations Provide professional advice for emerging issues and any required investigations.
		H	C	CRR-9	2120 – Risk Management 2130 – Control	Through-out the year	Transformational review of service areas Provide professional advice and support to ensure robust controls remain at a time of significant change.
		H	KS	CRR-17	2130 – Control	Q2/3	Key ICT Controls Key controls tests.
		H	C	CRR-1	2130 – Control 2120 – Risk Management	Q2	Income Generation To review the strategy adopted to generate income and provide assurance that objectives are being achieved.

Portfolio Holder	Service Area / Responsible Officer	Risk Category (High, Medium or Low)	Audit Category	Link to Corporate Risk Register (CRR)	Link to Public Sector Internal Audit Standards (PSIAS)	Period of Review Q= Quarter	Area of Activity
		H	CA-C	CRR-87	2130 - Control	Through-out the year	Customer Access Strategy To ensure robust processes and controls are in place for implementation of the Customer Access Strategy through use of Firmstep.
Cllr Martin Cook	Head of Resource Management	H	KS	CRR-4	2130 – Control	Q4	Accounts Payable – Creditors Key control tests.
		H	KS	CRR-4	2130 – Control	Q4	Accounts Receivable – Debtors Key control tests.
		H	KS	CRR-4	2130 – Control	Q4	Treasury Management (Investments) Key Control tests.
		H	KS	CRR-4	2130 – Control	Q4	Payroll Key Control tests.
		H	CA - C	CRR-4 CRR-13	2130 – Control 2120 – Risk Management	Through-out the year	Replacement HR and Finance system Provision of advice and guidance prior to, and during implementation of the new HR and Finance system/s.
		H	CA			Throughout the year	Pre-implementation data integrity review.
		H	P	CRR-16	2130 – Control	Q2	Contract Management To review the adequacy and effectiveness of contract management arrangements.
		M	P	CRR-4	2130 - Control	Q3	Data Sharing Agreements To provide assurance that processes are in place for IBC to comply with the Data Protection Act when sharing data with third parties.
Cllr Sophie Meudec	Head of Shared Revenues Partnership	H	KS	CRR-4	2130 – Control	Q4	Housing Benefit Key Control tests.
		H	KS	CRR-4	2130 – Control	Q4	Council Tax Key Control tests.

Portfolio Holder	Service Area / Responsible Officer	Risk Category (High, Medium or Low)	Audit Category	Link to Corporate Risk Register (CRR)	Link to Public Sector Internal Audit Standards (PSIAS)	Period of Review of Quarter	Area of Activity
		H	KS	CRR-4	2130 – Control	Q4	National Non Domestic Rates Key Control tests.
		M	CA	CRR-8	2130 - Control	Throughout the year	SRP Customer Portal Assurance on information security / functionality.
Cllr John Mowles	Head of Housing & Community Services	H	P	CRR_4	2130 – Control	Q4	Housing Rents Key control tests.
		H	P	CRR-4 CRR-17	2130 – Control	Q1	Maintenance and Contracts review processes To provide assurance that appropriate control and review mechanisms are in place within Maintenance and Contracts.
		M	P	CRR-4 CRR-11	2130 – Control	Q2	Choice Based Lettings To review the operation and effectiveness of controls for housing register applications.
		H	P	CRR-4	2130 - Control	Q2	Introductory Tenants Review Process To review the adequacy and effectiveness of processes in place to review Introductory Tenants.
Cllr Sophie Meudec Cllr Bryony Rudkin	Head of Culture & Environment	M	C	CRR-4	2130 – Control	Q3	Public Health Funerals To provide assurance that processes are in place to comply with the Public Health (Control of Disease) Act 1984.
		M	P	CRR-4	2130 – Control	Q2	Establishment Cash Checks To review the adequacy and effectiveness of financial controls at IBC establishments outside of Grafton House.
		M	CA - C	CRR-13	2130 – Control	Through-out the year	Replacement of Arts & Entertainment Booking System Provision of advice and guidance prior to and during the implementation to replace Patron Edge.
Cllr Philip Smart	Chief Operating Officer	H	C	CRR-4	2110 – Governance	Q1	TEEP Policy Review To provide advice and guidance on the draft policy document.
		M	P	CRR-4	2110 - Governance	Q1	Waste Governance To provide assurance that appropriate governance arrangements are in place and operating effectively.

Portfolio Holder	Service Area / Responsible Officer	Risk Category (High, Medium or Low)	Audit Category	Link to Corporate Risk Register (CRR)	Link to Public Sector Internal Audit Standards (PSIAS)	Period of Review Q= Quarter	Area of Activity
Cllr Carole Jones	Head of Development	H	P	CRR-4	2130 – Control	Q1	Section 106's To provide assurance that adequate and effective procedures and controls are in operation for S106 agreements.
		H	P	CRR-6	2130 – Control	Q2	Asset Management Implementation To provide assurance that appropriate mechanisms are in place to manage IBC assets.
		M	P	CRR-4	2130 - Control	Q3	Planning Application Process To review the planning application process to ensure robust processes and controls are in place.

5. CONCLUSION

- 5.1 Internal Audit will continue to provide regular reports to the Audit and Governance Committee on its activities and any significant issues arising.
- 5.2 All Members have access to Internal Audit reports produced and these can be requested from the Head of Internal Audit. The Chief Executive, all members of the Audit and Governance Committee and relevant Portfolio Holders for the service area under review receive copies of reports, in accordance with best practice outlined within PSIAS. This provides that all key findings, recommendations and learning points will be promptly available for assessment and action if necessary.
- 5.3 In addition, the Chairman of this Committee and any other elected Member has free access to the Head of Internal Audit.
- 5.4 The Annual Audit Plan for 2016-17 has been approved by the Chief Executive, Chief Operating Officer and Heads of Service and aims to meet all the Professional Standards relating to Internal Audit in the Public Sector. It should be viewed as a working document, subject to amendment as necessary to reflect changing corporate conditions or demands as well as reflecting any changes or refinement in the Council's Corporate Risk Register.

6. FINANCIAL AND GOVERNANCE IMPLICATIONS

- 6.1 Internal Audit recommendations and advice aims to create and foster a robust corporate governance foundation to support sustainable services for all stakeholders. As a consequence the Internal Audit Service aims to mitigate the risk of losses arising from error, irregularity and fraud. In addition efficiency, effectiveness and economy reviews form part of the work undertaken, and this represents a fundamental function in delivering the Council's corporate governance responsibilities.
- 6.2 The Local Government Act 1972 and the Accounts and Audit Regulations 2003 (amended 2006, 2011 and 2015) require principal local authorities to '...undertake an adequate and effective internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control.'
- 6.3 The implications and benefits of agreed recommendations produced by the Internal Audit Service contribute to the Council's overall objectives by improving controls and processes, which contribute towards efficient and effective management of services.

7. CONSULTATION

- 7.1 Internal consultation with the Chief Executive, Chief Operating Officer, Heads of Service, Operations Manager and external consultation with the Councils External Auditor has taken place. All matters raised have been risk assessed for consideration within the Internal Audit Plan for 2016-17.