



IPSWICH
BOROUGH COUNCIL

INTERNAL AUDIT

ANNUAL PLAN 2018-19

1 PURPOSE OF THE REPORT

- 1.1 Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (2016) and Local Government Application Note (2013). This report has been prepared in accordance with our Audit Charter. The Council is required under the Accounts and Audit Regulations to maintain an adequate and effective Internal Audit Service.
- 1.2 This report presents the strategic risk based Internal Audit Plan for 2018-19 as agreed with the Corporate Management Team.
- 1.3 The Internal Audit work planned for the coming year is aligned to the Councils Corporate Plan entitled 'Building A Better Ipswich 2017'. Planned and emerging Internal Audit exercises will directly support the good governance and risk management of the Councils seven priorities: A Strong Ipswich Economy; A Sustainable Environment; An Enjoyable Place to Live, Work and Study; A Healthy Community; Quality Homes for All; Safe Communities and An Efficient and Effective Council.
- 1.4 The Audit and Governance Committee is responsible for overseeing the requirement and application of audit resources and monitoring performance of the audit function.

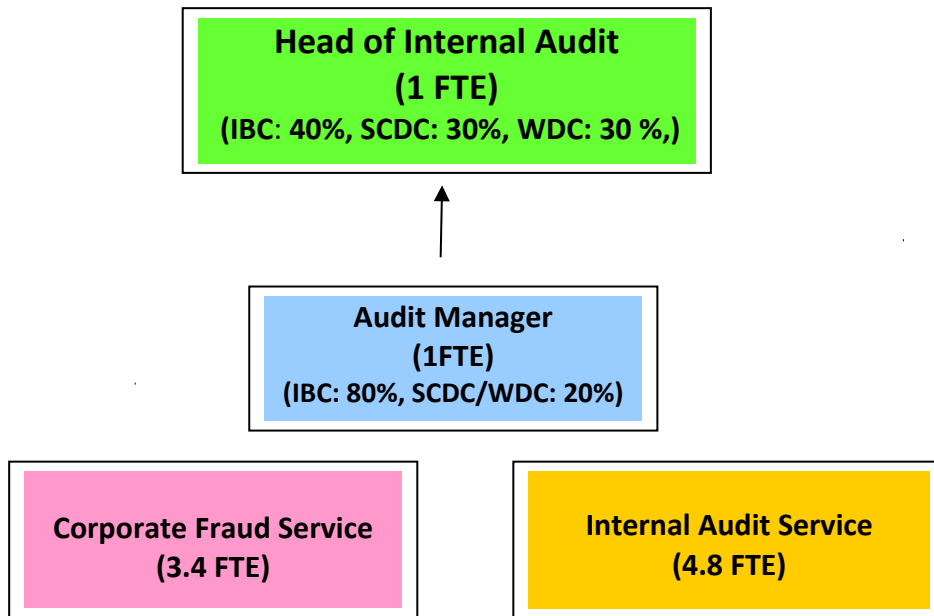
2 INTRODUCTION

- 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 along with the Annual Accounts.) External Audit can also place reliance upon Internal Audit work to ensure that system controls are adequate and effective.
- 2.2 Internal Audit outputs also enables compliance with the Council's Constitution and Code of Corporate Governance. Internal Audit reports make recommendations to address any weaknesses identified and give direction on how to support continual improvements by providing professional advice and guidance.

3 STRUCTURE AND RESOURCES

- 3.1 Since 1 June 2004 Ipswich Borough Council's (IBC) Internal Audit Service has been in partnership with Suffolk Coastal District (SCDC) with a shared Head of Internal Audit and Audit Manager.
- 3.2 Since 1 January 2009, SCDC's Internal Audit Service has been partnered with Waveney District Council with the Head of Internal Audit also shared with that Council.
- 3.3 Such partnerships have enabled greater operational efficiency and effectiveness in the delivery of Internal Audit Services and 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.

3.4 The table below represents the current structure of the Internal Audit Service:



3.5 The Internal Audit Plan is directly linked to the resources available and an anticipated 740 productive audit days are programmed for the 2018-19. Non-productive days are training, administration, holidays and adhoc sickness.

4. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

4.1 Internal Audit Services within the Public Sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1 April 2013 and were revised on 1 April 2016. The standards require periodic self-assessments and an assessment by an external person every five years.

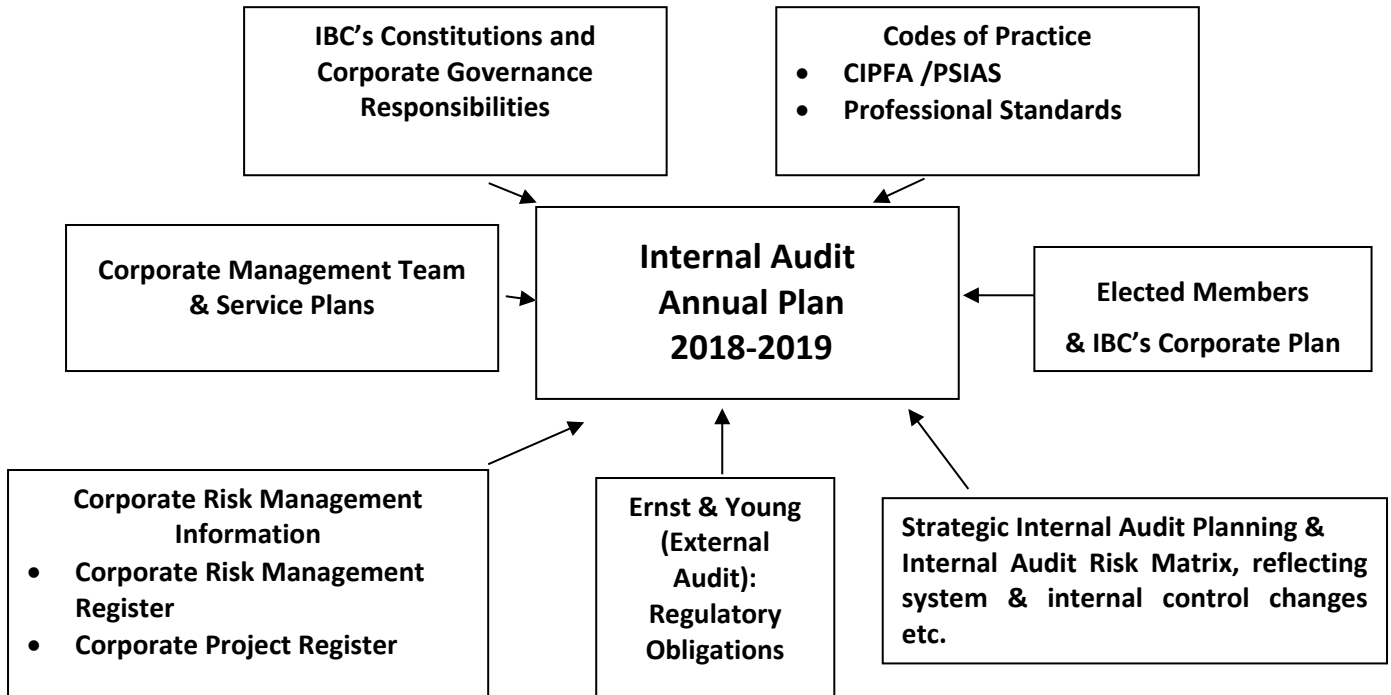
4.3 Ipswich Borough Council in partnership with Suffolk Coastal and Waveney District Council's audit service was reviewed in November 2016 by the Chartered Institute of Public Finance and Accountancy (the main PSIAS assessor in the UK).

4.4 The review identified near full compliance within the 349 tests; with no areas of non-compliance within the standards that would affect the overall scope or operation of the internal audit activity.

4.5 Annual self-assessment is completed by the Head of Internal Audit to ensure continued compliance.

5 SOURCES OF ASSURANCE

- 5.1 The risk based Internal Audit Plan considers many factors and ensures that all stakeholders' contributions are included. The main drivers used to formulate the Audit Plan are detailed below.



- 5.2 The risk based Annual Audit Plan for 2018-19 is aimed to be a product of all the drivers listed above. Initially developed from Internal Audit's own Risk Matrix, the Internal Audit planning and assurance process has considered how the Service will be delivered and is aligned to organisational objectives, priorities and risks.
- 5.3 The Head of Internal Audit holds audit-planning meetings on an annual basis 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 to identify any national and local issues or emerging risks that the Council may seek to gain assurance over.
- 5.4 The Annual Audit Plan for 2018-19 has been reviewed by the Corporate Management Team. The Council's External Auditors have also been apprised of the Annual Audit Plan for 2018-19. The Annual Audit Plan for 2018-19 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.
- 5.5 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 e.g. Health and Safety Executive, Her Majesty's Revenues and Customs; External Audit i.e. Ernst and Young LLP, Local Government Ombudsman (not an exhaustive list).
- 5.6 The shared services and transformation agenda remains an important strategic driver and it is clear that 2018-19 will be a challenging year for the Council overall. Internal Audit Services will play a key role in assisting service areas to achieve progress in this respect, move towards change and secure even greater efficiency and improvement. The 2018-19 risk based Annual Internal Audit Plan reflects Internal Audit's contribution towards delivering positive and secure change.
- 5.7 Each year the Audit and Governance Committee is given the opportunity to request Internal Audit to undertake specific reviews or to provide guidance on specific concerns. A total of 10 days has been allocated to allow for this in 2018-19.

5.8 The work programme for the current year, 2017-18 has progressed well. A detailed report on all the work undertaken in the year 2017-18 will be provided to the Audit & Governance Committee at a future meeting, including any significant issues arising from the work performed.

6. INTERNAL AUDIT STRATEGY

6.1 The Internal Audit Service must be adequate, effective and efficient in order to help the Councils meet their objectives. The Internal Audit Service is clearly positioned within each Councils' Constitution. The Internal Audit Charter is deemed the Internal Audit Strategy. The Audit Charter was reviewed in 2017 so as to comply with PSIAS.

6.2 Internal Audit Services apply a strategic risk based assessment process to develop annual plans. Multiyear budgets are considered along with an assessment of the necessary skills required to deliver the service. Modern methodologies and technologies are utilised to perform reviews and provide advice to drive corporate improvements across the Council. Reviews and support listed within the Annual Internal Audit Plan are aligned to the Council's objectives demonstrating the strategic nature of the Internal Audit Service. These reviews can be evaluated to assess Internal Audit and Council wide performance.

7. THE INTERNAL AUDIT ANNUAL PLAN 2018-19

7.1 This risk based Internal 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 under review.

7.2 The risk based Internal Audit Plan is influenced by the resources made available by the Council for Internal Audit work. 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 good governance and internal controls are in operation. In this respect, the Internal Audit Plan for 2018-19 is considered to be a realistic plan of action.

7.3 Internal Audit work consists of consultancy reports, advice notes, probity reports (economic, effective and efficiency reviews), along with value for money reports and computer audit reports, all agreed at the scoping stage of each exercise.

7.4 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 by 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 (not exhaustive) the following: -

- Key System i.e. materially affecting the general ledger
- Risk maturity of the organisation
- Length of time since last audit
- Impact on the organisation, based on reputation and fiduciary risks
- 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

7.5 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 is high, medium or low risk. Current resources facilitate focus primarily upon high-risk areas in the 2018-19 Internal Audit Plan.

7.6 The following table details the Internal Audit work planned for 2018-19:

Portfolio Holder ¹	Service Area / Responsible Officer	Risk Category (High, Medium or Low)	Audit Type ²	Link to Corp. Risk Register (CRR)	Link to Public Sector Internal Audit Standards (PSIAS)	Number of budgeted days	Period of Review Q= Quarter	Area of Activity
Leader of the Council & Executive	Corporate Management Team- Organisation wide.	H	C	CRR-9 CRR-14	2110 – Governance 2110.A1 – Ethics 2120 – Risk Management	5	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	P	CRR-14	2120.A2 – Managing the risk of fraud	20	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	CRR14	2110 – Governance	10	Through-out the year	Members' Requests Commissioned by the Audit & Governance Committee.
		M	C	CRR-1 CRR-9 CRR-11 CRR-13 CRR-14	2130 – Control 2120 – Risk Management	10	On request	Consultancy and Special Investigations Provide professional advice for emerging issues and any required investigations.

¹ Subject to change in the year.

² C = Consultancy, P = Probity, CA = Computer Audit, F= Fraud prevention

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Leader of the Council & Executive	Corporate Management Team- Organisation wide.	H	C	CRR-7	2120 – Risk Management 2130 – Control	10	Through-out the year	Transformational review of service areas and differing service delivery models Provide professional advice and support to ensure robust controls; including governance and risk over new service delivery models.
		H	KS	CRR-14	2130 – Control	20	Q3/4	Key ICT Controls Key controls tests.
		H	CA-C	CRR-13 CRR-14	2130 – Control	5	Q2	SRP Customer Portal Continuation from 2017-18. Assurance on information security / functionality.
		H	P	CRR-5 CRR-14	2110.A1 – Ethics 2130 - Control	20	Q2	Ethical Review Overlapping from 2017-18. In accordance with Public Sector Internal Audit Standards; review of procedures and standards in operation.
		H	P	CRR-13 CRR-14	2130 – Control	20	Q4	CCTV Review of refreshed operating procedures in line with best practice.
		H	P	CRR-1 CRR-14	2130 – Control	15	Q1	Debt Recovery and Write-Offs To provide assurance over effective debt recovery and that the debt write off policy is being properly and consistently applied.

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Leader of the Council & Executive	Corporate Management Team- Organisation wide.	M	P	CRR-14	2130 - Control	15	Q1	Agency & Consultancy Spend Value for Money review.
		M	P	CRR-14	2130 - Control	15	Q1	Transparency Agenda To provide assurance that IBC is compliant with the requirements of the Transparency Agenda.
		H	P	CRR-14	2130 - Control	20	Q4	Project Management Review of the effective and efficient operation of Council projects.
		H	P	CRR-1 CRR-14	2130- Control	20	Q2	Capital Budgets To provide assurance that robust controls are in place throughout the capital budget process.
Cllr M Cook & Cllr S Meudec	Head of Finance & Revenues	H	KS	CRR-14	2130 – Control	10	Q4	Accounts Payable – Creditors Key control tests – Cyclical testing
		H	KS	CRR-14	2130 – Control	10	Q4	Accounts Receivable – Debtors Key control tests – Cyclical testing.
		H	KS	CRR-14	2130 – Control	10	Q4	Cash & Bank Reconciliations Key Control tests.
		H	KS	CRR-14	2130 – Control	15	Q3/4	Payroll Key Control tests.

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Cllr M Cook & Cllr S Meudec	Head of Finance & Revenues	H	KS	CRR-3 CRR-14	2130 – Control	30	Q3/4	Housing Benefit – MSDC/BDC/IBC Key Control tests – Cyclical Testing
		H	KS	CRR-14	2130 – Control	30	Q3/4	Council Tax – MSDC/BDC/IBC Key Control tests – Cyclical Testing
		H	KS	CRR-14	2130 – Control	60	Q3/4	National Non Domestic Rates – MSDC/BDC/IBC Key Control tests.
		H	P	CRR-13 CRR-14	2130 - Control	20	Q3/4	Procurement Review of refreshed procedures following 2017-18 Internal Audit review.
		H	KS/CA	CRR-14	2130 -Control	10	Q3	Agresso Main financial System. Review of effective and efficient use of the system.
		M	C-F	CRR-14	2120.A2 – Managing the risk of fraud 2130 - Control	10	Q1	Insurance Claims Review of procedures in place to prevent fraudulent claims entering the system.
		H	C-F	CRR-14	2120.A2 – Managing the risk of fraud 2130 – Control	10	Q2	Change Management Review the ICT Change Management process and Payment Card Industry Data Security Standards (PCI DSS).

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Cllr M Cook & Cllr S Meudec	Head of Finance & Revenues	H	CA	CRR-14	2120.A2 – Managing the risk of fraud 2130 – Control	20	Q3	IT Governance To provide assurance that effective and efficient controls are in place relating to IT Governance.
		H	CA	CRR-14	2120.A2 – Managing the risk of fraud 2130 – Control	30	Q1	IT Security To provide assurance that issues identified in the 2017-18 Cyber Security review have been resolved.
		H	CA	CRR-14	2130 – Control	20	Q4	iTrent Post Implementation Review Post-implementation review of phase 1 of the new HR Information System (HRIS).
Cllr N MacDonald & Cllr P Smart	Head of Housing & Community Services	H	P	CRR-14	2130 – Control	15	Q4	Housing Rents Key control tests.
		H	P	CRR-3 CRR-14	2130 – Control	20	Q1	Rent Collection Test for effective and efficient controls over rent collection.
		M	C-F	CRR-14	2120.A2 – Managing the risk of fraud 2130 – Control	15	Q1	Right to Buy Review procedures in place to reduce the opportunity for fraud to enter the system and identify efficiencies within the process.
		M	CA-C	CRR-14	2130 – Control	20	Q4	DRS System (Repairs & Scheduling System) Post Implementation review of system functionality.

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Cllr N MacDonald & Cllr P Smart	Head of Housing & Community Services	M	CA-P	CRR-6 CRR-14	2130 - Control	15	Q1	Car Park Machine Change C/Fwd from 2017-18. Consultancy on the project team re effective system controls.
		M	P	CRR-13 CRR-14	2130 - Control	20	Q2	Repairs & Maintenance of Council Housing Stock To provide assurance that robust controls are in place and operating effectively.
		M	CA-C	CRR-14	2130 - Control	5	Throughout the year	Miipermits – Residential/Staff parking Advice and guidance prior to and during implementation to enable robust controls operate.
		M	P - CA	CRR-6 CRR-14	2130 - Control	15	Throughout the year	CCTV Post implementation review of new system.
		H	P	CRR-14	2130 - Control	15	Q3	Homelessness Post implementation review of new legislation.
Cllr B Rudkin & Cllr P Smart	Head of Culture & Environmental Services	M	P	CRR-14	2130 - Control	10	Q3	Establishment Cash Checks To review the adequacy and effectiveness of financial controls at IBC establishments outside of Grafton House.

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Cllr B Rudkin & Cllr Smart P	Head of Culture & Environmental Services	M	CA-C	CRR-14	2130 - Control	15	Throughout the year	Parks & Open Spaces C/Fwd from 2017-18. Guidance over effectiveness/functionality of 'Servitor Grounds Maintenance System.
		M	CA-C	CRR-14	2130 - Control	10	Q3	Sport & Leisure Bookings To provide advice and guidance during implementation of a new IT bookings module.
		M	P	CRR-14	2120.A2- Managing the risk of fraud 2130-Control	15	Q2	Theatres Review of performance financial governance.
		M	P	CRR-14	2130-Control	10	Q2	Fleet Management Compliance review.
Cllr C Jones & Cllr D Ellesmere	Head of Development	H	P	CRR-10	2130 - Control	20	Q2	Asset Management Implementation C/Fwd from 2017-18. Review mechanisms in place to manage IBC assets.
		H	P	CRR-14	2130-Control	20	Q2	Uniform Data Review To provide assurance that robust controls are in place to ensure the accuracy and completeness of data held.
		H	P	CRR-14	2120.A2- Managing the risk of fraud 2130-Control	20	Q4	S106's Financial governance review.

9. CONCLUSION

- 9.1 Internal Audit will continue to provide regular reports to the Audit and Governance Committee on its activities and any significant issues arising.
- 9.2 The Head of Internal Audit issues Internal Audit Reports to the Chief Executive, Chief Operating Officer, Members of the Audit and Governance Committee(s), relevant Portfolio Holders for the Service area under review, External Audit and the Council's Section 151 Officer in accordance with best practice. Such distribution ensures that all key findings, recommendations and learning points are available for consideration and enables good governance. In addition all Members have access to issued Internal Audit reports held on the Members' confidential section of the Council's Intranet.
- 9.3 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.
- 9.4 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.
- 9.5 The Chairman of the Audit and Governance Committee and any other elected Member have free access to the Head of Internal Audit and at least one private meeting per year with the Head of Internal Audit (as recommended in the PSIAS).
- 9.6 The Annual Audit Plan for 2018-19 has been approved by the Corporate Management Team and aims to meet all the Professional Standards and the Codes of Practice 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.