

AUDIT COMMITTEE

10 March 2016

INTERNAL AUDIT PLAN 2016 - 2017

REPORT OF THE HEAD OF SOUTHERN INTERNAL AUDIT PARTNERSHIP

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RECENT REFERENCES:

AUD082 - Internal Audit Plan 2014 - 2015 (11 March 2014)

AUD112 - Internal Audit Plan 2015 - 2016 (12 March 2015)

EXECUTIVE SUMMARY:

The purpose of this paper is to provide the Audit Committee with the Internal Audit Plan for 2016 – 2017 (Appendix 1).

The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

The plan takes cognisance of the Council's Corporate Risk Register and will remain fluid to the changing needs of the Council.

RECOMMENDATIONS:

- 1 That the Audit Committee comment on and approve the Internal Audit Plan for 2016 - 2017.

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DETAIL:

1 Introduction

1.1 The purpose of this paper is to provide the Audit Committee with the Internal Audit Plan 2016 – 2017 (Appendix 1).

2 Summary

2.1 The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities, systems or processes under review that:

- The framework of internal control, risk management and governance is appropriate and operating effectively; and
- Risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.

2.2 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

2.3 The Internal Audit Plan has been developed in consultation with officers, taking cognisance of the Council's risk register and key decision documents such as Silver Hill: Independent Review Recommendations (CAB2779 refers).

2.4 Internal audit focus should be proportionate and appropriately aligned; as such resources primarily concentrate on high and medium priority reviews.

2.5 The audit universe (attached as Appendix 2 for reference) reflects the main activities of the Council and therefore includes the high, medium and low risk areas considered during the planning process. All low priority review areas remain within the audit universe and are reassessed on an annual basis, however, will not be routinely incorporated in the audit plan if continued to be assessed as a low priority.

- 2.6 The audit plan will remain fluid and subject to on-going review and amendment where necessary, in consultation the relevant officers, to ensure the plan continues to reflect the needs of the Council.
- 2.7 Other reviews, based on criteria other than risk, may also be built into the work plan. These may include 'mandatory' audits or reviews requested or commissioned by management. Any commissioned review must be able to clearly demonstrate a contribution to the audit opinion on risk management, control and governance.
- 2.8 The internal audit team have adopted a matrix style approach to enable the delivery of the plan, by using a resource pool of multi disciplinary auditors capable of forming into teams as audit projects determine.
- 2.9 This approach will ensure seasonal peaks in demand can be effectively managed, an appropriate level of independence in the rotation of audit reviews and the avoidance of over reliance on individual areas of expertise.
- 2.10 The Southern Internal Audit Partnership provides the Council with a resilient and flexible service, access to specialist audit skills (fraud, procurement, contract management and computer auditors) and opportunity to share from best practice across a wide range of partners.
- 2.11 The Council's 'Internal Audit Charter' ensures the Chief Internal Auditor has sufficient resource necessary to fulfil the requirements and expectations to deliver an internal audit opinion.
- 2.12 Significant matters that jeopardise the delivery of the plan, or require changes to the plan will be identified, addressed and reported to the Audit Committee.
- 2.13 The endorsement and sponsorship of the plan at member / senior management level will assist in providing the engagement and buy-in of staff at an operational level to ensure the outcome of audit reviews are optimised.
- 2.14 The Internal Audit Plan was discussed at the Corporate Management Team meeting on 23<sup>rd</sup> February 2016.

#### OTHER CONSIDERATIONS:

#### 3 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 3.1 Internal audit plays a vital role in helping the organisation accomplish its objectives, strategies and change plans by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

#### 4 RESOURCE IMPLICATIONS:

- 4.1 The Internal Audit Plan is comprised of 453 resource days and the anticipated cost for 2016/17 is £132,724.

#### 5 RISK MANAGEMENT ISSUES

- 5.1 The audit needs assessment follows a risk based audit approach taking cognisance of the Council's risk register.
- 5.2 The audit needs assessment includes a range of factors. For example:-
- Materiality – the relative significance of the area concerned, affected by the level of income/expenditure, external consequences etc;
  - Organisational impact/Corporate importance – the extent to which the organisation depends upon the efficient and effective operation of the system to deliver corporate objectives;
  - Impact of management and staff – management concerns, identified problem areas, the extent of staff or system changes etc.;
  - Vulnerability – the extent to which the system is vulnerable to breakdown, loss or error, corruption etc;
  - Audit/Inspection - length of time since the last review and the results of previous audits;
  - Other sources of assurance – the extent to which reliance can be placed upon other external inspections.
- 5.3 The Southern Internal Audit Partnership follow a risk based audit approach in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.

#### BACKGROUND DOCUMENTS:

None

#### APPENDICES:

Appendix 1 – Internal Audit Plan 2016 – 2017.

Appendix 2 – Internal Audit Universe

## Winchester City Council Internal Audit Plan 2016 – 2017

Audit	Audit Sponsor	Risk Rating	2016/17	Comments
<b>Corporate cross cutting</b>				
Climate change / energy management	CD	Medium	✓	Review of the strategy, policies and outcomes.
Community Engagement	CX	Medium	✓	The arrangements for Community Engagement and how the outcomes feed into the decision making process.
Contract management	CD	High	✓	Review a sample of contracts managed across the organisation.
Information governance	CPS	High	✓	Strategic review of information governance including data protection, data sharing, FOI and the new Sharepoint system.
Performance management (Vanguard)	CX	High	✓	Governance framework for the Vanguard process, how potential control implications, performance measures and deliverables are assessed.
Procurement	CPS	High	✓	Compliance with legislation and Contract Procedure Rules.

Audit	Audit Sponsor	Risk Rating	2016/17	Comments
Programme management	CD	High	✓	Governance and management arrangements for the corporate programme including capacity, skills, prioritisation, scheduling & approvals.
Project management – major projects	CD	High	✓	Overview of a sample of significant projects, through key stages of the project.
Recruitment	CX	Medium	✓	Review the new portal, and its impact to the recruitment process.
<b>Corporate governance</b>				
CIPFA/Tecaff Fraud Survey	CPS	N/a	✓	Statutory return.
Ethical governance	CPS	Medium	✓	Good governance arrangements, including Declaration of Interests, Register of Gifts and Hospitality etc.
Health and Safety	CX	Medium	✓	Assurance for current arrangements and compliance to legislation.
Mayor's Charity Account	CPS	N/a	✓	Annual review of final accounts to meet Charity Commission requirements.
National Fraud Initiative (NFI)	CPS	N/a	✓	Matches and enquiries (2014 data sets); and data uploads (2016 data sets).

Audit	Audit Sponsor	Risk Rating	2016/17	Comments
Proactive fraud initiatives	CPS	N/a	✓	Maintenance of fraud risk register; Data Analytics; and Assessment against new CIPFA framework.
Special investigation(s)	CPS	N/a	✓	Contingency for an investigation if the need arises.
<b>Financial management</b>				
Cash office	CPS	High	✓	Cyclical review of a key financial system.
Council Tax	CPS	High	✓	Cyclical review of a key financial system.
Finance systems development project	CPS	High	✓	Advisory role including systems documentation for key controls, monitoring, reporting etc.
Income collection – follow up	CPS	High	✓	Follow up of the issues identified during the 2015/16 reviews.
Payroll	CPS	High	✓	Cyclical review of a key financial system.
Termination and exit packages	CPS	High	✓	Calculation, validation and authorisation of termination and exit packages.

Audit	Audit Sponsor	Risk Rating	2016/17	Comments
<b>Information Technology</b>				
Applications management	CPS	Medium	✓	Assurance for a sample of systems covering inputs, processing, outputs, access controls, interfaces etc.
Cyber Essentials Scheme	CPS	High	✓	Gap analysis against the new HM Government Cyber Essentials Assurance Framework.
Data security and management	CPS	High	✓	Review the arrangements for a sample of areas e.g. Network Security and Cloud Computing
Telecommunications	CPS	Medium	✓	Contract management and follow up on previous review.
<b>Corporate priorities</b>				
Development control	CD	High	✓	Review processes, controls, outcomes and performance measures following Vanguard process.
Disabled Facilities Grants	CD	Medium	✓	Assurance over the application and payment process.
Environmental Health	CD	Medium	✓	Review risk assessment process, training, development and support to ensure safe working practices.



<b>Audit</b>	<b>Audit Sponsor</b>	<b>Risk Rating</b>	<b>2016/17</b>	<b>Comments</b>
Environmental Services contract – Housing grounds maintenance	CD	High	✓	Review contract management arrangements.
Fieldfare Leader Funding 2015-2021	CD	Medium	✓	WCC's financial claim procedure, and compliance to RPA requirements
Housing allocations	CD	Medium	✓	Key controls, and overall performance, against the established framework.
Housing planned maintenance	CD	High	✓	Prioritisation, performance and financial monitoring.
<b>Non assurance work</b>				
Bus Services Operator grant	CPS	N/a	✓	Certification work
Housing capital receipts return	CPS	N/a	✓	Certification work
<b>Other direct audit activity</b>				
Advice and liaison			✓	
Annual internal audit report			✓	
Audit Committee			✓	
Audit strategy and planning			✓	
Corporate Governance Group			✓	
External Audit			✓	
Follow ups			✓	
Monitoring and progress reports			✓	
<b>Total plan days</b>			<b>453</b>	

<b>Key to Audit Sponsors</b>	
Chief Executive	CX
Corporate Director	CD
Corporate Director (Professional Services)	CPS

## Winchester City Council Audit Universe

<b>Corporate cross cutting</b>	
	Absence management
	Asset management
	Business continuity planning / Disaster recovery
	Climate change/ energy management
	Commissioning
	Communications
	Community engagement
	Contract management
	Disabled Facilities Grants
	Fleet management
	Flexible working
	Grants
	Information governance
	Members allowances
	Partnerships
	Procurement
	Programme management
	Project management
	Recruitment
	Risk management
	Role in major projects
	Shared Services
	Strategic planning and performance management
	Training and management development
	Workforce planning and skills
<b>Corporate governance</b>	
	Anti Fraud & Corruption
	Annual Governance Statement
	Complaints/ compliments
	Data Protection & Freedom of Information (FOI)
	Decision making/ accountability
	Efficiency agenda
	Ethical governance
	Health and safety at work
	Local Government Transparency Code

	National Fraud Initiative (NFI)
	Proactive fraud initiatives
<b>Financial management</b>	
	Accounts payable
	Accounts receivable
	Additional payments
	Benefits
	Budgetary control
	Capital programme
	Car parks
	Cash office
	Council tax
	Finance system development (project)
	Housing capital receipts return
	Housing rents and debt management
	Income collection
	Main accounting
	NNDR
	Payroll
	Procurement cards
	Rent and service charges
	Taxation
	Treasury management
<b>Information Technology</b>	
	Any specific material application
	Applications management
	Data security and management
	ICT shared service, and IT Strategy
	Network management
	Software licencing / management of assets
	Telecommunications
<b>Corporate priorities</b>	
	Building control
	City Offices
	Community Infrastructure Levy
	Community Safety Partnership
	Democratic Services

Development control
Engineering and Transport
Environmental protection
Environmental Services Contract (joint with EHDC)
Equal opportunities
Estates - rental income and leases
Fieldfare Leader Funding (2015-2021)
Guildhall
Housing allocation and tenancy management
Housing options (including homelessness)
Housing planned maintenance
Housing - reactive repairs
Housing - voids
Insurance
Landscape
Land charges
Licensing
Markets
Museums
New homes delivery
Parking
Planning
PREVENT funding
River Park Leisure Centre
Safeguarding
Silver Hill
Station Approach
Street care and drainage
Tourism