

Report to: **Audit Committee**
Date: **24 March 2016**
Title: **2016/17 Internal Audit Plan**
Portfolio Area: **Support Services**
Wards Affected: **All**
Relevant Scrutiny Committee: **Overview & Scrutiny Panel**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken:
(e.g. referral on of recommendation or implementation of substantive decision)

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Recommendations:

It is recommended that:

- 1. The report be noted, and**
- 2. The proposed Internal Audit Plan for 2017/18 at Appendix A be approved.**

1. Executive summary

- 1.1 The purpose of this report is to provide Members with the opportunity to review and comment upon the proposed internal audit plan for 2017/18.
- 1.2 Whilst South Hams District Council and West Devon Borough Council operate as two unique councils, the majority of the Councils' staffing

structure is fully shared with fully integrated systems; to reflect that working arrangement, the 2017/18 audit plan is now presented as one combined plan. Where there are risks or issues that relate specifically to one council and not the other, the audit plan will be varied to include those areas of work as appropriate.

- 1.3 The report provides information on the legislative requirement for local authorities to provide an Internal Audit (IA) service in accordance with the Accounts and Audit Regulations and Public Sector Internal Audit Standards; the need for an annual risk-based IA plan to be prepared; and the methodology of identifying the audit needs for the Authority.
- 1.4 The 2017/18 audit plan sets out the proposed audit resource allocated to each audit area, although the plan needs to remain flexible to be able to respond to any changing risks and priorities of the Authority given the significant changes across the public sector.

2. Background

- 2.1 All principal Local Authorities, including South Hams District Council, are subject to the Accounts and Audit (England) Regulations 2015, which state:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

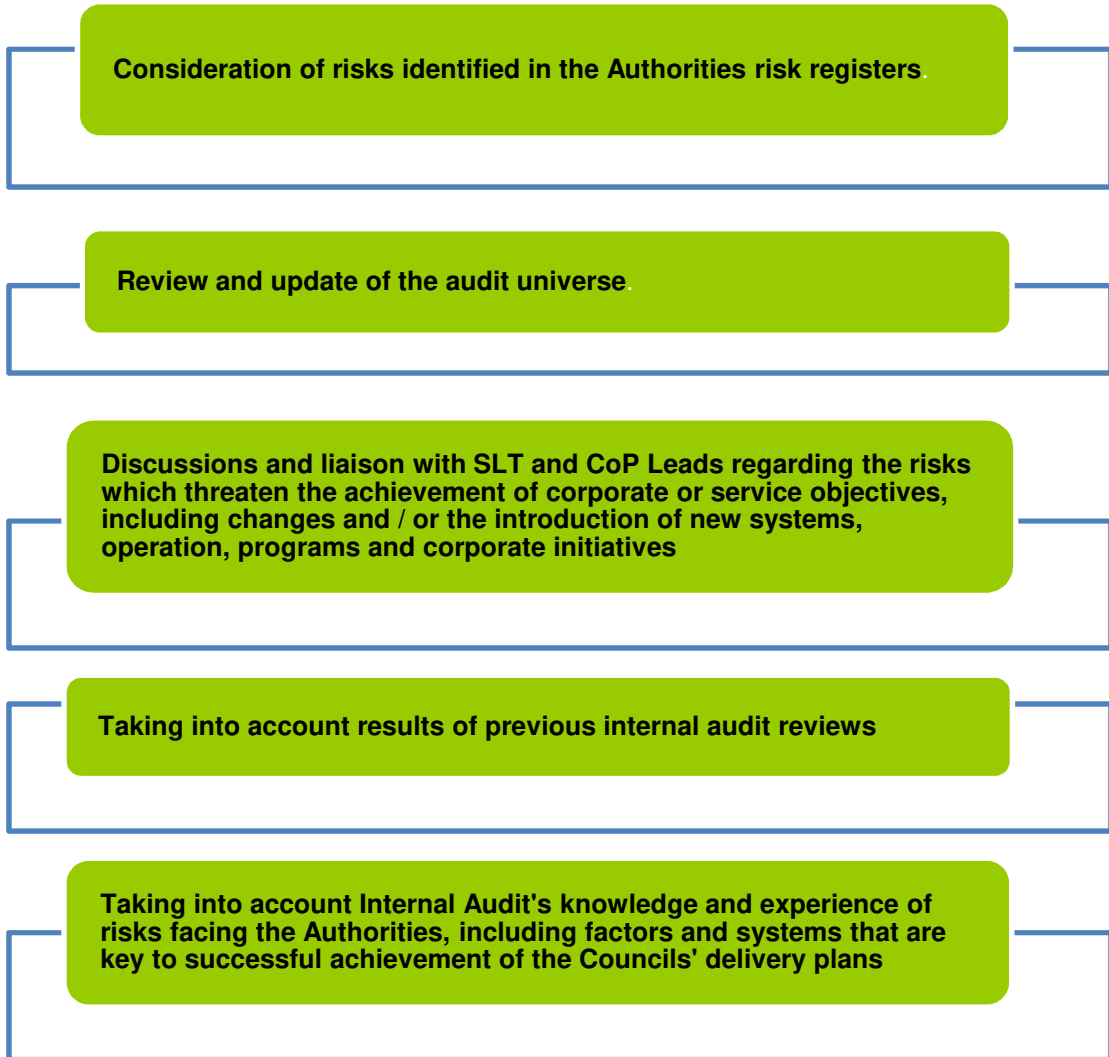
- 2.2 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. When completing these plans, the Head of Internal Audit should take account of the organisation’s risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation’s business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.
- 2.3 This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.

3. Outcomes/outputs

- 3.1 We employ a risk based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across both South Hams District Council and West Devon Borough Council, known as the “Audit Universe” using a number of factors/criteria. The final

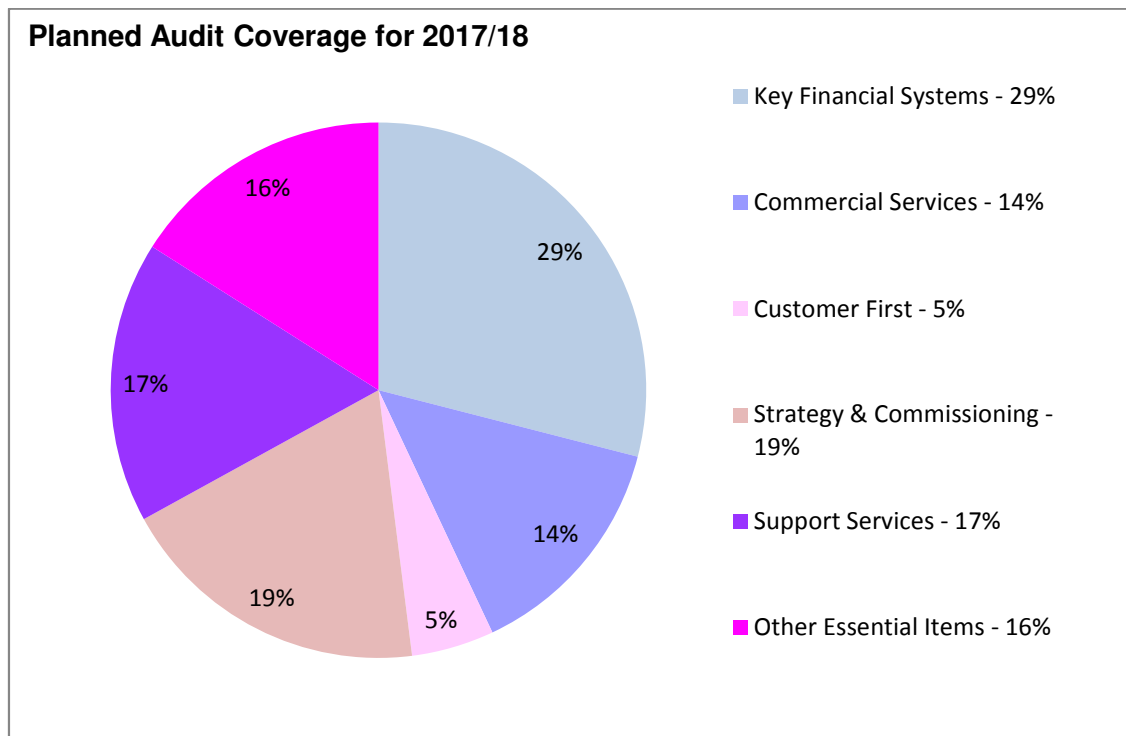
score, or risk factor for each area determines an initial schedule of priorities for audit attention, signified by High, Medium or Low.

The audit plan for 2017/18 has been created by:



3.2 The overall percentage of internal audit coverage proposed for each area of the audit plan is represented in the chart at figure 1 below. The combined planned audit coverage for 2017/18 totals 430 days, see Appendix A for the proposed detailed plan. It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to remain flexible to be able to respond to the changing risks and priorities of the Councils with any changes reported back to this Committee. To provide for some flexibility, the Internal Audit Plan includes a small contingency to allow for unplanned work.

Figure 1



3.3 Whilst the split of audit coverage appears small for Customer First, at 5%, it should be recognised that audits within other services incorporate an element of Customer First involvement. Council Tax and Housing Benefit are examples of this given the customer interaction that takes place. In addition, other functions, both within Customer First and other service areas, are covered on a rotational basis with work having been undertaken in 2016/17 on Planning Development (Enforcement), Section 106 monies, Car Parking and Street Cleaning.

4. Options available and consideration of risk

4.1 No alternative approach has been considered as the failure to develop a risk-based plan to determine the priorities of internal audit activity, which is consistent with the priorities of the organisation, would be in contravention of the Public Sector Internal Audit Standards and the Accounts and Audit Regulations 2015.

5. Proposed Way Forward

5.1 We will be flexible in our approach to ensure that the audit plan continues to reflect the changing risks and corporate priorities of the Council with the timetabling of audits agreed with management to

ensure our work is delivered at the most effective time for the organisation.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards.</p> <p>The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.</p>
Financial	Y	There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.
Risk	Y	The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.

Other implications	N	There are no other specific implications arising from this report.
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Supporting Information

Appendices:

There are no separate appendices to this report.

Background Papers:

None.

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Cabinet/Scrutiny)	N/A

Appendix A

Proposed 2017/18 Combined Audit Plan for South Hams District Council and West Devon Borough Council		
KEY FINANCIAL SYSTEMS		
Main Accounting System (inc budgetary control)	H	20
Creditor (Payments)	M	15
Debtors (Income Collection)	M	15
Payroll	H	15
Business Rates	M	15
Council Tax	H	15
Housing Benefits	M	20
Treasury Management	L	10
KEY FINANCIAL SYSTEMS		125
COMMERCIAL SERVICES		
Depots & Stores (S.Hams)	M	10
Salcombe Harbour (S.Hams)	H	10
Dartmouth Lower Ferry (S.Hams)	H	8
Environmental Services - Coastal Work (S.Hams)	M	8
Commercial Waste Follow-up (S.Hams)	M	4
Household Waste Follow-up (S.Hams)	M	4
Recycling Waste Follow-Up (S.Hams)	M	4
Health & Safety Follow-Up	M	3
Grounds Maintenance (Follow-up)	M	3
Markets	L	8
COMMERCIAL SERVICES		62
CUSTOMER FIRST		
Asset Management	M	5
Planning (Applications)	H	15
CUSTOMER FIRST		20
STRATEGY & COMMISSIONING		
Contract Management – Leisure Contract Waste Contract (W.Devon)	M	20
Administration of Member Expenses	M	6
Partnerships & Partnership Management	M	10
Performance Management (KPI's & data quality)	M	20
LACC Lessons Learned Officers Group	M	5
Risk Management Follow-Up	M	15
Safeguarding (S11 self-assessment)	L	5
STRATEGY & COMMISSIONING		81

SUPPORT SERVICES		
ICT Audit	H	25
Corporate Information Management (DPA/FOI Frameworks)	M	10
Business Continuity Follow-Up	H	5
Capital Expenditure & Receipts	M	15
Cash Collection	L	3
Recharging	M	10
Travel & Subsistence	M	4
SUPPORT SERVICES		72
OTHER ESSENTIAL ITEMS		
Audit Management including:- - Audit planning, - Monitoring & reporting, - Audit Committee		28
Annual Governance Statement		2
Exemptions from Financial Regulations		5
Grants		20
Contingency & Advice		15
OTHER ESSENTIAL ITEMS		70
TOTAL AUDIT PLAN		
		430