

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 2016/17 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 2016/17.
- 1.2 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.

- 1.3 The 2016/17 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:

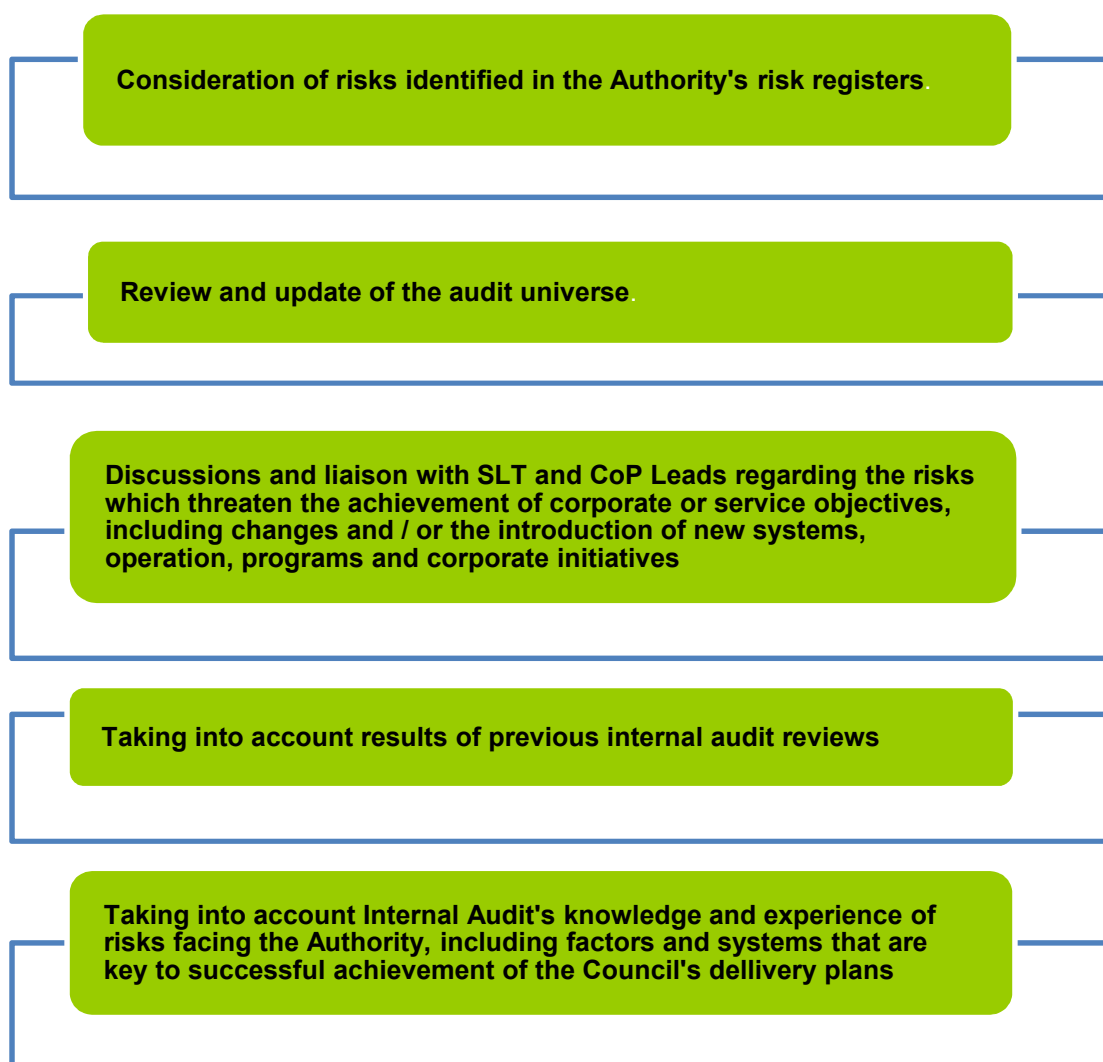
“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

- 2.2 The Public Sector Internal Audit Standards 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 the whole Authority, known as the “Audit Universe” using a number of factors/criteria that includes the value of transactions, complexity and change, last audit coverage, impact on other systems, political sensitivity and management requests for audit work.
- 3.2 Assurance work is undertaken each year on the areas termed as “Fundamental Systems” as these systems process the majority of income and expenditure of the Council; work is also carried out on important cross-cutting areas such as performance management. Those areas which are deemed to be “Low” risk are subject to cyclical review which is usually not more than once in 3 years.

The audit plan for 2016/17 has been created by:



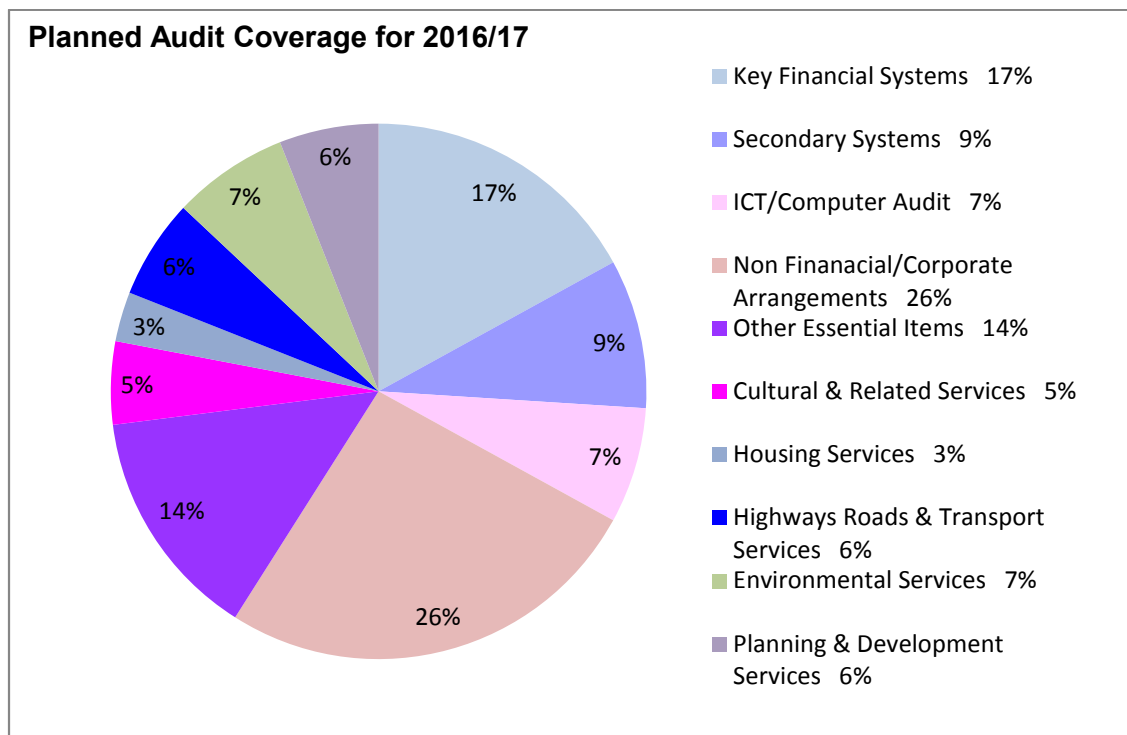
3.3 The overall percentage of internal audit coverage proposed for each area of the audit plan is represented in the chart at figure 1 below. The planned audit coverage for 2016/17 totals 345 days which is unchanged from 2015/16, see Appendix A for the proposed detailed plan. It should be borne in mind 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 Authority 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.

3.4 The Council as Accountable Body for the South Devon Coastal Local Action Group (LAG) and the Greater Dartmoor Local Enterprise Action

Fund (LEAF) takes responsibility for the legal and financial management of the grant awarded to the programmes; this includes ensuring that each grant claim submitted by projects is audited to the standards set out by Defra. It is estimated that the audit coverage for 2016/17 will total 80 days, this is in addition to the 345 days in the audit plan.

3.5 The Council is itself able to submit grant claims to draw down the management and administration costs it incurs and it is proposed that the grant income received in respect of the internal audit resource deployed, will be used to purchase backfill to enable completion of the audit plan.

Figure 1



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.

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 2016/17 Audit Plans for South Hams District Council		
FUNDAMENTAL SYSTEMS		
MAIN ACCOUNTING SYSTEM (INC BUDGETARY CONTROL)	H	8
PAYMENTS	M	10
PAYROLL (INC TRAVEL & SUBSISTENCE)	H	12
COUNCIL TAX	H	10
NNDR (BUSINESS RATES)	M	10
HOUSING BENEFITS	M	5
TREASURY MANAGEMENT	L	5
FUNDAMENTAL SYSTEMS		60
SECONDARY SYSTEMS		
VAT	H	10
SHARED SERVICES - recharging	L	5
MEMBERS ALLOWANCES	L	4
STORES (STOCK CONTROL & SECURITY)	M	6
CAPITAL RECEIPTS	L	5
SECONDARY SYSTEMS		30
COMPUTER AUDIT		
Including Security (inc. Penetration testing), Applications (new, version control) Back up and resilience Database Management Environment Controls Access control Back up and resilience Disaster recovery and ICT Policies (inc internet & email).	H	26
COMPUTER AUDIT WORK		26
NON FINANCIAL/CORPORATE ARRANGEMENTS		
PERFORMANCE MANAGEMENT – Performance Indicators	Annual	10
PERFORMANCE MANAGEMENT - Data Quality		
ANNUAL GOVERNANCE STATEMENT	Annual	2
RISK MANAGEMENT	Annual	15
T18 PROJECT	H	11
PARTNERSHIPS AND PARTNERSHIP MANAGEMENT	H	10
CULTURE AND ETHICS	New	8
CONTRACTS AND CONTRACT MANAGEMENT	M	8
ELECTIONS	L	8
FRAUD AND CORRUPTION	Annual	10
EXEMPTIONS FROM FINANCIAL REGULATIONS	Annual	3
NON FINANCIAL/CORPORATE ARRANGEMENTS		85
CULTURAL & RELATED SERVICES		
LEISURE CENTRE CLIENT	M	6
COMMUNITY PARKS & OPEN SPACES (inc events & leaflet sales)		6
CULTURE AND HERITAGE		5

CULTURAL & RELATED SERVICES		17
ENVIRONMENTAL SERVICES		
HEALTH & SAFETY AT WORK	L	8
BEACH & STREET CLEANING	L	6
POLLUTION REDUCTION	L	5
HOUSING STANDARDS	L	5
ENVIRONMENTAL SERVICES		24
HIGHWAYS ROADS AND TRANSPORT SERVICES		
DARTMOUTH LOWER FERRY	H	7
CAR & BOAT PARKING/STREET SCENE	H	8
SALCOMBE HARBOUR	H	7
HIGHWAYS ROADS AND TRANSPORT SERVICES		22
HOUSING SERVICES		
PRIVATE SECTOR HOUSING RENEWAL (e.g.DFG's)	M	10
HOUSING SERVICES		10
PLANNING & DEVELOPMENT SERVICES		
DEVELOPMENT CONTROL – ENFORCEMENT	M	8
DEVELOPMENT CONTROL - PLANNING APPLICATIONS	M	8
PLANNING POLICY S106 AGREEMENTS	L	7
PLANNING & DEVELOPMENT SERVICES		2
OTHER ESSENTIAL ITEMS		
FOLLOW UP OF PREVIOUS YEAR'S AUDITS		10
AUDIT MANAGEMENT e.g.		
- Audit planning		3
- Attendance at Committee		5
- Monitoring Report / Annual Report		10
CONTINGENCY & ADVICE		20
OTHER ESSENTIAL ITEMS		48
TOTAL AUDIT PLAN		345
RURAL DEVELOPMENT PROGRAMME FOR ENGLAND FUNDING		
SOUTH DEVON COASTAL ACTION LOCAL ACTION GROUP (LAG)	Statutory	40
GREATER DARTMOOR LOCAL ENTERPRISE ACTION FUND (LEAF)	Statutory	40
RDPE GRANT FUNDING AUDIT RESOURCE		80