

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERNAL AUDIT PLAN 2014/15

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To consider and approve the audit charter and internal audit strategy and plan for 2014/15.

2. BACKGROUND INFORMATION

- 2.1 The Accounts and Audit (England) Regulations 2011 place responsibility with the council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. The Regulations also require that the council reviews the effectiveness of its internal audit at least once a year, and must be considered as part of the consideration of the system of internal control which informs the Annual Governance Statement.
- 2.2 Professional guidance is set out in Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note. The PSIAS requires the Internal Audit Manager to prepare:
- At least annually, risk-based plans to determine internal audit priorities; and
 - Provide adequate coverage across the council's systems so as to allow them to provide a written opinion on the overall adequacy and effectiveness of the council's control environment.
- 2.3 An important role for the Audit Committee, as set out in the terms of reference, is to assist the council by providing independent assurance on the adequacy of internal control and governance arrangements throughout the council. In undertaking this role the Committee is responsible for:
- Approving (but not directing) Internal Audit's strategy

- Approving the annual plan of audits
- Monitoring progress on delivery of the plan and considering the internal control issues that arise from the work undertaken
- Considering the assurance provided by the annual opinion report.

2.4 Internal audit is a key part of the council's internal assurance and governance system. In accordance with PSIAS the purpose, authority and responsibility of the service is set out in internal audit's charter (appendix A).

2.5 The audit strategy describes how the internal audit service will be delivered and developed in accordance with the audit charter and how it links to the council's objectives and priorities. The strategy also contains a brief description of the types of audit work to be undertaken, resource implications and reporting and liaison arrangements. External audit arrangements will also impact on the work of internal audit. Reduced external audit costs will be met by targeting high value transactions in the council's accounts and thereby assurance thresholds have been changed.

The audit strategy has been revised to reflect some of the risks and challenges the council faces during 2014/15 and the impact future resource levels will have in delivering sufficient audit coverage to provide an audit opinion on the adequacy of the council's internal control environment. The audit strategy also reflects reducing resources as Internal Audit meets its planned 2014/18 budget efficiency savings. This will result in changes in audit coverage such as:

- Greater intervals between audit reviews
- Testing restricted to high risk aspects of council procedures and systems
- Continually challenging the best use of audit resources through lean processes
- Appropriate use of analytical review and control risk assessment techniques
- Reducing failure demand.

2.6 Each year Internal Audit produces a plan of the work to be carried out. A risk-based approach was adopted to compile the plan. Audits are prioritised to target high-risk areas and make the best use of resources available. A number of key documents have been examined, namely:

- Annual assurance statements on the adequacy of internal control submitted for the Annual Governance Statement
- Strategic and operational risk registers
- Fraud risk assessment and exposure profile
- Council ambitions and financial strategy
- External audit reports
- Benchmarking data - both locally and nationally.

2.7 The audit plan is designed to evaluate the controls in place to reduce high impact/high likelihood risks. This includes non-financial risks. The audit strategy and plan for 2014/15 is summarised in appendix B and comprises of an evaluation of:

- The council's approach to risk management
- Key controls to reduce the impact of strategic risks
- Key operational risk controls
- The council's fundamental financial systems
- Counter fraud measures
- Information governance
- Corporate Governance issues
- Sources of assurance to support the Annual Governance Statement.

(In addition key issues arising from audits completed in 2013/14 are followed up to ensure appropriate action has been taken). Regular updates will be provided on audit plan progress to provide members with clear assurance on the adequacy of internal control arrangements.

3. OPTIONS FOR CONSIDERATION

3.1 The Committee is asked to consider whether or not the Internal Audit plan will provide sufficient assurance in 2014/15. The Committee may ask questions and seek clarification as necessary. If it concludes that it does provide sufficient assurance the Committee is invited to approve the Internal Audit plan for 2014/15.

4. ANALYSIS OF OPTIONS

4.1 The Internal Audit Plan for 2014/15 is designed to target high risk areas and provides Internal Audit with an appropriate mandate to deliver a robust audit opinion and provide the Audit Committee with the assurance required. Members should ask sufficient questions to ensure Internal Audit coverage will provide sufficient assurance to fulfil their role as set out in the Committee's terms of reference.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 There are no additional resources implications however regular reviews of internal control help safeguard the council's assets and help ensure that value for money is achieved in the use of resources.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

6.1 An Integrated Impact Assessment is not required.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 The council's external auditors support this approach. The plan was discussed with Directors, Assistant Directors and key finance staff and their comments were incorporated wherever possible.

7.2 There are no conflicts of interests to declare.

8. RECOMMENDATIONS

8.1 That the Audit Committee:

- (i) Considers whether the Internal Audit plan for 2014/15 will provide the Committee with sufficient level of assurance to fulfil its role
- (ii) Approves the Internal Audit plan the Audit Charter and Strategy for 2014/15.

DIRECTOR OF POLICY AND RESOURCES

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Date: 25 March 2014

Background Papers used in the preparation of this report:
Public Sector Internal Audit Standards

INTERNAL AUDIT CHARTER

1. Introduction

- 1.1 In accordance with the new Public Sector Internal Audit Standards (PSIAS) this document sets out the purpose, authority and responsibility of Internal Audit. The requirement for an internal audit function is set out in the Accounts and Audit (England) Regulations 2011 in that a relevant body 'must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices in relation to internal control'.

2. Objectives

- 2.1 Internal Audit is an assurance function and its primary objective is defined as:

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance.'
(PSIAS Definition)

- 2.2 Particular objectives of Internal Audit are to –

- Provide assurance to the Audit Committee on the adequacy of the council's control environment
- Support the Director of Policy and Resources to discharge the duties of the Section 151 Officer
- Provide advice and support to ensure an effective control environment is maintained
- Contribute to the achievement of corporate objectives including service delivery excellence by recommending improvements in control, efficiency and performance
- Support the development of effective arrangements to prevent and detect fraud and corruption and plays a key role in investigations into allegations of fraud, corruption and irregularity in accordance with the council's Counter Fraud Strategy.

3. Scope

- 3.1 Internal Audit's remit covers the council's entire control environment, comprising of policies, procedures and systems in place to:

- Establish and monitor the achievement of the council's ambitions and priorities
- Identify, evaluate and manage the risk to achieving the council's ambitions and priorities
- Facilitate policy and decision-making
- Ensure the economical, effective and efficient use of resources
- Ensure compliance with established policies, procedures, laws and regulations
- Safeguard the council's assets from loss including fraud or waste
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

All systems will be included in the audit planning process and be considered for review, taking account of the assurance and monitoring arrangements in place and the assessment of risk.

- 3.2 The scope of Internal Audit is unrestricted and not confined to an examination of the council's financial records and systems. As well as undertaking the role of providing an independent appraisal of the adequacy and effectiveness of the controls operated by management and that value for money is being achieved, the Internal Audit Service may also provide consultancy services, subject to the availability of appropriate skills and resources. Such consultancy services may also encompass reviews of non-financial systems and provide assurance that value for money is achieved.
- 3.3 Internal Audit will also provide assurance on services provided on behalf of other organisations by the council.

4. Authority

- 4.1 The requirement for internal audit is set out in legislation. Section 151 of the Local Government Act 1972, requires that authorities '*make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs*'. The Accounts and Audit (England) Regulations 2011 more specifically require that a '*relevant body shall undertake an adequate and effective internal audit of their accounting records and systems of internal control in accordance with proper practices in relation to internal control. Any officer or member of that body shall, if the body requires:*
- (a) make available such documents and records as appear to that body to be necessary for the purpose of the audit; and*
 - (b) supply the body with such information and explanation as that body considers necessary for that purpose. '*

- 4.2 The council, through its Financial Regulations, has made the following arrangements
- The s151 Officer (Director of Policy and Resources) shall maintain an adequate and effective audit of the council's accounts, financial procedures, corporate governance arrangements and other processes and policies.
 - For this purpose he or his authorised representative shall have right of access at all reasonable times to all property, accounts and records and shall be given such explanations as he deems necessary.
 - Directors shall immediately notify the s151 Officer of any circumstances suggesting irregularity affecting the finances or property of the council who shall take such action as is deemed necessary. Internal Audit must be informed of these circumstances.
- 4.3 Additionally, through contracts and service level agreements, Internal Audit also has the right of access to records, assets, personnel and premises of partners/ organisations in respect of the council's transactions.

5. Independence

- 5.1 Internal Audit is an independent assurance function within the council and as such has direct access to senior management (and specifically the Chief Executive and the Monitoring Officer) and Members as considered necessary. In extreme cases the Head of Audit, Risk and Insurance can also report directly to the Audit Committee in her own name if necessary.
- 5.2 All audit staff will act with due professional care, ensuring they are fair and objective, free from any conflicts of interest. They will also abide by professional standards and guidelines as issued by relevant professional institutions and PSIAS. In particular, they will abide by the mandatory Code of Ethics set out in the Standards, with regard to integrity, objectivity, confidentiality and competency, as well as the council's Code of Conduct.
- 5.3 Internal Audit forms part of the Audit & Risk Management Section, within Financial Services. With the exception of the Head of Audit, Risk and Insurance, audit staff will not, except in exceptional circumstances, undertake any non-audit duties. The Head of Audit, Risk and Insurance will also be responsible for risk management, arranging insurance cover and managing insurance claims and is line managed by the Assistant Director Financial Services. The deployment of work undertaken will ensure conflicts of interest do not arise and independence is maintained. Any audit work in relation to the risk management or insurance will be undertaken by auditors with no operational responsibility for that team.

6. Responsibilities

6.1 In order to meet its objectives Internal Audit will –

- Maintain a strategy for delivering the internal audit service to meet the audit charter including how the assurance for the Annual Governance Statement will be demonstrated, audit resources required and their allocation. Audit resources required to deliver the audit strategy will be determined on the basis of risk.
- In discussion with stakeholders, prepare and deliver a risk based audit plan, taking account of the council's risk management processes. The plan will be kept under review to reflect changing priorities and emerging risks.
- Plan, manage and carry out audits to ensure that they are undertaken with due professional care, to the standards set out in the mandatory PSIAS and internal operating procedures.
- Provide advice on internal control.
- Maintain good relationships with managers, partners, external audit and other external review agencies to minimise duplication of effort where there are overlaps in objectives and in work undertaken and to maximise the benefits of co-operation and co-ordination through a managed audit approach.
- Support the council's corporate group to review the effectiveness of the system of internal control and compilation of the Annual Governance Statement
- Provide an annual report including a statement, based on the work undertaken, on the adequacy of the internal control environment within the council. This also informs the council's review of the Annual Governance Statement.
- Advise on the council's counter fraud arrangements and strategy including potential money laundering referrals and referrals to the Police.
- Lead or advise, as appropriate, investigations into allegations of fraud, corruption and irregularity in accordance with council procedures including police referrals where appropriate.
- Maintain and develop the competence and skills of audit staff including appropriate professional development.
- Ensure an effective and efficient service is provided to the council through performance management, monitoring, benchmarking and continuous improvement.

6.2 The Accounts and Audit (England) Regulations 2011 require an annual review of the effectiveness of internal audit. This will be carried out by means of self assessments against the Standards and delivery of this charter, performance outcomes, quality monitoring processes and service improvements. In addition, independent assessments will be performed at least once every five years.

- 6.3 Managers, and not Internal Audit, have ultimate responsibility for ensuring that internal controls throughout the council are adequate and effective. This responsibility includes the duty to review continuously internal controls and ensure they remain suitable in design and effective in operation. The existence of Internal Audit does not diminish the responsibility of management to establish and maintain systems of internal control to ensure that activities are conducted in a secure, efficient and effective manner.
- 6.4 Managing the risk of fraud and corruption is also the responsibility of management. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud will be detected. Internal audit does not have responsibility for prevention and detection of fraud, however audit staff will be alert in all their work to risks and exposures that could allow fraud or corruption to occur. The roles and responsibilities of management and Internal Audit in the investigation of allegations of fraud and corruption and potential money laundering referrals are set out in the council's Counter Fraud Strategy.

7. Audit Committee

- 7.1 Internal Audit is an assurance function and therefore must report to those charged with Governance, (the Audit Committee). The Head of Audit, Risk and Insurance or appointed deputy will attend all meetings of the Audit Committee.
- 7.2 In order for the Audit Committee to fulfil its responsibilities as defined by its terms of reference Internal Audit will provide the Audit Committee with the following assurance reports –
- Internal audit charter, strategy and plan
 - Interim reports on progress against the audit plan
 - Annual report and opinion on the overall adequacy and effectiveness of the council's internal control environment
 - Annual report on the effectiveness of the internal audit service
 - Annual Governance Statement
 - Counter fraud reports including regular reviews of the council's Counter Fraud Strategy
 - Implementation of external audit recommendations progress reports.

The timing of these reports is set out in the forward plan and map of assurances approved by the Committee in April 2014.

- 7.3 The Head of Audit, Risk and Insurance will maintain an effective working relationship with the Audit Committee and assist the Committee in its own review of its remit and effectiveness. The Head of Audit, Risk and Insurance will have the opportunity to meet privately with the Audit Committee where necessary.

8. Reporting

- 8.1 A report will be produced on each assignment (and fraud investigation) in accordance with distribution protocols, giving an opinion on the system of internal control under examination, making recommendations to improve control and where appropriate improve performance, productivity and value for money. Management responses are sought and escalated to Assistant Directors for support if necessary. Follow up work on management action is undertaken as appropriate. However responsibility for the response to advice and recommendations of Internal Audit lies with management, who either accept and implement the advice or recommendation or formally reject it.
- 8.2 Directors will receive a quarterly report on progress against the audit plan, key issues arising from audits and the adequacy of their service manager's responses. Non implementation of audit recommendations that result in an unacceptable level of risk to the council would also reported the Audit Committee.
- 8.3 Audit advice and recommendations are given without prejudice to the right of Internal Audit to review the relevant policies, procedures and operations at a later date.
- 8.4 Internal Audit may provide reports and/or specific information to third parties, for example to provide assurances to partner agencies, or in connection with Freedom of Information requests, etc. Should there be any doubt about the appropriateness of releasing such information (on data protection grounds for example), this will be cleared through the s.151 Officer and/or other appropriate managers, such as legal advisers and the Information Governance team; and redactions will be made if necessary.

9. Resources

- 9.1 Internal Audit resources will be kept under review to ensure the section can deliver the agreed audit plan and assurances required for the Annual Governance Statement. Appropriate specialist skills will be procured to assist an audit investigation, should these be required.
- 9.2 The Head of Audit, Risk and Insurance and Director of Policy and Resources would report formally to the Audit Committee if resources were inadequate to meet the objectives of the section.

10. Review

- 10.1 The audit charter will be reviewed annually and any amendments will be submitted to the Audit Committee for approval.

March 2014

**Internal Audit Service
Audit Strategy and Plan 2014/15**

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1. Introduction

- 1.1 The audit strategy is a high-level statement of how the internal audit service will be delivered and developed in accordance with the charter and how it links to the council's priorities and objectives.
- 1.2 A key objective for internal audit is to provide adequate assurance that systems in place to deliver services are supported with adequate controls. Clearly we will also ensure the council's policies and procedures are being followed. We will alert managers to control weaknesses or poor procedures that could result in loss or wastage and ultimately represent poor value for money.

2. Audit Strategy

2.1 Internal Audit Charter

Internal Audit delivers a statutory service and supports the chief financial officer in his duties under the provisions of the Local Government Act 1972 and the Accounts and Audit (England) Regulations 2011. Internal audit's roles and responsibilities are set out in the audit charter.

From 1st April 2013 mandatory Public Sector Internal Audit Standards were introduced. These set out service delivery standards and a revised definition of internal audit as:

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance.'

2.2 Audit opinion and Annual Governance Statement

Under the Accounts and Audit (England) Regulations 2011 Internal Audit provides assurance to support the council's annual Governance Statement. The Section 151 Officer is therefore responsible for ensuring that the internal audit plans coverage is appropriate and sufficient to meet these obligations. Internal Audit's opinion forms part of the council's assurance framework and supports the Audit Committee's role including the approval of the Annual Governance Statement.

2.3 Identification and management of risks

Internal Audit work, in addition to obtaining assurance for the council, aims to identify improvements to controls within service areas in order for managers and their teams to achieve their objectives and ultimately the council's priorities. It also contributes to the council's corporate governance framework and the effective management of risks that may prevent the achievement of the council's priorities.

A risk-based approach was adopted to compile the plan. This simply means we try to target high- risk areas and make the best use of resources available. The audit plan has been developed based on the results of the council's risk management process. A number of key documents have been examined, namely:

- Annual assurance statements on the adequacy of internal control submitted for the Governance Statement
- Strategic Risk register and position statements submitted by officers with lead responsibility for managing those risks
- Operational risk registers
- Fraud Risk Assessment and exposure profile
- Benchmarking data - both locally and nationally
- Professional guidance
- External audit and inspection recommendations.

These provided a good indication of key systems that may be worthy of examination. However it was also important to receive the views of Directors and Assistant Directors to get a better understanding of the key issues for all service areas.

2.4 Service provision and resources

The internal audit service is provided internally and the team is based at the Civic Centre in Scunthorpe. The section is led by Carol Andrews, Head of Audit, Risk and Insurance (ext 6045).

Resources are reviewed regularly in response to changing circumstances and risk profile to ensure sufficient audit plan coverage is achieved. The outcome of this work is used to provide internal audit's annual opinion on the adequacy of the council's internal control environment. The council faces significant change through reshaping service delivery and operations and the introduction of new legislation therefore adequate internal control arrangements will need to be maintained. Internal audit resources are vital to support the management of these risks. Planned 2014/18 budget savings for the service will result in changes in audit coverage such as:

- Greater intervals between audit reviews
- Testing restricted to high risk aspects of council procedures and systems
- Continually challenging the best use of audit resources through lean processes
- Appropriate use of analytical review and control risk assessment techniques
- Reducing failure demand.

Audits are carried out in accordance with professional standards determined by the Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note. All staff are professionally

trained, CCAB, AAT or IIA¹ and are encouraged to participate in continuous professional development. Additional training is identified through regular development appraisals, workforce planning and CIPFA training framework. Audit work is assigned based on experience and knowledge of the subject area. However independence is maintained including appropriate rotation of service area responsibilities and any pecuniary interests are registered. The auditor will exercise a reasonable level of skill, care and diligence in his/her work and will at all times seek to comply with the council's policies and procedures.

3. The Audit Plan 2014/15

- 3.1 The audit plan is designed to evaluate the controls in place to reduce high impact/high likelihood risks. These will include non-financial risks. The plan for 2014/15 will be reviewed regularly to accommodate emerging risks and changing circumstances. Individual audits may be added, substituted or postponed by agreement between the relevant Director and Internal Audit.
- 3.2 The audit plan 2014/15 is attached in appendix 1 and includes the following types of audits:

Risk Management and Performance Management

The council's risk management arrangements are audited each year. Strategic risk and operational risk registers are reviewed to ensure key controls are adequately managed. Sources of assurance available from independent inspections, third parties and other systems such as performance management are mapped and evaluated. Arrangements for identifying and managing emerging risks are also examined.

Corporate Governance and Council-wide Audits

In recognition of the increasing importance of Corporate Governance in Local Government the council's arrangements will be examined to provide assurance to the Audit Committee and senior management. In addition a number of council-wide audits (such as partnership arrangements) will be undertaken this year, based on the strategic importance to the council.

Governance Statement

Some audits included in the audit plan will provide assurance to the Audit Committee and inform the council's Annual Governance Statement (such as budgetary control). Directors also provide an annual statement on the adequacy of internal controls within their service area.

¹ Consultative Committee of Accounting Bodies – includes Chartered Institute of Public Sector Accountancy (CIPFA), Association of Certified Accountants (ACCA), Chartered Institute of Management Accountants (CIMA)
Association of Accounting Technicians (AAT)
Institute of Internal Auditors (IIA)

Fundamental Financial Systems

Each year all major financial systems are reviewed. These include payroll, accounting system, creditors, debtors, council tax and NNDR collection, council tax and housing benefits, treasury management, asset management and CareFirst. The level of audit cover is based on a risk assessment which includes the following factors:

- Previous audit findings
- Stability /degree of change to the system
- Fraud risk assessment/ exposure profile
- External audit requirements/ managed audit approach.

The outcome of these reviews is reviewed and considered by external audit as part of their risk assessment of their final accounts work and provide an important source of assurance to the Audit Committee to fulfil their role in approving the council's accounts.

Review of Significant Systems

This work will review the procedures and operations, which represent a strategic control and in key operational risk areas. Examples are human resources policies and services to vulnerable clients. The work will determine whether they can be relied on to generate accurate results, expected outcomes and to bring errors or frauds to the attention of the service management. Value for money issues will be examined as appropriate.

Any serious systems deficiencies will be reported to the relevant Director and service manager upon their discovery.

Fraud and Irregularity Work

Managing the risk of fraud is the responsibility of management. Internal audit does not have responsibility for the prevention and detection of fraud and corruption, however audit staff will be alert in all their work to risks and exposures that could allow fraud and corruption to occur. Both preventative (proactive) and reactive counter fraud work is included in the audit plan based on the council's exposure profile and risk assessment. A separate counter fraud plan is identified and regular updates will be provided on progress to provide Members of the Audit Committee with clear assurance on the adequacy of counter fraud arrangements. Internal Audit will draw any instances of fraud or irregularity to the attention of the service manager immediately upon discovery arising out of the audit work. Investigation work will be undertaken in consultation with the service manager and in line with the council's fraud response plan.

Internal Audit will support the development of effective arrangements to prevent and detect fraud and corruption. Work on national initiatives such as data matching and whistle blowing facilities will support the council's commitment to preventing fraud and corruption. A dedicated

whistle blowers' telephone, online or email facility is available. All referrals received are fully investigated and appropriate action is taken.

Contacts are telephone (01724) 296666/email hotline@northlincs.gov.uk and referral form.

Computer Audit

Assurance will be provided to managers on the control and security aspects of new, existing and modified systems of computer-based applications. CIPFA computer audit guidelines will be used as standard. Business continuity and disaster recovery arrangements are also evaluated.

Commissioning and Contracts Audit

Systems relating to commissioning and procurement including the award of contracts, management and control of work done and monitoring of payments will be examined as appropriate. Significant contractual arrangements are examined and assurance will be provided that the council's procedures have been applied and contracts provide the best value for money for the council.

Support and Advice /Additional work

In addition to the work outlined above Internal Audit can provide support and advice on internal controls. Based on good practice the plan contains around 10% contingency to meet any unplanned work requirements or new and emerging risks.

4. Responsibilities

4.1 Reporting

Internal Audit is an assurance function and therefore must report to those charged with Governance. The Audit Committee will receive reports as determined in the forward plan and map of assurances approved each April. These reports are designed to provide the Committee with the assurance necessary to fulfil their role.

Further reporting arrangements have been established in consultation with Directors. Within 2-4 weeks of the completion of the on-site audit work, a report will be submitted to the nominated officer, which will:

- Identify the scope of audit work carried out and the key risks of the system in question.
- Evaluate actual controls as operated against those deemed to be necessary
- Test the controls as operated
- Make recommendations for amendments or improvements as necessary
- Identify value for money opportunities as necessary
- Identify agreed procedures for action

In addition the system in question will be recorded, documented and flow-charted (where appropriate) for audit purposes.

Each audit assignment provides clarity on the level of assurance that can be given following each audit. The levels of assurance are categorised as :

Significant Assurance	The system of internal control is designed to support the council's corporate and service objectives and controls are consistently applied in all the areas reviewed.
Satisfactory Assurance	There is generally a sound system of control designed to support the council's corporate and service objectives. However some improvements to the design or application of controls are required.
Limited Assurance	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the council's corporate and service objectives at risk in the areas reviewed.
No Assurance	There are weaknesses in control, or consistent non-compliance which places corporate and service objectives at risk in the areas reviewed.

4.2 Service Managers' Responsibilities

Internal Audit require access, at all reasonable times, to all persons, property, accounts and records and to be provided with explanations by the service staff as requested. Normally notice is given of audit visits and a mutually convenient date is agreed following consultation with service managers. However in rare and exceptional circumstances Internal Audit can conduct audits without prior notice.

Reasonable accommodation and facilities will be provided during the audit. Wherever possible the audit will be conducted with minimum disruption to staff and service delivery. This depends on the co-operation of service staff and any difficulties will be referred to the relevant Director to intervene.

Recommendations for improvements to control and service delivery will be made and developed into an action plan to be agreed with appropriate service managers. The risks and consequences of any actions not agreed will be highlighted in the audit report. Any actions that are not agreed and could present a significant risk to the council

will be referred to the relevant Director to assist the implementation. Agreement is sought within 2 weeks of issuing a draft report otherwise a final report is issued. Follow up work will be carried out as necessary to ensure satisfactory implementation of significant audit recommendations.

Service managers will inform Internal Audit, as soon as possible, of all suspected or discovered fraud.

Procedures to be audited must be documented or known to service staff and records must be up to date prior to the audit. It is not the responsibility of Internal Audit to set up procedures where none exist or to bring records into an auditable state as part of the audit. Assistance with the setting up of systems will, however, be given at the request of service managers.

Service Managers will at all times comply with council policy, the Finance Manual, Financial Regulations, Contract Procedure Rules, IT policies with regard to security, and all relevant legislation.

Any information acquired by either party in the course of providing audit services will be treated as confidential unless otherwise stated. Reasonable steps will be taken by both parties to protect such confidentiality, and to minimise the disclosure of such information to any unauthorised person.

Service managers will consider all relevant reports issued by the council's external auditor and by other inspectors, and report the action taken to the appropriate cabinet member.

4.3 Liaison with external audit

Audits are planned and will continue to be delivered through a managed audit approach. Internal Audit will liaise with the council's external auditors to ensure no duplication of work takes place and our work can be relied on to fulfil their statutory duties. Information regarding internal audit work will be supplied to external audit at their request.

4.4 Service Delivery Standards

All audit work will act with due professional care, free from bias and in line with professional standards and guidelines, in particular PSIAS.

All audit work is quality controlled to ensure standards are maintained. Quality standards are set and monitored for the section and reported each month. Performance outcomes form part of the evaluation of the effectiveness of internal audit which is reported annually to the Audit Committee.

5. **External Endorsement**

The council's external auditors consider internal audit's work as part of the internal control assessment, any concerns are reported to the Audit Committee in the Annual Audit and Letter. This includes the quality of work produced and adherence with professional standards (PSIAS). External Audit have been able to place reliance on Internal Audit's work where appropriate.

6. **Customer Satisfaction Questionnaires**

It is important to receive feedback on our work. Questionnaires are issued with each system review and establishment audit. Service managers are asked to comment on their satisfaction and added value received from the audit work. All comments are appreciated and used to improve our service delivery.

CAA/MARCH 2014

Internal Audit Plan 2014/15

Audit Area	Planned Days	Audit Areas
Fundamental Financial Systems	150	Fundamental financial systems as agreed with external audit are: Payroll, Creditors, Debtors, Cash Receipting, Main Accounting Ledger, Council Tax and Housing Benefits, Council Tax/NNDR, Treasury Management, Fixed Asset Register, CareFirst (Adult Social Care payments feeder system), Housing Benefit Subsidy claim, Pensions assurance
Corporate Governance	18	Evaluation of council arrangements against best practice standards.
Risk Management	22	Annual review of risk management arrangements, strategic and key operational risk controls
IT Audit	103	IT Charging Policy, Project Management Controls, Public Services Network, Change Control, Network Management and Control, Disaster Recovery and Business Continuity, Physical and Environment Controls, Operating Systems, PC and Laptop Security,
Commissioning / Contract Audit	65	Contracts/ Commissioning, Leisure Contract Management, Procurement Framework, Highways Alliance
Fraud Prevention and Detection	148	Whistleblowers Hotline, National Fraud Initiative (Data Matching), Fraud preventative measures, Golf Income, Music Support, Gym Membership Income, Handyman Service, Bereavement Services Income, Debit Cards/Imprest Accounts, Payment Card Industry - Data Security Standard, Preloaded Cards (Personal Budgets), Markets,
Council-wide Systems	117	Partnership Arrangements, Budgetary Control, Data Quality, Information Governance,, Impact Assessments, Public Health (NCMP), Performance Management, Grant Claims,

People – Adult Services	54	Assessment and Review, Homecare Commissioning (Community Support 4U), Intervention Service Lilacs and CST, Receiverships, Adult Income follow up work, Independent Living,
People – Children	38	Adoption Consortium, Fostering Allowance, Social Enterprise - Accommodation Support, Integrated Youth Service,
People – Education	110	School Audits, Specialist Learning, High Needs Education,
People – Commissioning and Localities	35	Budgetary Control, Personal Budget Allocation, Early Years
Policy & Resources - Finance	32	Finance Manual & SOs, Taxation, Insurance, Timesheets
Policy & Resources - Human Resources	50	Working Time Directive & Flexible Working, Compensation for Termination of Employment, Redeployment Policy, Driver Document Checks, Sickness Policy
Policy & Resources – Legal & Democratic Services	40	Standards Arrangements, Compliance with Public Law Outline, Community Engagement & Consultation
Policy & Resources – Business Support	15	Commercialism
Places – General	10	Budgetary control
Places – Customer Services	30	Leisure Facilities, Non-Delegable Duty of Care, Local Links
Places – Technical & Environment	40	Home Improvements and Disabled Adaptations, Licensing, Safer Neighbourhoods
Places – Planning and Regen	60	BDUK Project, Regional Growth Grant, Commercial Property, South Humber Bank, Leader Programme, HUTC, Development Control
Places- Community Services	25	Waste Management, Grant Certification, School Catering
Consultancy, Advice	195	Advice and unplanned work as requested including commercial work
Other	116	Follow up work. Audit plan and performance monitoring and reporting
TOTAL	1473	

Internal Audit Counter Fraud Plan 2014/15

Audit Area	Planned Days	Purpose
Creating and maintaining the anti fraud culture		
Publicity, raising staff awareness, responding to survey results, carrying out training	5	Continued development of counter fraud arrangements, promotional and awareness raising activities, refresh to risk assessments.
Refreshing the strategy and risk assessment	5	Maintain a strategy that is fit for purpose and in line with best practice
Prevention		
Designing out fraud through input to service changes	18	Advice in areas where changes to systems are proposed- Preloaded Cards, Payment Card Industry Standards.
Deterrence		
Fraud Newsletter and council wide communications	5	Publication of the regular newsletter and issue of alerts and council wide communications
Detection		
Data Matching - NFI /IDEA	10	Annual submission of data required in accordance with the two year timetable. Extra matches submitted via the real-time system as required.
Anti-fraud, Theft & Corruption -	30	Audit response to allegations received via the Whistleblowers' Hotline

Hotline		
Anti Money Laundering arrangements	5	Verification checks within services.
Investigation		
Proactive - Misuse of council funds and assets	10	Rolling programme of audits identified by the fraud risk exposure profile – Debit Card Audit
Proactive Investigation high risk income collection areas	60	Rolling programme of audits identified by the fraud risk exposure profile Leisure Facilities, Handy man Service, Music Support, Golf Clubs, Bereavement services, Markets,
Reactive investigations	As required	
Totals	148	