
Bath & North East Somerset Council

Internal Audit Annual Plan

April 2015 - March 2016

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1. Introduction:

- 1.1 The purpose of this document is to explain:
- The role of Internal Audit
 - How the Audit Team carries out its Internal Audit work
 - Relationship with the Council's External Auditor
 - How the annual plan is prepared, and
 - Present the 2015 / 2016 Annual Audit Plan
- 1.2 During the last quarter of 2014/15 members of the Audit Team have liaised and consulted with Strategic Directors, Divisional Directors & key third tier Officers to enable an Annual Internal Audit Plan to be compiled.

2. The Internal Audit function within the Council:

- 2.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on its control environment. Internal Audit is not limited to the Council's financial systems and records, but extends to all activities of the Council.
- 2.2 The function is required to compile each year an Internal Audit Plan for approval by the Council's Corporate Audit Committee.
- 2.3 The Audit Team is compliant with the Public Sector Internal Audit Standards.

Internal Audit Independence:

- 2.4 A critical element of the performance of Internal Audit function is independence from the activities audited. This enables the Audit Team to form impartial and effective judgment for the opinions and recommendations made.
- 2.5 To help ensure independence, the Audit Team is part of a partnership arrangement with North Somerset Council and so is not fettered by any management reporting line restrictions. It also has unrestricted access to Senior Management & Members, particularly, the Leader of the Council, Chair of the Corporate Audit Committee, the Chief Executive, Strategic Directors, the Council's s151 Officer and the Council's Monitoring Officer. Additionally, the Head of Partnership (responsible for the partnership arrangements) reports in his own name.
- 2.6 The Audit Team forms part of the core governance structure of the organisation and its input is required as part of the Council's Annual Governance review which results in the publication of the Council's Annual Governance Statement.

3. Relationship with the Council's External Auditor:

- 3.1 As part of their audit of the Council's financial statements, the Council's external auditor, Grant Thornton, have a dedicated plan from which they carry out specific reviews of the Council's activities and the Avon Pension Fund. To facilitate this work they have issued a plan for the audit of the 2014/15 accounts.
- 3.2 The External Auditors carry out their own risk assessment methodology to assist in agreeing their workplan.

- 3.3 The working relationship between the Audit Team and the External Auditors carrying out the internal audit and external audit functions respectively is important and must take account of their differing roles. The External Auditor has a statutory responsibility to express an opinion on the Council's financial statements, whilst the Internal Audit function is responsible for assessing the adequacy and effectiveness of the internal controls and advising Management accordingly.
- 3.4 The External Auditors seek to place as much reliance as possible on the work of the internal audit function and there is regular contact between the two parties.

4. Preparation of the Annual Plan:

The Audit Team has adopted a risk based approach in determining its Annual Plan.

Internal Audit Plan Risk Assessment:

- 4.1 To properly develop and substantiate the overall Annual Audit Plan it is necessary to carry out a full and detailed needs assessment of the whole of the Council's activities.

This is carried out through the use of a Risk Assessment model. This model has been developed over many years of audit experience and external best practice and is being continually updated and refined.

The Risk Assessment model, for which a summary of the criteria can be seen below, was applied to the Council's activities:

Internal Audit Risk Assessment Matrix – 2015/16

Criteria
Previous Year Annual Governance Review Issue (Significant or Long List) or Directly linked to a Corporate Risk Register risk.
Exposure to Financial Irregularity (Control Environment / Corruption)
Time since Last Audit Review
Assurance level last Audit
Business Continuity Risk (Loss of function impacting on provision of Critical Services)
Expenditure (not to include employee costs)
Income
Inherent risk (Multiplier) – take into account 'other' risks and compensating controls such as review by external agencies / inspectorates.

- 4.2 In order to select reviews to be included in the audit plan, the number of available productive audit days based on available resources must be calculated. The number of available productive days is compared directly with the list of audits (recorded in risk score order – high to low) produced through the risk assessment process. When the total number of available days equals the cumulative number of allocated audit days per audit a line is drawn. All those audits 'above the line' are included in the Audit Plan. This year we have allowed a contingency for 'Unplanned' work. Unplanned work consists of the investigation of irregularities and prioritised 'consultancy' work. If this contingency number of days is fully utilised and further unplanned work is required it is the intention that planned audit reviews, with the lowest risk rating, will be replaced by the unplanned work activity.
- 4.3 In view of the ever changing environment in which Local Government exists the Internal Audit Annual Plan will be reconsidered in September / October 2015 to confirm that work planned to be carried out in the second half of the year is still appropriate. This process will be carried out in consultation with Strategic Directors, Divisional Directors and Service Managers.

The Audit Plan is attached at **APPENDIX 1**.

5. Internal Audit Function Methodology:

Individual Audit Reviews:

- 5.1 At the commencement of each Audit Review, an Audit Brief (**Annex A**) will be prepared and issued to the relevant Divisional Director and responsible Manager. This Brief will identify the objectives of the review and areas to be covered. This Brief will be subject to agreement between the client (Council Service) and the auditor.
- 5.2 At the conclusion of each review, an end of review meeting will be held with the client (usually Service Manager) to discuss the matters arising. The Divisional Director may be involved at this stage. Wherever possible this meeting will occur before a 'draft' audit report is produced.
- 5.3 Following the conclusion of the audit review work a 'draft' audit report will be issued to Management. The report will provide a graded 'Assurance Level' (see ANNEX B); a summary of identified strengths & weaknesses; and a detailed action plan recording weaknesses and recommendations.
- 5.4 The nominated responsible Manager is required to respond to the audit findings and recommendations and prepare an action implementation plan recording responsible officers and timescale for implementation.
- 5.5 The management comments and implementation plan are compiled into a 'final' version of the report. This is issued to the recipients of the 'draft' version and the Divisional Director. It should be noted that the relevant Strategic Director will be informed of the outcome of all work carried out by the Audit Team.

Audit Review 'Follow-Ups':

- 5.6 Internal Audit reports / recommendations are subject to "follow-up". The objective of this process is to ensure actions are implemented within the agreed timescales.
- 5.7 All recommendations are subject to 'follow-up'. The process is dependent on the risk classification of the weaknesses / recommendations. For all 'Low' and 'Medium' risk recommendations, management are required to confirm implementation of actions. For all 'Critical' and 'High' risk recommendations the Audit Team will carry out appropriate testing to confirm implementation.
- 5.8 The findings of Audit Review 'Follow-Up' will be reported to the relevant manager(s) and the Divisional Director. As stated in 5.5 above the relevant Strategic Director will be informed of the outcome of this work.

6. Investigation of Financial Irregularities:

- 6.1 The Internal Audit function does not have responsibility for the prevention and detection of fraud and other financial irregularities. The Team will however be alert in all their work to the possibility of theft, fraud, corruption and bribery.
- 6.2 Members of staff working within the Council are required to report any possible wrongdoing. The Audit Team will provide a professional response to any such reports received. In this respect, attention is drawn to the Council's own Anti-fraud & Corruption and Whistle blowing policies. These can be found on the 'Internal Audit' website.

Bath & North East Somerset Council

Internal Audit Brief

• Title	{Title}	
• Purpose of Review	To review the risks and internal controls related to the scope of the audit (detailed below) and provide management with an opinion on the adequacy of the framework of internal control.	
• Scope of Review	The audit will review the following key risks/control objectives: <ul style="list-style-type: none"> • Ensure..... • Ensure..... • Ensure..... • Ensure..... 	
• Key Stages of Review Process	<pre> graph TD A((Agree Brief with Client)) --> B((Compile & Issue Draft Report)) B --> C((Agree Opinion & Final Report with Client)) C --> D((Implement & Follow-up)) D --> E((Discuss Summary Findings with Client)) E --> F((Testing & Field Work)) F --> A </pre>	
• Timeframe	Fieldwork Starts: {Date}	Draft Report: {Date}
• Key Contacts	Lead Auditor: {Name}	Lead Client: {Name}
• Service Charter & Professional Standards	Our customer service charter outlines what you can expect from us and what in turn we need from you to complete this audit. All audit work is reported to and monitored by the Audit Committee. All audit work complies with Public Sector Internal Audit Standards.	

Audit Opinions

Assurance Level 5 (Excellent)

The systems of internal control are excellent with a number of strengths and reasonable assurance can be provided over all the areas detailed in the Assurance Summary.

- *Assurance Level 4 (Good)*

The systems of internal control are good and reasonable assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary.

- *Assurance Level 3 – (Satisfactory)*

The systems of internal control are satisfactory and reasonable assurance can be provided. However, there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan.

- *Assurance Level 2 – (Weak)*

The systems of internal control are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce risk exposure.

- *Assurance Level 1 – (Poor)*

The systems of internal control are poor and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee.

Contact Details

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Audit Team Leader (Resources and People {Adult Care Health Strategy & Commissioning})	Dave Mehew 07980998969 dave_mehew@bathnes.gov.uk
Audit Team Leader (Place, People {CYP} & Council Solicitor)	Paul Chadwick 07980998925 paul_chadwick@bathnes.gov.uk
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APPENDIX 1 - AUDIT PLAN 2015/16 – LIST OF AUDIT REVIEW AREAS

SERVICE AREA	AUDIT REVIEW
Pension Fund	Pension Fund - IT Systems
Pension Fund	Pensions Administration (Contributions / Membership Records)
Property	Repairs & Maintenance - Identification / Scheduling of Works
Property	Project Delivery Revenue / Small Capital - Miles Barnes. Revenue £1.3m
Property	Repairs & Maintenance - Identification / Scheduling of Works
Customer Services	Project Delivery Revenue / Small Capital - Miles Barnes. Revenue £1.3m
Customer Services	Asset Property Management - Asset Accounting Valuations
Customer Services	HB Processing Claims & Subsidy Claim
Customer Services	HB Overpayments
Business Support	CCTV - compliance with Surveillance Camera / RIPA regulations.
Business Support	Somerset Business Rates Pool
Business Support	Payroll - Itrent - System administration & Information Security
Business Support	PCIDSS
Business Support	Procurement - Pro-Contract
Business Support	Purchasing Card Key Controls Review
Business Support	IT Audit Review(s)
Social Care & Health	Care Packages / Placements – Under the threshold
Social Care & Health	Care – Contract Payments & Performance Monitoring
Social Care & Health	Deprivation of Liberty Safeguards
Social Care & Health	Appointees - Duty of Care Client finances
Social Care & Health	Care Act Implementation (New Liquid Logic IT System – System Development – Deferred Payment Agreements / client expenditure cap; state support asset levels)
Social Care & Health	Better Care Fund
Strategy & Commissioning	Chew Valley Secondary School
Strategy & Commissioning	St.Marks Secondary School
Strategy & Commissioning	St. Gregorys Secondary School
Strategy & Commissioning	School Theme Review - Governance (Oldfield Park Juniors; and Saltford).
Strategy & Commissioning	School Theme Self-Assessment Reviews - Financial Planning
Strategy & Commissioning	School Theme Self-Assessment Reviews - Safeguarding
Strategy & Commissioning	School Financial Value Standards – Assessment of Certificates and Assurance to Chief Finance Officer to sign SFVS Annual Assurance Statement
Strategy & Commissioning	Liquid Logic - System Administration / Information Security
Specialist Services	Specialist Services - Contract Management (processing payments accurately / timely; pooled budgets - accurate / timely receipt of funding)
Public Health	Sexual Health Services Commissioning & Contract Management
Environmental	Bereavement Services
Environmental	Recycling
Environmental	Car Parking Enforcement- Penalty Charge Notices
Environmental	Community Transport
Environmental	Leisure Provision
Community Regeneration	Heritage - Replacement income / ticketing System
Community Regeneration	Heritage - Cash Collection & Banking Operation
Community Regeneration	Housing Allocations
Community Regeneration	Regeneration - Enterprise Area - Process Review
Development	Section 106 / Community Infrastructure Levy

Development	Planning Fees
Electoral Registration	Election Bank Account
Democratic Services	Members Allowances
	NFI
	AGS 2014/15
	AGS 2015/16
	Follow-Ups
	Claims - Connecting Families
	Other Claims contingency
	Anti-Fraud - Data Analytics
Carry Forward 2014/15	Deputyship
Carry Forward 2014/15	School Theme - Info Gov
Carry Forward 2014/15	Safeguarding - Children
Carry Forward 2014/15	Waste Enforcement