



REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	24 JANUARY 2019
REPORT OF THE:	CHIEF FINANCE OFFICER (s151) - ANTON HODGE
TITLE OF REPORT:	INTERNAL AUDIT PLAN 2019/20 - CONSULTATION
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The purpose of the report is to seek members' views on risk areas that should be considered a priority for audit in 2019/20 to help inform the preparation of the annual internal audit plan.

2.0 RECOMMENDATION(S)

- 2.1 Members are asked to identify any specific risk areas which they believe should be considered a priority for audit in 2019/20.

3.0 REASON FOR RECOMMENDATION(S)

- 3.1 To ensure audit resources are targeted to key risk areas and to help inform the overall internal audit planning process.

4.0 SIGNIFICANT RISKS

- 4.1 To comply with proper practice requirements for internal audit, the views of the committee on council strategies, key business objectives, associated risks and risk management processes should be considered in planning internal audit work.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS) and Cipfa guidance on the application of those standards in Local Government.

6.0 REPORT DETAILS

- 6.1 In accordance with the PSIAS, and as acknowledged in the council's audit charter, "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 processes.”

- 6.2 Internal audit standards and the council's audit charter require internal audit to draw up an indicative audit plan at the start of each financial year. The plan must be based on an assessment of risk. The plan is also informed by a number of factors such as the council's risk registers, relevant national issues and our wider audit knowledge including the results of recent audit work. The council's external auditors are also consulted to avoid possible duplication of work programmes and to maximise the overall benefit of audit activity. The draft plan will be presented to the next Overview and Scrutiny Committee in April 2019, for approval.
- 6.3 Internal Audit plans cover a range of risk areas to ensure that; overall, the work enables the team to meet the statutory requirement to provide an overall opinion on the governance, risk management, and control framework operating in the council. These include areas such as:
- strategic risks - for example those included as key risk areas in the risk register
 - financial systems - which represent a high level of inherent risk due to the value and volumes of transactions processed
 - corporate areas – covering areas such as governance, performance, projects and risk
 - specific service reviews - particularly those which make a significant contribution to corporate objectives and where weaknesses may represent a significant risk
 - value for money and efficiency.
- 6.4 The standards require that internal audit independently forms a view on the risks facing the council and work to be included in the audit plan. However, there is also a requirement to take into account the views of the Overview and Scrutiny Committee and senior council officers in forming that view. The requirement is set out explicitly at paragraph 5.2 of the audit charter which states that internal audit should “draw up an indicative risk based audit plan on an annual basis following consultation with the Overview and Scrutiny Committee and senior management”. Some further background information on the standards is included in Appendix 1.
- 6.5 Internal audit is currently at the initial stage of planning work for 2019/20. Consultation meetings with officers will be undertaken in February and March 2019. The purpose of this report is to seek the views of the committee on key risks facing the council and areas they feel should be considered for audit review in 2019/20. Table 1 below includes some initial thoughts on possible areas for consideration. This is included to prompt discussion and is not intended to be a definitive or complete list of areas that could be reviewed.

Table 1: initial ideas for audit priorities for 2019/20

Area	Possible Work
Corporate & cross-cutting	<ul style="list-style-type: none"> • Review against Cipfa Financial Management Standards (to be published in 2019) • Financial resilience • North Yorkshire County Council collaboration • Procurement and contract management • Corporate 'Health-checks' • Governance areas (such as policy framework and/ or review against Cipfa 'delivering good governance' best practice 2016). • Review of the Audit Committee with updated Cipfa guidance (published 2018) • Risk management, disaster recovery plans and insurance • Workforce planning • Audit of counter fraud arrangements • Information governance and data protection • Performance management and data quality • Training and development • Customer/ ombudsman complaints • Ethics and organisational culture
Project Management	<ul style="list-style-type: none"> • Overall corporate arrangements • Review of specific key council projects
Main Financial systems	<ul style="list-style-type: none"> • Revenue budgeting • Capital budgeting • Payroll/personnel • General ledger, debtors, creditors • Council Tax/ NNDR & benefits
Other areas	<ul style="list-style-type: none"> • Risks relating to specific service areas (such as planning, leisure services, waste collection, licensing, environmental health, economic development and housing). • IT Strategy & Governance (such as information security policies, IT risk management, supporting service development and roles and responsibilities) • IT Information security (such as server configuration, patch management and operating system configuration) • IT Services (such as help desk, incident management and network availability) • Cyber security • Digitalisation / automation • ICT risks linked to any main financial system • Homelessness

7.0 IMPLICATIONS

7.1 The following implications have been identified:

- a) Financial
None
- b) Legal
None
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
None

Anton Hodge
Chief Finance Officer (s151)

Author: Stuart Cutts Audit Manager.
Veritau Limited
Telephone No: 01653 600666 (ext 382)
E-Mail Address: stuart.cutts@veritau.co.uk

Background Papers:
Internal Audit Charter – October 2018
Public Sector Internal Audit Standards

APPENDIX 1

Background

There is a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require the audit takes into account public sector internal auditing standards or guidance.

The Public Sector Internal Audit Standards (PSIAS) and CIPFA's local government application note for the standards represent proper practice for internal audit in local government.

Public Sector Internal Audit Standards (PSIAS) - extracts

1100: Independence and Objectivity

The internal audit activity must be independent and internal auditors must be objective in performing their work.

Interpretation: Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

1110 Organisational Independence

The chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity.

1110.A1

The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results. The chief audit executive must disclose such interference to the board and discuss the implications.

2010 Planning

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

Interpretation: To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.

2020 Communication and Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.

Cipfa Local Government Application Note: In accordance with current best practice the audit committee should *'review and assess the annual internal audit work plan.'* The development of the risk-based audit plan remains the responsibility of the chief audit executive after consultation with senior management and the board, but the board should approve it.