

## AUDIT & GOVERNANCE COMMITTEE

Monday, 18 November 2019

### INTERNAL AUDIT: REVISED ANNUAL INTERNAL AUDIT PLAN 2019-20

#### EXECUTIVE SUMMARY

1. This report presents the proposed revised Internal Audit Plan for East Suffolk Council 2019-20. Each Head of Service has been informed of the amendment to the plan in their relevant area.
2. This report is being presented to the Audit & Governance Committee in accordance with the Committee's terms of reference which stipulate that the Committee is to *'approve, (but not direct) internal audit's work plan.'* Also *'to promote the value of the audit process.'*
3. Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (PSIA) and Local Government Application Note (2013). This report has been prepared in accordance with our Audit Charter.
4. Since April 2019 Internal Audit Services has not been able to successfully recruit a suitably qualified experienced person to a Senior Audit vacancy. This has resulted in a shortfall of resources of approximately 185 days. The Head of Internal Audit using a risk-based approach has revised the 2019-20 Plan by deferring several assurance audits into the 2020-21 plan.
5. The revised Internal Audit Plan 2019-20 coverage should be sufficient, to enable the Head of Internal Audit to issue an opinion upon the governance arrangements at the Council.

Is the report Open or Exempt?	Open
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<b>Wards Affected:</b>	All Wards in the District
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<b>Cabinet Member:</b>	Councillor Steve Gallant Leader of the Council and Cabinet Member with responsibility for Resources
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<b>Supporting Officer:</b>	Name: Mrs Siobhan Martin Job Title: Head of Internal Audit Telephone Number: 01394 444254 Email address: siobhan.martin@eastsuffolk.gov.uk
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## **1 INTRODUCTION**

- 1.1 Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (2016) and Local Government Application Note (2013). This report has been prepared in accordance with our Audit Charter. The Council is required under the Accounts and Audit Regulations to maintain an adequate and effective Internal Audit Service.
- 1.2 This report presents a revised risk-based Internal Audit Plan for 2019-20 as agreed with the Chief Executive and relevant Senior Officers.
- 1.3 The revised Internal Audit work plan is aligned to the East Suffolk Business Plan – ‘East Suffolk Means Business’, where the vision is to maintain and sustainably improve the quality of life for everyone growing up in, living in, working in and visiting East Suffolk. Planned and emerging Internal Audit exercises will directly support the good governance and risk management approach to the Council’s priorities: Enabling Communities; Economic Growth and Financial Self Sufficiency described in detail in the East Suffolk Business Plan.
- 1.4 The Audit and Governance Committee is responsible for overseeing the application of audit resources and monitoring performance of the audit function.
- 1.5 The work of the Internal Audit Service is to provide independent assurance and report upon the effective and efficient application of internal controls, governance arrangements and value for money at the Council. All Internal Audit reports form part of the crucial evidence to enable the Chief Executive and Leader of the Council to sign the Annual Governance Statement (the obligatory statement along with the Annual Accounts.) External Audit may also consider Internal Audit work to ensure that system controls are adequate and effective.
- 1.6 Internal Audit work aims to ensure services comply with the Council’s Constitution and Code of Corporate Governance. Internal Audit reports make recommendations to address any weaknesses identified and give direction on how to support continual improvement by providing professional advice and guidance.

## **2 HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?**

- 2.1 The Audit and Governance Committee is directly responsible for supporting good governance arrangements and practices at the Council, which underpin the Council’s entire strategic and operational workings including the East Suffolk Business Plan. The Internal Audit Plan of work provides independent, fact-based evidence to Senior Management and the Audit and Governance Committee on the actual effectiveness of Council activities which support the East Suffolk Business Plan.

## **3 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 3.1 Internal Audit reports, advice and recommendations all aim to create and foster a robust corporate governance foundation to support sustainable services for all stakeholders. As a consequence, the Internal Audit Service aims to mitigate the risk of losses arising from error, irregularity and fraud. In addition, efficiency, effectiveness and economy reviews form part of the work undertaken, and this represents a fundamental function in delivering the Council’s corporate governance responsibilities.
- 3.2 The Local Government Act 1972 and the Accounts and Audit Regulations 2015 require principal local authorities to ‘...undertake an adequate and effective internal audit of its

accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control.'

- 3.3 The implications and benefits of agreed recommendations produced by the Internal Audit Service contribute to the Council's overall objectives by improving controls and processes, which contribute towards efficient and effective management of services.

#### **4 OTHER KEY ISSUES**

- 4.1 This report does not require an Equality Impact Assessment, a Sustainability Impact Assessment or a Partnership Impact Assessment.

#### **5 CONSULTATION**

- 5.1 The Head of Internal Audit has communicated this revised Internal Audit Plan to relevant officers within the Corporate Management Team.

#### **6 OTHER OPTIONS CONSIDERED**

- 6.1 The use of consultants or agency staff to undertake some of the planned work has been considered, but at this stage is deemed as not a viable option. Utilising partner Council resources is not feasible since they are also facing staff vacancy issues.

#### **7 REASON FOR RECOMMENDATION**

- 7.1 To support the Council's overall governance arrangements and to ensure that the Audit and Governance Committee fulfils its terms of reference by reviewing the appropriateness of the refreshed risk based strategic Internal Audit Plan for 2019-20.
- 7.2 The risk based Internal Audit Plan is influenced by the resources made available by the Council for Internal Audit work. A careful balance must be achieved in terms of keeping audit costs at a realistic level, whilst recognising that there is a minimum level of coverage that must be undertaken to ensure good governance and internal controls are in operation. In this respect, the Internal Audit Plan for 2019-20 that was agreed by Audit & Governance Committees (Suffolk Coastal 12 March 2019, Waveney District Council 07 March 2019) was at that time considered to have been a realistic plan of action.
- 7.2 Since April 2019 the Internal Audit Team has not been able to successfully recruit a suitably qualified experienced person to a Senior Audit vacancy. This has resulted in a shortfall of resources of approximately 185 days.
- 7.3 The Head of Internal Audit using a risk-based approach has revised the 2019-20 by deferring several assurance audits into the 2020-21 plan. These are detailed within the table below: -

<b>Audit (Equates to 185 audit days)</b>	<b>Deferred to 2020-21 or merged into other Internal Audits</b>	<b>Comments</b>
Payroll (including recruitment)	Deferred	The processes and controls in place for payroll form part of the contractual arrangements with Suffolk County Council. Internal Audit reviews of the payroll process have been undertaken on an annual basis and have not highlighted any major issues. This area is material to review given the size of the payroll budget but not time critical for 2019/20.
Treasury Management	Deferred	Treasury Management has formed part of the annual Internal Audit Plan historically every year. No major issues have been identified over the past three years.
Income (Cash) and Banking	Deferred/merged	The amount of cash collected has a very low material value and is not deemed a high risk, reducing the need to audit every year.  Some key controls in relation to banking will be merged into other reviews.
Commercial Rents	Deferred	A new system for Asset Management is currently being implemented. It is practical to review this area once the new system is in place.
Budgetary and Data Control	Deferred	This area will be fully audited within the 2020-21 Audit Plan. It has been deferred purely due to reduction in staff resources.
Declaration of Interests	Deferred	The revised Officers' Code of Conduct in the East Suffolk Constitution has been promoted to staff, and a requirement to declare interests has been added to induction procedures. Six monthly reminders to declare interests are published on the Council's intranet. This audit can therefore be deferred.
Asset Management Follow Up (Part 2)	Deferred	A new system for Asset Management is currently being implemented. It is practical to review this area once the new system is in place.
Organic Green Waste	Deferred	A new system is in the process of being implemented. It is practical to review this area once the new system is in place.

**RECOMMENDATION**

That the revisions made to the Annual Internal Audit Plan 2019-20 be commented upon and approved.

**BACKGROUND PAPERS**

Please note that copies of background papers have not been published on the Council's website but copies of the background papers listed below are available for public inspection free of charge by contacting the relevant Council Department.

Date	Type	Available From
2016	East Suffolk Business Plan 2015-2023	Head of Internal Audit
Feb 2018	Corporate Risk Register	
April 2013 & 2016	Public Sector Internal Audit Standards	