

Eastern Internal Audit Services



BRECKLAND DISTRICT COUNCIL

Strategic and Annual Internal Audit Plans 2019/20

Responsible Officer: Head of Internal Audit

CONTENTS

1. INTRODUCTION	2
2. AUDIT CHARTER.....	2
3. INTERNAL AUDIT STRATEGY	3
4. STRATEGIC INTERNAL AUDIT PLAN	3
5. ANNUAL INTERNAL AUDIT PLAN 2019/20	3
APPENDIX 1 – INTERNAL AUDIT CHARTER	5
APPENDIX 2 – INTERNAL AUDIT STRATEGY	13
APPENDIX 3 – STRATEGIC INTERNAL AUDIT PLAN.....	17
APPENDIX 4 – ANNUAL INTERNAL AUDIT PLAN	22

1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “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”.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) mandate a periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities, this is set out in the Internal Audit Strategy.
- 1.3 Risk is defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives'. Risk can be a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk).
- 1.4 The development of a risk-based plan takes into account the organisation's risk management framework. The process identifies the assurance (and consulting) assignments for a specific period, by identifying and prioritising all those areas on which objective assurance is required. This is then also applied when carrying out individual risk based assignments to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.
- 1.5 The following factors are also taken into account when developing the internal audit plan:
 - Any declarations of interest so as to avoid conflicts of interest;
 - The requirements of the use of specialists e.g. IT auditors;
 - Striking the right balance over the range of reviews needing to be delivered, for example systems and risk based reviews, specific key controls testing, value for money and added value reviews;
 - The relative risk maturity of the Council;
 - Allowing contingency time to undertake ad-hoc reviews or fraud investigations as necessary;
 - The time required to carry out the audit planning process effectively as well as regular reporting to and attendance at Governance and Audit Committee, the development of the annual report and opinion and the Quality Assurance and Improvement Programme.
- 1.6 In accordance with best practice the Governance and Audit Committee should '*review and assess the annual internal audit work plan*'.

2. AUDIT CHARTER

- 2.1 There is an obligation under the PSIAS for the Charter to be periodically reviewed and presented. This Charter is therefore reviewed annually by the Head of Internal Audit to confirm its ongoing validity and completeness, and presented to the Section 151 Officer, Senior Management and the Governance and Audit Committee every two years, or as required for review.
- 2.2 The latest version of the Charter included at **Appendix 1** of this report has been updated to reference the Internal Audit Manager role, reporting to the Head of Internal Audit and responsible for providing management oversight on the performance of the contractor.

- 2.3 As part of the review of the Audit Charter the Code of Ethics are also reviewed by the Head of Internal Audit, and it is ensured that the Internal Audit Services contractor staff, as well as the Head of Internal Audit adhere to these, specifically with regard to; integrity, objectivity, confidentiality and competency. Formal sign off to acceptance of the Code of Ethics is retained by the Head of Internal Audit.

3. INTERNAL AUDIT STRATEGY

- 3.1 The purpose of the Internal Audit Strategy (**see Appendix 2**) is to confirm:
- How internal audit services will be delivered;
 - How internal audit services will be developed in accordance with the internal audit charter;
 - How internal audit services links to organisational objectives and priorities; and
 - How the internal audit resource requirements have been assessed.

4. STRATEGIC INTERNAL AUDIT PLAN

- 4.1 The overarching objective of the Strategic Internal Audit Plan (**see Appendix 3**) is to provide a comprehensive programme of review work over the next three years, with each year providing sufficient audit coverage to give annual opinions, which can be used to inform the organisation's Annual Governance Statement.
- 4.2 The coverage over the forthcoming years has been discussed with Executive Management Team to ensure that audits are undertaken at the right time, at a time where value can be added, as well as ensuring sufficient coverage for an Annual Opinion on the framework of governance, risk management and control. The discussions also went into greater detail in relation to the scope of the audits for the forthcoming financial year.
- 4.3 The Strategic Plan has also taken account of the audits that have been deferred from 2018/19; Breckland Bridge and Environmental Protection as previously reported through to the Governance and Audit Committee.

5. ANNUAL INTERNAL AUDIT PLAN 2019/20

- 5.1 Having developed the Strategic Internal Audit Plan, the Annual Internal Audit Plan is an extract of this for the forthcoming financial year (**see Appendix 4**). This details the areas being reviewed by Internal Audit in 2019/20, the number of days for each review, the quarter during which the audit will take place and a brief summary / purpose of the review and highlights those audit reviews which we be jointly undertaken with South Holland DC.
- 5.2 The Annual Internal Audit Plan for 2019/20 totals 205 days, 170 of which is provided by Eastern Internal Audit Services and 35 days of which are provided through the arrangements in place for Anglian Revenues Partnership (ARP) arrangements.
- 5.3 The work to be provided by Eastern Internal Audit Services encompasses 18 audits, nine of which will be jointly carried out at Breckland DC and South Holland DC:
- 5.4 Audit verification work concerning audit recommendations implemented to improve the Council's internal control environment will also be undertaken throughout the financial year.

- 5.5 The Head of Internal Audit / Internal Audit Manager is a member of the Finance Board and attends the Performance, Risk and Audit Board as appropriate, both of which have established terms of reference. Participating in these Boards results in a greater awareness of Council business and key activities and has also resulted in good working relationships being maintained with key officers.

APPENDIX 1 – INTERNAL AUDIT CHARTER

EASTERN INTERNAL AUDIT SERVICES

INTERNAL AUDIT CHARTER FOR 2019/20

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013, these provide a consolidated approach across the public sector encouraging continuity, sound corporate governance and transparency.
- 1.2 The Standards require all internal audit services to implement, monitor and review an internal audit charter; this formally defines the internal audit's purpose, authority and responsibility, and is a mandatory document.
- 1.3 The charter also displays formal commitment to and recognises the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Standards, i.e. the International Professional Practices Framework (IPPF).
- 1.4 This Internal Audit Charter is applicable to each of the following internal audit consortium members covered by Eastern Internal Audit Services (EIAS).

- Breckland District Council;
- Broadland District Council;
- Great Yarmouth Borough Council;
- North Norfolk District Council
- South Holland District Council;
- South Norfolk Council; and
- Broads Authority.

- 1.5 The term Local Authority will be used to describe the above consortium members throughout the Charter.

1.6 Mission

Standards require the Internal Audit Function to articulate its overall purpose and summarise the way it will provide value to the organisation. The mission statement for EIAS is as follows:

“Protecting each of our consortium members ability to enhance value through the provision of independent risk-based assurance and advice”

- 1.7 This charter:

- Establishes the position and reporting lines of internal audit;
- Outlines provision for unrestricted access to information, officers, management and members as appropriate;
- Sets the tone for internal audit activities;
- Defines the nature and scope of internal audit services, in particular assurance and consultancy services; and
- Sets out the nature and scope of assurance provided to other parties.

- 1.8 The charter is to be periodically reviewed and presented to Senior Management and the Board for approval. The charter will be reviewed annually by the Chief Audit Executive to

confirm its ongoing completeness and validity, and presented to Senior Management and the Board every 2 years for review.

2 Purpose, Authority and Responsibility

2.1 Purpose

2.1.1 Internal auditing is best summarised through its definition with the Standards, *“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”*.

2.1.2 Internal audit will provide reasonable assurance to each member of the Internal Audit Consortium, that necessary arrangements are in place and operating effectively, and to identify risk exposures and areas where improvements can be made.

2.2 Authority

2.2.1 The Accounts and Audit Regulations (England) 2015, states that the relevant body 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”*. The statutory requirement for internal audit is recognised in the Constitution of each Local Authority and the internal auditing standards in this regard are the Public Sector Internal Audit Standards.

2.2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Head of Internal Audit confirms that this person is responsible for the organisation’s internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. The requirements of this statement are fully adhered to by the Chief Audit Executive.

2.3 Responsibility

2.3.1 The responsibility for maintaining an adequate and effective internal audit to evaluate risk management, control and governance processes lies with each Local Authority’s Chief Finance Officer (the Section 151 Officer or Section 17 Officer).

2.3.2 The Local Authority and its Members must be satisfied about the adequacy of the advice and support it receives from internal audit.

2.3.3 Internal audit is provided by Eastern Internal Audit Services, with the Chief Audit Executive responsible for ensuring the internal audit activity is undertaken in accordance with the definition of internal auditing, the code of ethics and the standards.

2.3.4 Senior management are responsible for ensuring that internal control, risk management and governance arrangements are sufficient to address the risks facing the Local Authority. Accountability for responding to internal audit rests with senior management who either accept and implement the recommendations, or formally reject it. Any advice that is rejected will be formally reported.

3 Key Relationships and Position in the Organisation

3.1 The standards require the terms ‘Chief Audit Executive’, ‘Board’ and ‘Senior Management’ to be defined in the context of the governance arrangements in each public sector organisation

in order to safeguard the independence and objectivity of internal audit. The following interpretations are applied within Eastern Internal Audit Services.

3.2 Chief Audit Executive

3.2.1 The Chief Audit Executive is based at South Norfolk Council and provides the Head of Internal Audit role to all consortium members with the exception of South Norfolk Council.

At South Norfolk Council, the Chief Audit Executive undertakes the Head of Governance role, administratively reporting to the Assistant Director of Resources (Section 151 Officer). Due to extra responsibilities undertaken and the Internal Audit Manager currently finalising qualifications, the Head of Internal Audit role here is undertaken by a contractor to ensure that independence is safeguarded.

3.2.2 The Head of Internal Audit reports functionally to the Board and administratively to the Section 151 Officer or Section 17 Officer at all other members of the consortium.

3.2.3 The Head of Internal Audit also has a direct line of reporting and unfettered access to the Chief Executive, the Senior Management Team at each Local Authority and the Chair of the Board at each Local Authority. The Head of Internal Audit is also supported by the Internal Audit Manager.

3.2.4 The delivery of the Annual Audit Plans and any specified ad-hoc assignments is provided by an external contractor, TIAA Ltd from 1 April 2015. The Chief Audit Executive manages this contract with support from the Internal Audit Manager.

3.3 Board

3.3.1 In the context of overseeing the work of Internal Audit at each Local Authority, the 'Board' will be the Audit Committee (or equivalent) of the Local Authority, which has been established as part of the governance arrangements. The Audit Committee's responsibilities are discharged through each of the Local Authority's Constitution's and explicitly referred to in each terms of reference.

3.3.2 This functional reporting includes;

- Approving the audit charter, audit strategy and risk based annual plans;
- Receiving regular reports on the outcomes of internal audit activity and performance;
- Receiving regular reports on management action in relation to agreed internal audit recommendations;
- Receiving the Annual Report and Opinion of the Head of Internal Audit, alongside a conclusion as to the effectiveness of internal audit;
- Overseeing External Assessments of the Internal Audit Service, at least once every 5 years.

3.3.3 Internal Audit work closely with the chair and members of the Audit Committee to facilitate and support their activities, part of which includes facilitating a self- assessment and providing training.

3.4 Senior Management

3.4.1 'Senior Management' is those individuals responsible for the leadership and direction of the organisation, and are responsible for specific aspects of internal control, risk management and governance arrangements. There is effective liaison between internal audit and senior management to ensure that independence remains, and provides for a critical challenge.

3.4.2 The Head of Internal Audit or Internal Audit Manager meets regularly with the Section 151 Officer or Section 17 Officer to ensure organisational awareness is maintained, to discuss progress with the agreed Internal Audit Plan and to maintain a good working relationship. These arrangements facilitate discussions in relation to the current and emerging risks and issues to ensure that the internal audit plan of work remains reflective and also responds as required.

3.5 External Audit

3.5.1 Regular liaison is maintained with External Audit to consult on audit plans, and to discuss matters of mutual interest. The external auditors have the opportunity to take account of the work of internal audit where appropriate.

3.6 Other Internal Audit Service Providers

3.6.1 Where appropriate internal audit will liaise with other internal audit providers, where shared arrangements exist. In such cases, a dialogue will be opened with the Chief Audit Executive to agree a way forward regarding the auditing of such shared services. This is to ensure an efficient and effective approach, and enable reliance on each other's outcomes. Where formal arrangements are entered into a protocol will be determined and agreed by both Chief Audit Executives.

3.6.2 Internal audit will also co-operate with all external review and inspection bodies that are authorised to access and evaluate the activities of the Local Authority, to determine compliance with regulations and standards. Assurances arising from this work will be taken into account where applicable.

4 Rights of Access

4.1 Internal audit, with strict accountability for confidentiality and safeguarding records and information, is authorised to have the right of access to all records, assets, personnel and premises and has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. This access is full, free and unrestricted and is set out in each Local Authority's Constitution.

4.2 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

5 Objective and Scope

5.1 The provision of assurance services is the primary role of Eastern Internal Audit Services, thus allowing the Head of Internal Audit to provide an annual audit opinion on the adequacy and effectiveness of the Local Authority's framework of governance, risk management and control, together with reasons if the opinion is unfavourable.

5.2 Internal audit will also provide consultancy services, at the request of management. These reviews are advisory in nature and generally performed to facilitate improved governance, risk management and control. This work may contribute to the annual audit opinion.

5.3 Whichever role / remit is carried out by internal audit the scope is to be determined by internal audit, through discussions with senior management, however this scope will not be unduly bias nor shall it be restricted.

- 5.4 A risk based Strategic Internal Audit Plan will be developed each year to determine an appropriate level of risk based audit coverage required to generate an annual audit opinion. The plan will be derived from risk assessments, discussions with Senior Management and Audit Committee taking prior year's assurance results into account.
- 5.5 Each audit review will be designed to provide evidence based assurance over the management of risk and controls within that area. The results of each review will be shared with management so that any required improvements can be actioned to restore satisfactory systems of internal control.
- 5.6 It is management's responsibility to control the risk of fraud and corruption; however internal audit will be alert to such risks in all the work that is undertaken. In addition, the Head of Internal Audit is either responsible for, or is consulted on, related policy and strategy. These include for example; Counter Fraud, Corruption, Anti-Bribery, Whistleblowing, Anti-Money Laundering and includes the related promotion and training for officers and councillors.
- 5.7 Through the contract in place with TIAA Ltd there are other services that can be provided, these include: fraud investigations, grant certification and digital forensics.

6 Independence and Objectivity

- 6.1 Internal Audit must be sufficiently independent of the activities that are audited to enable an impartial, unbiased and effective professional judgement. All internal auditors working within Eastern Internal Audit Services, annually confirm their adherence the Code of Ethics, which sets out the minimum standards for performance and conduct. The four core principles are integrity, objectivity, confidentiality and competency.
- 6.2 As contractors the TIAA Internal auditors have no operational responsibility or authority over any of the activities which they are required to review. They do not engage in any other activity, which would impair their judgement, objectivity or independence.
- 6.3 The Head of Internal Audit has overall responsibility for the management and strategic direction of the Internal Audit Service. At South Norfolk Council there are additional responsibilities that fall outside of internal auditing. These include;
 - Monitoring Officer
 - Democratic Services
 - Legal Services
 - Freedom of Information
 - General Data Protection Regulation
 - Risk Management
 - Procurement
 - Health and Safety

Safeguards exist to limit any impairments that may occur to the independence and objectivity at South Norfolk Council. The Internal Audit Manager assumes responsibility for the daily management, progress reporting and quality assurance of any internal audit work carried out by the contractor and does not have any involvement in the above mentioned activities.

In line with the PSIAS requirements, until the Internal Audit Manager is CMIIA qualified, the Head of Internal Audit role at South Norfolk Council will be provided by a contractor responsible for presenting the Annual Audit Opinion. The Head of Internal Audit will continue to provide the Annual Audit Opinion for all other consortium members.

- 6.4 If the independence or objectivity of the Head of Internal Audit is impaired, or appears to be, the details of the impairment will be disclosed to the Internal Audit Manager and / or senior management. The nature of the disclosure will depend upon the impairment.

7 Professional Standards

- 7.1 The Internal Audit Service and all Internal Audit staff operate in accordance with all mandatory guidance within the PSIAS including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and Definition of Internal Auditing. Internal Auditors also have regard for the principles contained within the Standards of Public Life.

8 Internal Audit Resources

- 8.1 The Head of Internal Audit will be professionally qualified (CMIIA, CCAB or equivalent) and have wide ranging internal audit management experience to enable them to deliver the responsibilities of the role.
- 8.2 The Head of Internal Audit is supported by the Internal Audit Consortium Manager in ensuring the Internal Audit Service has access through the contract to a team of staff who have the appropriate range of knowledge, skills and experience to deliver the audit service.

9 Audit Planning

- 9.1 The Head of Internal Audit, supported by the Internal Audit Manager develops a strategy, alongside a strategic and annual internal audit plan, using a risk based approach.
- 9.2 The Internal Audit Strategy provides a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.
- 9.3 The annual internal audit plan of work, developed as per the Internal Audit Strategy, is derived using a risk based approach, discussed with Senior Management and approved by the Audit Committee. The Head of Internal Audit is responsible for the delivery of the internal audit plan, which will be kept under regular review and reported to the Audit Committee.

10 Audit Reporting

- 10.1 On conclusion of each assurance review included within the annual internal audit plan, a report will be provided to management giving an opinion on the adequacy of controls in place to manage risk. This report will provide an assurance level and associated recommendations to ensure that risks are appropriately addressed.
- 10.2 Management can choose not to accept / implement the recommendations raised, in all instances this will be reported through to the Audit Committee, especially in instances whereby there are no compensating controls justifying the course of action.
- 10.3 A Progress Report is periodically presented to the Audit Committee which includes the Executive Summary of all final reports, any significant changes to the approved plan and the performance of the contractor relative to completing the agreed plan.
- 10.4 A Follow Up Report is also periodically produced for the Audit Committee showing management progress against the implementation of agreed recommendations arising from internal audit assurance reports. The Internal Audit Team will verify and obtain evidence to demonstrate recommendation completion from responsible officers.

- 10.5 An Internal Audit Annual Report and Opinion is produced for Senior Management and the Audit Committee following the completion of the annual audit plan each financial year.
- 10.6 This report includes a summary of all Internal Audit work carried out, details of recommendations that have been implemented by management and the Annual Opinion.
- 10.7 The Annual Opinion is based on the overall adequacy and effectiveness of the Local Authority's framework of governance, risk management and control during the financial year, together with reasons if the opinion is unfavourable. This opinion is reached by considering the results from assurance reviews undertaken throughout the year.
- 10.8 The report also highlights any issues that are deemed particularly relevant to the Annual Governance Statement (AGS) and the results of the review of the effectiveness of internal audit.

10 Quality Assurance and Improvement Programme

- 11.1 The standards require a quality assurance and improvement programme to be developed that covers all aspects of internal audit; including both internal and external assessments.
- 11.2 If an improvement plan is required as a result of the internal or external assessment, the Head of Internal Audit or Internal Audit Manager will coordinate appropriate action and report this to Senior Management and the Audit Committee, as part of the annual report and opinion.

11.3 Internal Assessment

- 11.3.1 Internal assessment includes the ongoing monitoring of the performance of the contractor through the performance measures. These form a key part of service management of the contract and are subject to quarterly reporting to the Internal Audit Manager for review.
- 11.3.2 On conclusion of audit reviews a feedback form is provided to the key officer identified during the audit process. Outcomes are reviewed and relevant improvements discussed with the contractor.
- 11.3.3 The standards also require periodic self-assessment in relation to the effectiveness of internal audit, the detail and outcomes of which are then forwarded to the Section 151 Officer or Section 17 Officer for their independent scrutiny, before the summary of which is provided to the Audit Committee as part of the annual report and opinion. This information enables the Committee to be assured that the internal audit service is operating in accordance with best practice.

11.4 External Assessment

- 11.4.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Organisation. This can be in the form of a full external quality assessment that involves interviews with relevant stakeholders, supported by examination of the internal audit approach and methodology leading to the completion of an independent report, or a validated self-assessment, which the Internal Audit Manager compiles against the PSIAS assessment tool, which is then validated by an external assessor/team. The full external quality assessment is the chosen option for Eastern Internal Audit Services.

- 11.4.2 An external assessment will:

- Provide an assessment on the internal audit function's conformance to the standards;
- Assess the performance of the internal audit activity in light of its charter, the expectations of the various boards and executive management;
- Identify opportunities and offer ideas and counsel for improving the performance of the internal audit activity, raising the value that internal audit provides to the organisation; and
- Benchmark the activities of the internal audit function against best practice.

11.4.3 In January 2017 Eastern Internal Audit Services was fully assessed by the Institute of Internal Auditors. The conclusion of the review was:

The internal audit team fully meet most of the Standards, as well as the Definition, Core Principles and the Code of Ethics which form the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. This is described as "Generally Conforms". It means that the internal audit team may state in its audit reports that the work "has been performed in accordance with the IPPF"

APPENDIX 2 – INTERNAL AUDIT STRATEGY

EASTERN INTERNAL AUDIT SERVICES BRECKLAND AND SOUTH HOLLAND DISTRICT COUNCILS

INTERNAL AUDIT STRATEGY FOR 2019/20

1. Introduction

- 1.1 The Internal Audit Strategy is a high-level statement of;
- how the internal audit service will be delivered;
 - how internal audit services will be developed in accordance with the internal audit charter;
 - how internal audit services links to the organisational objectives and priorities; and
 - how the internal audit resource requirements have been assessed.

The provision of such a strategy is set out in the Public Sector Internal Audit Standards (the standards).

- 1.2 The purpose of the strategy is to provide a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.

2. How the internal audit service will be delivered

- 2.1 The Role of the Head of Internal Audit and contract management is provided by South Norfolk Council to; Breckland, Broadland, North Norfolk, South Holland and South Norfolk District Councils, Great Yarmouth Borough Council and The Broads Authority. All Authorities are bound by a Partnership Agreement.
- 2.2 The delivery of the internal audit plans for each Authority is provided by an external audit contractor, who reports directly to the Head of Internal Audit. The current contract is with TIAA Ltd, and commenced on 1 April 2015, for an initial period of 5 years.

3. How internal audit services will be developed in accordance with the internal audit charter

3.1 Internal Audit objective and outcomes

- 3.1.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 3.1.2 The outcomes of the internal audit service are detailed in the Internal Audit Charter and can be summarised as; delivering a risk based audit plan in a professional, independent manner, to provide the Authority with an opinion on the level of assurance it can place upon the internal control environment, systems of risk management and corporate governance arrangements, and to make recommendations to improve these provisions, where further development would be beneficial.
- 3.1.3 The reporting of the outcomes from internal audit is through direct reports to senior management in respect of the areas reviewed under their remit, in the form of an audit report. The Governance and Audit Committee for each Council and the Section 151 Officer also receive:

- The Audit Plans Report, which is risk based and forms the next financial year's plan of work;
- The Progress Reports which provide summaries of the work achieved throughout the year and the individual opinions awarded on conclusion of reviews;
- The Follow Up Reports which detail the level of management action taken in respect of agreed internal audit recommendations; and
- The Annual Report and Opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

3.2 Internal Audit Planning

- 3.2.1 A risk-based internal audit plan (RBIA) is established in consultation with senior management that identifies where assurance and consultancy is required.
- 3.2.2 The audit plan establishes a link between the proposed audit areas and the priorities and risks of the Authority taking into account:
- Stakeholder expectations, and feedback from senior and operational managers;
 - Objectives set in the strategic plan and business plans;
 - Risk maturity in the organisation to provide an indication of the reliability of risk registers;
 - Management's identification and response to risk, including risk mitigation strategies and levels of residual risk;
 - Legal and regulatory requirements;
 - The audit universe – all the audits that could be performed; and
 - Previous IA plans and the results of audit engagements.
- 3.2.3 In order to ensure that the internal audit service adds value to the Authority, assurance should be provided that major business risks are being managed appropriately, along with providing assurance over the system of internal control, risk management and governance processes.
- 3.2.4 Risk based internal audit planning starts with the Authority's Business Plan, linking through to the priority areas and the related high-level objectives. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of the objectives. The approach also focuses on the upcoming projects and developments for the Authority.
- 3.2.5 The approach ensures; better and earlier identification of risks and increased ability to control them; greater coherence with the Authority's priorities; an opportunity to engage with stakeholders; the Committee and Senior Management better understand how the internal audit service helps to accomplish its objectives; and this ensures that best practice is followed.
- 3.2.6 The key distinction with establishing plans derived from a risk based internal audit approach is that the focus should be to understand and analyse management's assessment of risk and to base audit plans and efforts around that process.
- 3.2.7 Consultation with the Section 151 Officer and Senior Management takes place through specific meetings during which current and future developments, changes, risks and areas of concern are discussed and the plan amended accordingly to take these into account.
- 3.2.8 The outcome of this populates a strategic internal audit plan, and the resulting annual internal audit plan, which are discussed with and approved by the Executive Management team prior to these being brought to the respective Governance and Audit Committee. In addition, External Audit is also provided with early sight of the plans.

3.3 Internal Audit Annual Opinion

3.3.1 The annual opinion provides Senior Management and the respective Governance and Audit Committee with an assessment of the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

3.3.2 The opinion is based upon:

- The summary of the internal audit work carried out;
- The follow up of management action taken to ensure implementation of agreed action as at financial year end;
- Any reliance placed upon third party assurances;
- Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
- The Annual Review of the Effectiveness of Internal Audit, which includes;
 - A statement on conformance with the standards and the results of any quality assurance and improvement programme,
 - the outcomes of the performance indicators and
 - the degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

3.3.3 In order to achieve the above internal audit operates within the standards and uses a risk based approach to audit planning and to each audit assignment undertaken. The control environment for each audit area reviewed is assessed for its adequacy and effectiveness of the controls and an assurance rating applied.

4. How internal audit services links to the organisational objectives and priorities

4.1 In addition to the approach taken as outlined in section 3.2 (Internal Audit Planning), which ensures that the service links to the organisations objectives and priorities and thereby through the risk based approach adds value, internal audit also ensure an awareness is maintained of local and national Issues and risks.

4.2 The annual audit planning process ensures that new or emerging risks are identified and considered at a local level. This strategy ensures that the planning process is all encompassing and reviews the records held by the Authority in respect of risks and issue logs and registers, reports that are taken through the Authority Committee meetings, and through extensive discussions with senior management.

4.3 Awareness of national issues is maintained through the contract in place with the external internal audit provider through regular "horizon scanning" updates, and annually a particular focus provided on issues to be considered during the planning process. Membership and subscription to professional bodies such as the Institute of Internal Auditors and the CIPFA on-line query service, liaison with External Audit, and networking with, all help to ensure developments are noted and incorporated where appropriate.

5. How internal audit resource requirements have been assessed

5.1 Through utilising an external audit contractor the risk based internal audit plan can be developed without having to take into account the existing resources, as you would with an in-house team, thus ensuring that audit coverage for the year is appropriate to the Authority's needs and not tied to a particular resource.

- 5.2 That said a core team of staff is provided to deliver the audit plan, and these staff bring with them considerable public sector knowledge and experience. These core staff can be supplemented with additional staff should the audit plan require it, and in addition specialists, e.g. computer auditors, contract auditor, fraud specialists, can be drafted in to assist in completing the internal audit plan and focusing on particular areas of specialism.
- 5.3 All audit professionals are encouraged to continually develop their skills and knowledge through various training routes; formal courses of study, in-house training, seminars and webinars. As part of the contract with TIAA Ltd the contractor needs to ensure that each member of staff completes a day's training per quarter.

APPENDIX 3 – STRATEGIC INTERNAL AUDIT PLAN

Audit Area	Last reviewed & assurance	Associated risk or critical activity	Joint?	2018/19	2019/20	2020/21	2021/22
Annual Opinion / Governance audits							
Corporate Governance	2017/18 - Reasonable 2018/19 - Audit Due	Integral to all critical activities. Strategic Risk Medium for GDPR	√	4	4	4	4
Corporate Plan, Corporate Performance, Risk Management, FOI and Complaints	2017/18 - Substantial	Integral to all critical activities	√		8		8
Procurement and Contract Management	2018/19 - Limited	CA09 Commercial approach. Strategic Risk - Medium	√	8	6		8
Key Controls and Assurance	2016/17 - Substantial 2017/18 - Substantial 2018/19 - Audit Due	High risk due to links to Statement of Accounts		10	10	10	10
ARP Governance	2014/15 - Substantial 2018/19 - Reasonable	Medium risk due to necessity to deliver a high quality service to a number of Councils		8		8	
Fundamental Financial Systems							
Accountancy Services includes control accounts, banking, bank reconciliation, asset register, budgetary control, insurance and treasury management	2015/16 - Substantial 2017/18 - Substantial	High risk due to links to Statement of Accounts. Strategic Risks raised Medium			16		16
Accounts Payable	2016/17 - Substantial 2018/19 - Substantial	High risk due to links to Statement of Accounts		12		12	
Accounts Receivable	2015/16 - Reasonable 2017/18 - Substantial	High risk due to links to Statement of Accounts			10		10
Income	2015/16 - Substantial 2017/18 - Reasonable	High risk due to links to Statement of Accounts			8		8
Payroll and Human Resources includes officers expenses, car loans and leased cars	2016/17 - Reasonable 2018/19 - Audit Due	High risk due to links to Statement of Accounts. Strategic Risk Medium	√	15		15	

Audit Area	Last reviewed & assurance	Associated risk or critical activity	Joint?	2018/19	2019/20	2020/21	2021/22
Directorate audits							
Executive Director Commercialisation							
Breckland Bridge	2016/17 - Substantial 2018/19 - Audit Due	CA09 Commercial approach			10		
Asset Management	2016/17 - Substantial	CA09 Commercial approach. Strategic Risk - High			10		
Delivery Unit Team	2018/19 - Audit Due	CA09 Commercial approach	√	6		6	
Strategic Housing	2016/17 - Reasonable (Affordable Housing)	CA21 Housing Solutions				10	
Economic Development	2018/19 - Audit Due			10			
Executive Director Strategy and Governance							
Licensing and Business Support	2016/17 - Reasonable	CA12 Regulatory services	√			5	
Corporate Health and Safety	2016/17 - Reasonable	CA12 Regulatory services	√			3	
Environmental Protection	2017/18 - Limited 2018/19 review postponed to 2019/2020	CA12 Regulatory services	√		8		
Food, Health & Safety	2018/19 - Reasonable	CA12 Regulatory services	√	8		8	
Democratic Services	2018/19 - Reasonable	CA11 Skills	√	8			8
Elections and Electoral Registration	2017/18 - Reasonable	CA12 Regulatory services	√			8	
Digital Strategy	New area for review	CA09 Commercial approach	√			7	

Audit Area	Last reviewed & assurance	Associated risk or critical activity	Joint?	2018/19	2019/20	2020/21	2021/22
Executive Director Place							
Housing needs, allocation, homelessness and housing register	2016/17 - Limited 2018/19 - Audit Due	CA21 Housing Solutions - Strategic Risk High		12		10	
Private Sector Housing includes DFGs, empty properties & enforcement, HMO licensing & standards	2017/18 - Limited	CA21 Housing Solutions			10		10
Community development and safety	2015/16 - Reasonable 2017/18 - Substantial	CA06 Reduce & prevent crime				8	
Leisure (PFI)	2015/16 - Substantial	CA20 Health & Wellbeing				10	
Environmental Services - contract management (SERCO), refuse collection, street cleansing, recycling, grounds maintenance and abandoned vehicles. Also includes review of JV	2012/13 - Substantial 2016/17 - Reasonable (Contaminated waste) 2017/18 - Reasonable	CA09 Commercial approach					18
Planning - contract management (CAPITA), development control, enforcement, s106 agreements, land charges	2015/16 - Reasonable 2017/18 - Reasonable	CA12 Regulatory services			18		18
Building Control	2015/16 - Limited 2017/18 - Reasonable	CA12 Regulatory services			8		8
Strategic Enforcement	New area for review	CA12 Regulatory services			10		
Business Continuity and Emergency Planning	No recent Business Continuity	CA12 Regulatory services	v			4	

Audit Area	Last reviewed & assurance	Associated risk or critical activity	Joint?	2018/19	2019/20	2020/21	2021/22
ICT Audits							
Office 365	New area for review	Integral to all critical activities. Strategic Risk High	√		5		
Cyber Security	2018/19 - Review Due	Integral to all critical activities. Strategic Risk High	√	10			
Network Management	2015/16 - Reasonable	Integral to all critical activities. Strategic Risk High	√	5			
Software Licensing	Not recently reviewed	Integral to all critical activities. Strategic Risk High	√	5			
Customer Relationship Management Application	Not recently reviewed	Integral to all critical activities. Strategic Risk High	√		6		
Disaster Recovery	2015/16 - Limited	Integral to all critical activities. Strategic Risk High	√		5.5		
Service Desk	Not recently reviewed	Integral to all critical activities. Strategic Risk High	√	6			
Remote Access	Not recently reviewed	Integral to all critical activities. Strategic Risk High	√		7.5		
Office 365 email management	New area for review	Integral to all critical activities. Strategic Risk High	√			7.5	
Telephony/VoIP	2013/14 - Reasonable	Integral to all critical activities. Strategic Risk High	√			7.5	
IT Strategic Management	Not recently reviewed	Integral to all critical activities. Strategic Risk High	√			5	
Problem Management	New area for review	Integral to all critical activities. Strategic Risk High	√			5	

Audit Area	Last reviewed & assurance	Associated risk or critical activity	Joint?	2018/19	2019/20	2020/21	2021/22
IT audits TBC	N/A	Integral to all critical activities. Strategic Risk High					25
Follow Up of audit recommendations							
All previous audits BRK				12	10	10	10
Total number of days delivered by EIAS				139	170	163	161
ARP Service area audits							
Council Tax	2017/18 - Reasonable 2018/19 - Audit Due	CA12 Regulatory services		35	35	35	35
National Non Domestic Rates	2017/18 - Reasonable 2018/19 - Audit Due	CA12 Regulatory services					
Benefits	2017/18 - Reasonable 2018/19 - Audit Due	CA12 Regulatory services					
Overpayments	2017/18 - Reasonable 2018/19 - Audit Due	CA12 Regulatory services					
ARP Enforcement	2017/18 - Reasonable 2018/19 - Audit Due	CA12 Regulatory services					
Days provided by other Internal Audit Services				35	35	35	35
Total Internal Audit provision				174	205	198	196

APPENDIX 4 – ANNUAL INTERNAL AUDIT PLAN

Audit Area	No of days	Q1	Q2	Q3	Q4	Joint?	Notes
Annual Opinion / Governance audits							
Corporate Governance	4				4	√	A review of The General Data Protection Regulations has been undertaken during 2018/19. This review will focus on providing assurance that controls in this area are fully embedded, all required actions have been completed and that GDPR is well understood by staff at both Councils.
Corporate Plan, Performance Measures, Risk Management, FOI and Complaints	8			8		√	The Corporate Improvement Team are due to adopt an account manager/business partner approach to support performance across both Councils. This review will provide assurance that the new arrangements are effective in managing delivery of the corporate plan, monitoring performance, risks, FOI requests and the handling of complaints.
Procurement & Contract Management	6				6	√	A limited assurance opinion has been given for this area in 2018/19. It has therefore been agreed that this area should be revisited focusing on the progress made on completion of the proposed recommendations from the previous review. This audit will provide assurance that procurement activity is conducted within relevant legislation and agreed financial procedure rules.
Key Controls & Assurance	10				10		This is an annual review of key controls and feeds into the Statement of Accounts, for those systems not subject to an audit review within the year. This will cover; Accounts Payable, Payroll & Human Resources and the assurance framework.
Fundamental Financial Systems							
Accountancy Services	16			16			These key financial systems feed into the Statement of Accounts and requires regular review to confirm the adequacy and effectiveness of controls in these key areas.
Accounts Receivable	10			10			
Income	8			8			

Audit Area	No of days	Q1	Q2	Q3	Q4	Joint?	Notes
Directorate audits							
Executive Director Commercialisation							
Breckland Bridge	10		10				This review has been deferred from the 2018/19 plan to allow officers to focus on the due diligence of Breckland Bridge partnership extension proposals which are planned over the next 10-15 years. The internal audit review will focus on providing assurance that the appropriate governance arrangements are in place to enable delivery.
Asset Management	10				10		This area was last reviewed during 2016/17. An audit of Asset Management arrangements has been planned to consider how the service is refocusing. This review will provide assurance over the Councils Asset Management Strategy, ensuring that objectives relating to realising social value, rate of return and local employment benefits have been considered. Controls relating to property valuation, acquisitions, disposal, lease renewals, rent, re-letting and rental arrears will be reviewed.
Executive Director Strategy and Governance							
Environmental Protection	8		8			v	A limited assurance grading was given in this area in 2017/18 and the 2018/19 review was deferred to allow the team to work on the implementation of new software. This audit will follow up on recommendations raised during the last review and ensure that controls have been improved following software implementation relating to air quality, private water supplied and contaminated land.
Strategic Enforcement	10	10				v	This area has not been reviewed before at Breckland. An Enforcement Policy has now been agreed at both Councils. A position statement will therefore be provided to support the development of the virtual team at Breckland and to compare and contrast the services provided at South Holland.

Audit Area	No of days	Q1	Q2	Q3	Q4	Joint?	Notes
Executive Director Place							
Private Sector Housing includes DFGs, empty properties and HMO licensing & standards	10		10				A limited assurance grading was given in the area in 2017/18. A review of this area will be undertaken to provide assurance that recommendations raised during the previous review have now been implemented. This audit will focus particularly on DFGs and the contract management controls for adaptation works. We will also look at how demand for DFGs vs budget is being managed, empty homes and assess the impact of recent changes in the HMO licencing criteria.
Planning - contract management (CAPITA), development control, section 106 agreements and land charges	18	18					This area was last reviewed during 2017/18. Recent performance issues and in increase in complaints received in relation to services provided by CAPITA have prompted internal audit to review contract management arrangements, service delivery and enforcement to provide assurance that the contract provides value for money.
Building Control	8		8				In light of the above issues experienced with Capita, this audit will focus on service delivery controls to ensure that the contractor is providing an appropriately resourced, high quality service that brings in agreed income levels.

Audit Area	No of days	Q1	Q2	Q3	Q4	Joint?	Notes
ICT Audits							
Customer Relationship Management Application	6	6				√	Both Councils are working on the implementation of a replacement CRM application. The audit has been placed in year 2 to allow implementation work to be completed and will look at the following areas: Access Controls, Data Input, Processing and Output, Interfaces, Management Trails, Backup & Recovery and Support Arrangements & Change Controls.
Office 365	5				5	√	This audit has been deferred from the 2018/19 plan to allow both Councils to work on the implementation of Office 365. Once the product is installed, the audit will use the application audit scope to cover the following areas: Access Controls, Data Input, Processing and Output, Interfaces, Management Trails, Backup & Recovery and Support Arrangements & Change Controls.
Disaster Recovery	5.5				5.5	√	The joint network infrastructure for both Councils is expected to be completed during 2018/19, hence an audit of Disaster Recovery has been placed in year 2 to let that work be completed. Disaster Recovery at Breckland Council was last reviewed in 2015/16 and received a Limited Assurance at that time. South Holland Council's Disaster Recovery processes have not previously been audited by ttaa.
Remote Access	7.5				7.5	√	Remote Access processes are being upgraded and an audit of the infrastructure and management of it has been placed in year 2 as a result. Conducting the audit in Q4 has been suggested as work to complete the upgrade is currently forecast for Q4 2018/19.
Follow Up of audit recommendations							
All previous audits BRK	10	2.5	2.5	2.5	2.5		Follow up of recommendations. Evidence will be obtained from management to support completion of recommendations using updates provided on Covalent.
Total number of days delivered by EIAS	170	36.5	38.5	44.5	50.5		
ARP service area audits							
Areas audited are: Council Tax, National Non-Domestic Rates, Housing Benefits, Overpayments and ARP Enforcement	35			20	15		ARP audits are now undertaken by West Suffolk Audit Services, East Suffolk Audit Services and Fenland DC - scopes are agreed in advance by the relevant Heads of Internal Audit.
Days provided by other Internal Audit Services	35	0	0	20	15		
Total Internal Audit provision	205	36.5	38.5	64.5	65.5		