



South Lakeland District Council

Internal Audit Annual Plan

2016/17

July 2016

Internal Audit Annual Plan

INTRODUCTION

This Annual Plan is drawn up in accordance with the Terms of Reference of TIAA and the Internal Audit Strategic Plan.

AUDIT PLAN METHODOLOGY

We adopt a risk based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, previous internal audit work, the Regulatory Framework and assessment of South Lakeland District Council, external audit recommendations together with key corporate documentation such as your corporate plans and strategies, standing orders, and financial regulations. The Plan will be based predominantly on our understanding of the inherent risks facing South Lakeland District Council and those within the sector and has been developed with senior management and Committee.

AUDIT COMMITTEE RESPONSIBILITY

It is the responsibility of the Audit Committee to determine that the number of audit days to be provided, the planned audit coverage is sufficient to meet the Committee's requirements and the areas selected for review are adequate provide assurance against the key risks within the organisation.

INTERNAL AUDIT ANNUAL PLAN

The Annual Plan (Annex A) sets out the reviews that will be carried out, the planned times and the scopes for each of these reviews. The plan will be subject to ongoing review and could change as the risks change for the organisation and will be formally reviewed with senior management and the Committee mid-way through the financial year or should a significant issue arise.

The planned time set out in the Annual Plan for the individual reviews includes: research, preparation and issue of terms of reference, production and review

of working papers and reports and site work. The timings shown in the Annual Plan assume that the expected controls will be in place.

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of South Lakeland District Council and additional time will be required to carry out such testing. South Lakeland District Council is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

INTERNAL AUDIT STRATEGY

During 2016/17, we will work with South Lakeland District Council to develop a forward-looking three year audit strategy that seeks to identify key risk areas and areas that would benefit from review. This will be largely indicative and subject to annual review to ensure an appropriate focus is maintained.

Annex B provides an overview of the three year rolling programme of main financial and governance systems.

REPORTING

Assignment Reports: A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of the Public Sector Internal Audit Standards (PSIAS).

Progress Reports: Progress reports will be prepared for each Audit Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

Annual Report: An Annual Report will be prepared for each year in accordance with the requirements set out in the Public Sector Internal Audit Standards (PSIAS). The Annual Report will include our opinion of the overall adequacy and effectiveness of South Lakeland District Council's governance, risk management and operational control processes.

LIAISON WITH THE EXTERNAL AUDITOR

We will liaise with South Lakeland District Council’s External Auditor. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

ASSESSMENT OF THE KEY RISK CONTROL OBJECTIVES

For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks will be provided. The assurance mapping process is set out in Annex C.

AUDIT REMIT

The Audit Remit (Annex D) formally defines internal audit’s purpose, authority and responsibility. It establishes internal audit’s position within South Lakeland District Council and defines the scope of internal audit activities and ensures compliance with the PSIAS.

CONFLICT OF INTEREST

We are not aware of any conflicts of interest and should any arise we will manage them in line with PSIAS requirements, the South Lakeland District Council’s requirements and TIAA’s internal policies.

LIMITATIONS AND RESPONSIBILITY

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal

audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management’s use and are not prepared for any other purpose.

PERFORMANCE

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan (Figure 1 below):

Figure 1 - Performance Targets

Area	Performance Measure	Target
Achievement of the plan	Completion of Planned Audits	100%
	Audits Completed in Time Allocation	100%
Reports Issued	Draft report issued within 10 working days of exit meeting	95%
	Final report issued within 10 working days of receipt of responses	95%
Professional Standards	Compliance with Public Sector Internal Audit Standards	100%

KEY CONTACT INFORMATION

Name	Contact Details
Peter Harrison Director	peter.harrison@ttaa.co.uk 07970 376542
Jane Butterfield Business Assurance Manager	jane.butterfield@ttaa.co.uk 07580 164521

RELEASE OF REPORT

The table below sets out the history of this plan.

Date plan issued:	7 th July 2016
Date revised plan issued:	12 th July 2016

Annual Plan – 2016/17

Department	Review	Type	Days	Rationale
Corporate Cross-cutting	Capital Investment	Assurance	20	<p>The Council's Capital Strategy sets out how the Council manages its capital investments in line with the strategic objectives within the Council Plan.</p> <p>The review will consider the programme of capital investment including identification of the need for investment, appraisal criteria, programme delivery and monitoring, resource implications and reporting.</p>
Corporate Cross cutting	Local Government Transparency Code	Compliance	10	<p>The Department for Communities and Local Government (DCLG) published a revised Local Government Transparency Code in February 2015 which specifies what open data local authorities must publish. The Local Government (Transparency Requirements) (England) Regulations 2015 regulates the Code.</p> <p>The review will assess the extent to which SLDC complies with the Code and the extent to which it seeks to exceed the requirements.</p>
Corporate Cross-cutting	Data Assurance	Assurance	10	<p>There are certain requirements placed on organisations regarding the handling of data, particularly regarding personal data. These requirements are subject to increasingly tighter control under revised EU legislation.</p> <p>The review will consider the arrangements in place for storing and managing data, including categorisation, retention and disposal.</p>
Policy and Performance	Electoral Registration	Assurance	10	<p>SLDC is one of three local authorities involved in the Electoral Registration Pilot Scheme being run by the Cabinet Office.</p> <p>This review will consider the implementation of the pilot scheme, including clarity in its aims and objectives, methodology, evaluation criteria, the impact on the completeness and accuracy of the electoral register, and the costs/savings of the new processes.</p>
Policy and Performance	Risk Management	Appraisal	5	<p>This high-level review will consider the arrangements in place for the identification and management of risks.</p>

Department	Review	Type	Days	Rationale
Policy and Performance	Digital Innovation	Assurance	10	<p>Significant investment is being made in the Council's digital platform to provide more accessible and innovative means of communication and interaction with the public.</p> <p>The review will consider the arrangements in place for project assurance and programme governance for the digital platform.</p>
Policy and Performance	ICT Network Security and Cybercrime	Assurance	5	<p>Organisations are increasingly reliant on ICT systems for everyday operations and service delivery.</p> <p>This review will assess the arrangements in place for maintaining the integrity of the computer network. This will include server configuration and patching, threat detection, change control, remote access, user administration and desktop control policies as well as examining supporting policy and procedural documentation. The review will also consider the arrangements for the pro-active identification, prioritisation and mitigation against cyber-crime.</p>
Resources	Procurement	Assurance	15	<p>Procurement is a key corporate function which supports the effective delivery of all council priorities.</p> <p>The review will consider the Council's strategic approach to procurement, including the delivery of value for money and social value, and assess the controls in place to ensure that procurement meets the relevant procurement rules along with the Council's own contract standing orders and financial regulations.</p> <p>This review was deferred from 2015/16.</p>
Resources	National Non-Domestic Rates	Assurance	10	<p>Approximately 8,000 National Non-domestic Rates bills were issued by SLDC for the 2016/17 financial year.</p> <p>The review will consider the calculation and application of business rates, collection, business rate relief and refunds, interest and appeals.</p> <p>This review forms part of the rolling three-year programme of reviews of main financial systems.</p>

Department	Review	Type	Days	Rationale
Resources	Flood Grants	Assurance	10	<p>South Lakeland was deeply affected by the floods that hit Cumbria in December 2015, with the effects still being felt well in to 2016. SLDC was charged with administering Property Level Resilience Grants to those affected on behalf of Cumbria County Council and the DCLG.</p> <p>The review will focus on the management and administration of grants to provide assurance on the effectiveness of the scheme (although not on the effectiveness of the specific measures put in place through use of the grant).</p>
Resources	Debtors	Assurance	10	<p>This review forms part of the rolling three-year programme of reviews of main financial systems.</p> <p>The review will assess the systems in place for the management of debtors, including identification, monitoring, recovery action and reporting.</p>
Resources	Main Accounting Systems	Assurance	10	<p>The review will assess procedures and controls within the main accounting systems to ensure that:</p> <ul style="list-style-type: none"> • Control accounts and bank reconciliations are carried out regularly. • Transactions are transferred accurately from feeder systems. • The integrity and security of the main accounting system is maintained. • Responsibilities and processes for journal entries and year end processing are appropriately defined and allocated. • Transactions are accurately valued and allocated correctly within the general ledger. <p>This audit will focus on the arrangements for the overall governance of the system and the controls and risks related to the general ledger.</p>
Neighbourhood Services	Taxi Licensing	Compliance	10	<p>Issues regarding taxi licensing have been have recently been highlighted at Derby City Council and South Ribble Borough Council, and carries significant reputational risk.</p> <p>The review will assess the controls in place to ensure there are appropriate checks in place for operators, drivers and vehicles in line with SLDC policy.</p>

Department	Review	Type	Days	Rationale
Neighbourhood Services	Cash Receipting – Car Parking	Assurance	10	<p>Car parking income represents a significant proportion of the Council's annual income. This review also forms part of the rolling three-year programme of reviews of main financial systems.</p> <p>This review will focus on cash receipts for car parking, taking in to account collection, storage, banking and the insurance arrangements. It will also consider the controls in place around the increasing use of alternative payment methods, such as through mobile phones and other devices.</p>
Neighbourhood Services	Contract Management	Assurance	15	The review will consider the arrangements in place for managing major contracts and programmes including grounds and general maintenance, refuse collection, leisure services and property services.
	Follow Up	Follow Up	10	The review will provide an independent update on the implementation of internal audit recommendations and their current status. Follow up work will be on-going throughout the year and incorporate the recommendations made by the previous internal audit provider.
	Audit Management		20	<p>This includes overall contract management, attendance at Audit Committee, planning and reporting, including the Internal Audit Annual Report and opinion for 2016/17.</p> <p>It also includes attendance at SMT and other groups/forums as required, ad-hoc management advice and support relating to risk, internal control and governance.</p>
		Total days	190	

Three year rolling programme of main financial and governance systems

Review Area	2016/17	2017/18	2018/19
Debtors	✓		
Cash Receipting	✓		
NNDR	✓		
Risk Management	✓		
Income Management – Car Parking	✓		
Contract Management	✓		
Payroll		✓	
Creditors		✓	
Council Tax		✓	
Performance Management		✓	
Asset Management		✓	
Insurances		✓	
Main Accounting System and Budgetary Control			✓
Treasury Management			✓
Housing Benefits			✓
Corporate Governance – Compliance with Local Code			✓
Information Management including FoI and Transparency			✓
Procurement			✓

Assurance Mapping

Corporate assurance risks

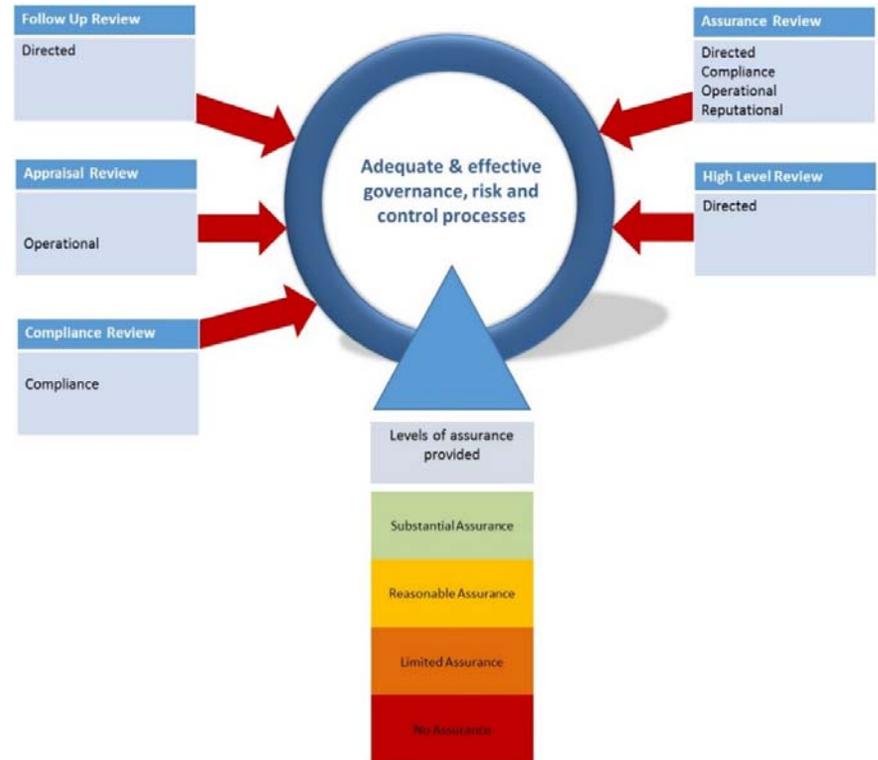
We consider four corporate assurance risks; directed; compliance; operational and reputational. The outcomes of our work on these corporate assurance risks informs both the individual assignment assurance assessment and also the annual assurance opinion statement. Detailed explanations of these assurance assessments are set out in full in each audit report.

Assurance assessment gradings

We use four levels of assurance assessment: substantial; reasonable, limited and no. Detailed explanations of these assurance assessments are set out in full in each audit report.

Types of audit review

The Annual Plan includes a range of types of audit review. The different types of review focus on one or more of the corporate assurance risks. This approach enables more in-depth work to be carried out in the individual assignments than would be possible if all four assurance risks were considered in every review. The suite of audit reviews and how they individually and collectively enable us to inform our overall opinion on the adequacy and effectiveness of the governance, risk and control arrangements is set out in the assurance mapping diagram.



Audit Remit

Role

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the South Lakeland District Council's framework of governance, risk management and control. TIAA is responsible for giving assurance to South Lakeland District Council's "Governing Body" (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of South Lakeland District Council's risk management, control and governance processes.

Scope

All South Lakeland District Council's activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that South Lakeland District Council's management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions. However, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

TIAA may also conduct any special reviews requested by the board, audit committee or the nominated officer (being the post responsible for the day to day liaison with the TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the PSIAS.

Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of South Lakeland District Council and is authorised to obtain such information and explanations as they consider necessary to form their opinion.

Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. However, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day to day administrative purposes only, TIAA reports to a nominated officer within South Lakeland District Council and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the audit committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with South Lakeland District Council's management.

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to. The objective of any consultancy work is to add value and improve governance, risk management and control processes. Internal audit will never take or assume management responsibility.

Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2003.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.