

MALDON DISTRICT COUNCIL

INDICATIVE INTERNAL AUDIT PLAN

DRAFT INTERNAL AUDIT STRATEGIC PLAN 2018-21 & 2019- 2020 OPERATIONAL PLAN

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AUDIT RISK ASSESSMENT

Background

Our risk-based approach to Internal Audit uses the Council's own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the Council's current risk profile.

Planned approach to internal audit 2019/20

The indicative Internal Audit programme for 2019/20 is shown from page 6, with an indicative strategic plan for 2018-21 shown from page 9. Once we have fully completed our consultations and risk assessment we will bring a finalised plan to the Audit Committee on 26 March for approval. We will then keep the plan under continuous review during the year and will introduce to the plan any significant areas of risk identified by management or the Audit Committee during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three-year audit cycle. In setting the number of days in the plan we have assumed that the control environment within the council will improve as we work with you to address the issues you have.

Individual audits

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the council. Where revisions are required we will obtain approval from the appropriate Executive Director prior to commencing fieldwork.

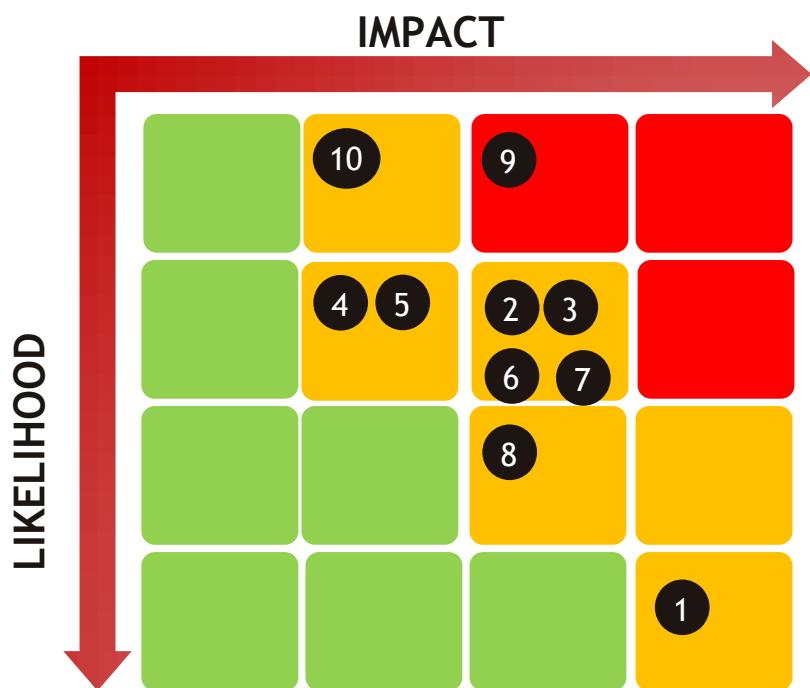
In determining the timing of our individual audits, we will seek to agree a date which is convenient to the council and which ensures availability of key management and staff.

Variations to the Plan

We review the three-year strategic plan each year to ensure we remain aware of your ongoing risks and opportunities. Over the coming pages we have mapped your key risks along with the audit work we are undertaking, demonstrating we are focussing on your most important issues.

Significant variations to the plan arising from our reviews, changes to the Council's risk profile or due to management requests will be discussed in the first instance with the s151 officer and approved by the Audit Committee before any variation is confirmed.

MAPPING YOUR STRATEGIC RISKS



	Ref	Strategic Risks from your CRR	Score
1	1	Failure to safeguard children and vulnerable adults	4
2	15	Failure to plan and deliver balanced budgets over the medium term	9
3	12	A Committee structure which is not cost effective	9
4	14	Unable to recruit and retain in national skill shortage service areas to meet the demands of the service	6
5	11	Failure to protect personal or commercially sensitive data	6
6	13	Failure to manage impact of organisational change	9
7	4	Failure to influence Community Safety partners to address the key areas of public concern (including rural crime) and the negative perception of crime	9
8	16	Corporate policies not managed and reviewed	6
9	8	Failure to meet the affordable housing need	12
10	7	Failure to maintain a 5-year supply of Housing Land	4

MAPPING YOUR CRR TO THE STRATEGIC PLAN

Ref	Strategic Risks from your CRR	2018/19	2019/20	2020/21
1	Failure to safeguard children and vulnerable adults			Safeguarding
8	Failure to meet the affordable housing need			Housing Needs and Affordable Housing
16	Corporate policies not managed and reviewed			Policy Review
4	Failure to influence Community Safety partners to address the key areas of public concern (including rural crime) and the negative perception of crime		Strengthening Communities and Localism	Community Safety
13	Failure to manage impact of organisational change			Customer Service
11	Failure to protect personal or commercially sensitive data		GDPR Compliance IT Disaster Recovery	Network Security
14	Unable to recruit and retain in national skill shortage service areas to meet the demands of the service		Workforce Management (Recruitment)	
12	A Committee structure which is not cost effective		Corporate Governance	
15	Failure to plan and deliver balanced budgets over the medium term	Main Financial Systems Transformation Programme Budgets and Performance Management	Main Financial Systems Transformation Programme Procurement & Contract Management	Main Financial Systems
7	Failure to maintain a 5-year supply of Housing Land	Local Development Plan		

INTERNAL AUDIT OPERATIONAL PLAN 2019/20

Area	Days	Timing	Description of the Review	Reason for Inclusion
Corporate Goal: Delivering good quality, cost effective and valued services				
Main Financial Systems (including Members expenses)	20	Q2	Cyclical review of key systems and controls to provide assurance on the core financial controls in place.	This is a mandatory element of the internal audit programme and forms a key component of the Head of Internal Audit opinion. We undertake a rotational set of reviews covering the Trust's key financial systems. New Members expenses policy introduced in 2018/19. This review will include testing on this area for compliance.
Risk Maturity Assessment	15	Q2	Includes risk appetite and risk maturity, Board Assurance Framework, Information Governance and embedding risk at directorate level.	This is to ensure that the Council will have an organisational philosophy that ensures risk management is an integral part of corporate objectives, business plans and management systems.
Corporate Governance	20	Q1/Q4	Review of the Committee Structure to ensure that it is fit for purpose and delivering the outcomes required by the District. This review will start in Q1 ahead of the implementation of the new committee structure. And will be completed to review the effectiveness of the committee structure in Q3.	{CRR 12-A Committee structure which is not cost effective}
Workforce Management	15	Q1	Review of the internal processes for HR, including workforce planning, recruitment, appraisals and training.	Key area of risk due to the changes within the Council in implementation of the Future Model. {CRR 14- Unable to recruit and retain in national skill shortage service areas to meet the demands of the service}
Transformation Programme	25	Q4	The purpose of the audit is to provide assurance over the Council's governance of implementation of the Future Operating Model.	Review to determine how effectively the transformation programme objectives are being met and new ways of working are embedded.

				Scope to be further defined in year as programme is completed. {CRR 15- Failure to plan and deliver balanced budgets over the medium term}
GDPR Compliance	15	Q1	The purpose of the audit is to provide assurance over the design and operation of the controls in place to comply with the requirements of the General Data Protection Regulations. The risk of non-compliance with the GDPR, may lead to financial penalties and reputational damage.	New risk to all Council's following new requirements. {CRR 11- Failure to personal or commercially sensitive data}
IT Disaster Recovery	20	Q4	To provide assurance that the Council has adequate arrangements in place to recover its IT services, hardware and infrastructure in the event of a disaster	Key risk identified by Audit Committee.
Procurement and Contract Management	15	Q1	To consider the adequacy and effectiveness of arrangements for contract management and procurement, ensuring arrangements are robust and transparent and that effective relationships are maintained with key partners.	Key risk. {CRR 15- Failure to plan and deliver balanced budgets over the medium term}
Counter Fraud	10	Q4	Fraud risk management assessment and preventative measures, including training, presentations and advice on fraud.	
Total	155			

Area	Days	Timing	Description of the Review	Reason for Inclusion
Corporate Goal: Protecting and Shaping the District				

Management of Property	15	Q2	Review of the arrangements in place for ensuring property is managed effectively and efficiently.	
Total	15			

Area	Days	Timing	Description of the Review	Reason for Inclusion
Corporate Goal: Creating opportunities to influence partners and to support/encourage economic prosperity				
Corporate Plan and Priorities	15	Q2	Review of the Council's Corporate Plan, including consultation input, development and ownership.	.
Total	15			

Area	Days	Description of the Review
Planning, Reporting, and Follow-up		
Follow Up Work	10	Creation of audit plan, meeting with Executive Directors.
Audit Management	20	Assessment and reporting of recommendations raised.
Contingency	5	
Total	35	
Overall Total	220	

INTERNAL AUDIT STRATEGIC PLAN

2018-21

Area	2018/19	2019/20	2020/21	Description of the Review
Corporate Goal: Delivering good quality, cost effective and valued services				
Main Financial Systems	30	20	20	Detailed review to include GL controls, system interfaces, journals, as well as cyclical audits of debtors, creditors, payroll, budgetary control, treasury management, council tax and NNDR.
Risk Maturity Assessment		15		Review the process in place for risk management, including risk appetite, identification, controls, scoring and mitigation.
Budgets and Performance Management	15			Review of the performance management processes such as the strength of business planning, use of data, governance and follow up of services not meeting targets.
Corporate Governance		20		Review of the Committee Structure to ensure that it is fit for purpose and delivering the outcomes required by the District.
Workforce Management		15		Review of the internal processes for HR, including workforce planning, recruitment, appraisals and training.
Customer service			20	Review of areas such as effectiveness of customer service centre, customer feedback and complaints and telephony.
Transformation programme	15	25		The purpose of the audit is to provide assurance over the Council's governance of implementation of the Future Operating Model.
Network Security			15	Review of the Council's network security arrangements.
GDPR Compliance		15		The purpose of the audit is to provide assurance over the design and operation of the controls in place to comply with the requirements of the General Data Protection Regulations. The risk of non-compliance with the GDPR, may lead to financial penalties and reputational damage.

IT Disaster Recovery		20		To provide assurance that the Council has adequate arrangements in place to recover its IT services, hardware and infrastructure in the event of a disaster
Communications and Stakeholder Engagement			15	Review how the Council engages with stakeholders internally and externally, ensuring communications are in line with agreed corporate priorities.
Procurement and Contract Management		15		To consider the adequacy and effectiveness of arrangements for contract management and procurement, ensuring arrangements are robust and transparent and that effective relationships are maintained with key partners.
Counter fraud	10	10	10	Fraud risk management assessment and preventative measures, including training, presentations and advice on fraud.

Corporate Goal: Strengthening communities to be safe, active and healthy

Safeguarding			20	Review of the Council's policies and arrangements to ensure the safeguarding of children and vulnerable adults.
Safe and Clean Environment	20			Reviews of the Council's waste management contract, collection and recycling arrangements, carbon footprint and activities to providing a safe and clean environment.
Strengthening Communities and Localism	15			Review of the approach to the creation of the strategy and the progress with internal communication, understanding, implementation and achievement of outcomes, including the effectiveness of the Council's approach to localism issues such as CT benefits, local budgets, planning and social enterprise.
Community Safety			20	Review of the Council's policies and arrangements to ensure residents' safety, progression of the Community Safety Plan and engagement with public to reduce crime given reduced policing capacity.
Policy Review			15	Review of the Council's policies to ensure they are transparent, robust, consistent, up to date and that there is a plan in place for reviewing and refreshing them.
Knowledge Management			15	Review of the Council's approach to knowledge management and how it is stored and shared
Capital project management	20			Review of significant capital projects, to include the planning, funding, delivery and the approach to project management to ensure there is sufficient due diligence and that projects are delivered in line with expectations.

Corporate Goal: Protecting and Shaping the District

Management of Property		15		Review of the arrangements in place for ensuring property is managed effectively and efficiently.
Building Control	15			Review of the effectiveness of the Council's approach to and delivery of change to the Building Control service.
Local Development Plan	15			Review of the implementation of the Local Development Plan and consistency with other Council strategic needs assessments.
Housing Needs and Affordable Housing			15	Review of how effectively the Council is managing its strategy around provision of social housing and developing the private rented sector.
Flood Management			20	Review of the Council's relationships with the Lead Local Flood Authority and other organisations to manage respective responsibilities over the risk of surface water flooding. (Follow up review)
Corporate Goal: Creating opportunities to influence partners and to support/encourage economic prosperity				
Corporate Plan and Priorities		15		Review of the Council's Corporate Plan, including consultation input, development and ownership.
IT Transformation	15			Review of arrangements in place for the delivery of the Council's IT Strategy Projects and the links to the overall transformation programme for the Council.
Commercialisation	15			Review Council's commercialisation projects and perform benchmarking.
Planning, Reporting and Follow Up				
Follow up	10	10	10	Assessment and reporting of recommendations raised.
Management Time	20	20	20	Creation of audit plan, attendance at Audit Committee.
Contingency	5	5	5	
Total	220	220	220	

APPENDIX I

Internal Audit Charter - Role and Scope of Internal Audit

Purpose of this charter

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Maldon District Council and defines the scope of internal audit activities.

Final approval resides with the Board, in practice the charter shall be reviewed and approved annually by management and by the Audit Committee on behalf of the board of Maldon District Council

Internal audit's mission

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Standards of internal audit practice

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

Internal audit definition and role

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.

Internal audit acts primarily to provide the Audit Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

Internal audit's scope

The scope of internal audit activities includes all activities conducted by Maldon District Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

Effective internal audit

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to the Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

We will agree with you an audit plan for a total number of days activity. Once agreed, we will turn this into a cash budget which we will work to, in order to ensure that you have certainty around the fees you will pay us.

Independence and internal audit's position within Maldon District Council

To provide for internal audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Audit Committee. The Head of Internal Audit has free and full access to the Chair of the Audit Committee. The Head of Internal Audit reports administratively to the Director of Finance who provides day-to-day oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for Maldon District Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Approval of the arrangements for such engagements will be sought from the Audit Committee prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Audit Committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Audit Committee to discuss the implications.

Internal audit's role in fraud, bribery and corruption

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspect a fraud, this will be referred to appropriate management in the first instance and then the audit committee.

Access to records and confidentiality

There are no limitations to internal audit's right of access to the Council's officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 1998.

Coordination and reliance with other assurance providers

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

Internal audit's commitments to Maldon District Council

Internal audit commits to the following:

- working with management to improve risk management, controls and governance within the organisation
- performing work in accordance with PSIAS
- complying with the ethical requirements of PSIAS
- dealing in a professional manner with Council staff, recognising their other commitments and pressures
- raising issues as they are identified, so there are no surprises and providing practical recommendations

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- liaising with external audit and other regulators to maximise the assurance provided to Maldon District Council
 - Reporting honestly on performance against targets to the Audit Committee.

Internal audit performance measures and indicators

The tables on the right contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Audit Committee should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

Quality assurance and improvement programme

As required by PSIAS an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Audit Committee as part of the internal audit annual report, along with corrective action plans.

Table One: Performance measures for internal audit

Measure / Indicator
<i>Audit Coverage</i>
Annual Audit Plan delivered in line with timetable Actual days are in accordance with Annual Audit Plan
<i>Relationships and customer satisfaction</i>
Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit. Annual survey to Audit Committee to achieve score of at least 70% External audit can rely on the work undertaken by internal audit (where planned)
<i>Staffing and Training</i>
At least 60% input from qualified staff
<i>Audit Reporting</i>
Issuance of draft report within 3 weeks of fieldwork 'closing' meeting Finalise internal audit report 1 week after management responses to report are received.

90% recommendations to be accepted by management

Information is presented in the format requested by the customer.

Audit Quality

High quality documents produced by the auditor that are clear and concise and contain all the information requested.

Positive result from any external review

Management and staff commitments to Internal Audit

The management and staff of Maldon District Council commit to the following:

- providing unrestricted access to all of Maldon District Council's records, property, and personnel relevant to the performance of engagements
- responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- implementing agreed recommendations within the agreed timeframe
- being open to internal audit about risks and issues within the organisation
- not requesting any service from internal audit that would impair its independence or objectivity
- providing honest and constructive feedback on the performance of internal audit

Management and staff performance measures and indicators

The following three indicators are considered good practice performance measures, but we go beyond this and report on a suite of measures as included in each Audit Committee progress report.

Table Two: Performance measures for management and staff

Measure / Indicator
<i>Response to Reports</i> Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt
<i>Implementation of recommendations</i> Audit sponsor to implement all audit recommendations within the agreed timeframe
<i>Co-operation with internal audit</i>

Internal audit to confirm to each meeting of the Audit Committee whether appropriate co-operation has been provided by management and staff

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