

INTERNAL AUDIT DRAFT ANNUAL PLAN

MALDON DISTRICT COUNCIL

2020/21

IDEAS | PEOPLE | TRUST



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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 Council's current risk profile.

Planned approach to internal audit 2020/21

The indicative Internal Audit programme for 2020/21 is shown from page 8, with an indicative strategic plan for 2020/21 shown from page 11. We will meet with s151 Officer, Directors and the Audit Chair in order to bring together a full plan which will be presented at the April Performance, Governance and Audit (PGA) Committee. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management 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's 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 prior to commencing fieldwork.

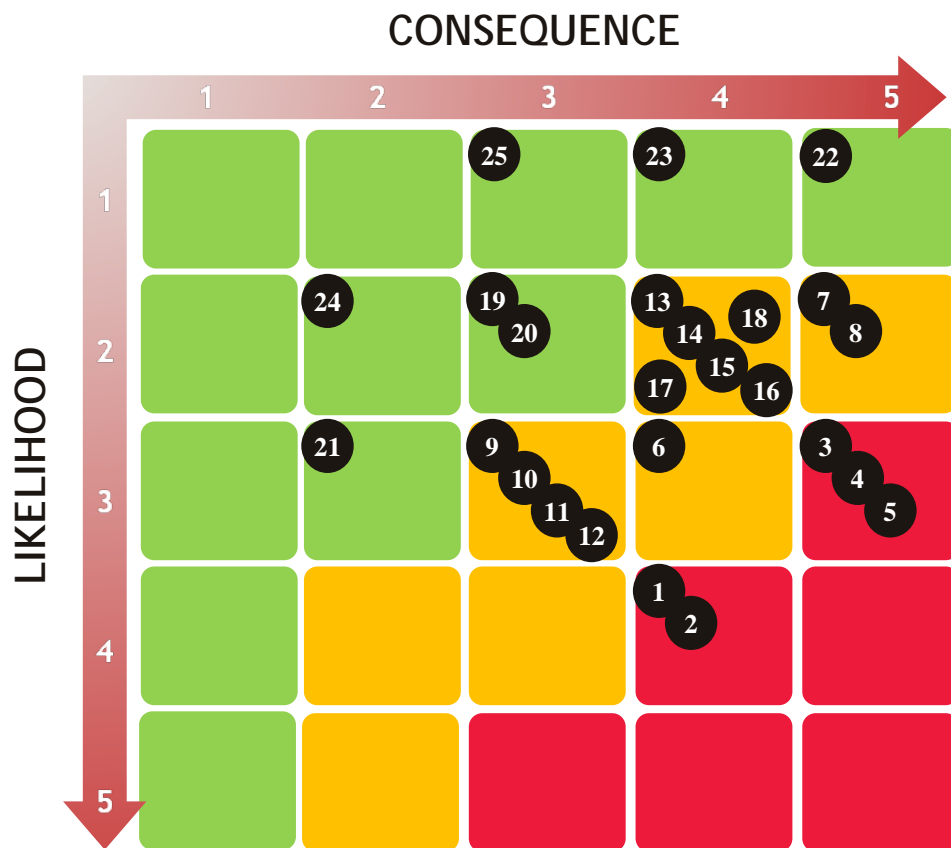
In determining the timing of our individual audits we will seek to agree a date which is convenient to the Council and which ensures availability of key management and staff.

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.

As such our strategic audit programme follows the risks identified during our planning processes and confirmed via discussions with the Executive Directors.

MAPPING YOUR STRATEGIC RISKS



Ref	Strategic Risks from your CRR	Score
1	R5: Failure to deliver the required infrastructure to support development arising from the LDP	16
2	R23: Poor Financial Accounting	16
3	R1: Failure to safeguard children and vulnerable adults	15
4	R7: Failure to maintain a 5 year supply of housing land	15
5	R8: Failure to meet the affordable housing need	15
6	R3: Failure to target services/influence partners effectively to support identified housing needs of increasing aging population	12
7	R6: Failure to have a clear shared plan regarding strategic ownership of costal, fluvial and surface flood mitigation and long term responsibilities	10
8	R9: Failure to have a co-ordinated approach to supporting inward investment and maximising business rates growth	10
9	R14: Unable to recruit and retain staff with specific skills in specialist areas to meet the demands of the Service	9
10	R22: Contracts not managed or owned and not providing value for money, out of contract on many across council. Procurement process not adhered to resulting in fines, loss of reputation	9
11	R 24: Loss of key skills and knowledge across the organisation, and failure to embrace new working cultures}	9
12	R27: Failure of stakeholder & member engagement with the transformation programme}	9

13	R2: Failure to target services and influence partners with the aim of having an effective outcome of identified needs of a vulnerable population	8
14	R4: Failure to influence Community Safety Partners to address the key areas of public concern	8
15	R11: Failure to protect personal or commercially sensitive information	8
16	R20: Failure to have a Disaster Recovery & Business Continuity Plan	8
17	R25: Failure to deliver finances associated to transformation programme	8
18	R26: Failure to deliver channel shift	8
19	R10: Failure to develop jobs to support the growing population	6
20	R13: Failure to manage the impact of organisational change	6
21	R16: Corporate policies not managed and reviewed	6
22	R21: Annual financial statements qualified	5
23	R15: Failure to plan and deliver balanced budgets over the medium term	4
24	R17: Failure to maximise effectiveness of services through promotion and engagement	4
25	R12: A committee structure which may not be cost effective	3

MAPPING YOUR CRR TO THE STRATEGIC PLAN

Ref	Strategic Risks from your CRR	2020/21
1	R5: Failure to deliver the required infrastructure to support development arising from the LDP	
2	R23: Poor Financial Accounting	Main Financial Systems
3	R1: Failure to safeguard children and vulnerable adults	Safeguarding
4	R7: Failure to maintain a 5 year supply of housing land	
5	R8: Failure to meet the affordable housing need	Housing Needs and Affordable Housing Management of Property
6	R3: Failure to target services/influence partners effectively to support identified housing needs of increasing aging population	
7	R6: Failure to have a clear shared plan regarding strategic ownership of coastal, fluvial and surface flood mitigation and long term responsibilities	
8	R9: Failure to have a co-ordinated approach to supporting inward investment and maximising business rates growth	
9	R14: Unable to recruit and retain staff with specific skills in specialist areas to meet the demands of the Service	Workforce Management
10	R22: Contracts not managed or owned and not providing value for money, out of contract on many across council. Procurement process not adhered to resulting in fines, loss of reputation	
11	R 24: Loss of key skills and knowledge across the organisation, and failure to embrace new working cultures}	Knowledge Management & Transfer
12	R27: Failure of stakeholder & member engagement with the transformation programme}	Communications and Stakeholder Engagement
13	R2: Failure to target services and influence partners with the aim of having an effective outcome of identified needs of a vulnerable population	
14	R4: Failure to influence Community Safety Partners to address the key areas of public concern	
15	R11: Failure to protect personal or commercially sensitive information	Information Management
16	R20: Failure to have a Disaster Recovery & Business Continuity Plan	

17	R25: Failure to deliver finances associated to transformation programme	
18	R26: Failure to deliver channel shift	Customer service: CRM Post-Implementation
19	R10: Failure to develop jobs to support the growing population	
20	R13: Failure to manage the impact of organisational change	
21	R16: Corporate policies not managed and reviewed	Policy Review
22	R21: Annual financial statements qualified	Main Financial Systems
23	R15: Failure to plan and deliver balanced budgets over the medium term	
24	R17: Failure to maximise effectiveness of services through promotion and engagement	
25	R12: A committee structure which may not be cost effective	

INTERNAL AUDIT OPERATIONAL PLAN 2020/21

Area	Days	Timing	Description of the Review	Reason for Inclusion
Corporate Goal: Delivering good quality, cost effective and valued services				
Main Financial Systems	20	Q3	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.	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 Council's key financial systems. {CRR 21 - Annual financial statements qualified}
Customer service: CRM Post-Implementation	20	Q2	Review of areas such as effectiveness of customer service centre, customer feedback and complaints and telephony.	This is a key element of the Council's transformation programme {CRR 26 - Failure to deliver channel shift, through lack of customer engagement or undelivered processes}
Communications and Stakeholder Engagement	20	Q1	Review how the Council engages with stakeholders internally and externally, ensuring communications are in line with agreed corporate priorities.	As above {CRR 27 - Failure of stakeholder & member engagement with the transformation programme}
Information Management	15	Q1	Review the design and effectiveness of the Council's information management controls and the processes for the storage, retention and destruction of paper documents to support compliance with the Councils' retention schedule and current legislation.	A common area of risk for local authorities and links to compliance with GDPR {CRR 11 - Failure to protect personal or commercially sensitive information}
Workforce Management	15	Q3	Review of the internal processes for HR, including workforce planning, recruitment, appraisals and training.	Known to be a key risk as a result of transformation {CRR 14 - Unable to recruit and retain staff with specific skills in specialist areas to meet the demands of the Service}

Total	90			
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Area	Days	Timing	Description of the Review	Reason for Inclusion
Corporate Goal: Strengthening communities to be safe, active and healthy				
Safeguarding	20	Q1	Review of the Council's policies and arrangements to ensure the safeguarding of children and vulnerable adults.	Not reviewed recently by internal audit {CRR 1 - Failure to safeguard children and vulnerable adults}
Policy Review	15	Q2	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.	Policies require a fresh review following transformation {CRR 16 - Corporate policies not managed and reviewed}
Knowledge Management & Transfer	15	Q4	Review of the Council's approach to knowledge management and how it is stored and shared	Known to be a key risk as a result of transformation {CRR 24 - Loss of key skills and knowledge across the organisation, and failure to embrace new working cultures}
Total	50			

Area	Days	Timing	Description of the Review	Reason for Inclusion
Corporate Goal: Protecting and Shaping the District				
Corporate Plan & Priorities	15	Q2	Review of the Council's Corporate Plan, including governance and ownership of delivery against corporate priorities and service priorities which underpin these.	New corporate plan and service plans created.
Total	15			

Area	Days	Timing	Description of the Review	Reason for Inclusion
Corporate Goal: Protecting and Shaping the District				
Housing Needs and Affordable Housing	15	Q4	Review of how effectively the Council is managing its strategy around provision of social housing and developing the private rented sector.	Not reviewed recently by internal audit {CRR 8 - Failure to meet the affordable housing need}
Management of Property	15	Q1	Review of the arrangements in place for ensuring property is managed effectively and efficiently.	Potential efficiency opportunities {CRR 8 - Failure to meet the affordable housing need}
Total	30			

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

2018/19-2020/21

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	15	Review of the internal processes for HR, including workforce planning, recruitment, appraisals and training.
Customer Service: CRM Post-Implementation			20	Review of the effectiveness of the new CRM system to ensure it is fit for purpose and delivering the outcomes required by the Council and District.
Transformation programme	15			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.

Information Management			15	Review the design and effectiveness of the Council's information management controls and the processes for the storage, retention and destruction of paper documents to support compliance with the Councils' retention schedule and current legislation. This includes back office systems like Uniform.
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			20	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/Training	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 Councils 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) This will also re-asses previous actions from the strategic ownership of flooding responsibilities.
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 governance and ownership of delivery against corporate priorities and service priorities which underpin these.
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. This includes back office systems like Uniform.
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 Maldon District 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 Maldon District Council 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
- 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
<p><i>Audit Coverage</i></p> <p>Annual Audit Plan delivered in line with timetable</p> <p>Actual days are in accordance with Annual Audit Plan</p>
<p><i>Relationships and customer satisfaction</i></p> <p>Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.</p> <p>Annual survey to Audit Committee to achieve score of at least 70%</p> <p>External audit can rely on the work undertaken by internal audit (where planned)</p>

Staffing and Training

At least 60% input from qualified staff

Audit Reporting

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

Response to Reports

Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt

Implementation of recommendations

Audit sponsor to implement all audit recommendations within the agreed timeframe

Co-operation with internal audit

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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