

Maldon District Council
Indicative Strategic Plan 2017-20
Draft Audit Charter

January 2017



DRAFT FOR AUDIT COMMITTEE DISCUSSION

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Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

INTERNAL AUDIT APPROACH

Introduction

Our role as internal auditors is to provide independent, objective assurance designed to add value and improve your performance. Our approach, as set out in the Firm's Internal Audit Manual, is to help you accomplish your objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our approach complies with best professional practice, in particular, CIPFA Internal Audit Standards and Public Sector Internal Audit Standards.

Internal Audit at Maldon District Council

We have been appointed as internal auditors to Maldon District Council (the 'Council') to provide the s151 officer and the Audit Committee with assurance on the adequacy of internal control arrangements, including risk management and governance.

Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Our role at the Council will also be aimed at helping management to improve risk management, governance and internal control, so reducing the effects of any significant risks facing the organisation.

In producing the internal audit strategic plan for 2017-20 we have sought to further clarify our initial understanding of the business of the Council, together with its risk profile in the context of:

- The overall business strategy and objectives of the Council
- The key areas where management wish to monitor performance and the manner in which performance is measured
- The financial and non-financial measurements and indicators of such performance
- The information required to 'run the business'
- The key challenges facing the Council.

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 Council'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.

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 s151 Officer prior to commencing fieldwork and we will report this to the Audit Committee.

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

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.

Planned approach to creating internal audit operational plan for 2017-18

The indicative Internal Audit programme for 2017-18 is shown from page 6 onwards. As outlined in the table below, we are in the process of developing the plan (items shown in red have yet to take place at the point of drafting this paper). Once we have fully completed our consultations and risk assessment we will bring a finalised plan to the Audit Committee on 30 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.



PROPOSED RESOURCES AND OUTPUTS

Staffing

The core team that will be delivering the programme to you is shown below:

Name	Grade	Telephone	Email
Greg Rubins	Partner	07710 703 441	Greg.Rubins@bdo.co.uk
Andrew Barnes	Senior Audit Manager	07912 040 848	Andrew.Barnes@bdo.co.uk
Angela Mitchell	Senior Auditor	07583 180 623	Angela.Mitchell@bdo.co.uk

The core team will be supported by specialists from our national Risk and Advisory Services Team and wider firm as and when required.

Our indicative staff mix to deliver the programme for 2017-18 is shown below:

Grade	Annual days	Grade Mix (%)
Partner	23	10%
Audit Manager	46	20%
Audit Senior	69	30%
Auditors (including Qualified) & Specialist Staff	92	40%
Total	230	100%

Reporting to the Audit Committee

We will submit the Internal Audit Plan for final approval by the Audit Committee to the meeting on 30 March 2017.

We will liaise with the Executive Directors and other senior officers as appropriate to ensure that internal audit reports summarising the results of our visits are presented to the appropriate Audit Committee meeting.

Following completion of the Internal Audit programme each year we will produce an Internal Audit Annual Report summarising our key findings and evaluating our performance in accordance with agreed service requirements.

INDICATIVE INTERNAL AUDIT STRATEGIC PLAN 2017-20

We have detailed below our indicative strategic audit plan, this covers the areas that we think will be important to you over the duration of the period.

Area	2017/18	2018/19	2019/20	Description of the Review
Core audits				
Main Financial Systems	40	40	40	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 Management and Governance Arrangements			10	Review the process in place for risk management, including risk appetite, identification, controls, scoring and mitigation.
Customer service			10	Review of areas such as effectiveness of customer service centre, customer feedback and complaints and telephony.
Transformation programme		15		Review of the process and arrangements in place to ensure corporate transformation objectives are achieved.
Budgets and Performance Management (reviewed in 2016/17)		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.
Budget Setting (High level review)	9			Review of the assumptions used and risk considerations in developing the budget and medium term financial strategy
Corporate Plan and Priorities			15	Review of the Council's Corporate Plan, including consultation input, development and ownership.
Communications Strategy		10		Review of the development of and implementation of the Communications Strategy
Policy Review	13			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		10		Review of the Council's approach to knowledge management and how it is stored and shared.
Capital projects			10	Review of significant capital projects, to include the planning, funding, delivery and project management.
Counter fraud	10	10	10	Fraud risk management assessment and preventative measures, including training, presentations and advice on fraud.
Total	72	100	95	

INDICATIVE INTERNAL AUDIT STRATEGIC PLAN 2017-20

Area	2017/18	2018/19	2019/20	Description of the Review
Other Key Areas				
Economic Development / Business Rates Growth	15			Review of Council policies and approach to encourage economic development and inward investment and the links between economic development and housing growth.
Management of Property			10	Review of the arrangements in place for ensuring property is managed effectively and efficiently.
Localism and building community capacity		10		Review of the effectiveness of the Council's approach to localism issues such as CT benefits, local budgets, planning and social enterprise.
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.
Workforce Management (reviewed in 2016/17)			15	Review of the progress of the Workforce Development Strategy and the internal processes for HR, including workforce planning, recruitment, appraisals and training.
Absence Management	10			Review of the implementation and effectiveness of the new Absence Management policy and procedures.
Local Development Plan		10		Review of the implementation of the Local Development Plan and consistency with other Council strategic needs assessments .
Planning Services (reviewed in 2016/17)				Review of the Planning Services performance monitoring and managements, embedding of improvements and effectiveness in meeting its objectives.
Business Resilience	15			Review of the Council's reliance on key officers and appropriateness of procedure notes and substitute officer cover.
Shared Services		10		Review of the Council's consideration of services and activities potentially suitable to be delivered in shared service arrangements.
Inventory and Stock (reviewed in 2016/17)				Review of the Council's inventory and stock procedures, particularly within the Tourist Information Centre.
Total	40	45	25	

INDICATIVE INTERNAL AUDIT STRATEGIC PLAN 2017-20

Area	2017/18	2018/19	2019/20	Description of the Review
Other Key Areas				
Safe and clean environment			20	Reviews of the Council's waste collection and recycling arrangements, carbon footprint, activities to providing a safe and clean environment.
Contract Management and procurement	15			Review of the Council's processes in place for contract management and procurement to ensure it is compliant with regulations, robust and transparent.
Flooding (reviewed in 2016/17)				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.
Channel shift and Customer Strategy (reviewed in 2016/17)			10	Review of the arrangements and controls in place in these two areas, including use of technology and new ways of working.
Partnership working	15			Review of the Council's understanding of the partnerships that it is involved in and the inputs provided to them compared to the outputs achieved and the contribution towards Corporate Objectives.
Elections improvement plan (High level review)	8			High level review of the Council's delivery of the elections improvement plan and resilience to provide an appropriate service.
Strengthening Communities Strategy		20		Review of the approach to the creation of the strategy and the progress with implementation and achievement of outcomes.
Purchasing	15			Review of the Council's use of purchasing cards, implementation of 'No purchase order, no pay' and the utilisation of teams to provide internal and external services.
Income generation (reviewed in 2016/17)			15	Review of the potential opportunities for the Council to generate additional income from new and current services.
Committee Structure (reviewed in 2016/17)				Review of the Committee Structure to ensure that it is fit for purpose and delivering the outcomes required by the District.
Total	53	20	45	

INDICATIVE INTERNAL AUDIT STRATEGIC PLAN 2017-20

Area	2017/18	2018/19	2019/20	Description of the Review
IT Audit				
Disaster recovery and business continuity	15			Review of disaster recovery and business continuity plans in place, to ensure they are comprehensive, tested and effective.
IT Transformation	15			Review of arrangements in place for the delivery of the Council's IT Strategy Projects.
IT Strategy and Governance		15		Review of the Council's implementation of the IT Strategy, including benchmarking of efficiency.
Information Management and Payment Card Industry Data Security Standards (reviewed in 2016/17)			15	Review to include information governance, customer data security and adherence to PCI compliance rules.
Cyber Crime (reviewed in 2016/17)			15	Review of the Council's key IT assets and whether they are suitably protected and whether cyber security risks are appropriately managed on an ongoing basis.
Network security		15		Review of the Council's network security arrangements.
Total	30	30	30	
Audit Management				
Follow Up Work	10	10	10	Rolling programme of follow up, including testing of high and medium risk recommendations.
Audit Management	20	20	20	
Contingency	5	5	5	
Total	35	35	35	
Grand Total	230	230	230	

DRAFT INTERNAL AUDIT CHARTER

Purpose of this Charter

This Charter is a requirement of Public Sector Internal Audit Standards (PSIAS). It formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within Maldon District Council ('the Council') and defines the scope of internal audit activities. This charter shall be reviewed and approved annually by management and by the Audit Committee on behalf of the Council.

Internal audit's purpose

Internal audit provides an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council 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 support to the s151 officer of the Council and 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 the Council's 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.

Standards of internal audit practice

Internal audit will perform its work in accordance with PSIAS and the International Professional Practices Framework of the Chartered Institute of Internal Auditors. As required by PSIAS an external assessment of the service will be performed at least every five years.

Internal audit's scope

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

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. 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.

Independence and internal audit's position within the 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 and Scrutiny Committee. The Head of Internal Audit reports administratively to the s151 officer who provides day-to-day oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures.

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

DRAFT INTERNAL AUDIT CHARTER

Authority

The Internal Audit function of Maldon District Council derives its authority from the Council through the Audit Committee. The Chief Audit Executive is authorised by the Audit Committee to have full and complete access to any of the organisation's records, properties and personnel. The audit Chief Audit Executive is also authorised to designate members of the staff to have such full and complete access in the discharging of their responsibilities, and may engage experts to perform certain engagements which will be communicated to management. Internal Audit will ensure confidentiality is maintained around all information and records obtained during the course of audit activities.

Professional competence and due care

The Internal Audit function will perform its duties with professional competence and due care. Internal Audit will adhere to the Definition of Internal Auditing, Code of Ethics and the Standards for the Professional Practice of Internal Auditing that are published by the Institute of Internal Auditors.

Internal Audit will also adhere to the requirements of the Public Sector Internal Audit Standards (PSIAS).

Management Responsibilities

Management responsibilities are as follows:

- The Audit Committee is responsible for appointing the Chief Audit Executive
- Senior Management is responsible for the performance management of the Chief Audit Executive. Instances of late responses to reports, and agreed actions not being implemented will be escalated to Senior Management initially and subsequently the Chair of the Audit Committee where these are not resolved

Whilst the annual Internal Audit report is a key element of the assurance framework required to inform the Annual Governance Statement, there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from Internal Audit will be agreed with the Audit Committee at the beginning of the year and presented in the annual Internal Audit plan (and subsequent agreed amendments). As such, the annual Internal Audit opinion does not supplant responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities.

DRAFT INTERNAL AUDIT CHARTER

Internal audit's commitments to the 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 the Council
- Reporting honestly on performance against targets to the Audit Committee

Internal audit performance measures and indicators

The tables below contain 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.

Table One: Performance measures for internal audit

Measure / Indicator
Audit Coverage Annual Audit Plan delivered in line with timetable Actual days are in accordance with Annual Audit Plan
Relationships and customer satisfaction Customer satisfaction reports – overall score at least 80% for surveys issued at the end of each audit Annual survey to Audit and Scrutiny Committee to achieve score of at least 80%
Staffing and Training At least 60% input from qualified staff
Insights Assessing our insights and experience delivered at Committees and scoping meetings via surveys
Audit Quality Reliance on work by EY where appropriate Positive result from any external review Assessment of the successful reporting of themes and implementation of recommendations

DRAFT INTERNAL AUDIT CHARTER

Management and staff commitments to Internal Audit

The Council's management and staff commit to the following:

- Providing unrestricted access to all of the 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 proposed, subject to agreement by the Audit Committee:

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

DRAFT INTERNAL AUDIT CHARTER

Timing of Internal Audit Milestones

Event	Timing
Contact Audit Sponsor	At least 5 weeks before fieldwork commencement
Initial scoping discussion with management	At least 4 weeks before fieldwork commencement
Draft Terms of Reference	At least 3 weeks before fieldwork commencement
Final Terms of Reference	At least 2 weeks before fieldwork commencement
Review of work by Audit Manager	On-site during fieldwork
Evaluation of findings and discussion at audit close meeting	Held on final date of on-site fieldwork or at a date agreed within ten days of completion of on-site fieldwork
Issue Draft Audit Report	No more than 2 weeks after close meeting
Receipt of management response	No more than 1 week after issue of draft Audit Report
Issue Final Audit Report	No more than 1 week after receipt of management responses
Audit Satisfaction Survey	Issued with Final Audit Report
Update SharePoint	No more than 1 week after issue of Final Report
Attend Audit Committee	On date of Committee

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