

Maldon District Council
Draft Internal Audit Plan
Indicative Strategic Plan 2018-21
Draft Audit Charter

February 2018

FOR AUDIT COMMITTEE MEETING 26/3/18



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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 2018-21 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.

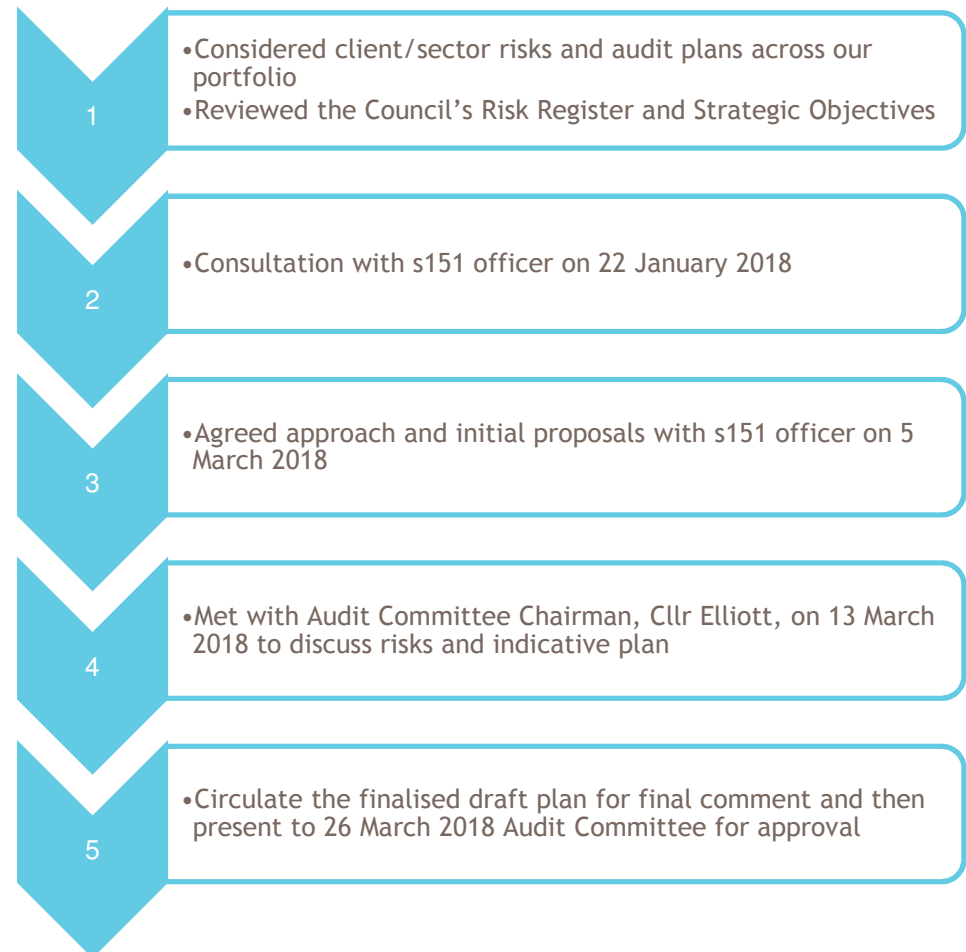
In determining the timing of our individual audits we will seek to agree a date which is convenient to the Council and which ensures availability of key management and staff.

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 2018-19

The indicative Internal Audit programme for 2018-19 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 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.



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 |
| Emma Etherington | Auditor | 07583 180999 | Emma.Etherington@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 2018-19 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 26 March 2018.

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 2018-21

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 | 2018/19 | 2019/20 | 2020/21 | 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 | | 15 | | Review the process in place for risk management, including risk appetite, identification, controls, scoring and mitigation. |
| Customer service | | | 15 | Review of areas such as effectiveness of customer service centre, customer feedback and complaints and telephony. |
| Transformation programme | 15 | | | Building on our review of IT Transformation and the LGA Peer Review undertaken in February 2017, we will review the processes and arrangements in place to ensure corporate transformation objectives are achieved. |
| 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. |
| Budget Setting (High level review) (reviewed in 2017/18) | | | | Review of the assumptions used and risk considerations in developing the budget and medium term financial strategy. |
| Corporate Plan and Priorities | | 20 | | Review of the Council's Corporate Plan, including consultation input, development and ownership. |
| Communications Strategy | | | 20 | Review of the development of and implementation of the Communications Strategy. |
| 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. |
| Counter fraud | 10 | 10 | 10 | Fraud risk management assessment and preventative measures, including training, presentations and advice on fraud. |
| Total | 100 | 100 | 100 | |

INDICATIVE INTERNAL AUDIT STRATEGIC PLAN 2018-21

| Area | 2018/19 | 2019/20 | 2020/21 | Description of the Review |
|---|-----------|-----------|-----------|---|
| Other Key Areas | | | | |
| Economic Development / Business Rates Growth (reviewed in 2017/18) | | | | Building on the LGA Peer Review undertaken in February 2017 we will review the Council's policies and approach to encourage economic development and inward investment and the links between economic development and housing growth. |
| 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. |
| 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) | | | | Review of the progress of the Workforce Development Strategy and the internal processes for HR, including workforce planning, recruitment, appraisals and training. |
| Attendance Management (reviewed in 2017/18) | | | | Review of the implementation and effectiveness of the new Absence Management policy and procedures. |
| Local Development Plan | 15 | | | 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 (reviewed in 2017/18) | | | | Review of the Council's reliance on key officers and appropriateness of procedure notes and substitute officer cover. |
| Shared Services | | | 15 | Review of the Council's consideration of services and activities potentially suitable to be delivered in shared service arrangements. |
| Safeguarding | | | 15 | Review of the Council's policies and arrangements to ensure the safeguarding of children and vulnerable adults. |
| Inventory and Stock (reviewed in 2016/17) | | | | Review of the Council's inventory and stock procedures, particularly within the Tourist Information Centre. |
| Total | 30 | 30 | 30 | |

INDICATIVE INTERNAL AUDIT STRATEGIC PLAN 2018-21

| Area | 2018/19 | 2019/20 | 2020/21 | Description of the Review |
|---|-----------|-----------|-----------|---|
| Other Key Areas | | | | |
| 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. |
| Contract Procurement, Management and Purchasing (reviewed in 2017/18) | | | | Review of the Council's processes in place for contract procurement and management to ensure it is compliant with regulations, robust and transparent. To include further drilling down to 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. |
| Flooding (reviewed in 2016/17) | | | 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. |
| Channel shift and Customer Strategy (reviewed in 2016/17) | | 20 | | Review of the arrangements and controls in place in these two areas, including use of technology and new ways of working. |
| Partnership working (reviewed in 2017/18) | | | | 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) (reviewed in 2017/18) | | | | Building on the Overview and Scrutiny Review of the elections service, we will undertake a high level review of the Council's delivery of the elections improvement plan and resilience to provide an appropriate service, after the County Council elections in May 2017. |
| Strengthening Communities Strategy 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. |
| Income generation (reviewed in 2016/17) | | 15 | | Review of the potential opportunities for the Council to generate additional income from new and current services. |
| Information Management (reviewed in 2017/18) | | | 15 | Review of the Council's arrangements for managing and utilising information to ensure that this is optimised. |
| 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 | 35 | 35 | 35 | |

INDICATIVE INTERNAL AUDIT STRATEGIC PLAN 2018-21

| Area | 2018/19 | 2019/20 | 2020/21 | Description of the Review |
|---|-----------|-----------|-----------|---|
| IT Audit | | | | |
| Disaster recovery and business continuity (reviewed in 2017/18) | | | | 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 and the links to the overall transformation programme for the Council. |
| IT Strategy and Governance | | 15 | | Review of the Council's implementation of the IT Strategy, including benchmarking of efficiency. |
| Implementation of Office 365 | 15 | | | Review of the Council's implementation of Office 365, including delivery of benefits realisation. |
| 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 | |

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 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.

APPENDIX I

Internal Audit Charter - Independence and objectivity

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.

APPENDIX I

Internal Audit Charter - Internal Audit Commitments

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 Maldon District 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 |
|--|
| <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 least 70% for surveys issued at the end of audits |
| Annual survey to Audit Committee to achieve score of at least 70% |
| <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 |
| <i>Audit Quality</i> |
| Positive result from any external review |

APPENDIX I

Internal Audit Charter - Management & Staff Commitments

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 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 |

BDO contacts

| Name | Grade | Telephone | Email |
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