

**AUDIT COMMITTEE
27TH JANUARY 2015**

DRAFT STRATEGIC AUDIT PLAN FOR 2015/16

Cabinet Member Councillor Peter Hare-Scott
Responsible Officer Audit Team Leader

Reason for Report: To present the Draft Strategic Audit Plan for 2015/16 to 2018/19 and the Draft Audit Work Plan for 2015/16.

RECOMMENDATION: The Committee considers the draft audit plans and feeds back any amendments for inclusion in the final work plans due to be presented to this Committee on 24 March 2015.

Relationship to Corporate Plan: Effective Internal Audit is a fundamental element of being an economic, efficient and effective council and can assist with reducing costs and doing things differently and better.

Financial Implications: Inadequate Internal Audit coverage would mean that the Internal Audit Team Leader (IATL) cannot form an opinion as to the effectiveness of MDDC's internal control environment.

Legal Implications: Failure to produce a risk based audit plan would cause the Council to be in breach of the Public Sector Internal Audit Standards.

Risk Assessment: Without a strategic audit plan to adhere to, the Council is at risk of providing inadequate audit coverage on high-risk areas and no assurance on the control environment.

1.0 Introduction

- 1.1 The Public Sector Internal Audit Standards require that the IATL prepares a risk based strategic audit plan, which should take account of the adequacy and outcomes of the organisation's risk management, performance management and other assurance processes.
- 1.2 In preparing these plans the IATL has taken all the usual factors into account (detailed below).

2.0 Risk Assessment Process

- 2.1 The number of available audit days has been allocated using a system of risk analysis (Appendix C). Criteria taken into account include materiality, changes to staff, legislation etc. The plan has also been updated to reflect changing priorities and the results of discussions with the CEO, Heads of Service and Service Managers.
- 2.2 Some areas viewed as high risk e.g. because of potential financial impact or damage to reputation are audited more frequently than the target 4-yearly minimum; these have all been scheduled annually/biennially as relevant.

2.3 Resources are of course finite so, where there are alternative forms of external assurance available, upon which reliance can be placed, these are taken into account in the allocation of time to reduce overlaps and gaps. Examples include QLM report on Leisure Health & Safety (especially the centres' Emergency Action Plans), SWAP on Wessex Home Improvement Loans, EDDC on Devon Home Choice and the work to gain the annual Public Computer Network Compliance Certificate.

2.4 Any weaknesses identified will of course be followed up in subsequent Internal Audit Work to verify that controls have been strengthened.

3.0 Core Audits

3.1 The "High" priority, annual audits, these at present are: Council Tax/NNDR, Income & Cash Collection, Main Accounting System, Housing Benefits, Creditors, Housing Rents, Treasury Management, Payroll, Recovery and ICT Core. Also Trade Waste and Car Park Income scheduled for alternate years.

4.0 Systems Audits

4.1 The frequency of these is determined by the risk assessment. Some are scheduled as annual e.g. Gifts and Hospitality because the Head of Service for Internal Audit is also the Monitoring Officer. Some are biennial e.g. Data Protection and Corporate Health and Safety because of high financial impact and severe reputational damage if there was an incident.

4.2 There are 4 audits postponed from 2014/15 these are all included in the plan for the 2015/16 financial year. The remaining time has been allocated based on perceived risk to MDDC and/or how long it is since the area was last looked at.

4.3 I am confident that this level of coverage combined with the prioritisation of higher risk audits will be sufficient for me to form an overall annual opinion on the internal control environment.

5.0 Other Work

5.1 The administration of SPAR and the Data Quality assurance checks completed on Committee reports will continue as usual. However now a full-time Corporate Health & Safety Officer is in place who will advise on Health & Safety risk assessments, this can only strengthen MDDC's Risk Management processes.

5.2 If there is the need for additional work to be done in exceptional circumstances and additional resources will be required the IATL will be able to call on the Head of Communities and Governance in the first instance and the Communities and Governance Business Support Officer who both have relevant experience.

5.3 Fraud and consultancy work - as required and resources allow.

6.0 Conclusion

- 6.1 This report outlines the Draft Annual Internal Audit Work Plan for 2015/16 which is attached at Appendix A and the Strategic four year Audit Plan attached at Appendix B.
- 6.2 The Internal Audit Leader would like feedback about any areas of concern to reflect in the Final Audit Plan to be presented for approval at the March meeting.

Contact for more Information: Catherine Yandle, Audit Team Leader

Circulation of the Report: Cllr Peter Hare-Scott and Management Team

INTERNAL AUDIT WORK PLAN FOR 2015/16 FINANCIAL YEAR

Audit/Task	Number of Days	Quarter 1 Apr to Jun	Quarter 2 Jul to Sept	Quarter 3 Oct to Dec	Quarter 4 Jan to Mar
Core Audits	170				
Council Tax/NNDR	20		X	X	
Income and Cash Collection	15		X	X	
Main Accounting System incl deeds testing	25		X	X	
Housing Benefits	20		X	X	
Creditors	15		X	X	
Housing Rents	20		X	X	
Treasury & Cashflow Management	5		X	X	
Payroll	15		X	X	
Recovery	15		X	X	
Car Parking Income/Trade Waste	15		X	X	
ICT Core	5		X	X	
Systems Audits	205				
Listed Buildings & Conservation Areas	10	X			
Grants, Subscriptions & donations	10	X			
Vehicles & Fuel (including inventory & maintenance)	10	X			
Emergency Planning	10	X			
Legal Services	10	X			
Leisure (Culm Valley)	15	X			
Refuse & Recycling (2 yearly)	20	X			
Recruitment and Selection	5	X			
Electronic payments/online forms	10	X			
Information Security (2 yearly)	10		X		
Appraisals and Training	10				X
Freedom of Information	10				X
Gifts & Hospitality/Register of Interests (annual)	5				X
Corporate Health & Safety incl Homeworking/Loneworking (2yrs)	10				X
Insurance/VAT	10				X
Private Sector Housing	10				X
Procurement/Contracts	20				X
Stores	5				X
Voids	5				X
Cemeteries & Bereavement Services	5				X
DAP peer review	5			X	
Corporate Work	45				
Spar	30	X	X	X	X
Data Quality Assurance Checks	15	X	X	X	X
Other Work	85				
Fraud/Irregularity/Consultancy/Contingency		X	X	X	X
Total Scheduled Audit Days	375	100	95	90	90
Other	130	25	35	35	35
Total	505	125	130	125	125
Completed					
Scheduled/started					
Postponed					
	0	0%	0%	0%	0%

Audit Code	Audit Area	Year Last Audited	Days 2015/16	Days 2016/17	Days 2017/18	Days 2018/19	TOTAL
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CORE FINANCIAL AUDITS (Statutory Requirement -Annual)

CORE 1	Council Tax and NNDR	2014/15	20	20	20	20	80
CORE 2	Income and Cash Collection	2014/15	15	15	15	15	60
CORE 3	Main Accounting System (including Deeds Testing)	2014/15	25	25	25	25	100
CORE 4	Housing Benefits	2014/15	20	20	20	20	80
CORE 5	Creditors	2014/15	15	15	15	15	60
CORE 6	Housing Rents (including rent arrears)	2014/15	20	20	20	20	80
CORE 7	Treasury and Cashflow Management	2014/15	5	5	5	5	20
CORE 8	Payroll	2014/15	15	15	15	15	60
CORE 9	Recovery	2014/15	15	15	15	15	60
CORE 10	Car Parking Income) alternate years	2014/15		15		15	30
CORE 10	Trade Waste }	2013/14	15		15		30
CORE 11	ICT Core Audit	2014/15	5	5	5	5	20
TOTAL CORE FINANCIAL AUDITS			170	170	170	170	630

SYSTEMS AUDITS (Risk Based- mainly 4-yearly)**Human Resources (Jill Stimpson)**

HUR1	Time Recording System	2014/15				10	10
HUR2	Sickness and Other Time Off	2012/13		10			10
HUR3	Recruitment and Selection	2009/10	5				5
HUR4	Appraisals and Training		10				10
HUR5	Travel and Subsistence (incl Pool cars)	2013/14			10		10
HUR6	Standby	2012/13		5			5
Human Resources Total			15	15	10	10	50

Financial Services & Procurement (Andrew Jarrett)

FIN1	VAT(2-yearly)	2014/15		10		10	20
FIN 2	Insurance(2-yearly)		10		10		20
FIN3	Leasing and asset management (Vehicles/Equipment/IT)	2014/15				15	15
FIN4	Procurement (2-yearly)	2013/14	20		20		40
FIN5	Contract Register & Contracts (2-yearly)	2014/15		20		20	40
Financial Services & Procurement Total			30	30	30	45	135

ICT (Christina Cross)

ICT1	Telephones - Fixed and Mobile	2014/15				5	5
ICT2	Information Security (2 yearly)	2009/10	10		10		20
ICT3	Computer Inventory - hardware and software	2012/13			10		10
ICT4	Data Protection(2-yearly)	2014/15		10		10	20
ICT5	Freedom of Information		10				10
ICT6	Gazateer Management - Street Naming & Numbering	2014/15				5	5
ICT7	Local Land Charges	2010/11		5			5
ICT Total			20	15	20	20	75

Planning (Jonathan Guscott)

PLA1	Building Control (incl income and all other areas)	2012/13		10			10
PLA2	Development Control including enforcement	2013/14			10		10
PLA3	Listed Buildings and Conservation Areas		10				10
PLA4	Forward Planning	2013/14				10	10
Planning Total			10	10	10	10	40

Public Health Services (Jill May)

PHS1	Environmental Health Commercial	2008/09			15		15
PHS2	Environmental Health Protection	2008/09		15			15
PHS3	Corporate Health & Safety incl Homeworking/Loneworking (2yrs)	2013/14	10		10		20
PHS4	Licensing Services	2012/13		10			10
PHS5	Private Sector Housing	2013/14	10			10	20
Public Health Services Total			20	25	25	10	80

Leisure (Jill May) one a year

LEI1	Exe Valley Leisure Centre (incl income and all other areas)	2012/13		15			15
LEI2	Culm Valley Sports Centre (incl income and all other areas)	2012/13	15			15	30
LEI3	Lords Meadow Leisure Centre (incl income and all other areas)	2014/15			15		15
Leisure Total			15	15	15	15	60

Legal & Democratic Services (Amy Tregellas)

L&D1	Electoral Registration & Elections	2013/14			10		10
L&D2	Members Allowances	2011/12		10			10
L&D3	Gifts & Hospitality/Register of Interests (annual)	2014/15	5	5	5	5	20
L&D4	Legal Services		10			10	20
Legal & Democratic Total			15	15	15	15	60

Street Scene (Andrew Jarrett)

Audit Code	Audit Area	Year Last Audited	Days 2015/16	Days 2016/17	Days 2017/18	Days 2018/19	TOTAL
SSS1	Refuse & Recycling (2 yearly)	2011/12	20		20		40
SSS2	Vehicles & Fuel (including inventory & maintenance)		10			10	20
SSS3	District Officers	2011/12		10			10
SSS4	Street Cleansing & Public Cleaning			5			5
Street Scene Total			30	15	20	10	75

Customer Services (Liz Reeves)

CSE1	Customer Care/Complaints	2012/13		10			10
CSE2	Electronic payments/online forms		10				10
Customer Services Total			10	10	0	0	20

Housing & Property Services (Nick Sanderson)

HPS1	Care Services (Alarm Income)	2010/11		10			10
HPS2	Repairs and Maintenance	2014/15				15	15
HPS3	Stores	2010/11	5				5
HPS4	Health & Safety Management Arrangements incl Estate Inspections (2-yearly)	2014/15		10		10	20
HPS5	Emergency Planning (also Business Continuity Planning) (2yrs)	2009/10	10		10		20
HPS6	Cemeteries & Bereavement Services		5				5
HPS7	Grounds Maintenance (Parks & Open Spaces)	2013/14			10		10
HPS8	Voids Management Arrangements	2009/10	5				5
HPS9	Lettings	2011/12		5			5
HPS10	Housing Homeless Persons	2013/14			10		10
Housing & Property Services Total			25	25	30	25	105

Economic & Community Development (Amy Tregellas)

CDE1	Grants, subscriptions & donations		10				10
CDE2	Community Engagement & Consultation			10			10
CDE3	Economic Regeneration & Industrial Rents	2014/15			5		5
CDE4	Markets	2014/15				10	10
Economic & Community Development Total			10	10	5	10	35

SYSTEMS AUDITS TOTAL

200	185	180	170	735
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ASSURANCE WORK

	Data Quality Assurance Checks		15	15	15	15	60
	DAP peer review		5	5	5	5	20
	Spar		30	30	30	30	120
Assurance Work Total			50	50	50	50	200

OTHER WORK

	Fraud/Irregularity/Consultancy/Contingency		85	101	106	116	407
Other Work Total			85	101	106	116	407

SUMMARY

Available Audit Days	505	506	506	506
Core Systems	170	170	170	170
Systems Audits	200	185	180	170
Assurance Work	50	50	50	50
Other Work	85	101	106	116
TOTAL	505	506	506	506

Risk Assessment Calculations 2004/05 to 2006/07

Weighting 1.0 Weighting 0.40 Weighting 0.30 Weighting 0.20 Weighting 0.10

7.40
2.70

Code	Description	TransValue	Income or Expenditure	Risk Factor (Monetary Value)	Inherent Risk	System Strength & Control	Stability & Complexity	Sensitivity	TOTAL SCORE	Calculated Days	Budget Days
CORE 1	Council Tax and NNDR	£67,000,000	INCOME	10	2.00	0.90	0.20	0.50	13.60	36.81	45
CORE 2	Income and Cash Collection	£5,000,000	INCOME	6	2.00	0.90	0.20	0.30	9.40	25.44	35
CORE 3	Main Accounting System (including Deeds Testing)	£100,000,000	EXPENDITURE	10	2.00	0.90	0.20	0.30	13.40	36.27	45
CORE 4	Housing Benefits	£15,000,000	EXPENDITURE	10	2.00	0.30	0.20	0.50	13.00	35.19	45
CORE 5	Creditors	£26,000,000	EXPENDITURE	10	2.00	1.50	0.20	0.50	14.20	38.43	45
CORE 6	Housing Rents (including rent arrears)	£13,000,000	INCOME	10	2.00	0.90	0.20	0.50	13.60	36.81	45
CORE 7	Treasury and Cashflow Management	£16,000,000	EXPENDITURE	10	1.20	0.90	0.20	0.30	12.60	12.63	15
CORE 8	Payroll	£14,000,000	EXPENDITURE	10	2.00	1.50	0.60	0.50	14.60	39.52	45
CORE 9	Recovery	£2,000,000	INCOME	6	2.00	0.90	0.60	0.30	9.80	26.53	35
CORE 10	Car Parking Income	£700,000	INCOME	4	2.00	0.90	0.60	0.50	8.00	21.65	20
CORE 10	Trade Waste	£600,000	INCOME	4	2.00	0.90	0.60	0.50	8.00	21.65	20
CORE 11	ICT Core Audit	£845,250	EXPENDITURE	4	2.00	0.30	0.60	0.30	7.20	19.49	20
NON-CORE AUDITS											
HUR1	Time Recording System	£1,000,000	EXPENDITURE	4	2.00	1.50	0.60	0.10	8.20	8.22	10
HUR2	Sickness and Other Time Off	£400,000	EXPENDITURE	2	1.20	1.50	0.60	0.10	5.40	5.41	10
HUR3	Recruitment and Selection	£239,960	EXPENDITURE	2	1.20	0.90	0.20	0.10	4.40	4.41	5
HUR4	Appraisals and Training	£162,360	EXPENDITURE	2	1.20	1.50	0.20	0.10	5.00	5.01	10
HUR5	Travel and Subsistence (incl Pool cars)	£150,000	EXPENDITURE	2	1.20	1.50	0.60	0.30	5.60	5.61	10
HUR6	Standby	£50,000	EXPENDITURE	1	1.20	1.50	0.60	0.30	4.60	4.61	5
FIN1	VAT(2-yearly)	£1,200,000	INCOME	6	2.00	0.30	0.60	0.10	9.00	18.04	20
FIN2	Insurances	£5,000,000	EXPENDITURE	6	1.20	0.30	0.60	0.10	8.20	16.44	20
FIN3	Leasing and asset management (Vehicles/Equipment/IT)	£10,000,000	EXPENDITURE	10	1.20	0.90	0.20	0.10	12.40	12.43	15
FIN4	Procurement (2-yearly)	£13,000,000	EXPENDITURE	10	2.00	1.50	1.00	0.50	15.00	30.07	35
FIN5	Contract Register & Contracts (2-yearly)	£13,000,000	EXPENDITURE	10	2.00	1.50	1.00	0.50	15.00	30.07	35
ICT1	Telephones - Fixed and Mobile	£99,000	EXPENDITURE	1	0.40	0.30	0.20	0.10	2.00	2.00	5
ICT2	Information Security	£400,000	EXPENDITURE	2	2.00	0.90	1.00	0.50	6.40	12.83	15
ICT3	Computer Inventory - hardware and software	£600,000	EXPENDITURE	4	1.20	0.30	0.60	0.10	6.20	6.22	10
ICT4	Data Protection (2-yearly)	£400,000	EXPENDITURE	2	2.00	1.50	1.00	0.50	7.00	14.03	15
ICT5	Freedom of Information	£28,290	EXPENDITURE	1	2.00	1.50	1.00	0.30	5.80	5.81	10
ICT6	Gazateer Management - Street Naming & Numbering	£78,010	EXPENDITURE	1	0.40	0.30	0.20	0.10	2.00	2.00	5
ICT7	Local Land Charges	£99,000	INCOME	1	1.20	0.30	0.20	0.10	2.80	2.81	5
PLA1	Building Control (incl income and all other areas)	£300,000	INCOME	2	1.20	1.50	0.60	0.50	5.80	5.81	10
PLA2	Development Control including enforcement	£700,000	INCOME	4	1.20	0.90	0.60	0.50	7.20	7.22	10
PLA3	Listed Buildings and Conservation Areas	£120,000	EXPENDITURE	2	1.20	0.90	0.60	0.30	5.00	5.01	10
PLA4	Forward Planning	£315,970	EXPENDITURE	2	1.20	0.90	0.60	0.30	5.00	5.01	10
PHS1	Environmental Health Commercial	£500,000	EXPENDITURE	2	2.00	0.90	1.00	0.50	6.40	12.83	15
PHS2	Environmental Health Protection	£500,000	EXPENDITURE	2	2.00	0.90	1.00	0.50	6.40	12.83	15
PHS3	Corporate Health & Safety incl Homeworking/Loneworking(2 yearly)	£60,000	EXPENDITURE	1	2.00	0.90	1.00	0.50	5.40	10.83	15
PHS4	Licensing Services	£120,000	EXPENDITURE	2	1.20	0.90	0.60	0.50	5.20	5.21	10
PHS5	Private Sector Housing	£500,000	EXPENDITURE	2	1.20	0.90	1.00	0.50	5.60	5.61	10
LEI1	Exe Valley Leisure Centre (incl income and all other areas)	£1,200,000	INCOME	6	2.00	0.90	1.00	0.50	10.40	10.43	15
LEI2	Culm Valley Sports Centre (incl income and all other areas)	£350,000	INCOME	2	2.00	0.90	1.00	0.50	6.40	6.42	10
LEI3	Lords Meadow Leisure Centre (incl income and all other areas)	£800,000	INCOME	4	2.00	0.90	1.00	0.50	8.40	8.42	10
L&D1	Electoral Registration & Elections	£131,070	EXPENDITURE	2	1.20	0.90	0.60	0.50	5.20	5.21	10
L&D2	Members Allowances	£421,730	EXPENDITURE	2	2.00	0.90	0.60	0.50	6.00	6.01	10
L&D3	Gifts & Hospitality/Register of Interests (annual)	£50,000	EXPENDITURE	1	1.20	0.90	0.20	0.50	3.80	15.24	20
L&D4	Legal Services	£250,000	EXPENDITURE	2	2.00	0.30	1.00	0.50	5.80	5.81	10
SSS1	Refuse & Recycling	£2,000,000	EXPENDITURE	6	2.00	1.50	1.00	0.50	11.00	22.05	20
SSS2	Vehicles & Fuel (including inventory & maintenance)	£2,000,000	EXPENDITURE	6	1.20	0.90	0.60	0.30	9.00	9.02	10
SSS3	District Officers	£500,000	EXPENDITURE	2	1.20	0.90	0.60	0.30	5.00	5.01	10
SSS4	Street Cleansing & Public Cleaning	£462,750	EXPENDITURE	2	0.40	0.90	0.60	0.50	4.40	4.41	5
CSE1	Customer Care/Complaints	£50,000	EXPENDITURE	1	1.20	0.90	1.00	0.50	4.60	4.61	5
CSE2	Electronic payments/online forms	£6,000,000	EXPENDITURE	10	1.20	0.90	1.00	0.10	13.20	13.23	15
HPS1	Care Services (Wardens & alarms)	£450,000	EXPENDITURE	2	1.20	0.90	1.00	0.30	5.40	5.41	10
HPS2	Repairs and Maintenance	£2,500,000	EXPENDITURE	6	1.20	0.90	1.00	0.30	9.40	9.42	10

Risk Assessment Calculations 2004/05 to 2006/07

Weighting 1.0 Weighting 0.40 Weighting 0.30 Weighting 0.20 Weighting 0.10

7.40
2.70

Code	Description	TransValue	Income or Expenditure	Risk Factor (Monetary Value)	Inherent Risk	System Strength & Control	Stability & Complexity	Sensitivity	TOTAL SCORE	Calculated Days	Budget Days
HPS3	Stores	£500,000	EXPENDITURE	2	1.20	0.90	0.60	0.10	4.80	4.81	5
HPS4	Health & Safety Management Arrangements incl Estate Inspections (2-yearly)	£5,000,000	EXPENDITURE	6	2.00	0.90	1.00	0.50	10.40	20.85	20
HPS5	Emergency Planning (also Business Continuity Planning)(2 yearly		EXPENDITURE	1	2.00	1.50	1.00	0.50	6.00	12.03	15
HPS6	Cemeteries & Bereavement Services	£23,590	EXPENDITURE	1	1.20	0.90	0.20	0.30	3.60	3.61	5
HPS7	Grounds Maintenance (Parks & Open Spaces)	£691,090	EXPENDITURE	4	1.20	0.90	0.20	0.30	6.60	6.62	10
HPS8	Voids Management Arrangements	£500,000	EXPENDITURE	2	0.40	0.90	0.20	0.10	3.60	3.61	5
HPS9	Lettings	£300,000	EXPENDITURE	2	1.20	0.90	0.20	0.10	4.40	4.41	5
HPS10	Housing Homeless Persons	£200,000	EXPENDITURE	2	1.20	0.90	0.60	0.30	5.00	5.01	10
CDE1	Grants, subscriptions & donations	£150,000	EXPENDITURE	2	1.20	0.90	1.00	0.50	5.60	5.61	10
CDE2	Community Engagement & Consultation	£448,020	EXPENDITURE	2	1.20	0.90	0.60	0.30	5.00	5.01	10
CDE3	Economic Regeneration & Industrial Rents	£150,000	EXPENDITURE	2	1.20	0.90	0.60	0.10	4.80	4.81	5
CDE4	Markets	£150,000	INCOME	2	1.20	0.90	0.60	0.30	5.00	6.35	10
TOTAL									487.20		1040
AVERAGE									7.38		