

Causeway Coast & Glens Borough Council

***Revised Internal Audit Strategy 2016-
2019***

March 2017

Table of Contents

| | | |
|---|---|----|
| 1 | Introduction..... | 1 |
| 2 | Internal Audit Strategic Objectives..... | 1 |
| 3 | Risk Assessment..... | 2 |
| 4 | Scope of Work..... | 2 |
| 5 | Internal Audit Resources | 2 |
| 6 | Internal Audit Approach | 3 |
| 7 | Strategic Internal Audit Plan 2016-2019 | 4 |
| | Appendix A – Summary of Audit Needs Assessment..... | 7 |
| | Appendix B – Audit Resources 2017/18 | 12 |

1 Introduction

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation'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.

The standards for internal audit services provided to local authorities are set out within the Public Sector Internal Audit Standards (PSIAS). There is also a statutory requirement for the provision of an Internal Audit service in accordance with the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015.

This Internal Audit Strategy sets the strategic context for the provision of internal audit services within Causeway Coast and Glens Borough Council, consistent with the roles and responsibilities set out in the Internal Audit Charter, and provides a strategic audit plan for the 3 years covered by the Strategy. This Strategy also sets out the objectives for Internal Audit, the scope of Internal Audit's work, the resources available for Internal Audit and the approach to delivering the Internal Audit service. The Internal Audit Strategy will be used to inform the development of an annual Internal Audit Plan detailing work to be completed during each year covered by the Strategy. Both the Internal Audit Strategy and Internal Audit Plan have been compiled in accordance with the above standards.

This Internal Audit Strategy is a revision from the Strategy agreed in June 2016 and has been prepared to take into account the revisions required as a result of the in-house Head of Internal Audit's absence during 2016/17. The revisions have been made to carry forward audits that were not carried out in 2016/17 to 2017/18 (with resulting changes to the audit areas for 2017/18). In line with a risk-based approach to Internal Audit, the Internal Audit Strategy will be reviewed again at the start of each year.

2 Internal Audit Strategic Objectives

The strategic objectives for Internal Audit are:

1. To provide an independent and objective assurance to the Council (working through the Audit Committee) on the effectiveness of risk management, control and governance processes
2. To provide an independent and objective consultancy service specifically to help enhance and develop the Council's risk management, control and governance arrangements
3. To respond, where possible, to management's requests for other reviews and investigations as required.

3 Risk Assessment

This Internal Audit Strategy is based on good professional practice and has been developed in accordance with professional and public sector standards. The approach is risk-based, identifying risk areas facing the Council and examining these on a rolling basis over a 3-year period.

In preparing the Internal Audit Strategy, an audit needs assessment was carried out to identify and evaluate the key risks to the Council. The risk assessment utilised the assurances provided by Internal Audit in 2015/16, the assurances given by the legacy Councils (where available) and the views of the senior management team to identify and evaluate risks for the Council, recording them as high, medium or low risk. A summary of the audit needs assessment is shown in Appendix A.

The results of the audit needs assessment enable the prioritisation of audits so that we can ensure that sufficient coverage of risks is delivered by Internal Audit to enable us to provide an annual assurance to the Council. This supports the Chief Executive, in his role as Chief Financial Officer, to approve the Annual Governance Statement within the Financial Statements.

4 Scope of Work

The Internal Audit Charter sets out the scope of Internal Audit's activities, which include:

- review of controls within existing systems and systems under development
- compliance with Council policy and procedures
- transactions testing to ensure accuracy of processing
- investigation of suspected fraud and irregularities
- value for money studies
- provision of advice to departments on governance, risk management and internal control issues.

The Internal Audit Charter sets out further details of the requirements and relationships between Internal Audit, Management and the Council.

5 Internal Audit Resources

The Internal Audit service is provided as a shared service comprised of an in-house Head of Internal Audit and a team from an out-sourced provider (Moore Stephens). The Internal Audit resources required for the remaining years covered by this Strategy will be reviewed each year.

Available audit days for 2017/18 are set out in Appendix B and noted in the Annual Internal Audit Plan 2017/18. Resources are allocated so as to achieve audit coverage of identified high risk areas earlier within the period covered by the Strategy, with other risk areas being audited across the period of the Strategy.

6 Internal Audit Approach

The approach to delivering the Internal Audit service is as follows:



Audit reports will be presented to the Audit Committee and will provide an assurance opinion using the 3-tier opinion structure established by the Department of Finance and Personnel (DAO (DFP) 07/16):

Satisfactory Assurance

Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

Limited Assurance

There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

Unacceptable Assurance

The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

Whilst it is management's responsibility to ensure internal audit recommendations are implemented, a follow-up process will also be incorporated within the annual Internal Audit Plans to facilitate the review of implementation of recommendations.

The Annual Internal Audit Plan and Internal Audit Strategy will be updated where necessary to reflect changing risks and priorities of the Council as they arise.

7 Strategic Internal Audit Plan 2016-2019

The following sets out the revised 3-year Strategic Internal Audit Plan which is based on the needs analysis and risk assessment. This plan prioritises coverage based on a combination of risk rating, organisational impact and recognition of the organisation's wider assurance mechanisms. The strategic internal audit plan will be reviewed each year and a detailed operational plan will be prepared for each of the financial years covered by the Strategy.

| Auditable Area | 2016/17 | 2017/18 | 2018/19 |
|--|----------------|----------------|----------------|
| Environmental Services Directorate | | | |
| Environmental Health | | ✓ | |
| Building Control | | | ✓ |
| Waste Services (incl. amenity sites) | | ✓ | |
| Grounds maintenance | | | ✓ ² |
| Estates & facilities servicing | | | ✓ |
| Fleet management | | ✓ | |
| Licensing | | ✓ | |
| Street cleansing (incl. other cleaning & PCs) | | | ✓ ² |
| Parks, play areas & cemeteries | | ✓ ¹ | |
| Energy management | | | ✓ |
| Landfill & compost management | | | ✓ |
| Harbours, marinas & terminals | | | ✓ |
| Capital projects (implementation and delivery) | ✓ ³ | | |
| Off-Street car parking - enforcement & income collection | | | ✓ |
| Animal welfare | | ✓ | |
| Business continuity & emergency planning | ✓ | ✓ | |

| Auditable Area | 2016/17 | 2017/18 | 2018/19 |
|--|----------------|---------|---------|
| Finance Directorate | | | |
| Budgetary control (incl. rate-setting processes) | ✓ | ✓ | |
| Payroll | | ✓ | |
| Tenders & contracts | | ✓ | |
| Income and debtors | ✓ | ✓ | |
| Creditor payments & purchasing | | ✓ | |
| Travel and subsistence & mobile phones | | | ✓ |
| Use of corporate credit card | | | ✓ |
| Treasury management (incl. prudential indicators) | | | ✓ |
| Asset management | | ✓ | |
| Performance Directorate | | | |
| Democratic services | | | |
| <i>Organisational development & HR</i> | | | |
| Staff recruitment, retention, development & appraisal | | | ✓ |
| Absence monitoring / sickness | | | ✓ |
| Time recording & overtime | | ✓ | |
| Corporate health & safety | | | ✓ |
| Insurance | | ✓ | |
| Reception services | | | ✓ |
| Registration of births, deaths & marriages | | | ✓ |
| Legal advice | | | |
| ICT environment | ✓ | ✓ | |
| Community Planning | | | |
| Corporate & business planning | | ✓ | |
| Performance improvement | ✓ | ✓ | ✓ |
| Public relations & communications | | | ✓ |
| Land and property | | ✓ | |
| Information governance | ✓ ⁴ | ✓ | |
| Risk management | | ✓ | |
| Safeguarding | | | ✓ |
| Data Protection | ✓ ⁴ | ✓ | |
| Corporate governance | | ✓ | |
| Civic buildings (general operations-opening/closing, cleaning, room hire, room bookings etc) | | | ✓ |
| Planning Directorate | | | |
| Enforcement, development control & development plan | ✓ | | |
| Leisure & Development Directorate | | | |
| Regeneration | | | |

| Auditable Area | 2016/17 | 2017/18 | 2018/19 |
|--|----------------|----------------|---------|
| Tourism services | | | ✓ |
| Caravan sites | ✓ | ✓ | |
| Outdoor recreation & play parks | | ✓ ¹ | |
| Leisure facilities | ✓ | ✓ | |
| Community facilities | | ✓ | |
| Coast & Countryside management | | | |
| <i>Arts & Cultural services</i> | | | |
| Arts & cultural centres | | | ✓ |
| Museums | | ✓ | |
| PCSP ⁵ | ✓ | ✓ | ✓ |
| Capital project management (assessment, procurement & contract monitoring) | ✓ ³ | | |
| Funding unit / grant funding | | ✓ | |
| Events | ✓ | | |
| Community Development & Partnership arrangements | ✓ | | |
| Town/village management | | | ✓ |
| Business development | | | |
| Strategic projects | | | ✓ |
| Peace IV | | | ✓ |

- ¹ These areas will be reviewed together
² These areas will be reviewed together
³ These areas will be reviewed together
⁴ These areas will be reviewed together
⁵ Funding requirement for annual review

Appendix A – Summary of Audit Needs Assessment

| Auditable Area | Risk Evaluation Rating | | | Our Risk Assessment Judgement | | | Comments (where our judgement changes rating) |
|--|------------------------|--------|-----|-------------------------------|--------|-----|--|
| | High | Medium | Low | High | Medium | Low | |
| Environmental Services Directorate | | | | | | | |
| Environmental Health | | ✓ | | | ✓ | | |
| Building Control | | | ✓ | | ✓ | | Financial risks if income not correctly managed & risks if statutory processes not followed |
| Waste Services (incl. amenity sites) | | ✓ | | | ✓ | | |
| Grounds maintenance | | ✓ | | | | ✓ | Lower risk area (likely to be mainly focused on health & safety) |
| Estates & facilities servicing | | ✓ | | | ✓ | | |
| Fleet management | | ✓ | | ✓ | | | Potentially higher risk if different legacy practices in private usage of fleet vehicles, security etc |
| Licensing | | ✓ | | | ✓ | | |
| Street cleansing (incl. other cleaning & PCs) | | ✓ | | | | ✓ | Lower risk area (likely to be mainly focused on health & safety) |
| Parks, play areas & cemeteries | | ✓ | | | ✓ | | |
| Energy management | | ✓ | | | | ✓ | Not a key risk to Council |
| Landfill & compost management | | | ✓ | | ✓ | | Landfill management presents greater risks (statutory obligations, strategic risk & health & safety) |
| Harbours, marinas & terminals | | | ✓ | | | ✓ | |
| Capital projects (implementation and delivery) | | ✓ | | | ✓ | | |

| Auditable Area | Risk Evaluation Rating | | | Our Risk Assessment Judgement | | | Comments (where our judgement changes rating) |
|--|------------------------|--------|-----|-------------------------------|--------|-----|---|
| | High | Medium | Low | High | Medium | Low | |
| Off-Street car parking - enforcement & income collection | | | ✓ | | | ✓ | |
| Animal welfare | | ✓ | | | ✓ | | |
| Business continuity & emergency planning | ✓ | | | ✓ | | | |
| Finance Directorate | | | | | | | |
| Budgetary control (incl. rate-setting processes) | ✓ | | | ✓ | | | |
| Payroll | | ✓ | | | ✓ | | |
| Procurement, tenders & contracts | ✓ | | | ✓ | | | |
| Income and debtors | | ✓ | | ✓ | | | Differing legacy systems could make this higher risk |
| Creditor payments & purchasing | ✓ | | | | ✓ | | Likely to be more moderate risk and legacy systems would have covered until centralised systems implemented |
| Travel and subsistence & mobile phones | | | ✓ | | | ✓ | |
| Use of corporate credit card | ✓ | | | | ✓ | | Likely to be tightly controlled |
| Treasury management (incl. prudential indicators) | ✓ | | | | ✓ | | |
| Asset management | ✓ | | | ✓ | | | |
| Performance Directorate | | | | | | | |
| Democratic services | ✓ | | | | | ✓ | Showing as high because not reviewed recently, but most likely to be lower risk |
| <i>Organisational development & HR</i> | | | | | | | |
| Staff recruitment, retention, development & appraisal | ✓ | | | | ✓ | | Legacy procedures will be applying |

| Auditable Area | Risk Evaluation Rating | | | Our Risk Assessment Judgement | | | Comments (where our judgement changes rating) |
|--|------------------------|--------|-----|-------------------------------|--------|-----|---|
| | High | Medium | Low | High | Medium | Low | |
| Absence monitoring / sickness | | | ✓ | ✓ | | | Legacy practices will still apply under TUPE leading to 5 or more different policies that could apply in any one department |
| Time recording & overtime | | ✓ | | | ✓ | | |
| Corporate health & safety | | ✓ | | | ✓ | | |
| Insurance | | | ✓ | | | ✓ | |
| Reception services | | ✓ | | | | ✓ | Likely to be lower risk |
| Registration of births, deaths & marriages | | | ✓ | | | ✓ | |
| Legal advice | ✓ | | | | ✓ | | Rates higher because not reviewed before. Likely to be medium risk |
| ICT environment | | ✓ | | ✓ | | | Fundamental system & scores highly on the corporate risk register |
| Community Planning | | ✓ | | | ✓ | | |
| Corporate & business planning | | | ✓ | | | ✓ | |
| Performance improvement | | ✓ | | | ✓ | | New responsibilities for Council in relation to Performance Improvement Plan |
| Public relations & communications | | ✓ | | | ✓ | | |
| Land and property | ✓ | | | | ✓ | | |
| Information governance | | ✓ | | ✓ | | | As new systems take time to bed in there may be greater risk of weaknesses in control arrangements |
| Risk management | | | ✓ | ✓ | | | Fundamental system for ensuring good governance |

| Auditable Area | Risk Evaluation Rating | | | Our Risk Assessment Judgement | | | Comments (where our judgement changes rating) |
|--|------------------------|--------|-----|-------------------------------|--------|-----|---|
| | High | Medium | Low | High | Medium | Low | |
| Safeguarding | | | ✓ | | ✓ | | Statutory obligation & high reputational risk – likely to be medium risk |
| Data Protection | | ✓ | | ✓ | | | As new systems take time to bed in there may be greater risk of weaknesses in control arrangements |
| Corporate governance | | | ✓ | | ✓ | | Fundamental process for new organisation |
| Civic buildings (general operations-opening/closing, cleaning, room hire, room bookings etc) | ✓ | | | | | ✓ | Scoring highly because not reviewed previously. Not likely to be high risk & areas would be picked up in other audits |
| Planning Directorate | | | | | | | |
| Enforcement, development control & development plan | ✓ | | | ✓ | | | High risk as new area |
| Leisure & Development Directorate | | | | | | | |
| Regeneration | | ✓ | | | ✓ | | |
| Tourism services | | ✓ | | | ✓ | | |
| Caravan sites | | | ✓ | | ✓ | | Higher risk re income management & reputational risk |
| Outdoor recreation & play parks | | ✓ | | | ✓ | | |
| Leisure facilities | | ✓ | | | ✓ | | |
| Community facilities | ✓ | | | | ✓ | | Moderate financial and operational risk |
| Coast & Countryside management | | ✓ | | | ✓ | | |
| Arts & Cultural services | | | | | | | |
| Arts & cultural centres | | ✓ | | | ✓ | | |

| Auditable Area | Risk Evaluation Rating | | | Our Risk Assessment Judgement | | | Comments (where our judgement changes rating) |
|--|------------------------|--------|-----|-------------------------------|--------|-----|--|
| | High | Medium | Low | High | Medium | Low | |
| Museums | | ✓ | | | ✓ | | |
| PCSP | | | ✓ | | | ✓ | Requires annual review however |
| Capital project management (assessment, procurement & contract monitoring) | ✓ | | | ✓ | | | |
| Funding unit / grant funding | | ✓ | | | ✓ | | |
| Events | ✓ | | | | ✓ | | Whilst high reputational risk, financial and operational risk likely to be more moderate |
| Community Development & Partnership arrangements | | | ✓ | | ✓ | | Risks re partnership arrangements & new Council's role within these |
| Town/village management | ✓ | | | | | ✓ | Not likely to be a high risk |
| Business development | | ✓ | | | ✓ | | |
| Strategic projects | | | ✓ | | | ✓ | |
| Peace IV | | ✓ | | | ✓ | | |

Appendix B – Audit Resources 2017/18

| Description | Days 2017-2018 | | |
|---|----------------|-------------------|-------------------|
| | CCAG | Moore Stephens | Total |
| Available working days | 260 | 96 | 356 |
| LESS: | | | |
| Holidays (including statutory holidays) | 40 | | |
| CPD | 12 | | |
| | <u>52</u> | | -52 |
| Management & Administration | | | |
| Strategic and annual audit planning | 1 | 3 | |
| Periodic reporting to Audit Committee | 2 | 2 | |
| Annual reporting | 1 | 1 | |
| Preparation for and attendance at Audit Committee | 4 | 4 | |
| Contract and performance review meetings (x 2) | | 2 | |
| Administration | 20 | | |
| Contingency and special investigations | 40 | | |
| | <u>68</u> | <u>12</u> | -80 |
| Available audit and consultancy days | 140 | 84 | <u>224</u> |

Note:

Internal Audit resources will be reviewed throughout the year. In the event of any changes in available days, the Internal Audit Plan will be adjusted accordingly and re-presented to the Audit Committee.