

Committee:	Audit Committee
Meeting Date:	30 January 2014
Lead Councillor/s:	Councillor Michael Bond
Local Councillor/s:	All
Director:	Geoff Dobson, Head of Strategic Finance
Assistant Director or Head of Service:	Tim Ryder, Interim Assistant Director, Scrutiny and Monitoring Tel: 01473 264246 e-mail: tim.ryder@suffolk.gov.uk
Author:	Peter Frost, Interim Head of Audit Services, Audit Services Tel: 01473 264247 e-mail: peter.frost@suffolk.gov.uk

Audit Services Charter and Audit Plan Key Themes 2014/15

Brief summary of report

1. In accordance with the Public Sector Internal Audit Standards (the PSIAS), the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter. This must be periodically reviewed and presented to senior management and the Audit Committee for approval.
2. This report also provides the Committee with the broad themes that will be contained within the internal audit plan for 2014/15. The plan will be reported in detail to the Committee at its meeting on 18 March 2014.

Action recommended

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| <ol style="list-style-type: none"> 3. The Committee is asked to <ol style="list-style-type: none"> (a) note that no changes have been made to the internal audit charter for 2014/15; and (b) give their views on the themes set out in the report. |
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Reason for recommendation

4. One of the core functions of the Audit Committee as defined by its terms of reference is to approve and monitor delivery of the internal audit activity of the Council.
5. Audit Services welcome and value the Committee's contribution and engagement in the audit planning process.

Alternative options

6. The Committee could recommend additional / alternative items to be included in the Charter and / or developing themes, and these could be considered by the Interim Head of Audit Services and any changes agreed with the Head of Strategic Finance. (The Committee will be aware that, within the Constitution, responsibility for internal audit has been delegated to the Head of Strategic Finance (the Responsible Finance Officer) under Section 151 of the Local Government Act 1972.)

Who will be affected by this decision?

7. All stakeholders.

Main Body of Report

The Audit Charter

8. The mandatory nature of the PSIAS must be recognised in an internal audit charter. This is a formal document that defines the purpose, authority and responsibility for the internal audit activity. The Charter establishes the internal audit activity's position within the organisation.
9. The internal audit charter:
 - a) defines the statutory role and definition of internal audit;
 - b) sets out the reporting lines, relationships and independence of internal audit;
 - c) defines the scope of internal audit activities;
 - d) shows internal audit access rights to all of the Council's personnel, records, information and assets that it considers necessary to fulfil its responsibilities, including those of partner organisations and third party suppliers where contract terms include internal audit access rights;
 - e) details what is done to ensure a high quality of service is maintained;
 - f) covers the arrangements for appropriate resourcing ; and
 - g) sets out the role of internal audit in any fraud-related work.
10. Final approval of the Charter resides with the Audit Committee. This is done every two years or sooner if there are significant changes to report. The last review took place on 21 March 2013.
11. Following an annual review by the Interim Head of Audit Services to ensure that it is relevant to the demands and responsibilities of Audit Services, no changes are required. Consequently the Charter is not being presented to the Audit Committee this year. However, as the Audit Committee has some new members since the Charter was last approved, the Interim Head of Audit Services has circulated it to them for information prior to this meeting.

Key Themes 2014/15

12. Management, elected members and audit committees expect internal auditors to be significant contributors in addressing the present challenges and to provide assurance on how well risks are being managed within their service areas. In order to achieve this, Audit Services constantly needs to assess its own processes and change the way in which it works accordingly, whilst adhering to the requirements of the PSIAS. It is also important that Audit Services participate in and promote best practice with respect to the audits it has planned to undertake.
13. The work of Audit Services for 2014/15 will complement a programme of assurance work across the Council and will seek to underpin the five corporate priorities:
 - a) Economic growth and jobs
 - b) Education
 - c) Caring for vulnerable people
 - d) Localism and 'Our Place'
 - e) Building on Suffolk's strengths.
14. Audit coverage will be influenced by the major transformational and enabling programmes that together will help the Council meet its budget challenges.

Service Delivery Programmes:

- **Health Integration** – The development of integrated commissioning and integrated health and care systems in Suffolk.
- **Supporting Lives, Connecting Communities (SLCC)** – The transformation of social work teams and Customer First together with the provision of better information and connections to the Voluntary and Community Sector / local responders to reduce demand for services.
- **Children and Young People (CYP) New Operating Model 2** – Further review of arrangements for children's social care around early intervention and prevention, including Suffolk Family Focus.
- **Transport** – Developing new models for moving people around Suffolk in partnership with other organisations.
- **Changed Relationships with Schools (Raising the Bar)** – New relationship with schools, restating the role of the Learning Improvement Service and implementing recommendations from 'No School an Island'.
- **Highways / Infrastructure** – Learning from the Kier MG contract and identifying options for future savings.
- **Waste** – Savings from Energy from Waste; looking at the relationship between disposal and collection and other savings around waste.
- **Blue Light Integration** – potential changes to future governance of the Suffolk Fire and Rescue Service (FRS) and opportunities for

greater collaboration through to merger or integration of services with other blue light services – Police & Crime Commissioner (PCC) / Police / Neighbouring FRS.

- **Support Services** – Integration and rationalisation of Customer Services Direct (CSD) and Council functions, further savings as ‘self service’ embeds across the Council together with new organisational arrangements to respond to future Council requirements.
- **Local Response** – Working with partners, the development of intensively local service delivery models where local demand and priorities vary.

Enabling Programmes:

- **Next Generation Computing** – the modernisation of ICT by transforming technology to improve productivity and the ease of working within Suffolk County Council and other organisations that use the Council’s IT services.
 - **Public Access and Digital Transformation** - transform customer experience of Suffolk County Council (SCC) and deliver more effective, efficient services at a lower overall cost using digital channels and behaviour change.
 - **Our Place and Connecting Communities** - working with communities to understand their priorities and co-design and deliver services.
 - **Organisational Design, ASPIRE and ‘The Deal’** - embedding the right behaviours, responsibilities and support for staff across SCC.
 - **Listening to Suffolk** - listening to and working with the people of Suffolk to ensure that Council services are developed with people to meet their needs and aspiration.
 - **Collaboration and Integration with other organisations** - working with partner organisations to join up services where it makes sense to do so.
 - **Suffolk Growth Strategy** - A Suffolk wide plan to achieve economic growth, create stability and prosperity in Suffolk.
 - **Single Public Sector Estate** - Suffolk wide approach to transforming property and create a single estate.
15. In addition to priority activities, there is a wide range of important statutory and ‘business as usual’ activities that will be delivered.
16. All the main financial systems will continue to be audited annually. As a result of CSD ceasing in 2014, and the transfer of financial systems back to the Council, together with Mid Suffolk District Council (MSDC) no longer using these systems, Audit Services will be required to carry out more work in this area (previously audit work was shared with MSDC auditors). These audits also provide assurance to Ernst & Young, the Council’s

External Auditors, and the level of coverage will be discussed with them prior to the commencement of each piece of work. Audits that will be included are:- Payroll, General Ledger, Income systems and procedures (Oracle Receivables), Expenditure Systems and Processes (Oracle Payables), Treasury Management, Capital Accounting and Asset Management, Pension Scheme Administration and Pension Fund Investment.

17. The current situation in local government has had a major impact on Audit Services as well, with a need to adapt to a new way of working. Towards the end of 2013, the Interim Head of Audit Services held separate meetings with the Chief Executive and Directors to discuss assurance and audit planning. Audit Services will be developing an assurance framework in the course of its work during 2014. This will be structured to provide reliable evidence to underpin the assessment of the risk and control environment for the Annual Governance Statement. Ownership by the Corporate Management Team (CMT) will be key to the success of this assurance framework.
18. As the organisation changes, different audit skills will be required. For example, there will be a greater emphasis on contract management moving forwards as the Council changes the way it delivers some of its services. At the same time, the impact on the Council from the economic downturn and resultant budget restrictions could mean less scope for internal checks or segregation of duties within the service areas which increases the risk of fraud and error. Changing processes and structures also means that long established reliable systems need to be revisited in order to provide assurance that controls are still in operation.
19. Audit Services will use audit interrogation software to review different types of expenditure with a view to challenging the spend culture, compliance with the Procurement Regulations, and ensuring optimisation of current contracts.
20. Fraud and corruption risks are identified as part of the annual planning process and contribute to the overall formation of audit coverage. Resources will be allocated during 2014/15 to deliver proactive anti-fraud and corruption work. In addition, the annual Audit Plan will include an allowance for Audit Services to undertake irregularity investigations, and to manage and examine the inputs and outputs from the National Fraud Initiative. This is at a level deemed proportionate to the identified risk of fraud within the Council.
21. Central, Regional and European bodies and their related funding agencies continue to require assurance that spending has been made in accordance with funding agreements. Many grants now require audit sign-off not only for the Council's spend but also that of partners. Audit Services are increasingly being required to develop assurance frameworks and provide opinions on funding prior to the submission of claims. In 2014/15, the audit plan will include a resource allowance to support this area.

Other Assurance Providers

22. The focus and responsibility on professional leads and other assurance providers to ensure standards are maintained will need to be monitored through regular communication.
23. Other assurance providers will contribute to the Interim Head of Audit Services' assurance opinion, as demonstrated through the "Three Lines of Defence" model. Through close liaison, self assessment and analysis of existing data, opinions on the operation of certain services can be obtained through the work of others. The inclusion of this information will enable a wider opinion to be formed on all aspects of the Council's operation. This will feed in to the assurance framework described in paragraph 17.

Contracted Work

24. External income streams enable audit services to maximise its resources and to develop and maintain a wide skills base and as a result provide a better service to the Council. Additional income also reduces the cost to the Council of maintaining the Audit function.
25. Contracted work will continue to be delivered and, where appropriate, tendered for. Currently, income is generated from the contract to deliver internal audit services to the Office of the Police and Crime Commissioner for Suffolk. Income is also received from the audit of grant claims.

Follow Up Audits

26. Audit Services will continue to follow up Audit recommendations / actions that are deemed to be a priority to the control environment within an area of audit.

The Audit Plan

27. It is recognised that the audit plan needs to be flexible to adapt to the changing risk and control environment. As such, a more fluid plan will be presented to the Audit Committee in March 2014. This will show the statutory 'must-do' audits and will also indicate where audit resources will be directed throughout the year without stipulating how the full allocation of resources will be utilised. Audit Management will be attending Directorate Management Team meetings at regular intervals to discuss audit outcomes, management action and agree on audit work for the period ahead. This will be reported back to, and agreed with, the Head of Strategic Finance. Audit liaison meetings with the Chairman and Deputy Chairman of the Audit Committee will be used to keep members up-to-date on the plan, as well as at meetings of the Audit Committee itself.

Sources of Further Information

- a) Public Sector Internal Audit Standards.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207064/public_sector_internal_audit_standards_december2012.pdf

- b) Audit Services Charter

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