



**INTERNAL AUDIT STRATEGY
2015-18
AND
OPERATIONAL PLAN 2015-16**

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1 Introduction

1.1 Introduction

This document sets out the inaugural risk assessment and Internal Audit plan for Antrim and Newtownabbey Borough Council (ANBC).

The Public Sector Internal Audit Standards (PSIAS) define Internal Audit as:

"... 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." (PSIAS Section 3)

PSIASs require that:

"The Internal Audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually." (PSIAS 2010.A1)

The purpose of this document is to provide management and the Audit Committee with:

- An understanding of Internal Audit's risk-based approach to developing its Strategy and Plan
- The proposed Operational Plan for 2015-16.

1.2 Background

The Internal Auditor (referred to under PSIAS as the Chief Audit Executive) must deliver an annual Internal Audit opinion and report that can be used by ANBC to inform its Annual Governance Statement (AGS).

The annual Internal Audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

PSIASs require that Internal Audit must:

- evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
- evaluate the effectiveness and contribute to the improvement of risk management processes; and
- assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

1.3 Basis of the annual Internal Audit opinion

The annual internal audit opinion will be based on and be limited to the internal audits completed by the Internal Audit service over the year and the control objectives

agreed for each audit engagement. The agreed control objectives will be reported within Internal Audit's individual internal audit reports.

Internal Audit is a management tool that forms part of the organisation's assurance framework. The Council will have other sources of assurances on which it can rely, such as: the Management Assurance Statements provided to the Chief Executive; the risk management framework; policies and procedures; financial regulations and the Code of Conduct, as well as other independent sources of assurance (for example external audit or grant funders).

As would be consistent for any Internal Audit Service, given the finite Internal Audit resources available, it would not be possible to provide audit coverage of all aspects of the Council's activities within a given year. Therefore the plan of Internal Audit activity does not purport to address every risk identified across the auditable areas, as part of the risk assessment process but will primarily be focused on the more significant risks.

The level of internal audit activity represents a deployment of the Council's internal audit resources.

1.4 Consultation on and approval of the Plan

Internal Audit must:

"identify and consider the expectation of senior management, the board and other stakeholders for internal audit opinions and other conclusions". (PSIAS 2010.A2)

"communicate the internal audit activity's plans and resource requirement, including significant interim changes, to senior management and the board for review and approval". (PSIAS 2020)

Paragraph 2.8 of the Local Government Application Note for the PSIAS defines the role of the "Board" in local government as being capable of being satisfied by the Audit Committee. This is set out in the Internal Audit Charter. ([Appendix 1](#))

We have consulted individually with the following senior management during the planning process:

Jacqui Dixon	Chief Executive
Catherine McFarland	Deputy Chief Executive and Director of Finance and Governance
Geraldine Girvan	Director of Operations
Majella McAlister	Director of Planning and Regeneration
Andrea McCooke	Director of Organisation Development

We also provided the draft Strategy and Plan to the Transition Leadership Committee (TLT) for consideration and comment.

2 Approach

Internal Audit work will be performed in accordance with:

- PSIAS;
- Internal Audit Charter ([Appendix 1](#));
- the associated Reporting Framework ([Appendix 2](#));
- the Follow Up Process ([Appendix 3](#)); and
- the Quality Assurance and Improvement Programme ([Appendix 4](#)).

Internal Audit's five step approach to developing the Audit Strategy (2015-18) and Operational Plan (2015-16) is set out below. A more detailed description can be found on the following pages.

1 Define the auditable areas	Auditable areas represents all things (functions, locations, and processes) that are considered "auditable" by the Internal Audit service.
2 Assess the inherent risk	Assess the inherent risk of each auditable unit based on impact and likelihood criteria. This assessment of risk is linked to the Council's objectives and risks.
3 Assess the significance of controls	Identification of auditable areas with a high reliance on controls.
4 Determine audit frequency	Calculate how often each auditable areas should be subject to audit taking account of the inherent risk and the significant of the controls.
5 Define the audit plan	Determine the timing and scope of audit work based on the organisation's priorities and consider additional audit requirements to those identified from the risk assessment process.



Internal Audit has identified the auditable areas for ANBC.

Auditable areas include functions, processes, systems, or locations. Any processes or systems which cover multiple areas are separated into their own distinct cross cutting auditable area.

The articulation of Auditable Areas is not intended to convey the organisational structure or reporting lines of the organisation.

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"The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board". (PSIAS 2010)

The Internal Audit plan should focus on the most risky areas of the Council.

Risk is defined within the Council's Risk Management Strategy (October 2014) as:

"The threat that an event or action will adversely affect the ability of the Council to achieve its objectives and / or executive its strategies."

Inherent risk is defined as:

"The assessment of the risk, in terms of impact and likelihood, in the absence of any action or control to mitigate the risk."

Within this Strategy and Plan, each auditable area is allocated an inherent risk score.

The inherent risk assessment is derived primarily from the risk registers prepared by management within the Council (either the Corporate Risk Register or Departmental Risk Registers).

In the unlikely event that a risk assessment cannot be derived from one of the Council's risk registers, Internal Audit has assigned an inherent risk score based on:

- Internal Audit's knowledge of the Council and of local government more generally; and
- discussions with management and other key stakeholders.



Management will typically have controls in place / will take action to respond to / manage the identified risks.

Residual risk is defined as:

"The assessment of the risk, in terms of impact and likelihood, taking account of the measures in place to eliminate, reduce, transfer or plan for the risk."

The difference between inherent risk and residual risk demonstrates the significance of the action being taken to respond to / manage the risk.

Inherent risk — **Residual risk** = **Significance of the controls / mitigating action**

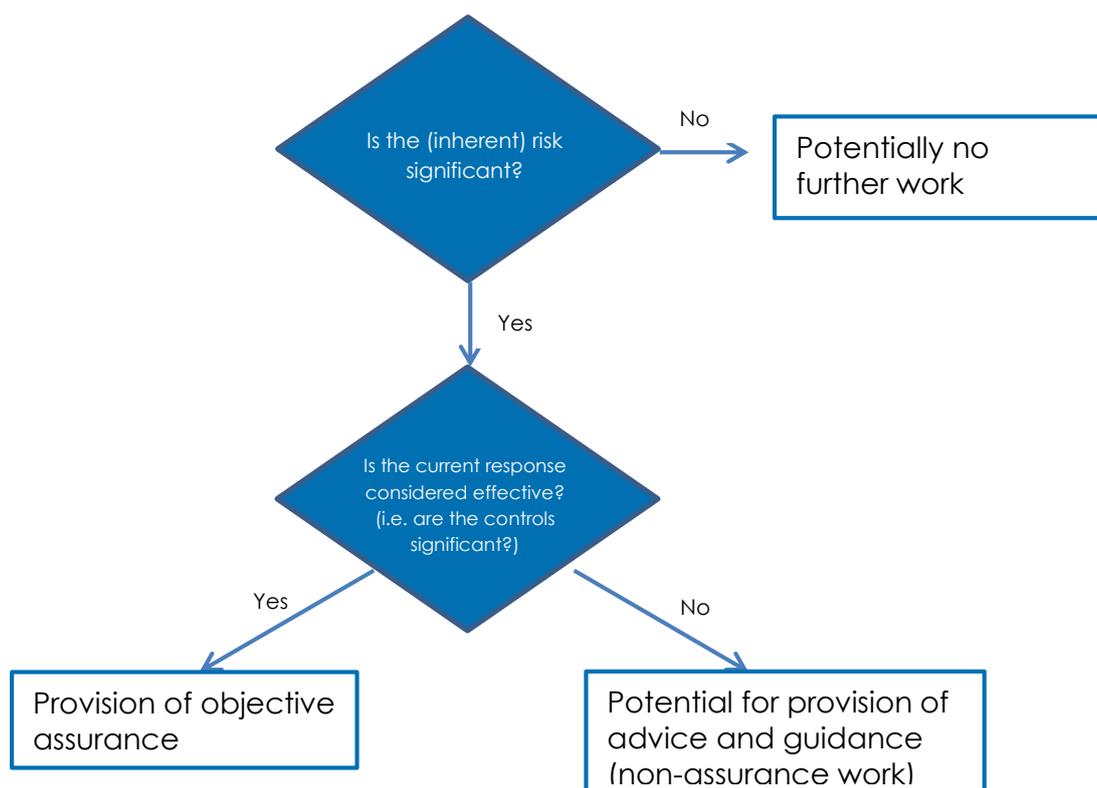
Internal Audit can perform two roles:

- (1) The provision of objective assurance; and
- (2) The provision of proactive advice and guidance to improve management of risks, add value and improve the Council's operations.

It is of most benefit to the Council for the Internal Audit service to provide objective assurance where the controls in place are significant (i.e. they significantly reduce the level of inherent risk to an acceptable residual level).

Internal Audit can add value in providing proactive advice and guidance engagements where systems are in development or where help is needed to identify ways of reducing the level of residual risk to a more acceptable level.

This approach is represented diagrammatically below:



The significance of the controls is derived primarily from the risk registers prepared by management within the Council, being the difference between the inherent and the residual risk.

In the absence of a risk assessment that can be derived from the Council's risk registers, Internal Audit has assigned a residual risk score based on discussions with management and other key stakeholders.

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The significance of the control / response is used to determine the audit frequency.

Inherent Risk Rating	Significance of the controls (percentage reduction from inherent to residual risk)				
	0-20%	21-40%	41-60%	61-80%	81-99%
51 – 64 (Critical)	Possible advice and guidance	Possible advice and guidance			
33 – 50 (Critical)	Possible advice and guidance	Possible advice and guidance			
16 – 32 (Medium)	Possible advice and guidance	Possible advice and guidance			
4 – 15 (Low)					

Auditable areas may be reviewed annually, every two years or every three years.

Colour coding	Audit Frequency
	Annually
	Every two years
	Every three years
	No further work

For an area where, based on the methodology outlined above, an audit is required (whether that be annually, every two years or every three years), if there is some other form of *independent* assurance, this can reduce (or eliminate) the need for independent assurance to be given by Internal Audit.



Individual audit (objective assurance) will be carried out using a range of techniques. These techniques may include (but are not limited to):

Systematic audit	A "full" audit in which every aspect and stage of the audited subject is considered. It includes review of both the design and operation of controls.
Compliance audits	Where there is pre-existing confidence that controls are well designed, but effective operation of the controls is a material issue, audits that test only for effective operation of controls can be appropriate.
Systems Development Audit	Review of plans and designs for new systems and processes aimed at providing assurance on controls being designed into future systems and on the adequacy of the project/change process.

As discussed previously, Internal Audit may also be utilised in an advice and guidance role. This role can be undertaken to improve management of risks, add value and improve the Council's operations. The advice and guidance role can be performed where management has already acknowledged (through the risk management process) that risks are not currently been managed to an acceptable level.

Where management has acknowledged this, the provision of assurance is not required (as it would simply be telling management what it already knows). Accordingly, no opinion will be given and Internal Audit will provide advice and guidance to management in developing internal controls. Moreover the audit methodology (for example sample sizes etc) does not strictly need to be applied.

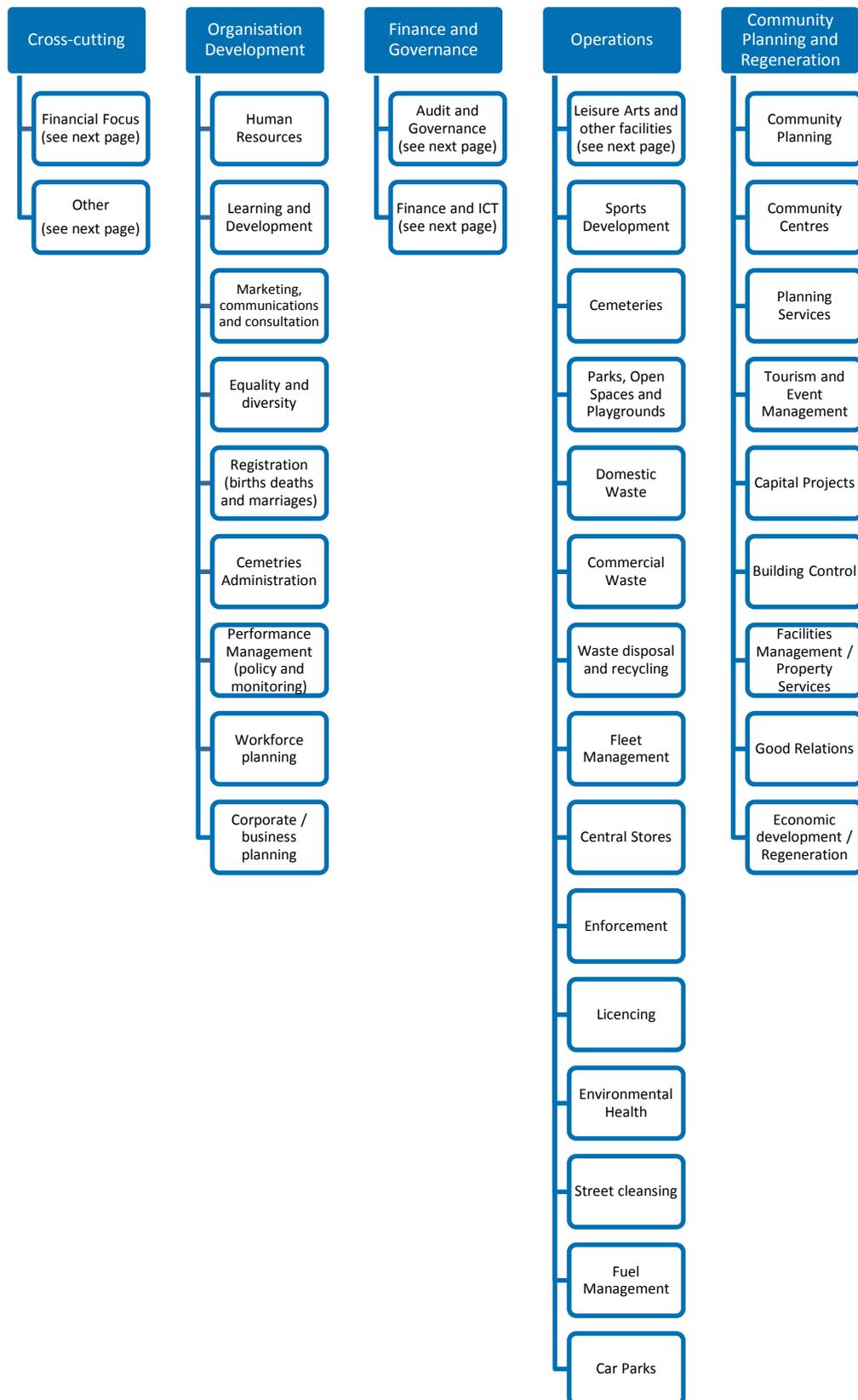
Such assignments however need to be considered in terms of the organisation's risk management framework and the independence of the Internal Audit function:

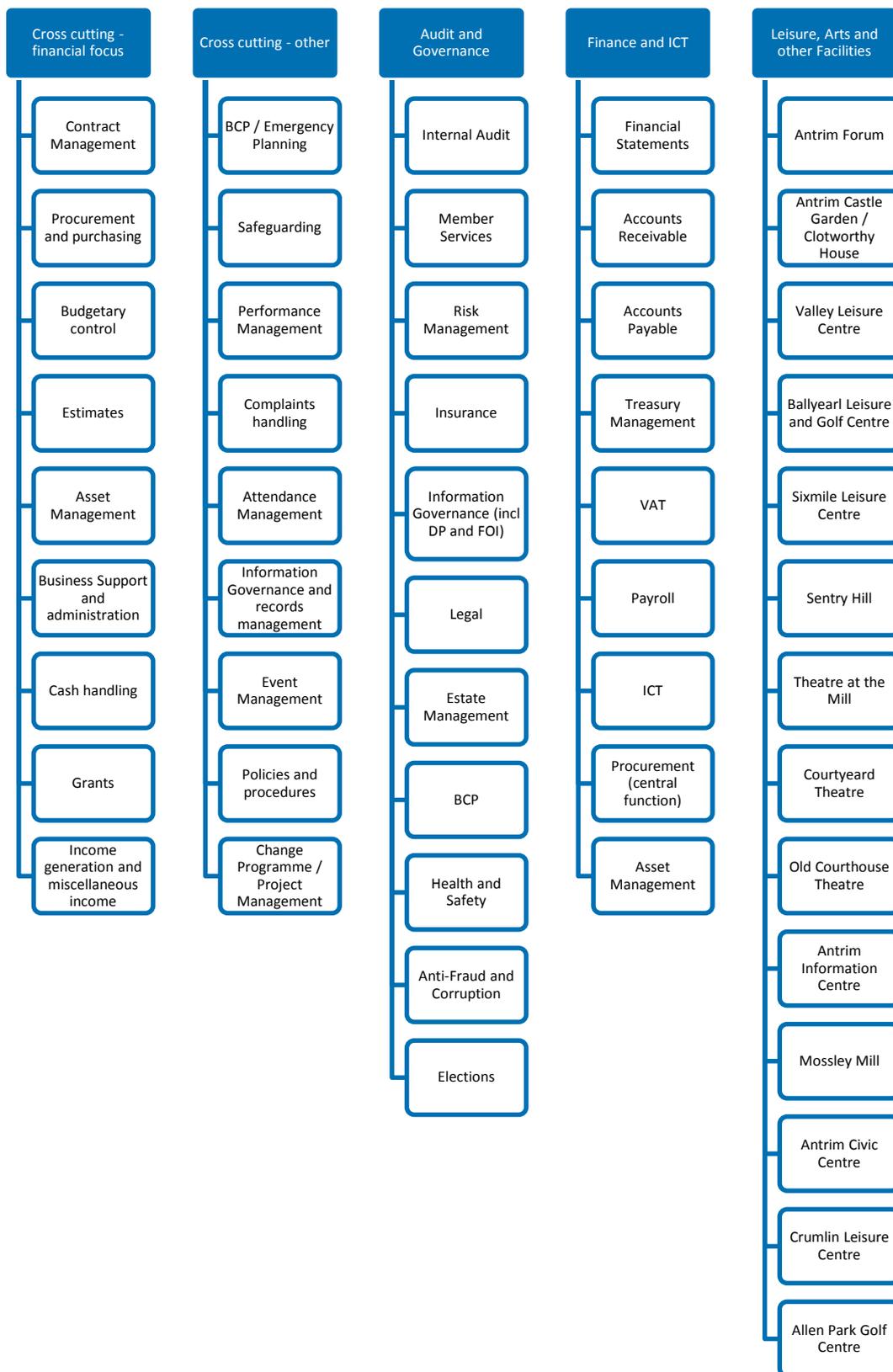
"Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management / control processes." (PSIAS 2120.C2 and PSIAS 2130.C1)

"When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risk." (PSIAS 2120.C3)

3 Auditable Areas

The diagram below represents the high level auditable areas of the ANBC. These areas form the basis of the internal audit plan.





4 Risk Assessment and Strategy 2015-18

Ref	Auditable Area	Inherent Risk Rating	Percentage reduction (as a result of controls)	Audit frequency	2015/16	2016/17	2017/18	Comments e.g. Details of Independent Assurance providers or other risk mitigation (negating need for Internal Audit assurance)
A	Cross-cutting							
A.1	Financial Focus							
A.1.1	Contract management	23	34%		✓	✓	✓	Given the nature of contract management, Internal Audit has adjusted the inherent rating upwards, given the amount of spend on goods and services. The significance of the control assigned (34%) would put this into the "Advice and guidance" category; however this has been adjusted upwards as NIAO would expect that Internal Audit audits contract management each year. This was audited in NBC in 2014/15 and has previously figured in the Annual Governance Statement.
A.1.2	Procurement and Purchasing	14	36%		✓	✓	✓	The scoring attributed to this area as derived from the risk registers has been overridden. Procurement is a key risk area which NIAO focuses on – given the amount of spend on goods and services. Therefore the frequency of this auditable area has been set to "red".
A.1.3	Budgetary Control	36	39%			✓		
A.1.4	Estimates							This process is already subject to considerable scrutiny through the rates setting process (using the terminology discussed by HM Treasury in its guide on Assurance Frameworks, it is subject to "second line of defence" assurance (i.e. strategic oversight) – therefore though this is an important area, Internal Audit will not provide any independent assurance in this area.

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Ref	Auditable Area	Inherent Risk Rating	Percentage reduction (as a result of controls)	Audit frequency	2015/16	2016/17	2017/18	Comments e.g. Details of Independent Assurance providers or other risk mitigation (negating need for Internal Audit assurance)
A.1.5	Asset Management						✓	This area is not explicitly referenced in the risk registers of the two legacy organisations; however it is an important area in terms of spend / value and in terms of reputational risk. It has therefore been assigned a "yellow" audit frequency (i.e. every three years). This area relates to the financial management of day to day assets and the associated physical security and verification process – as distinct from Estates Management (C.1.7) and Facilities Management (E.7)
A.1.6	Business Support and administration							This will not be covered in isolation as the functions undertaken by Business Support and Administration will be covered through other auditable areas.
A.1.7	Cash handling	19	51%		✓	✓	✓	The reputational and fraud risks associated with this area are, in Internal Audit's opinion, high. Therefore Internal Audit has set aside management's assessment of risk and attributed a "red" audit frequency rating to this area. A new customer services team will be put in place in 2015/16. Any new cash handling process will therefore be considered in 2016/17.
A.1.8	Grants	27	25%		✓		✓	
A.1.9	Income generation and miscellaneous income	32	37%				✓	
A.2	Other							
A.2.1	Business Continuity Planning (BCP) / Emergency Planning	35	51%				✓	In 2015/16, there are likely to be a number of changes that are required in respect of Emergency Planning as a result of the changes to PSNI boundaries. In addition, the Business Continuity Plans of both Councils will need aligned. Internal Audit will therefore look at this in 2016/17 to provide assurance that this has taken place and is appropriate for the new Council.
A.2.2	Safeguarding	25	44%				✓	

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Ref	Auditable Area	Inherent Risk Rating	Percentage reduction (as a result of controls)	Audit frequency	2015/16	2016/17	2017/18	Comments e.g. Details of Independent Assurance providers or other risk mitigation (negating need for Internal Audit assurance)
A.2.3	Performance Management	13	51%			✓		Though the ratings assigned by management would put this into the "green" audit frequency rating, Internal Audit has adjusted this upwards given that performance management is a fundamental function that can help to drive the Council's strategic objectives. It has therefore been assigned an audit frequency of "yellow".
A.2.4	Complaints Handling				✓			This does not feature explicitly within the risk register of either legacy organisation. As per DFP's FD (DFP) 09/14, Complaints Handling should be built into Internal Audit's Plans and Strategies. Therefore this has been included with an audit frequency of every three years.
A.2.5	Attendance management	24	54%			✓		The Time Management System (TMS) as implemented in Newtownabbey is being brought into ANDC. Therefore in 2016/17, Internal Audit will assess the application of the TMS system across the whole organisation.
A.2.6	Information Governance and Records Management	35	60%		✓		✓	
A.2.7	Events management	12	50%				✓	This area covers Public Health issues – such as environmental health issues, crowd control etc.
A.2.8	Policies and procedures					✓		
A.2.9	Change Programme / Project Management				✓		✓	
B	Organisation Development							
B.1	Human Resources	25	53%			✓		This area will consider recruitment arrangements – for example screening (Access NI checks). It is also important to consider the accuracy on PAMS – which records details around: attendance; monitoring, increments, salary, personnel details etc.

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Ref	Auditable Area	Inherent Risk Rating	Percentage reduction (as a result of controls)	Audit frequency	2015/16	2016/17	2017/18	Comments e.g. Details of Independent Assurance providers or other risk mitigation (negating need for Internal Audit assurance)
B.2	Learning and Development	36	61%				✓	Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downward as they would consider it to be a lesser risk than some of the other amber rated areas. It has therefore been assigned an audit frequency of "yellow". In year three, we will consider the processes around mandatory training – to ensure that it is delivered and is kept refreshed. We will also consider whether information from individual's Personal Development Plans (PDPs) are being addressed (as applicable) through training.
B.3	Marketing, communications and consultation	36	52%			✓		Possible areas of focus: - Review of aggregate marketing spend and how effectively this is being used. - Review of usage of internet, social media governance etc
B.4	Equality and diversity	14	34%					
B.5	Registration (Births, Deaths & Marriages)	40	88%				✓	Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downward as they would consider it to be a lesser risk than some of the other amber rated areas. It has therefore been assigned an audit frequency of "yellow". General Register Office (GRO) provide assurance in this area.
B.6	Cemeteries Administration	30	66%		✓			
B.7	Performance Management (policy and monitoring)	20	50%			✓		
B.8	Workforce planning	33	43%				✓	
B.9	Corporate / business planning	19	50%			✓		This will be looked at in Year 2 of the new Council

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Ref	Auditable Area	Inherent Risk Rating	Percentage reduction (as a result of controls)	Audit frequency	2015/16	2016/17	2017/18	Comments e.g. Details of Independent Assurance providers or other risk mitigation (negating need for Internal Audit assurance)
C	Finance and Governance							
C.1	Audit and Governance							
C.1.1	Internal Audit	27	57%					An annual review of the effectiveness of Internal Audit is completed for review and approval of the Audit Committee. An independent review is also completed at least once in every five years.
C.1.2	Member Services	44	68%			✓		Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downward as they would consider it to be a lesser risk than some of the other amber rated areas. It has therefore been assigned an audit frequency of "yellow".
C.1.3	Risk Management				✓		✓	Under Public Sector Internal Audit Standards (2120), "The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes". At present Risk Management sits within the remit of Internal Audit and as such needs to be managed carefully to avoid any conflict of interest. Internal Audit provides a facilitation / challenge role only in respect of risk management. The assessment of risk and the mitigations to address the risk rest solely with management and it will be this element that will be the subject of Internal Audit.
C.1.4	Insurance	33	45%			✓		
C.1.5	Information Governance (including Data Protection (DP) and Freedom of Information (FOI))	35	60%		✓		✓	
C.1.6	Legal	24	57%			✓		
C.1.7	Estate Management	32	13%				✓	
C.1.8	Business Continuity Planning (BCP)	16	38%				✓	This will be looked at in conjunction with A.3.

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Ref	Auditable Area	Inherent Risk Rating	Percentage reduction (as a result of controls)	Audit frequency	2015/16	2016/17	2017/18	Comments e.g. Details of Independent Assurance providers or other risk mitigation (negating need for Internal Audit assurance)
C.1.9	Health and Safety	36	46%		✓		✓	
C.1.10	Anti-Fraud and corruption	42	65%			✓		
C.1.11	Elections							The Council already has assurance over this process via the Electoral Office.
C.2	Finance and ICT							
C.2.1	Financial Statements	32	56%					The Council already receives independent assurance on its financial statements from the Northern Ireland Audit Office (NIAO)
C.2.2	Accounts Receivable	32	56%		✓		✓	
C.2.3	Accounts Payable	38	53%			✓		
C.2.4	Treasury management	48	81%		✓		✓	
C.2.5	VAT	21	68%			✓		
C.2.6	Payroll	29	64%		✓	✓	✓	
C.2.7	ICT	38	60%			✓		An (external) review is being undertaken of the ICT functions' readiness for Local Government Reform (the procurement exercise is underway as at February 2015). The results of this exercise and subsequent work streams will need to be factored in when considering Internal Audit activity in this area.
C.2.8	Procurement (Central Function)	27	43%		✓		✓	This will be looked at in conjunction with A.2
C.2.9	Asset Management	16	33%				✓	This will be looked at in conjunction with A.3.

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Ref	Auditable Area	Inherent Risk Rating	Percentage reduction (as a result of controls)	Audit frequency	2015/16	2016/17	2017/18	Comments e.g. Details of Independent Assurance providers or other risk mitigation (negating need for Internal Audit assurance)
D	Operations							
D.1	Leisure, Arts and other facilities							
D.1.1	Antrim Forum	42	43%		✓			Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downward. It has therefore been assigned an audit frequency of "yellow".
D.1.2	Antrim Castle Gardens / Clotworthy House	42	43%			✓		Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downward. It has therefore been assigned an audit frequency of "yellow".
D.1.3	Valley Leisure Centre	42	43%				✓	Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downward. It has therefore been assigned an audit frequency of "yellow".
D.1.4	Ballyearl Leisure Centre (and Golf Centre)	42	43%		✓			Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downward. It has therefore been assigned an audit frequency of "yellow".
D.1.5	Sixmile Leisure Centre	42	43%			✓		Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downward. It has therefore been assigned an audit frequency of "yellow".
D.1.6	Sentry Hill	42	43%				✓	Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downward. It has therefore been assigned an audit frequency of "yellow".
D.1.7	Theatre at the Mill	42	43%		✓			Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downward. It has therefore been assigned an audit frequency of "yellow".
D.1.8	Courtyard Theatre	42	43%			✓		Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downward. It has therefore been assigned an audit frequency of "yellow".

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Ref	Auditable Area	Inherent Risk Rating	Percentage reduction (as a result of controls)	Audit frequency	2015/16	2016/17	2017/18	Comments e.g. Details of Independent Assurance providers or other risk mitigation (negating need for Internal Audit assurance)
D.1.9	Old Courthouse Theatre	42	43%				✓	Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downward. It has therefore been assigned an audit frequency of "yellow".
D.1.10	Antrim Information Centre	42	43%		✓			Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downward. It has therefore been assigned an audit frequency of "yellow".
D.1.11	Mossley Mill	30	55%			✓		
D.1.12	Antrim Civic Centre	42	43%				✓	Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downward. It has therefore been assigned an audit frequency of "yellow".
D.1.13	Crumlin Leisure Centre	42	43%				✓	Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downward. It has therefore been assigned an audit frequency of "yellow".
D.1.14	Allen Park Golf Centre	42	43%		✓			Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downward. It has therefore been assigned an audit frequency of "yellow".
D.2	Sports Development	15	33%					
D.3	Cemeteries	24	13%			✓		
D.4	Parks, Open Spaces and Playgrounds	10	40%				✓	Though the ratings assigned by management would put this into the "green" audit frequency rating, Internal Audit has adjusted this upwards – given the spend on parks maintenance. It has therefore been assigned an audit frequency of "yellow".
D.5	Domestic Waste	56	46%		✓		✓	Though the ratings assigned by management would put this into the "red" audit frequency rating, Internal Audit has adjusted this downwards – given the level of spend relative to other areas. It has therefore been assigned an audit frequency of "amber".

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Ref	Auditable Area	Inherent Risk Rating	Percentage reduction (as a result of controls)	Audit frequency	2015/16	2016/17	2017/18	Comments e.g. Details of Independent Assurance providers or other risk mitigation (negating need for Internal Audit assurance)
D.6	Commercial Waste	36	54%			✓		
D.7	Waste disposal and recycling	37	49%		✓		✓	
D.8	Fleet Management	32	53%			✓		
D.9	Central Stores					✓		
D.10	Enforcement	21	14%				✓	
D.11	Licensing				✓			
D.12	Environmental Health					✓		
D.13	Street cleansing	13	69%				✓	Though the ratings assigned by management would put this into the "green" audit frequency rating, Internal Audit has adjusted this upwards – given the spend. It has therefore been assigned an audit frequency of "yellow".
D.14	Fuel Management						✓	
D.15	Car Parks				✓			This is a new area for the Council and will therefore be looked at in year 1
E	Community Planning and Regeneration							
E.1	Community Planning	20	10%				✓	
E.2	Community Centres					✓		
E.3	Planning Services				✓		✓	
E.4	Tourism and Event Management	24	38%			✓		
E.5	Capital Projects	50	53%			✓		

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Ref	Auditable Area	Inherent Risk Rating	Percentage reduction (as a result of controls)	Audit frequency	2015/16	2016/17	2017/18	Comments e.g. Details of Independent Assurance providers or other risk mitigation (negating need for Internal Audit assurance)
E.6	Building Control	48	36%		✓			Though the ratings assigned by management would put this into the "amber" audit frequency rating, Internal Audit has adjusted this downwards – given the spend. It has therefore been assigned an audit frequency of "yellow".
E.7	Facilities Management / Property Services	23	52%			✓		Though the ratings assigned by management would put this into the "green" audit frequency rating, Internal Audit has adjusted this upwards – given the spend. It has therefore been assigned an audit frequency of "yellow".
E.8	Good Relations						✓	
E.9	Economic development / Regeneration	41	48%			✓		

5 Operational Plan 2015-16

Ref	Auditable Area	Days	High level overview of scope
A	Cross-cutting		
A.1.1	Contract management	20	Selection of a sample of contracts to assess whether those contracts are being managed to ensure that the Council is receiving what it is contracted to receive (in terms of pricing, quantity, quality, timeliness etc).
A.1.2	Procurement and Purchasing	15	Assessment of the newly aligned procurement process for the new Council with the testing of a sample of procurements to ensure that that process has been complied with.
A.1.7	Cash handling	-	Please refer to D.15 below – the focus of the cash handling audit for this year will be the newly acquired car parking function.
A.1.8	Grants	12	We will select one of the grant streams from Community, Planning and Regeneration to assess the procedures in place to ensure that grant recipients only receive monies when they demonstrate that they have fulfilled the relevant criteria.
A.2.4	Complaints Handling	10	Review of the processes in place to capture complaints and to ensure that they are dealt with promptly and appropriately and that any lessons that need to be learned are taken account of.
A.2.6	Information Governance and Records Management	18	Review of the arrangements in place to ensure that the Council is complying with its retention and disposal schedule (as signed off by PRONI).
A.2.9	Change Programme	10	Review of arrangements in place (eg. staff satisfaction surveys) to assess the culture within the new Council.
B	Organisation Development		
B.6	Cemeteries Administration	10	Selection of a sample of cemetery records to assess the integrity and accuracy of the computer records.
C	Finance and Governance		
C.1.3	Risk Management	20	Selection of a sample of risks from the risk registers to assess whether the controls cited are in place.
C.1.5	Information Governance (including Data Protection and Freedom of Information)	-	Please refer to A.2.6.

INTERNAL AUDIT STRATEGY 2015-18 AND OPERATION PLAN 2015-16

Ref	Auditable Area	Days	High level overview of scope
C.1.9	Health and Safety	12	Review of the processes in place in respect to incidents to ensure that they are appropriately recorded and investigated on a timely basis.
C.2.2	Accounts Receivable	25	Review of the invoicing arrangements in place at the various leisure centres, ensuring compliance with appropriate debt recovery procedures.
C.2.4	Treasury Management	7	Assessment of the arrangements in place to ensure compliance with the Council's Treasury Management Strategy.
C.2.6	Payroll	10	Selection of a sample of records in relation to New Starts, Leavers, Payroll Standing Data, Deductions etc to ensure payments made to Members and Officers are accurate.
C.2.8	Procurement (Central Function)	-	Please refer to A.1.2.
D	Operations		
D.1.1	Antrim Forum	-	Please refer to C.2.2.
D.1.4	Ballyearl Leisure Centre (and Golf Centre)	-	Please refer to C.2.2.
D.1.7	Theatre at the Mill	-	Please refer to C.2.2.
D.1.10	Antrim Information Centre	-	Please refer to C.2.2.
D.1.13	Allen park Golf Centre	-	Please refer to C.2.2.
D.5	Domestic Waste	10	Review of the arrangements in place to ensure that all domestic bins are serviced as planned.
D.7	Waste Disposal and Recycling	5	Review of the arrangements in place to ensure the Council is compliant with the conditions set out in the arc21 contract / Terms of Agreement.
D.11	Licensing	10	Selection of a sample of Entertainment Licenses to ensure that they have been granted after the appropriate scrutiny by officers and receipt of the appropriate fee.
D.15	Car Parks	10	We will assess the income collection arrangements in relation to car parks, focusing on the measures in place to ensure that cash collected is complete, held securely and banked promptly.

INTERNAL AUDIT STRATEGY 2015-18 AND OPERATION PLAN 2015-16

Ref	Auditable Area	Days	High level overview of scope
E	Community Planning and Regeneration		
E.3	Planning Services	25	To understand the processes and associated control environment within Planning. Review of the implementation plans for Local Government Reform with consideration given to the alignment and integration of the Planning Service into the Council. This will involve undertaking a detailed review of all processes managed by the Planning function including inter alia: contract management (ie. contact with service users); income process; application process, administration; and complaints handling.
E.6	Building Control	10	Selection of a sample of Building Control applications to ensure that they have been appropriately assessed and the correct fee has been received.
Total Engagement Days		239	

Other Audit Activity	Days
Ad Hoc Work	10
Administration	10
Advice, Guidance and Training	15
Annual Governance	20
Audit Committee	8
Audit Planning	5
Contingency	13
Investigations and Special Reviews	20
Follow Up Reviews	15
Attendance at the IAPG	4
Liaison with the NIAO	5
Management Meetings	5
Miscellaneous	5
National Fraud Initiative 2014/15	15
Risk Management	20
Stock Take and Cash in Hand Reconciliations 2014/15	20
Training	10
Total Other Audit Activity Days	200
Total Days	439

INTERNAL AUDIT STRATEGY 2015-18 AND OPERATION PLAN 2015-16

The Council's Internal Audit service is resourced with one full time Internal Auditor and one full time Assistant Internal Auditor. The available 'audit days' for the 2015/16 year are calculated as follows:

Total available days	732
Weekends	(208)
Available working days	524
Annual Leave (including carry over from 14/15)	(61)
Public Holidays	(24)
Available Audit Days	439

Appendix 1 – Internal Audit Charter

INTRODUCTION

Definition of Internal Audit

“Internal Audit 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 systematic, disciplined approach to evaluation and improve the effectiveness of risk management, control and governance processes”.¹

Requirement for Internal Audit

The requirement for Internal Audit is set out in the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 “a local government body must undertake an adequate and effective internal audit of its accounting records and of its system of risk management, internal control and governance processes using internal auditing standards in force from time to time”².

Requirement for a Charter

The Public Sector Internal Audit Standards (PSIAS) issued by HM Treasury (effective from April 2013), states that the purpose, authority and responsibility of Internal Audit must be formally defined in an Internal Audit Charter. Specifically:

Standard 1000.A1: The nature of assurance services provided to the organisation must be defined in the internal audit charter.

Standard 1000.C1: The nature of consulting services must be defined in the internal audit charter.

This document should be reviewed by the Chief Executive and be presented to the Audit Committee for approval.

The PSIAS also requires the charter to define the ‘board’ and ‘senior management’ of the Council; arrangements for appropriate resourcing; internal audit’s involvement in Anti-Fraud activities; and arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

For the purpose of the Internal Audit Charter, the ‘board’ is the Audit Committee and the ‘senior management’ is the Management Team.

The Charter will formally define the role of Internal Audit, ensuring compliance with the Standards.

¹ Public Sector Internal Audit Standards – Section 3

² Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 - Section 6 (1)

RESPONSIBILITIES AND OBJECTIVES

Internal Audit is responsible for the provision of an independent and objective opinion to the Chief Executive, the Management Team and the Audit Committee on the control environment comprising risk management, control and governance by objectively examining, evaluating and reporting on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources in achieving the Council's agreed objectives.

Internal Audit may also undertake other, non-assurance work (eg. provision of advice and guidance) at the request of management, subject to an identified need and the availability of resources.

In meeting its responsibilities, Internal Audit activities will be conducted in accordance with the Council's strategic objectives and established policies and procedures. In addition, Internal Auditors shall comply with the Code of Ethics and the PSIAS.

Internal Audit will co-ordinate with the work of the external auditors for their audit planning and assistance as required and work in partnership with other bodies to secure a robust internal control environment that protects the Council's interest.

The strategic objectives of internal audit are as follows:

- To contribute towards the Annual Governance Statement;
- To assist management with their controls, risk management and corporate governance processes;
- To contribute towards the annual Statement of Accounts; and
- To maintain up to date audit practices and knowledge.

ORGANISATIONAL INDEPENDENCE

The Internal Auditor takes authority from, and has the right of direct access to, the Chief Executive. The Auditor will formally report on a regular basis to the Audit Committee and more regularly on an operational basis to the Director of Finance and Governance. This arrangement is without prejudice to the direct accountability of Internal Audit to the Chief Executive and the Internal Auditor will retain the right of direct access to the Chief Executive at any time.

Internal Audit has no executive responsibilities. Responsibility for governance, risk management and internal control rests fully with line managers, who should ensure that arrangements are appropriate and adequate. Accountability for the response to the advice and recommendations of Internal Audit lies with the line managers who either accept and implement the advice or formally reject it. It is not an extension of, or substitute for the functions of line management.

Internal Audit must be sufficiently independent of the activities which it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations.

Audit advice and recommendations, including where Internal Audit has been consulted about significant changes to the internal control systems, are given without

prejudice to the right of Internal Audit to review and make further recommendations on the relevant policies, procedures, controls and operations at a later date.

The nature of this engagement lies primarily with the provision of assurance services. Internal Audit will only undertake non-assurance engagements aimed at improving governance, risk management and control. When performing such services, Internal Audit will maintain objectivity and not take on management responsibility. Any such services will be approved in advance by the Council via the Audit Committee.

REPORTING LINES AND RELATIONSHIPS

Internal Audit forms part of the Finance and Governance Department with the Internal Auditor reporting directly to the Director of Finance and Governance. The Internal Auditor also has direct right of access to the Chair of the Audit Committee and the Chief Executive. The Council has an Audit Committee to which the Internal Auditor reports at least four times a year.

The Internal Auditor will co-ordinate internal audit plans and activities with line managers, external audit and other review agencies to ensure the most effective audit coverage is achieved and duplication of effort is minimised. Internal Audit will endeavour to foster and maintain constructive working relationships with other review agencies; however, care will be taken to ensure that the Internal Audit service does not prejudice its effectiveness and independence.

Audit work will be planned in conjunction with management as far as possible. Pre-assignment meetings will be arranged to discuss significant business risks, management concerns and the timing of audit work.

Where the Internal Audit service needs to work with Internal Auditors of another Department (for example, NIAO), the roles and responsibilities of each party will be agreed and endorsed by each Chief Executive.

Internal Audit will offer the external auditor the opportunity to rely on their work where appropriate, provided this does not prejudice Internal Audit's independence.

SCOPE OF INTERNAL AUDIT

The scope for Internal Audit is 'the control environment comprising risk management, control and governance'. This means that the scope of Internal Audit includes all of the Council's operations, resources, services and responsibilities in relation to other bodies.

The scope of internal audit work may include review of the following areas:

- the relevance of established policies, plans and procedures, the extent of compliance with these and their financial effect;
- the adequacy of guidance;
- the appropriateness of organisational, personnel and supervisory arrangements;
- the extent to which assets and interests are accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value-for-money, fraud or other cause;

- the appropriateness, reliability and integrity of financial and other management information and the means used to identify, measure, classify, report and act upon that information;
- the integrity of computer systems, including systems under development; and
- follow-up action taken to remedy previously identified weaknesses.

AUDIT STRATEGY

The Internal Auditor will develop and maintain a strategy for providing the Chief Executive economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the Council's risk management, control and governance arrangements. The Internal Auditor's opinions are a key element of the framework of assurance the Chief Executive needs to inform the completion of the annual governance statement.

The strategy will be developed to meet the audit needs of the Council, as assessed by the Internal Auditor. The strategy will be approved by the Audit Committee; this approval will include acceptance of risks or other areas of potential audit coverage which cannot be resourced, and identification of consequent residual risk exposure.

The Audit Committee will be advised by the Internal Auditor that they are responsible for that residual exposure.

AUDIT APPROACH

Internal Audit Plans take the following hierarchical form:

- Audit Needs Assessment - An identification of the resources needed for the work required to be carried out.
- Strategic Plan - A plan of the review cycle covering a period of three years. This plan will be reviewed at least annually, setting out the areas to be covered with their review frequencies.
- Annual Audit Plan - This plan will identify the audits to be carried out in the coming year, defining the scope of individual audits and allocated resources. This plan will be for the Council's financial year.
- Individual Audit Engagements: Terms of Reference - A Terms of Reference document will be prepared in advance for each individual audit engagement. This document will outline review objectives, resources, locations, timetables, methods, procedures, supervisions, and reporting arrangements.

The scope and objectives, timing, and reporting arrangements will be defined and agreed for non-assurance works in the same way as for assurance engagements. Due to the requirements of independence and objectivity the Internal Auditor will not audit any risk management, control and governance processes developed with Internal Audit acting in its non-assurance role.

REPORTING

Annual reporting and presentation of audit opinion

The Internal Auditor is required to produce an annual report detailing the work which Internal Audit has undertaken during the financial year. This annual report is issued to the Chief Executive and to the Audit Committee.

This annual report includes the following:

- an opinion on the overall adequacy and effectiveness of the organisation's control environment;
- any qualifications to that opinion, together with the reasons for the qualification;
- a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- any issues the Internal Auditor judges particularly relevant to the preparation of the Annual Governance Statement;
- a comparison of the work actually undertaken with the work that was planned including a summary of the performance of the internal audit function against its performance measures and targets; and
- comment on conformance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance and improvement programme.

Audit engagement reporting

A report is issued on completion of each Internal Audit engagement for consideration by management. Final versions of these reports are issued to the relevant Director and Head of Service, the Director of Finance and Governance and the Chief Executive. In addition a summary report is issued to the Audit Committee.

Follow-up reviews will be undertaken to ensure that audit recommendations accepted by management have been implemented effectively.

Review of the Effectiveness of the Control Environment

The Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 state: 'A local government body must conduct a review at least once in each financial year of the effectiveness of its system of internal control.'³

Internal Audit forms part of the control environment within the Council. An assurance opinion is given on each engagement undertaken and an overall annual opinion is given on the control environment based on the work completed within the financial year.

This overall opinion is considered as part of the Review of the Effectiveness of the System of Internal Control which the Council is required to perform.

³ Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 - Section 4 (2)

FRAUD AND IRREGULARITY

Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud will be detected. Internal audit do not have responsibility for the prevention or detection of fraud. Managing the risk of fraud and responsibility for fraud prevention and detection rests with management. Internal Audit will be alert in all its work to risks and exposures that could allow fraud and will examine and evaluate the adequacy and effectiveness of management's actions to fulfil their obligation. Internal Audit's primary responsibilities in relation to fraud are to:

- Carry out audit engagements using due professional care and be alert in all their work to risks and exposures that could allow;
- Review procedures to safeguard assets so as to ensure that cost effective measures are in place to prevent, detect or defer fraud;
- Ensure that the prevention, detection and deterrence of fraud are also taken into account when new systems are designed or changes made to existing systems;
- Provide assistance, where required by management, in the investigation of fraud, but with a clear understanding that in so doing they are not fulfilling their primary internal audit role.

When fraud is suspected or detected, decisions to involve external agencies such as the police should be taken by line management. If Internal Audit does not consider that line management have made appropriate decisions in this respect, this should be reported internally to the Chief Executive.

The roles and responsibilities of all staff and counter fraud functions within the Council are clearly detailed in the Council Fraud Policy.

RISK MANAGEMENT & BRIBERY

The Internal Audit service will assist management in the development and review of sectional, departmental and the corporate risk registers through the facilitation of workshops and updating of documentation. The Internal Audit service will also assist with the Anti-Bribery activities throughout the Council such as updating policies and facilitating the updating of bribery risk assessments. The Internal Audit service will provide advice and guidance in these areas but all risks and actions are owned by management.

SPECIAL REVIEWS

The Internal Audit service may be required to carry out special exercises or reviews, at the direction of the Chief Executive or as requested by senior management. Where requests by management fall outside the planned work of the function this should be agreed with the Audit Committee.

INTERNAL AUDIT RESOURCES

The Internal Auditor is responsible for ensuring that the resources of the Internal Audit section are sufficient to meet its responsibilities and achieve its objectives, with the approval of the Audit Committee.

Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the Standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

The Internal Auditor is responsible for ensuring that the Internal Audit section achieves the appropriate mix of qualifications, experience and audit skills. The section conducts an annual performance appraisal, which sets out objectives for the forthcoming year and an ongoing development programme for Internal Audit staff.

QUALITY ASSURANCE AND IMPROVEMENT

The work of Internal Audit will be managed at each stage of operation to ensure that a continuously effective level of performance is being maintained, in conformance with the Public Sector Internal Audit Standards (PSIAS).

RIGHT OF ACCESS

Internal Audit has a right of access to all Council records, assets, personnel and premises and the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

POLICY

Internal Audit will systematically review and evaluate the policies, procedures and operations in place to:

- Advise on, formulate, and evaluate policy, within the responsibilities of the Chief Executive;
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations.

Internal Audit shall draw attention to any apparently uneconomical or otherwise unsatisfactory result following from a decision or long-established practice or policy. Internal Audit can also make a valuable contribution to policy effectiveness by providing advice and comment prior to policy implementation.

SYSTEMS DEVELOPMENT AND CHANGE

Internal Audit will establish links with management to ensure that it is informed about the development of new systems and changes to existing systems, both manual and automated that may affect the Council's risks and internal control system. It is advisable that the views of Internal Audit are given at an early stage and on a continuing basis, where major or complex systems are involved and where there are significant risk implications for the Council and its internal control system.

VALUE FOR MONEY

The role of Internal Audit in relation to value for money is as follows:

- As an integral part of its responsibility to evaluate the internal control system, Internal Audit will examine and evaluate the controls established by management to secure good value for money;
- As an integral part of its responsibility to evaluate risk management, Internal Audit will disclose weaknesses and non-effectiveness, over-control and poor value-for-money;
- Internal Audit may be required to conduct, or participate in, special value for money reviews.

Appendix 2 – Reporting Framework

Internal Audit must:

“report periodically to senior management and the board on the internal audit activity’s purpose, authority, responsibility and performance, relative to its plan. (PSIAS 2060)

“Communicate the results of engagements” (PSIAS 2400)

The following reporting framework will be adopted:

Report / deliverable	Nature of report / deliverable	Frequency / Timing	Issued to
Internal Audit Strategy	Plan of engagements over a three year period based on a risk-based assessment	Refreshed annually (April)	Audit Committee
Operational Plan	Details of resource requirements and high level overview of audit engagements	Annual (April)	Audit Committee
Internal Audit Charter	Defines internal audit’s purpose, authority and responsibility	Annually	Audit Committee
Individual Engagement reports	Results of the engagement - to include engagement’s objectives, scope, conclusions, recommendations and action plans	On conclusion of each engagement	Management (summary provided to Audit Committee through Audit Committee Update papers / Annual Report)
Audit Committee Update Paper	Summary of Internal Audit’s activity since the last Audit Committee update including the Summary of individual engagement	Prepared for each Audit Committee	Audit Committee
Follow up of recommendations / actions plans	Results of follow up work undertaken to establish whether and how effectively management has implemented recommendations / actions plans	Biannually – September and March	Management (summary provided to Audit Committee through Audit Committee Update papers / Annual Report)
Annual Report	Summary of Internal Audit’s performance relative to its plans – including: <ul style="list-style-type: none"> • Summary of individual engagement • Follow up engagements • The Quality Assurance and Improvement Programme • Overall assurance opinion 	Annually (April / May)	Audit Committee

Individual engagement reporting

In terms of the individual engagements, the framework provided below shall apply for assurance engagements only.

“Communication of the progress and results from consulting engagements will vary in form and content depending upon the nature of the engagement.” (PSIAS 2410.C1)

Individual finding ratings

The priority ratings for individual findings / action plans are as prescribed by the Department of Finance and Personnel, reference HIA (DFP) 01/12 and are as follows:

Prioritisation	Definition
Priority 1	An issue which requires urgent management decision and action without which there is a substantial risk to the achievement of key business/system objectives, to the reputation of the organisation, or to the regularity and propriety of public funds.
Priority 2	An issue which requires prompt attention, as failure to do so could lead to a more serious risk exposure.
Priority 3	Improvements that will enhance the existing control framework and / or represent best practice.

Engagement opinions

On completion of the audit engagement, Internal Audit forms an independent and objective opinion on the effectiveness of the controls reviewed during the audit. Internal Audit has adopted a 4 tier level of assurance (as prescribed by DAO (DFP) 07/13), as below.

To promote consistency between reports, the starting point for our overall opinion is determined by allocating points to each of the findings / action plans included in the report as follows:

Prioritisation	Points
Priority 1	10 points per finding
Priority 2	3 points per finding
Priority 3	1 point per finding

Using this scoring, we calculate the overall score for the audit which provides an indication of the likely level of assurance.

Level of Assurance	Definition	Total score (indicative)*
Substantial	There is a robust system of governance, risk management and control which should ensure that objectives are fully achieved.	6 points or less
Satisfactory	Overall there is an adequate and effective system of governance, risk management and control. While there is some residual risk identified this should not significantly impact on the achievement of objectives. Some improvements are required to enhance the adequacy and/or effectiveness of governance, risk management and control.	7 – 19 points
Limited	There is an inadequate and/or ineffective system of governance, risk management and control in place. Therefore there is significant risk that the system will fail to meet its objectives. Prompt action is required to improve the adequacy and/or effectiveness of governance, risk management and control.	20 – 39 points
Unacceptable	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. Urgent action is required to improve the adequacy and/or effectiveness of governance, risk management and control.	40 points and over

* The level of assurance assigned to any audit remains a matter of professional judgement for the Internal Auditor. There may be exceptional circumstances where, in the opinion of the Internal Auditor, the adequacy and / or effectiveness of the underlying system / process being subjected to audit, is not consistent with the level of assurance derived using the scoring mechanism outlined above. In this instance, the level of assurance derived using the scoring mechanism above can be overridden. Where this override has been utilised, this will be fully explained.

It should be noted that a 'Substantial' level of assurance does not necessarily equate to "full assurance". It is possible that a 'substantial' level of assurance could be awarded where minor improvements could still be made. Similarly an 'unacceptable' level of assurance would not necessarily mean that no controls are in place, but this level would normally be accompanied by a range of key actions for major control improvements.

Appendix 3 – Follow Up and Management's Acceptance of Risk

Follow Up Process

Internal Audit must:

“establish and maintain a system to monitor the disposition of results communicated to management.” (PSIAS 2500)

“establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.” (PSIAS 2500.A1)

“monitor the disposition of results of consulting engagements to the extent agreed upon with the client.” (PSIAS 2500.C1)

Internal Audit is responsible for monitoring progress and ensuring management actions have been effectively implemented. Where management action has not been implemented, Internal Audit must confirm that senior management have accepted the risk of not taking action.

A follow up process has been established to proactively monitor the progress of implementing the agreed management actions.

On completion of the audit engagement, management actions will be recorded on a tracking spreadsheet, including details of the time frame for implementation, management responses and prioritisation of finding.

Follow up work is normally undertaken biannually for the six months to September and March. Management will be provided with 'reminders' on a monthly basis advising of the actions due to be implemented within that month. Management will be asked to self-certify the implementation status of those agreed actions.

Where management has self-certified that the agreed action is fully implemented, Internal Audit will validate this status on a risk based approach. Internal Audit will validate, at a minimum:

- All Priority 1 actions, regardless of the overall opinion attributed to the audit
- Priority 2 actions arising from audits for which the overall opinion is 'Limited' or 'Unacceptable'.

Internal Audit may, at its discretion, validate the implementation status of any remaining Priority 2 actions or any Priority 3 actions.

A summary of the follow up work will be provided to the Senior Management Team and the Audit Committee on a biannual basis.

Communicating the Acceptance of Risk

“When the Internal Auditor concludes that management has accepted a level of risk that may be unacceptable to the organisation, the Internal Auditor must discuss the matter with senior management. If the Internal Auditor determines that the matter has not been resolved, the Internal Auditor must communicate the matter to the board.” (PSIAS 2600)

When the Internal Auditor believes management has accepted a level of residual risk that may be unacceptable to the Council, the Internal Auditor will discuss the matter with the relevant Head of Service. If the decision regarding the residual risk is not resolved, the Internal Auditor will report the matter to the Chief Executive and the Director of Finance and Governance. This will also be reported the Audit Committee.

Appendix 4 – Quality Assurance and Improvement Programme

Internal Audit must:

“develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.” (PSIAS 1300)

“communicate the results of the quality assurance and improvement programme to senior management and the board” (PSIAS 1320)

“The quality assurance and improvement programme must include both internal and external assessments.” (PSIAS 1310)

Internal Audit's quality assurance and improvement programme aligns with PSIAS 1300 and the International Professional Practices Framework (IPPF) Practice Guide: Quality Assurance and Improvement Programme (March 2012). It seeks to assess the efficiency and effectiveness of the Internal Audit function and identify opportunities for improvement.

Internal assessments

“Internal assessments must include:

- *Ongoing monitoring of the performance of the internal audit activity; and*
- *Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.” (PSIAS 1311)*

Internal Audit monitors and self-assesses its performance through the use of Key Performance Indicators and through feedback from auditees.

Key Performance Indicators (KPIs)

The following key performance indicators have been established to measure the performance of the Internal Audit.

Key Performance Indicator (KPI)	Target
Percentage of Terms of Reference agreed at least one week prior to the audit commencement	75%
Percentage of audit recommendations agreed by management	100%
Percentage of draft audit reports issued within two weeks of fieldwork completion	100%
Percentage of final reports issued within one week of receipt of management responses	100%

Individual engagement feedback forms

Satisfaction surveys shall be issued for each completed review. The following is assessed:

Question
Overall Expectations
Overall evaluation of Internal Audit's performance was good
Internal Audit added value to your Department / Directorate
Planning
Audit objectives were understood and agreed to before the work began
The proposed audit approach was communicated effectively
The work was scheduled at an appropriate time
Execution of Work
Work was performed efficiently and effectively in an acceptable amount of time
Disruption to daily activities was minimised as much as possible
Findings and Reporting
Findings were a fair representation of issues identified
Findings were communicated in a timely manner
Recommendations were meaningful, relevant and a useful source of information
Reports were clearly written and logically organised
Service Delivery
The Auditor demonstrates adequate knowledge of areas to be audited
The Auditor understood your concerns and issues
The Auditor exhibited professionalism and courtesy
The Auditor worked well with your team
The Auditor focused on relevant issues
The Auditor was creative in exploring alternatives
I would be content to ask the Internal Auditor for help in a situation warranting their attention?

Respondents are asked to assess each of the areas above on a scale of one to five as follows:

5 - Strongly agree; 4 – Agree; 3 – Neutral; 2 – Disagree; 1 - Strongly disagree

External assessments

“External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation”. (PSIAS 1312)

For ANBC, an external assessment must be carried out during or before 2019/2020.