

INTERNAL AUDIT

**ANNUAL INTERNAL
AUDIT PLAN**

2016 - 2017

Endorsed: 16/06/2016

B Grogan
Audit and Risk Committee Chair

Approved: 25/07/2016

Peter Byrne
Chief Executive Officer

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1. Introduction

Internal Audit is constituted as per the *Local Government Act 2009* and reports to the General Manager, Organisational Services for operational purposes and to the Audit and Risk Committee for its oversight role. Internal Audit plays a role in assisting the Council, Audit and Risk Committee and Chief Executive Officer ('CEO') in the performance and discharge of their functions and duties.

Internal Audit's approach is to conduct integrated risk-based audits. Based on the risk assessment, the general direction of Council's Internal Audit Activities for the year is documented in this 'Annual Internal Audit Plan.'

The Internal Audit Charter also requires that this Annual Internal Audit Plan be reviewed and approved by the CEO taking into consideration the views of the Audit and Risk Committee.

2. Internal Audit Approach

Internal Audits are performed in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA Standards). Internal Quality Audits are performed in accordance with AS/NZS ISO 19011:2014 Standard which provide guidelines for auditing Management Systems.

3. Budget and Staffing

Staffing consists of one Internal Auditor and one Quality Auditor. In addition, a budgeted amount of \$30,000 has been set aside for the use of contractors to conduct internal audits of a specialist nature.

4. Audit Plan Objectives

The objectives of the Annual Internal Audit Plan are to:

- identify auditable activities, areas and processes of Council for audit in the year applicable to this plan; and
- allocate appropriate resources to the audits identified for the year based on estimated Internal Audit resources available.

The objectives of Internal Audit are to focus on risk, opportunity or where there is high reliance on controls to:

- Assist Council perform the functions imposed on it by legislation or accreditation bodies¹.
- Assess whether accounting standards and other prescribed requirements in respect of the establishment and keeping of accounts have been complied within all material aspects.
- Assess whether resources are being used economically and efficiently, and management system objectives are being achieved effectively.
- Identify, encourage, develop and report better practices.
- Assess controls and the control environment.

¹ The Internal Quality Auditor audits business management systems including surveillance audits required for accreditation.

5. Days Available for Audit Activities

The IIA Standards require that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan. Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Internal Audit believes that the resources are currently sufficient to meet this plan (assuming no change to expected budget).

The available working days for the Internal Auditor and Quality Auditor have been calculated below:

Calculation of Available Days for Internal Auditor & Quality Auditor			
	Internal Auditor	Quality Auditor	Total
Workdays for the year (52 weeks x 5 workdays)	260	260	520
Deduct for the following:			
Public Holidays	10	10	20
Recreation Leave	20	20	40
Rostered Days Off	18	18	36
Sick Leave	15	15	30
Other Activities / Duties*	47	47	94
Total number of available days in 2016/2017	150	150	300

Table 1: Available days

* Other Activities / Duties (see descriptions in section 8.2) include the following:

- Audit and Risk Committee preparation, facilitation and assistance;
- General Manager and Sustainable Finance Manager meetings and preparation;
- consulting, advice, assistance and presentations;
- Internal Audit Plan preparation;
- organisation, supervision and liaison with external and contract auditors;
- quality self-assessment, annual report and performance assessment;
- recommendations (updating and monitoring);
- review of charters, manual and website;
- conferences and seminars;
- training and professional development;
- management of the Integrated Management System;
- training of the Integrated Management System; and
- organisation, supervision and liaison with staff.

6. Program of Audits and Activities

Based on the table above, the Internal Auditor and Quality Auditor have 150 days (30 weeks) each in 2016/2017 to dedicate to the following audits.

Specific Audit Activity	Proposed Quarter	Link to Corporate Risk Register
Calibration and Measurement Traceability	3	Failure of corporate business systems
Cash Handling, Receipting and Banking <ul style="list-style-type: none"> Moore Park Holiday Park Elliott Heads Holiday Park Burnett Heads Holiday Park Waste Facilities 	2 2 3 4	Corporate fraud
Commercial Invoicing	3	Corporate fraud
Consultation & Communication	2	Failure to recognise, comply with or properly manage Council's statutory obligations
Corporate Purchase Cards	1	Corporate fraud
Emergency Preparedness	1	Death or serious injury to an employee, contractor, member of the public Failure to embed corporate risk management processes
Evaluation of Technical Competence	2	Provision of Skilled and Capable workforce Failure to ensure the public health and wellbeing of the public.
ICT Maturity Assessment*	2	Failure of corporate business systems Failure to effectively manage, coordinate and review critical projects
Penetration Test*	3	Failure of corporate business systems
Procurement	3	Death or serious injury to an employee, contractor, member of the public Failure to embed corporate risk management processes
Records Management	1	Failure of corporate business systems Failure to recognise, comply with or properly manage council's statutory obligations
Road Maintenance Performance Contract	1	Infrastructure planning and delivery failing to meet future population demands

Specific Audit Activity	Proposed Quarter	Link to Corporate Risk Register
Trade Waste Management	4	<p>Failure to recognise, comply with or properly manage Council's statutory obligations</p> <p>Failure of environmental protection measures at water and wastewater sites</p>

* A Contract Internal Auditor will be employed to conduct this audit.

The scheduling of the audits for the year may change after consideration of a number of factors, including risk ranking, management and Audit and Risk Committee consideration, state of new programs, previous commitments and availability of contract auditors.

New council activities, investigations, and changes in management / political requirements and sensitivities identified during the year may cause amendments to the audit program as agreed and established at the beginning of the audit year.

Any such changes shall be approved by the General Manager, Organisational Services.

7. **Backup Audits**

The following indicates possible replacement audits in case of cancellations and if they remain appropriate to be completed, for which the General Manager, Organisational Services' approval is required.

Backup Audits and Activities in Case of Cancellations	Link to Corporate Risk Register
Document Control	Failure of corporate business systems
Firearms Management	<p>Death or serious injury to an employee, contractor, member of public as result of Council activities</p> <p>Failure to embed corporate risk management processes</p>
Forecasting Long Term Sustainability	Failure to achieve a sustainable long-term financial position.
State Penalties Enforcement Registry (SPER)	Failure to achieve a sustainable long-term financial position.

8. Proposed Focus of Audits and Activities

8.1 Audits

In most instances better practices and procedures, risk analysis, controls effectiveness and sufficiency as well as performance management will be considered. (Integrated Auditing)

Calibration and Measurement Traceability: To assess whether Central Laboratory is complying with calibration and measurement traceability requirements of the management system and International Standard ISO/IEC 17025.

Cash Handling, Receipting and Banking: To assess the level of compliance with council's policies and procedures relating to cash handling processes and to determine if the risks of fraud and misappropriation are minimised / mitigated by internal controls.

Commercial Invoicing: To determine the efficiency and effectiveness of invoicing in commercial areas and whether it is done in accordance with council's policies and procedures.

Consultation & Communication: To assess whether an appropriate and complying consultative structure for Workplace Health and Safety Area Safety Committees has been established and whether the WHSR and Committee/s are resourced to effectively undertake the role and function.

Corporate Purchase Cards: To determine the adequacy of internal controls over corporate purchase cards and compliance with council's policies and procedures.

Emergency Preparedness: To assess whether council's emergency preparedness planning is sufficiently comprehensive to cover the full range of construction and maintenance activities to ensure an effective emergency response when an emergency situation arises.

Evaluation of Technical Competence: To assess whether activities within the scope of Central Laboratory NATA accreditation are being competently conducted at a technical level and in accordance with the documented quality system for determining conductivity of water and waste water.

ICT Maturity Assessment: To assess the Council's current level of ICT maturity.

Penetration Test: To evaluate the security of council's IT infrastructure.

Procurement: To assess whether Council determines its health and safety requirements prior to the purchase of goods and communicates those specifications to the supplier to anticipate hazards and avoid or minimize the risks connected with the use of the new equipment, materials or substances.

Records Management: To assess whether each Department complies with record keeping legislation in respect to use of Council's Electronic Document Record Management Systems and record keeping policy.

Road Maintenance Performance Contract: To assess whether Council is achieving the minimum requirements to be met by the Contractor specified in the evidence guide as an alternative to ISO compliance.

Trade Waste Management: To assess whether the regulation of Trade Waste generated on commercial properties is managed in accordance with Bundaberg Regional Council's Trade Waste Management Plan.

8.2 Other Activities / Duties

Audit and Risk Committee Preparation, Facilitation & Assistance: The provision of information, reports, assistance and advice to the Audit and Risk Committee including attendance at meetings.

General Manager and Sustainable Finance Manager Meetings and Preparation: Providing an update to the General Manager, Organisational Services and Sustainable Finance Manager and obtain support and guidance on important issues.

Consulting, Advice, Assistance and Presentations: Advice and assistance provided to management on an ad hoc basis by request. Requests estimated to involve more than three audit days would be evaluated in terms of the audit plan and approved by the General Manager, Organisational Services.

Internal Audit Plan Preparation: Time allocated to the revision and compilation of the Annual and Three-Year Internal Audit Plans, an examination of councils' auditable areas and consultation with council management to review the associated risks and audit priority in preparation for the upcoming audit years.

Organisation, Supervisions & Liaison with External and Contract Auditors: This is to record the amount of time spent to ensure a coordinated effort with external audit and with audit contractors on general administration and Council familiarisation.

Quality Self-Assessment, Annual Report and Performance Assessment: Development and maintenance of an internal quality assessment program and KPI's as required by the International Standards for the Professional Practice of Internal Auditing. This information also forms the basis for the information presented in the annual report.

Recommendations (Updating and Monitoring): Time spent monitoring, reporting, following up and updating the status of outstanding recommendations.

Review of Charters, Manual and Website: Work is required to update and maintain charters, manuals and information applicable to Internal Audit.

Conferences and Seminars: This classification is to be used to record the time spent in preparing for and attending conferences and seminars organised by Professional Bodies.

Training and Professional Development: This line relates to the time spent on formal training and professional development both in house as well as training with outside professional groups. Continued professional development is a requirement to maintain professional qualifications.

Management of the Integrated Management System: This relates to the time spent by the Quality Auditor maintaining the Integrated Management System to facilitate standardisation and control of council's policies and procedures, providing user support in the creation of project control plans and providing on-site quality assurance advice and assistance to various operational service areas.

Training of the Integrated Management System: This relates to the in-house training sessions that the Quality Auditor runs in how to use the Integrated Management System Portal.

Organisation, Supervision and Liaison with Staff: This line relates to the general administration and supervision of non-audit staff that the Quality Auditor is also in charge of.

8.3 Backup Audits

Document Control: To assess whether Central Laboratory has established and maintains procedures to control all documents that form part of its management system including digital, analogue, photographic or written.

Firearms Management: To assess whether a system is developed and implemented for the management of firearm safety in the workplace.

Forecasting Long Term Sustainability - To determine whether any issues raised by the QAO's Operational Audit on "Forecasting Long Term Sustainability in Local Government" requires addressing within Council.

State Penalties Enforcement Registry (SPER) - To determine the efficiency and effectiveness of utilising SPER to collect outstanding fines and identify any potential improvements.