



Redland
CITY COUNCIL

INTERNAL AUDIT

ANNUAL AUDIT PLAN
FY 2016/2017

Approved by: _____


Bill Lyon, CEO

Date: 29 June 2016

Endorsed by: AUDIT COMMITTEE

Date: 21 July 2016

REDLAND CITY COUNCIL
INTERNAL AUDIT
FY 2016/2017
ANNUAL AUDIT PLAN

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1. INTRODUCTION

The FY 2016/2017 Annual Internal Audit Plan is prepared pursuant to *Section 207 (1)-(4)* of the *Local Government Regulation 2012*.

2. AUDIT PLAN AND INTERNAL AUDIT 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.

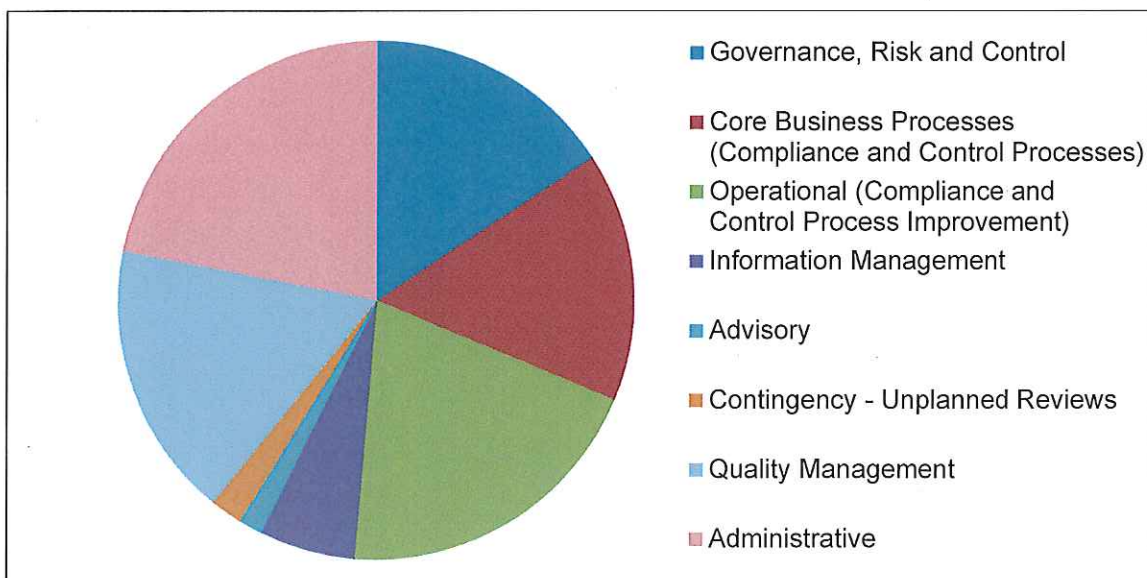
The objective of Internal Audit is to focus on highest risk, opportunity or where there is high reliance on controls to:

- Assist Council to perform the functions imposed on it by legislation;
- Assess whether accounting standards and other prescribed requirements in respect of the establishment and keeping of accounts have been complied with within all material respects;
- Assess whether resources are being used economically and efficiently, and system objectives are being achieved effectively;
- Identify, encourage, develop and report better practices (the opinion expressed in this regard is a measure of the extent to which improvements can be made which may lead to lower direct costs, better management of those costs, red-tape reduction and/or improved program outcomes); and
- Provide assurance on Council’s internal controls and the control environment and to make cost-effective internal control recommendations.

3. SCOPE

For FY 2016/2017, Internal Audit has continued to adopt a risk management approach to identify elements/functions of each department or business area to be reviewed, as well as reviewing basic and essential levels of internal controls.

The chart below shows a pictorial view of the Internal Audit activity where the Internal Audit resources will be utilised:



In summary the proposed Internal Audit activity allocation is as follows:

Internal Audit Activity	Total Internal Hours	Total External Hours	Total Hours %	Total Hours Prior Year %
Governance, Risk and Control	790		16%	16%
Core Business Processes (Compliance and Control Processes)	780		16%	25%
Operational (Compliance and Control Process Improvement)	1,008		20%	8%
Information Management	40	260	6%	6%
Advisory (incl. QAO Liaison & QAO Loss Reporting)	75		1%	1%
Contingency - Unplanned Reviews	100		2%	3%
Quality Management	865		17%	19%
Administrative (incl. training, budgets, staff issues, committee meetings, internal meetings, disaster management training, etc.)	1,103		22%	22%
Total	4,761	260	100%	100%

- **Governance, Risk and Control**

Governance, Risk and Control activities have been allocated 16% of total resourcing. This resourcing level is considered warranted to ensure essential levels of governance, risk management and internal control systems continue to operate effectively within Council. The planned activity to be undertaken for FY 2016/2017 is as follows:

- A review of Management of Right to Information and Information Privacy to ensure clear direction, compliance with legislation, transparent, consistent processes and efficient work practices with regards to the management of the Right to Information and Information Privacy processes.
- A review of Local Laws to ensure that (i) they are adequate and complied with and (ii) amendments subsequent to the recent Local Laws review project are appropriate and approved.
- A follow-up review of the Contract Management Framework after the implementation of the new Contracts Management System and the revision of the Procurement and Contract Manual. The review will assess whether contracts are adequately identified, recorded, managed and monitored.

- **Core Business Processes (Compliance and Control Processes)**

Core Business Processes (Compliance and Control Processes) have been allocated 16% of total resourcing which is a decrease over last year to account for changes in Council's risk environment. This resourcing level is considered warranted to ensure that the basic and essential levels of compliance and internal controls continue to operate effectively within Council. The planned activity to be undertaken for FY 2016/2017 is as follows:

- A review of the Infrastructure Planning and Charging processes to ensure that all the activities giving rise to the charges have been accurately and completely planned, captured and charged. This review was postponed from last year due to the establishment of the new Infrastructure Planning and Charging Unit during 2014.
- A review of Decommissioning of Assets to ensure that the retirement and disposal of Council's assets are appropriately planned for and processed, Council's policies and legislation are complied with and sales transactions and disposals are accurately and fully recorded.
- A review of the Invoice Approval process is a follow up to a previous Purchase to Pay Cycle review. This review is to evaluate the adequacy and effectiveness of the invoice approval process across Council.
- A review of the adequacy of controls over the Payroll processes relating to Leavers and Joiners. This review will include compliance with the Pre-Employment Screening requirements for joiners.

- **Operational (Compliance and Control Process Improvement)**

Operational (Compliance and Control Process Improvement) activities have been allocated 20% of total resourcing which is an increase from last year due to the changed risk environment. This resourcing level is considered warranted to ensure that the basic and essential levels of compliance and internal processes continue to operate effectively within Council. The planned activity to be undertaken for FY 2016/2017 is as follows:

- A review of Events Management, in particular to ensure transparency and appropriate recording and management of Council's Sponsorship-In-Kind contributions for public events.
- A review of Not-For-Profit Leasing Arrangements to ensure adequate management and recording of leased property in Council's database.
- Review of the Public Liabilities Claims Process to evaluate compliance with legislation and the appropriate review, approval and payment of claims.
- A review of Council's Sponsorship of the State Emergency Services operations to ensure that processes are transparent, payments are appropriately recorded and responsibility and accountability are clearly defined.
- A review of Plant Utilisation to evaluate the adequacy of controls and operational practices relating to the recording, allocation and utilisation of Council's plant for delivery of internal and external works.
- A quarterly Work Cover Review is undertaken by Internal Audit to ensure that confidential payments are adequately supported and recorded in Council's financial systems.

- **Information Management**

Information Management has been allocated 6% of total resourcing (1% internal resources and 5% external contractors). This resourcing level is considered warranted to undertake:

- A review of Access Management of Council's Corporate Systems to assess the effectiveness of the controls in place to ensure that access to Council's network and applications are authorised, appropriate and adequately monitored and managed.
- A review of Council's Electronic Document and Records Management System to ensure that the new system has been fully and accurately implemented and to evaluate whether Council's electronic documents and records are adequately managed and retained in accordance with legislation.

- **Advisory**

Internal Audit receives requests for assistance and advice during the year and 1% of total hours have been budgeted in the Audit Plan to provide this service to stakeholders.

This also includes liaison with the external auditors and ad hoc loss reporting to the Queensland Audit Office and the Department of Infrastructure, Local Government and Planning as appropriate.

- **Contingency - Unplanned Reviews**

A contingency allocation of 2% has been estimated for unplanned audit activity and special management requests.

In the event that it is not necessary to utilise the contingency hours allocated in the current year, audits will be sourced from FY 2017/2018 on the Audit Plan.

- **Quality Management**

This has been allocated 17% of the budget and includes time to allow for follow-up of audit recommendations for implementation by management, preparation of the annual and rolling three-year internal audit plan for FY 2017/2018 and provision of information, reports and assistance to the Audit Committee and other Committees. This also includes time for the implementation, configuration and testing of the remaining modules of the Audit Management application (TeamMate), a review and update of the Audit Manual and audit templates and process improvement activities.

- **Administrative**

This has been allocated 22% of the budget and includes general administration within the Internal Audit unit, including training in the form of continuous professional education as required by the Institute of Internal Auditors as well as disaster management training, attendance at the Local Government Internal Audit discussion groups and annual conference, budget preparation and review, monthly reporting, staff appraisals and staffing issues, Council internal meetings, reviewing of Council reports and internal documentation, emails and administrative support for the team.

4. **AUDIT ACTIVITY ALLOCATIONS**

Appendix 1 summarises the planned audit activity for the year showing the Quarter Allocation.

5. CONDUCT OF AUDITS

Audits are undertaken in accordance with all relevant requirements of the approved Internal Audit Charter, which includes the requirements of the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

6. RESOURCING

For FY 2016/2017, Internal Audit will resource its activities using Council's Internal Audit staff (95%) and contractors (5%).

The Internal Audit unit is made up of the Group Manager Internal Audit, a Senior Internal Auditor, an Internal Auditor and the occasional use of a Business Support Officer who performs Internal Audit administrative duties. The total budget for the unit for FY 2016/2017 is \$459,700 of which \$371,453 (81%) relate to Employee Costs, \$85,196 (18%) has been budgeted for Goods and Services and \$3,051 (1%) for Internal Charges.

An amount of \$14,047 has been included in the Goods and Services budget for fees to the external members of the Audit Committee and a further \$60,000 has been included for specialist contractors for the IT-related reviews scheduled for the current year.

The proposed resourcing per Internal Audit staff member per Internal Audit Activity for the year is as follows:

Internal Audit Activity	Total Internal Hours	GM IA %	Snr IA %	IA %	Cont %	Total %
Governance, Risk and Control	790	16%	52%	32%		100%
Core Business Processes (Compliance and Control Processes)	780	13%	45%	42%		100%
Operational (Compliance and Control Process Improvement)	1,008	12%	18%	70%		100%
Information Management	300	13%			87%	100%
Advisory (incl. QAO Liaison & QAO Loss Reporting)	75	60%	20%	20%		100%
Contingency - Unplanned Reviews	100	20%	35%	45%		100%
Quality Management	865	43%	44%	13%		100%
Administrative (incl. training, budgets, staff issues, committee meetings, internal meetings, disaster management training, etc.)	1,103	69%	19%	12%		100%
Total	5,021					

GM IA = Group Manager Internal Audit Snr IA = Senior Internal Auditor IA = Internal Auditor Cont = Contractor

7. ANNUAL AUDIT PLAN PREPARATION

The FY 2016/2017 Annual Internal Audit Plan is a risk-based plan and has been developed in consultation with a number of internal and external stakeholders and utilisation of internal and external resources, including:

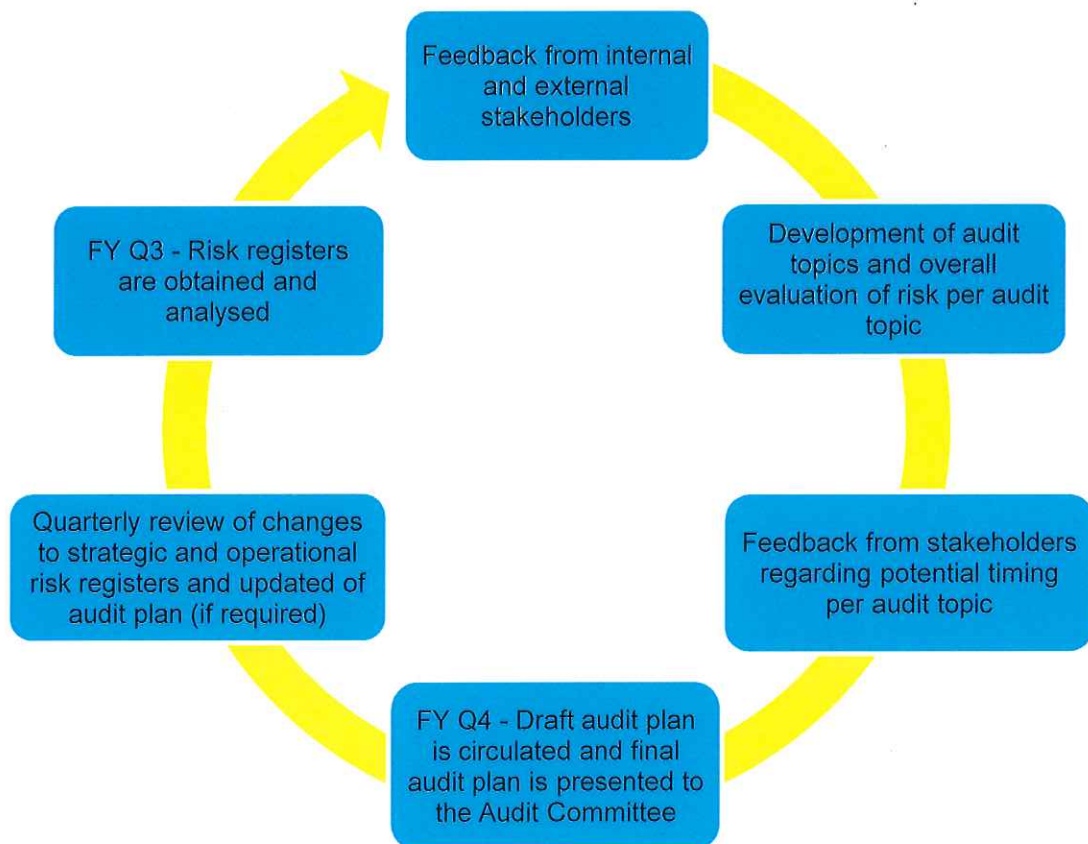
- Chief Executive Officer;
- Council's General Managers, Group Managers and Service Managers;

- Audit Committee Members (internal and external);
- External Auditors, to ensure proper audit coverage with minimum duplication of effort;
- Council’s Strategic, Operational and Activity Risk Registers;
- Council’s Community Plan, Corporate Plan, Operational Plan and Financial Strategy;
- Trends arising from Council’s Complaints Management Process;
- Auditor-General of Queensland’s Audit Reports to Parliament;
- The Local Government Internal Audit network; and
- Other available reports and consultations.

Council’s *Enterprise Risk Management Policy (Corporate POL-2701)* and its supporting framework form the basis for the development of the risk registers and the assessment of the individual strategic, operational and activity risks.

The risk ratings per the risk registers as evaluated by the individual departments, groups and units, together with the internal and external resources and influences, are used to assign an overall risk rating for each audit topic. The most significant risk areas are included in the current year’s audit plan, where possible, to ensure that the internal controls around these risks are reviewed and addressed as a priority. In some cases it may not be appropriate to include these items in the plan for the current year due to timing of projects or other influences; however, these would then be included in the rolling three-year Internal Audit Plan.

A schematic view of the process is as follows:



Appendix 2 shows the rolling three-year Internal Audit Plan for FY 2016/2017, FY 2017/2018 and FY 2018/2019.

8. ACTIVITY REPORTING**Audit Committee Reporting**

The Group Manager Internal Audit will provide a report to the Audit Committee three times per year at each full meeting. This report will detail, as a minimum:

- audit activities undertaken since the previous report;
- whether, in Internal Audit's opinion, appropriate action has been taken on significant audit findings;
- progress in meeting approved audit plan activities; and
- any issues likely to affect Internal Audit's performance in the coming quarter.

Annual Audit Report

At the conclusion of each financial year a report, covering audit activities conducted during the year, will be supplied to the Audit Committee by the Group Manager Internal Audit. This report will state whether the Annual Audit Plan has been completed, an explanation of areas not covered, and the general audit result.

APPENDIX 1

INTERNAL AUDIT PLAN AND QUARTERLY ALLOCATION

INTERNAL AUDIT PLAN AND QUARTERLY ALLOCATION
1 July 2016 to 30 June 2017

Audit Category	Audit Area	Department	Risk	Total Hours 2016/17	%	Total Hours Q1	Total Hours Q2	Total Hours Q3	Total Hours Q4
Governance, Risk and Control	Management of Right To Information and Information Privacy	Organisational Services	M	160	3%	0	0	0	160
	Data Integrity of Corporate Reporting (*)	Organisational Services	M	150	3%	150	0	0	0
	Local Laws	Organisational Services	M	180	4%	0	0	0	180
	Contract Management Framework	Legal Services	H	200	4%	0	0	40	160
	Conflict of Interest (*)	Human Resources	M	100	2%	100	0	0	0
Core Business Processes (Compliance and Control Processes)	Infrastructure Planning and Charging	Community & Customer Services	H	200	4%	0	0	200	0
	Asset Management - Decommissioning of Assets	Financial Services	M	200	4%	0	155	45	0
	Purchase to Pay Cycle - Invoice Approvals	Financial Services	M	180	4%	0	180	0	0
	Payroll - Leavers and Joiners (including Pre-Employment Screening)	Human Resources	M	200	4%	0	165	35	0
Operational (Compliance and Control Process Improvement)	Events Management - Sponsorship-In-Kind	Community & Customer Services	M	200	4%	200	0		0
	Not-For-Profit Leasing Arrangements	Infrastructure & Operations	M	200	4%	0	0	0	200
	Public Liability Claims Process	Organisational Services	M	200	4%		0	200	0
	Sponsorship of State Emergency Services	Organisational Services	H	200	4%	200	0	0	0
	Plant Utilisation	Organisational Services	M	200	4%	0	0	155	45
	Work Cover Quarterly Review	Organisational Services	M	8	0%	2	2	2	2
Information Management	Access Management of Corporate System	Organisational Services	H	150	3%	0	150	0	0
	Electronic Document and Records Management System	Organisational Services	H	150	3%	0	0	150	0
Advisory Internal Audit	Advisory			50	1%	15	15	15	5
	QAO Liaison			20	0%	5	5	5	5
	QAO Loss Reporting			5	0%	2	1	1	1
Contingency Internal Audit	Contingency - Unplanned Reviews			100	2%	25	25	25	25
Quality Management - Internal Audit	Planning 2017/18			100	2%	15	0	5	80
	Follow-up of Audit Recommendations			160	3%	40	40	40	40
	Review/Preparation of Audit Committee Papers, Agendas, Minutes, etc.			110	2%	45	30	30	5
	Review of Policies, Procedures, Guidelines, etc.			20	0%	20	0	0	0
	Audit Manual Update			40	1%	0	40	0	0
	Audit Committee Questionnaire			10	0%	0	0	0	10
	Internal Audit Self-Assessment			15	0%	0	0	15	0
	Audit Management System - Roll Out of Other Modules			150	3%	90	60	0	0
	Review of TeamRisk			130	3%	0	80	50	0
LEAN Process Improvement			130	3%	40	40	35	15	
Administrative Internal Audit	Administrative (including training, budgets and budget reviews, staff issues, committee meetings, etc)			1103	22%	291	330	256	226
	Grand Total			5021	100%	1240	1318	1304	1159

(*) Carry-over from prior financial year

APPENDIX 2

ROLLING THREE-YEAR INTERNAL AUDIT PLAN

**ROLLING THREE-YEAR INTERNAL AUDIT PLAN
2016/17, 2017/18 & 2018/19**

Audit Category	Audit Area	Department	Risk	Total Hours 2016/17	% Total Hours	Total Hours 2017/18	%	Total Hours 2018/19	%	
Governance, Risk and Control	Disaster Management and Business Continuity Planning Framework	Organisational Services	H			200	4%			
	Management of Right To Information and Information Privacy	Organisational Services	M	160	3%					
	Project Management Framework	Organisational Services	H			250	5%			
	Legislative Compliance Framework	Organisational Services	M					240	5%	
	Data Integrity of Corporate Reporting (*)	Organisational Services	M	150	3%					
	Performance Reporting - Corporate Scorecards	Organisational Services	M			200	4%			
	Local Laws	Organisational Services	M	180	4%					
	Policy Framework	Organisational Services	H					240	5%	
	Asset Management Framework	Infrastructure & Operations	H			200	4%			
	Procurement Governance	Legal Services	H					200	4%	
	Contract Management Framework	Legal Services	H	200	4%					
	Conflict of Interest (*)	Human Resources	M	100	2%					
Core Business Processes (Compliance and Control Processes)	Infrastructure Planning and Charging	Community & Customer Services	H	200	4%					
	Plumbing Services	Community & Customer Services	M			200	4%			
	Hire of Community Halls	Infrastructure & Operations	M					200	4%	
	Asset Management - Decommissioning of Assets	Financial Services	M	200	4%					
	Related Party Transaction Disclosures	Financial Services	M			200	4%			
	Recovery of Rates and Non-Rates Debtors	Financial Services	M					200	4%	
	Purchase to Pay Cycle - Invoice Approvals	Financial Services	M	180	4%					
	Purchase to Pay Cycle - Master File Changes	Legal Services	M			200	4%			
	Payroll - Leavers and Joiners (including Pre-Employment Screening)	Human Resources	M	200	4%					
	Contract Staff Through Agencies	Human Resources	M			200	4%			
	Payroll - Allowances	Human Resources	H					200	4%	
Operational (Compliance and Control Process Improvement)	Infringement Debt Recovery	Community & Customer Services	M					200	4%	
	Habitat and Wildlife Protection Extension Programs	Community & Customer Services	M					200	4%	
	Animal Management - Animal Adoption Program	Community & Customer Services	M			200	4%			
	Asset Management - Contributed Assets	Community & Customer Services	H					200	4%	
	RADF Grants	Community & Customer Services	M			200	4%			
	Community Grants	Community & Customer Services	M					200	4%	
	Events Management - Sponsorship-In-Kind	Community & Customer Services	M	200	4%					
	Asset Management - Maintenance of Waste Water Assets	Infrastructure & Operations	H					200	4%	
	Not-For-Profit Leasing Arrangements	Infrastructure & Operations	M	200	4%					
	Asset Management - Additions, Disposals and Physical Verification of Assets	Financial Services	M					200	4%	
	Water Charge Remission for Concealed Leaks	Financial Services	M			200	4%			
	Travel Expenditure and Authorisation	Human Resources	M					200	4%	
	Public Liability Claims Process	Organisational Services	M	200	4%					
	Community Engagement and Social Impact	Organisational Services	M			200	4%			
	Sponsorship of State Emergency Services	Organisational Services	H	200	4%					
	Plant Utilisation	Organisational Services	M	200	4%					
	Work Cover Quarterly Review	Organisational Services	M	8	0%	8	0%	8	0%	
	Information Management	Access Management of Corporate System	Organisational Services	H	150	3%				
		Software Asset Management	Organisational Services	M			150	3%		
		Business Intelligence	Organisational Services	H					150	3%
Electronic Document and Records Management System		Organisational Services	H	150	3%					
Business Continuity Planning/Disaster Recovery - IM		Organisational Services	H			150	3%			
Help Desk Management		Organisational Services	M					150	3%	
Advisory Internal Audit	Advisory			50	1%	50	1%	50	1%	
	QAO Liaison			20	0%	20	0%	20	0%	
	QAO Loss Reporting			5	0%	5	0%	5	0%	
Contingency Internal Audit	Contingency - Unplanned Reviews			100	2%	100	2%	100	2%	

Audit Category	Audit Area	Department	Risk	Total Hours 2016/17	% Total Hours	Total Hours 2017/18	%	Total Hours 2018/19	%
Quality Management - Internal Audit	Planning 2017/18			100	2%	100	2%	100	2%
	Follow-up of Audit Recommendations			160	3%	160	3%	160	3%
	Review/Preparation of Audit Committee Papers, Agendas, Minutes, etc.			110	2%	100	2%	100	2%
	Review of Policies, Procedures, Guidelines, etc.			20	0%	20	0%	20	0%
	Audit Manual Update			40	1%	40	1%	40	1%
	Audit Committee Questionnaire			10	0%			20	0%
	Internal Audit Self-Assessment			15	0%	20	0%	20	0%
	Audit Management System - Roll Out of Other Modules			150	3%	20	0%	20	0%
	Review of TeamRisk			130	3%	20	0%	20	0%
	Internal Control Universe					250	5%	0	0%
	LEAN Process Improvement			130	3%	150	3%	150	3%
Administrative Internal Audit	Administrative (including training, budgets and budget reviews, staff issues, committee meetings, etc)			1103	22%	1187	24%	1187	24%
	Grand Total			5021	100%	5000	100%	5000	100%

(*) Carry-over from prior financial year