

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 11th March 2015

Report of: AUDIT MANAGERS

Title: INTERNAL AUDIT PLAN 2015/16

Is this a Key Decision? No

Is this an Executive or Council Function? Council

1. What is the report about?

The Audit and Governance Committee has responsibility for approving the annual audit plan and ensuring that appropriate risk assessments have been carried out when formulating the plan. This report details the reduction in resources available for the 2015/16 plan and the processes (including risk assessment processes) undertaken by the Audit Managers when formulating the plan. It also seeks members' approval of the plan.

2. Recommendations:

- 2.1 That the reduction in the audit resource and therefore the reduction in the audit plan for 2015/16 be noted.
- 2.2 That the 2015/16 Internal Audit Plan be approved.

3. Reasons for the recommendation:

- 3.1 To meet the required savings within the internal audit service
- 3.2 To meet the terms of reference of the Audit and Governance committee.

4. What are the resource implications including non financial resources.

- 4.1 No additional resources implications

5. Section 151 Officer comments:

- 5.1 There are no financial implications contained within this report. The audit plan reflects the reduced resources within the Service. In the Section 151 Officer's opinion the resources are sufficient to maintain an effective Internal Audit function.

6. What are the legal aspects?

- 6.1 None.

7. Monitoring Officer's comments:

- 7.1 This report raises no issues for the Monitoring Officer.

8. Report details:

- 8.1 As a result of increasing financial pressures on local government, a review of the internal audit service has been undertaken with a view to making a 30% cost saving. As a result, with effect from 1 April 2015, staffing of the service will be reduced by 1 FTE Auditor from 3.4 FTE to 2.4 FTE. This reduction has been achieved by voluntary redundancy of the part time auditor post (0.4 saving) and by each of the remaining 3 full time posts voluntarily reducing hours to 4 days per week (0.6 saving) resulting in a cost saving on provision of the service of approximately £44,000.
- 8.2 With the reduction in resources comes a reduction in the number of audit days available within the audit plan which will reduce from 597 days in 2014/15 to 470 days in 2015/16.
- 8.3 The Internal Audit Strategy including the audit rolling plan was established in line with internal control and risk management best practice, and is used to establish the basis of the Audit Plan.
- 8.4 The Council's Internal Auditors use the 'Enterprise Risk Management Approach' (ERMA) they devised to check that there are adequate internal controls and separation of duties and that risk is adequately considered throughout the Council. This approach ensures that non-financial systems (such as corporate governance, health & safety and risk management) are afforded the same 'fundamental systems' status as the traditionally important financial systems (such as creditors, housing benefits, payroll and council tax).
- 8.5 The fundamental systems are audited on an annual basis using the Council's 'Enhanced Systems Based Auditing control matrices' testing papers as required by our external auditors, whilst the remaining 'non-fundamental' systems will be audited either biennially for medium risk systems or once during the four-year rolling plan cycle for low risk systems.
- 8.6 The Audit Plan has also been linked to the Corporate Risk Register and the appropriate risk reference is shown against the relevant audit in Appendix A.
- 8.7 The areas with the highest audit coverage are Creditors and Housing Benefits. Creditors is a high risk system as it has the potential for fraud and costly error to the Council. A significant amount of time is required to audit creditors due to the significant number of transactions processed. Housing benefits is considered high risk because of the national problem of external claimant fraud and the serious financial affect that would be caused should the Council's benefits subsidy claim be reduced due to significant input or classification errors.
- 8.8 In addition to the risk analysis, the Audit Managers have also discussed with Assistant Directors and Corporate Managers their strategic priorities, their responsibilities under the corporate risk register and to identify any specific concerns they may have. The outcomes of these meetings have also fed into the formation of the 2015/16 Internal Audit plan.

9. How does the decision contribute to the Council's Corporate Plan?

Contributes to the council's commitment to finding savings of £4 million over the next three years whilst recognising that an effective internal audit is part of good governance that enables the Council to operate an effective control environment and therefore contributes to the purpose 'A well run council'.

10. What risks are there and how can they be reduced?

Reduction in audit resources will result in the council accepting a higher level of risk that the control environment may not be operating as effectively as it might and that the risk of fraud and irregularity is increased. However, high risk areas will be prioritised within the plan with a view to reducing the Councils exposure to risk in those areas.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

12. Are there any other options?

Helen Putt/Helen Kelvey
Audit Managers

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275