

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 15th March 2017

Report of: AUDIT MANAGERS

Title: INTERNAL AUDIT PLAN 2017/18

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 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 2017/18 Internal Audit Plan be approved.

3. Reasons for the recommendation:

3.1 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 is produced on a risk management basis and is independent of all functions of the Council. It does however reflect discussions with management to identify new areas of risk and references the Corporate risk register where appropriate..

6. What are the legal aspects?

None identified

7. Monitoring Officer's comments:

This report raises no issued of concern to the Monitoring officer.

8. Report details:

- 8.1 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.
- 8.2 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).
- 8.3 All systems are assessed using an audit risk assessment matrix and High risk areas are audited on an annual basis using the Council's 'Enhanced Systems Based Auditing control matrices' testing papers, medium risk systems will be audited every other year and low risk areas once during the four-year rolling plan cycle. The risk assessment is reviewed annually to ensure that changes within services are considered.
- 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 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 2017/18 Internal Audit plan.
- 8.8 The areas with the highest audit coverage are Creditors, Housing and Contract Management. 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 is considered high risk because of current fraud trends towards tenancy fraud and right to buy fraud. Contract Management is an area identified as high risk and is currently undergoing a significant amount of system change.

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

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?

Systems of control can only ever provide reasonable, but not absolute, assurance that control weaknesses and irregularities do not exist, and that there are no risks of material errors, losses, fraud or breaches of laws or regulations. The Council is therefore continually seeking to improve the effectiveness of its systems of internal control.

Risks are further reduced by producing an annual audit plan linked to the Council's corporate risk register and prioritising the plan based on risk. Progress against the plan is reported to this Committee on a quarterly basis.

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?

N/A

12. Are there any other options?

N/A

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Audit Managers

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

Background papers used in compiling this report:-

None

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