

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 14th March 2018

Report of: AUDIT MANAGERS

Title: INTERNAL AUDIT PLAN 2018/19

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 2018/19 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.

No additional resources implications

5. Section 151 Officer comments:

The progress is noted. The reports this quarter have identified a number of issues, which management must seek to address in a timely manner

6. What are the legal aspects?

None identified

7. Monitoring Officer's comments:

This report raises no issues for 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 normally audited on an annual basis, medium risk areas every other year and low risk areas once during the four-year rolling plan cycle. However, the plan is under continual review throughout the year to ensure that any emerging risks are considered for review and should a revision to the plan be required a recommendation would be presented to this committee. The risk assessment is reviewed at least annually to ensure that changes that could affect the risk rating are considered which could consequently alter the frequency of audits.
- 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 obtained feedback from Strategic Directors and Corporate Managers about their priorities, their responsibilities under the corporate risk register and to identify any specific concerns they may have. They have also obtained feedback from the Chair and Deputy Chair of the Audit and Governance Committee. The outcomes of the feedback have been fed into the formation of the 2018/19 Internal Audit plan.
- 8.8 The areas with the highest audit coverage are Creditors, Housing and Contract Management. Creditors has the potential for fraud and costly error to the Council, it also requires significant amount of time to audit due to the number of transactions processed. Housing is considered high risk because of current fraud trends towards tenancy fraud and right to buy fraud. Contract Management has the potential to save the Council money if done well and this is an area which has been identified as an area for improvement by Internal Audit based on previous year's work.

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

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