
JOINT COMMITTEE

Subject Heading:

oneSource Internal Audit Plan

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Financial summary:

N/A

SUMMARY

The Public Sector Internal Audit standards refer to the need to produce a risk-based Internal Audit Plan. This should take into account the requirement to produce an annual internal audit opinion and report that can be used by each Council to inform the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. To support this, the risk-based plan needs to include an appropriate and comprehensive range of work. The report sets out the approach to producing the draft Internal Audit plan and invites comment from Members of the Joint Committee.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required.

REPORT DETAIL

The Accounts and Audit Regulations require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS) or guidance.

Internal audit is a key component of corporate governance within the Council. The three lines of defence model, as detailed below, provides a simple framework for understanding the role of internal audit in the overall risk management and internal control processes of an organisation:

- First line – operational management controls
- Second line – monitoring controls, e.g. the system's owner
- Third line – independent assurance (Internal audit forms the Council's third line of defence)

An independent internal audit function will, through its risk-based approach to work, provide assurance to each Council's Audit Board/Committee and senior management on the riskier and more complex areas of the Council's business, allowing management to focus on providing coverage of routine operations.

The work of internal audit is critical to the evaluation of the Council's overall assessment of its governance, risk management and internal control systems, and forms the basis of the annual opinion provided by the Head of Assurance which contributes to the Annual Governance Statement. It can also perform a consultancy role to assist in identifying improvements to the organisation's practices.

Officers of the Assurance Service have been involved in work with the Section 151 Officers and with senior management to update the Corporate Risk Registers. Horizon scanning work had already taken place with Heads of Audit, and through the Croydon Framework to identify common risk and audit themes. These, along with manager requests and audit cumulative knowledge and experience, have formed the basis of the plan. Combined plans were compiled for the three member councils. These identified target resources and some common audit themes. These allow for some efficiency to be driven by utilising acquired skills across boroughs where there are common risks. However each borough has its own unique objectives and approach to achieving these and these will be audited individually.

The plan is exclusive of Counter Fraud investigations but there is provision for Internal Audit staff to support Counter Fraud work across the 3 authorities on system related work. It should be noted that it is a statement of intent and can be revised or amended at any time should higher priority risks or issues be identified, and there is provision to address emerging risk.

Appendix 1 oneSource Internal Audit Plan Summary

Appendix 2 oneSource Internal Audit Detailed Plan for oneSource and LB Newham, LB Havering and LB Bexley.

REASONS AND OPTIONS

Reasons for the decision:

N/A

Other options considered:

N/A

IMPLICATIONS AND RISKS

Financial implications and risks:

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

By maintaining an adequate audit service to serve each Council, management are supported in the effective identification and efficient management of risks. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obligated to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work. Such failures may result in financial losses for the Council.

Legal implications and risks:

None arising directly from this report.

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from this report.

BACKGROUND PAPERS

Public Sector Internal Audit Standards

Risk Registers for oneSource, LB Newham, LB Havering & LB Bexley

Horizon Scanning – Challenges and Opportunities 2016 Mazars