

AUDIT COMMITTEE

9 May 2017

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| Subject Heading: | Audit Plan 2017/18 |
| CMT Lead: | Jane West Managing Director oneSource |
| Report Author and contact details: | Stuart Moore, Deputy Head of Assurance. Tel: 0203 0454947 E-mail: Stuart.moore@bexley.gov.uk |
| Policy context: | To inform the Committee of the proposed audit plan for 2017/18 |
| Financial summary: | N/A |

The subject matter of this report deals with the following Council Objectives

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| Havering will be clean and its environment will be cared for | [x] |
| People will be safe, in their homes and in the community | [x] |
| Residents will be proud to live in Havering | [x] |

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.

RECOMMENDATIONS

1. To approve the 2017/18 audit plan and Internal Audit Strategy & Charter.
2. To raise any issues of concern and ask specific questions of officers where required.

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| REPORT DETAIL |
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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 Officer and with senior management to update the Corporate Risk Register. 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 oneSource 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.

The work of the oneSource Internal Audit Team is underpinned by the Audit Charter and Strategy. This has been revised and updated. This is shown as Appendix 2.

Appendix 1 Internal Audit Plan for LB Havering

Appendix 2 Internal Audit Strategy & Charter

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 the Council, management are supported in the effective identification and efficient management of risks and ultimately good governance. 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.

Legal implications and risks:

There are no apparent risks in noting the content of the report. Failure to effectively manage risks is likely to have legal consequences.

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