



## AUDIT COMMITTEE 24 APRIL 2019

**Subject Heading:**

Internal Audit Plan 2019/20

**SLT Lead:**

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**Policy context:**

To inform the Committee of the proposed audit plan for 2019/20

**Financial summary:**

There are no financial implications arising from approving the audit plan/strategy. It is expected that the costs of implementing both will be contained within the oneSource revenue budget for internal audit.

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

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making 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 draft 2019/20 Internal Audit Plan and the Shared Service Internal Audit Charter and Strategy.
2. To raise any issues of concern and ask specific questions of officers, where required.

## REPORT DETAIL

### **1. Introduction**

1.1 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) and other guidance.

1.2 Internal audit is a key component of corporate governance within the Council. The three lines of defence model, as detailed below, provides a straightforward 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 policy or system owner / sponsor
- Third line – independent assurance

The Council's third line of defence includes Internal Audit, who should provide independent assurance to senior management and the Audit Committee on how effectively the first and second lines of defence have been operating.

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

1.4 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.

**2. Internal Audit Plan**

- 2.1 To develop the 2019/20 audit plan and to ensure that this reflects the Council's strategic risks, officers within the Assurance Service have been involved in discussions with the Section 151 Officer, Directors and senior management to review risks in their areas. This work identified that the Corporate Risk Register required refreshing. As a result, the Council's Risk Management Strategy has been revised – this is the subject of a separate report being presented this evening.
- 2.2 The draft plan has been developed using a thematic approach, in line with the Corporate Plan priorities for 2019/20. While some key risk areas and audits have already been identified, there is an allocation of time under each theme to carry out risk identification and service mapping. It is intended that this work will have a dual purpose by embedding the new Risk Management Strategy / informing the Corporate Risk Register; and identifying additional risk areas that would benefit from some audit work in 2019/20 and in future years.
- 2.3 The horizon scanning document, which discusses national and pan-London local government risks, has also been reviewed to assist in identifying common risk and audit themes and used to inform these discussions with Directors. This, along with senior management requests and audit cumulative knowledge and experience, has formed the basis of the plan.
- 2.4 Each borough in the shared service has its own unique objectives and approach to achieving these. Consequently, it is generally expected that individual audits will be conducted. However, where common risks have been identified across the 3 boroughs, there will be improved efficiencies by the sharing of skills and knowledge.
- 2.5 It is proposed that the 2019/20 plan is flexible to allow for changes in the risk and operational environment in which the Council operates. As noted above, work is currently underway to refresh the Council's corporate risk register. Any significant changes in the strategic risk environment will also be reflected in any future amendments to the plan.
- 2.6 The draft plan, as presented here, is a list of audit areas, covering the range of Council activities which, in conjunction with senior management, have been assessed as requiring assurance. As a result, it is intended that audit resources will be allocated to these tasks. However, the Plan will be subject to review throughout the year to ensure that any emerging risks are covered. The Audit Committee will be informed of all changes to the plan at the regular progress updates during the year. The draft plan totals 700 audit days.
- 2.7 The initial draft plan will be presented at a SLT meeting in April.

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2.8 Attached as Appendix 1 is the draft Summary Internal Audit Plan 19/20. The Plan is exclusive of Counter Fraud investigations but there is a provision for Internal Audit staff to support Counter Fraud work on system related work.

### **3. Internal Audit Charter and Strategy**

3.1 The work of the Internal Audit shared service is underpinned by the Internal Audit Charter and Strategy. This is attached as Appendix 2 and has been reviewed and updated for 2019. This defines Internal Audit's purpose, authority and responsibility, in accordance with the UK Public Sector Internal Audit Standards. It establishes Internal Audit's position within the Councils and clarifies reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of Internal Audit activities.

3.2 The Charter and Strategy also covers the role of the Head of Assurance and Internal Audit staff, and identifies the nature of professionalism, skills and experience required.

Appendix 1 Internal Audit Plan 2019/20 for LB Havering  
Appendix 2 Internal Audit Charter and Strategy 2019

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

There are no financial implications arising from approving the plan. The financial implications arising from implementation of the plan are predominantly staffing costs and associated resources. It is expected that costs will be contained within the oneSource shared budget for internal audit and any variance will be reported and addressed through budget monitoring processes.

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.