

**REPORT TO:** Business Efficiency Board

**DATE:** 7 February 2018

**REPORTING OFFICER:** Divisional Manager – Audit, Procurement & Operational Finance

**SUBJECT:** Internal Audit Plan – 2018/19

**WARDS:** Borough-wide

## **1.0 PURPOSE OF THE REPORT**

This report seeks the Board's approval for the planned programme of internal audit work for 2018/19.

## **2.0 RECOMMENDATION: That the Board**

- 1) Considers and approve the proposed Internal Audit Plan for 2018/19; and**
- 2) Approves the updated Internal Audit Charter.**

## **3.0 SUPPORTING INFORMATION**

- 3.1 A risk-based Audit Plan has been prepared in accordance with relevant professional guidance, i.e. the Public Sector Internal Audit Standards (PSIAS). The plan sets out the proposed internal audit activity for 2018/19.
- 3.2 The plan is designed to enable internal audit to deliver an overall opinion on the Council's risk management, control and governance arrangements. In prioritising audit coverage account has therefore been taken of the Council's corporate objectives and the overall assurance framework.
- 3.3 In preparing the plan consultation has taken place with senior management, external audit and the Chair of the Business Efficiency Board. The plan has also incorporated a number of reviews originally included in the 2017/18 Audit Plan that could not be completed during the year due to capacity issues.
- 3.4 The draft Audit Plan for 2018/19 is attached as an appendix to this report. The document provides information on the role of internal audit and the factors taken into account in developing the plan.
- 3.5 A total of 1,060 days of audit work are planned for 2018/19. This level of resource is based on a forecast staffing establishment of 5.21 FTE staff. The planned coverage is considered sufficient to deliver a robust annual audit opinion.
- 3.6 Performance against the Audit Plan will be kept under review throughout the year and quarterly progress reports will be provided to the Business Efficiency Board.

- 3.7 Internal Audit will continue to work closely with the Council's external auditor, Grant Thornton, to minimise duplication and to ensure efficient and effective deployment of the overall audit resource.

#### **4.0 INTERNAL AUDIT CHARTER**

- 4.1 The Public Sector Internal Audit Standards require that the internal audit service is delivered and developed in accordance with the internal audit charter. In Halton the Council has formally agreed that the provisions relating to internal audit set out in section 6.2 of Finance Standing Orders constitute the Council's internal audit charter.
- 4.2 The recent peer review of internal audit recommended that the charter was updated as follows:
- Include a date for review;
  - Be formally presented to the Business Efficiency Board for approval;
  - Include reference to the responsibility of the statutory officers with regards to Internal Audit;
  - Includes mention of the requirement for Internal Audit to be notified of any suspected or detected fraud, corruption or impropriety.
- 4.3 The charter has been updated to reflect these suggestions. The updated version is attached to this report and the revisions will be proposed as part of the current review of the Council Constitution.

#### **5.0 POLICY IMPLICATIONS**

Delivery of the Audit Plan will provide assurance that the policies and procedures established by the Council are implemented and remain appropriate.

#### **6.0 OTHER IMPLICATIONS**

- 6.1 The Council is required to comply with the requirements of the Accounts and Audit Regulations 2015, regarding its "arrangements to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".
- 6.2 Internal audit work supports the Operational Director – Finance in discharging his statutory responsibilities as Section 151 Officer in terms of ensuring the proper administration of the Council's financial affairs.
- 6.3 Internal audit work provides one of the key sources of assurance to the Chief Executive and Leader of the Council who are jointly required to sign the Annual Governance Statement (AGS). The purpose of the AGS is to declare the extent to which the Council complies with the principles of good governance.
- 6.4 There are no additional resource implications arising from this report.

## **7.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

- 7.1 Internal audit work supports the delivery of all the Council's priorities by promoting probity, integrity, accountability, efficiency and effective management of public funds.
- 7.2 The Audit Plan has been designed to provide assurance over the adequacy of the arrangements established to mitigate risks that may threaten the delivery of the Council's priorities.

## **8.0 RISK ANALYSIS**

- 8.1 The work of Internal Audit forms a key element of the Council's overall system of internal control. An effective internal audit service also helps to promote and implement best practice and process improvements in the management of risks.
- 8.2 The Public Sector Internal Audit Standards require the Head of Internal Audit to review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems and controls.
- 8.3 Changes to planned work may therefore become necessary during the year. Minor changes will be agreed with the Operational Director – Finance. Any significant matters that jeopardise completion of the plan or require substantial changes to it will be reported to the Board.

## **9.0 EQUALITY AND DIVERSITY ISSUES**

None identified.

## **10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

Public Sector Internal Audit Standards.