

INTERNAL AUDIT PLAN 2017-18

8th March 2017

Report Author	Head of the Audit Partnership: Christine Parker
Portfolio Holder	Cllr John Townend; Cabinet Member for Financial Services & Estates
Status	For Approval
Classification:	Unrestricted.
Key Decision	No

Executive Summary:

This report presents the Audit Charter for approval for the next three years and sets out the proposed Internal Audit Plan for 2017/18 detailing a breakdown of audits and an analysis of available days.

Recommendation(s):

That the Audit Charter be approved, for a period of 3 years from 2017-18, by Members.
That the 2017-18 Internal Audit Plan be approved by Members.

CORPORATE IMPLICATIONS

Financial and Value for Money	There are no financial implications arising directly from this report. The costs of the audit work are being met from the Financial Services 2017-18 budgets.
Legal	The Council is required by statute (under the Accounts and Audit Regulations and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function.
Corporate	Under the Local Code of Corporate Governance the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.
Equalities Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p>

	Please indicate which aim is relevant to the report.	
	Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	
	Advance equality of opportunity between people who share a protected characteristic and people who do not share it	
	Foster good relations between people who share a protected characteristic and people who do not share it.	
<i>There are no equity or equalities issues arising from this report.</i>		

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	X
Supporting the Workforce	
Promoting open communications	X

1.0 Introduction and Background

- 1.1 The purpose of the Council's Governance and Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 1.2 In accordance with current best practice, the Governance and Audit Committee should "review and assess the annual internal audit work plan". The purpose of this report is help the Committee assess whether the East Kent Audit Partnership has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with the professional standards for Internal Auditors.

2.0 Audit Charter

- 2.1 The Audit Charter is an important document setting out the expectations of how the Internal Audit function will be delivered. Not only does having a Charter and keeping it up to date assist the Council in complying with best practice, but by considering the Audit Charter, the Governance Committee is also demonstrating its effectiveness by ensuring that these mechanisms are in place and are working effectively.
- 2.2 The Audit Charter establishes the purpose, authority, objectives and responsibility of the East Kent Audit Partnership, it goes on to set out the Terms of Reference, Organisational Relationships and Independence, Competence and Standards of Auditors, the Audit Process and in providing an Internal Audit function to the partner councils; as well as the resources required across the four partnership sites and details how the resource requirements will be met.
- 2.3 The Audit Charter is attached as Annex A to this report. It is essentially the 'Why' and 'How' the East Kent Audit Partnership will provide the Internal Audit Service. It is a document that does not materially change from year to year and consequently it was suggested last year that this be approved for the next three years (to 31st March 2020) with the caveat that should any significant changes be required a revised Charter will be presented for consideration. Having undertaken a detailed self-

assessment against the revised Public Sector Internal Audit Standards (PSIAS) certain aspects of the Charter were refreshed, consequently the attached version contains the tracked changes as showing, so that the areas updated can be easily identified. It is proposed again, that subject to there being any future changes to the standard having a knock on effect to the Charter, this document will next be brought back to this Committee in March 2020.

3.0 2017-18 Internal Audit Plan

- 3.1 The Audit Plan for the year 2017 to 2018 is attached as Annex A and has the main components to support the Audit Charter. The Audit Charter was presented to the March 2016 meeting of this Committee at which time it was agreed for a three year period and will therefore be represented in March 2019. The plan is produced in accordance with professional guidance, including the PSIAS 2013. A draft plan is produced from an audit software database (APACE) maintained by the EKAP which records our risk assessments on each service area based upon previous audit experience, criticality, financial risk, risk of fraud and corruption etc. Then following discussions with senior management account of any changes within the Council over the last 12 months, and foreseen changes over the next have been made.
- 3.2 The plan has then been further modified to reflect emerging risks and opportunities identified by the Chief Executive, Directors, and the link to the Council's corporate plans and corporate risk register. This methodology ensures that audit resources are targeted to the areas where the work of Internal Audit will be most effective in improving internal controls, the efficiency of service delivery and to facilitate the effective management of identified risks.
- 3.3 There are insufficient audit resources to review all areas of activity each year. Consequently, the plan is based upon a formal risk assessment that seeks to ensure that all areas of the Council's operations are reviewed within a strategic cycle of audits. In order to provide Members with assurance that internal audit resources are sufficient to give effective coverage across all areas of the Authority's operations, a strategic plan has been included.
- 3.4 To comply with the best practice, the agreed audit plan should cover a fixed period of no more than 1 year. Members are therefore being asked to approve the 2017/18 plan at the present time, and the 2018/19 plan, 2019-20 plan, and the 2020/21 plan are shown as an indicative plan only, to provide Members with assurance that internal audit resources are sufficient to provide effective coverage across all areas of the Authority's operations within a rolling cycle.
- 3.5 The plan has been prepared in consultation with the Directors and the Council's statutory s.151 Officer. The plan is also designed to meet the requirements expected by the External Auditors for ensuring key controls are in place for its fundamental systems. This Committee is also part of the consultation process, and its views on the plan of work for 2017/18 are sought to ensure that the Council has an effective internal audit of its activities and Members receive the level of assurance they require to be able to place assurance on the annual governance statement.
- 3.6 The risk assessment and consultation to date has resulted in;
- 89% Core Assurance Projects - the main Audit Programme
 - 0% Fraud Work – fraud awareness, reactive work and investigating potential irregularities

- 0% Corporate Risk – testing the robustness of corporate risk mitigating action
- 11% Other Productive Work – Corporate meetings, follow up, general advice, liaison

Total number of audits 23.

For 2017/18 the days available for carrying out audit is 300 days. When compared to the resources available and working on the basis that the highest risk areas should be reviewed as a priority, the EKAP has sufficient resources to review all of the high risk areas and all of the medium risk areas this equates to 27 audits.

4.0 Benchmarking the level of Internal Audit Provision.

- 4.1 Members should have regard to how audit resources within the Council compare to other similar organisations when considering the adequacy and effectiveness of the internal audit plan. The results of benchmarking show that the average number of internal audit days provided by district councils within Kent is circa 400 days annum. The audit plan of Thanet District Council of 300 days plus their share of the EKS and East Kent Housing audit plans totals 380. The Thanet plan is therefore 5% less than the Kent average.

5.0 Head of Internal Audit Opinion of the 2016/17 Internal Audit Plan.

- 5.1 This report is presented to Members by the Council's Corporate Director whose s.151 responsibility it is to maintain an effective internal audit plan. In the interests of openness and transparency and in order to enable Members to make an informed decision on the internal audit plan presented for their approval consideration should also be given to the opinion of the Head of Internal Audit on the effectiveness of the plan.
- 5.2 Whilst it is recognised that resources are tight, there is no contingency built into the plan for any urgent unforeseen work and there are a small amounts of audits that have fallen outside of the strategic cycle; it is the professional opinion of the Head of the East Kent Audit Partnership that the draft 2017/18 internal plan presented for Members consideration represents an effective internal audit plan which ensures reasonable coverage of the vast majority of the Council's operations within a three year period. The Head of the East Kent Audit Partnership recommends that Members either approve the 2017/18 internal audit plan as drafted.

6.0 Options

- 6.1 That Members approve Audit Charter and the 2017-18 Internal Audit Plan as drafted.
- 6.2 That Members make suggested amendments to and approve the Audit Charter and 2017-18 Internal Audit Plan.

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Reporting to:	Tim Willis, Director of Corporate Resources & s151 Officer, Ext. 7617

Annex List

<i>Annex A</i>	<i>Audit Charter (with tracked changes showing)</i>
<i>Annex B</i>	Internal Audit Plan 2017-18

Background Papers

Title	Details of where to access copy
<i>Audit Charter 2016</i>	Previously presented to and approved at the 15 th March 2016 Governance and Audit Committee meeting.
<i>Internal Audit Annual Plan 2016/17</i>	Previously presented to and approved at the 15 th March 2016 Governance and Audit Committee meeting.

Corporate Consultation

Finance	Tim Willis, Director of Corporate Resources & s151 Officer
Legal	<i>Tim Howes, Director of Corporate Governance</i>