

**AUDIT COMMITTEE: 27 MARCH 2018**

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**INTERNAL AUDIT CHARTER 2018/19 and ANNUAL AUDIT PLAN, 2018/19**

**REPORT OF HEAD OF FINANCE**

**AGENDA ITEM: 10.3**

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**Reason**

1. The current Terms of Reference for the Audit Committee sets out the responsibility to approve the Internal Audit Strategy on an annual basis. The Terms of Reference also require members to approve the risk-based Internal Audit plan.
2. The Audit Committee has a responsibility to review its Terms of Reference on an annual basis. This report has been prepared to provide Audit Committee members with the details of the Internal Audit plan for 2018/19.

**Background**

3. At its meeting on 30<sup>th</sup> January 2018, the Draft Internal Audit Charter 2018/19 and Audit Plan 2018/19 were presented to Members for comment. The Audit Committee was asked to consider and provide comments in respect of the draft Charter and Audit Plan.
4. This report has been prepared to provide Audit Committee Members with confirmation of the minor word changes made to the Internal Audit Charter for 2018/19, which were requested at the last meeting. No changes to the Audit Plan were requested, and it has been further developed for approval by Audit Committee at this meeting. Discussions have been held with senior management in directorates to shape the plan, in addition to a risk-based methodology, in order to identify the activities of Internal Audit for 2018/19.
5. Accompanying the Charter is the final version of the Audit Committee Terms of Reference.

**Issues**

**Audit Charter**

6. The Internal Audit Charter set out in **Annex 1** is a formal document which establishes the Internal Audit Service's position within the organisation, the Audit Manager's functional reporting relationship with the Audit Committee, authorises access to records, personnel, physical properties relevant to the performance of engagements, and defines the scope of internal audit activities.
7. Appendix A to the Charter suggests the terms of reference for Audit Committee. The terms of reference may need to be revised when the CIPFA guidance on Audit Committees is received; the publication date for this document has been delayed and no definite publication date has been set out by CIPFA. Any changes will be brought to the attention of Audit Committee members as soon as possible after the guidance has been published.

## **Audit plan 2018/19**

8. The proposed plan for 2018/19 was presented to the Audit Committee in January 2018. Since that meeting, work has been undertaken to further develop the plan and identify the audits that will be undertaken. The plan is attached as **Annex 2** and more detail on the cyclical planning process is attached as **Annex 3**. This shows the various steps taken in the consideration of the audit plan for 2018/19.
9. Members will be aware that the internal audit resources are allocated over a number of broad categories of work:
  - (a) Fundamental audits
  - (b) Corporate governance
  - (c) Other assurance
  - (d) Service specific.
10. Fundamental audits cover the key areas of finance in order to provide the Section 151 Officer with assurance on the controls in place. These are set out under “Fundamental Audits” in Appendix B. Members will note that the number of fundamental audits has been reduced from those undertaken in previous years, with NDR, Treasury Management, and Main Accounting not being undertaken; this is proposed following a review of the controls and outcomes over the last two years. It was considered that, as the systems are well controlled, Internal Audit adds little value by annually auditing them.
11. Members will note that it was not originally proposed to include Asset Management or Income and Debtors in the audit plan for 2018/19, as audits of these areas are currently being reviewed in 2017/18. However, discussions with officers since the draft plan was reported in January have identified some areas where Internal Audit could add value; these have, therefore, been included in the plan by making minor changes to the number of days allocated to other fundamental audits.
12. Discussions have been held with the Council’s external auditor regarding auditing fundamental systems on a biennial basis and it has been agreed that Internal Audit will look to audit fundamental systems on such a basis. However, if there are any major system or operational changes during the year when it is planned not to undertake a full audit, an audit of that system will be added to the audit plan for that year (and the change reported to a meeting of this Committee).
13. The section of the plan related to Corporate Governance includes audits of the arrangements for risk management, performance management and information governance. The section for Other Assurance includes contract and computer audits.
14. A large proportion of days has, as in previous years, been allocated to Service Specific audits. As in 2017/18, the plan proposes to allocate a significant number of days within the directorates to the audit of key themes. The key themes for 2018/19 reflect the areas that risk assurance planning has identified as areas for attention due to the level of risk and are:
  - (a) Commissioning and Procurement;
  - (b) Budgeting and forecasting;
  - (c) Partnerships and collaborative governance;
  - (d) Value for Money; and
  - (e) ICT governance (Education and Lifelong Learning (schools) only)

15. The audits of commissioning and procurement will build upon the work undertaken in 2017/18 and will concentrate on contract management. The audits will also look at the implementation of the new Contract Standing Orders and Procurement Rules (which were approved at the meeting of the Council's Constitution Committee on 15<sup>th</sup> March 2018).
16. The plan allows a small amount of flexibility to undertake unplanned work. Any such assignments will be reported to the Audit Committee as part of the regular progress updates.

### **Legal Implications**

17. There are no legal implications arising from this proposal.

### **Financial Implications**

18. There are no financial implications arising from this proposal.

### **Recommendations**

19. To agree the Internal Audit Charter and Terms of Reference.
20. To approve the Internal Audit Plan, 2018/19

**IAN ALLWOOD**  
**HEAD OF FINANCE**

**Annex 1:** Internal Audit Charter 2018/19

**Annex 2:** Internal Audit Plan 2018/19

**Annex 3:** Cyclical Audit Planning