



Audit & Governance Committee  
12 April 2018

## Internal Strategy and Annual Audit Plan 2018/19

### **SUMMARY AND PURPOSE:**

The purpose of this report is to present the Internal Audit Strategy and Annual Internal Audit Plan for 2018/19 to the Committee.

Under-pinning the work of the Orbis Internal Audit Service in delivering the Annual Internal Audit Plan are the key principles and objectives as set out in the Internal Audit Strategy and Charter. These are presented alongside the Annual Internal Audit Plan for 2018/19 as good practice dictates that these should be updated and reviewed on an annual basis.

### **RECOMMENDATIONS:**

Members are asked to consider the contents of this report and Appendixes, and to approve the following:

- I. The Internal Audit Strategy (Annex 1)
- II. The Internal Audit and Corporate Fraud Plan (Appendix A)
- III. The Internal Audit Charter (Appendix B)

### **BACKGROUND:**

1. The statutory basis for Internal Audit in local government is provided in the Accounts and Audit Regulations 2015, which require a local authority to "*undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes*".
2. The Accounts and Audit Regulations contain the expectation that Internal Audit will take into account public sector internal audit standards or guidance. The Audit and Governance Committee recognises the mandatory nature of the Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013 (and revised 1 April 2016).

#### **Internal Audit and Corporate Fraud Strategy, and Plan (Appendix A & Annex 1)**

3. Under the PSIAS there is no longer a requirement to produce an Internal Audit Strategy. However, the Chief Internal Auditor is of the opinion that this is a useful document that links the work of Internal Audit to the Council's vision to be confident in Surrey's future.
4. Through approving the Orbis Internal Audit Strategy alongside the Annual Audit Plan for 2018/19, the link between the work of Internal Audit and the high level strategic vision of the Council is apparent.

### Development of the Internal Audit Plan

5. The Internal Audit Plan for 2018/19, which is a risk based programme of work, is set out at Appendix A. There are a number of core elements to the Internal Audit Plan which are likely to feature each year such as.
- (i) Reviewing corporate governance arrangements to inform the Annual Governance Statement
  - (ii) Grant certification
  - (iii) Irregularity contingency
  - (iv) Participation in the National Fraud Initiative (NFI)
- In addition to these elements, Internal Audit also carries out testing on an annual basis of many of the Council's key financial systems.
6. Once these core elements of the Plan and follow up reviews are accounted for, the remaining audits shown in the proposed Plan have been included based on a risk priority which has been assessed following:
- (i) Consultation with:
    - a. Heads of Service and other senior management
    - b. Members of the Audit and Governance Committee
    - c. S151 Officer
    - d. The Risk and Governance Manager
  - (ii) Consideration of risk registers
  - (iii) Areas of concern emerging from liaison with partners from East Sussex County Council and Brighton and Hove City Council within the overall Orbis Internal Audit partnership
  - (iv) Other Local Authority Internal Audit services through regional and national networking
7. The draft Plan, which attempts to demonstrate a link to the Council's strategic priorities, was also presented at a meeting of the Governance Panel on 21 March and has been agreed by the Section 151 Officer prior to this committee.
8. The Chief Internal Auditor is confident that the draft Internal Audit Plan at Appendix A provides comprehensive coverage across the Council's activities and addresses key areas of risk.

### Resources

9. The Internal Audit planned available days are as follows:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
<b>Plan Days</b>	2,069	2,117	1,989	1,780

11. Whilst the overall level of resource has reduced for 2018/19, as part of the Internal Audit contribution towards planned organisational savings, it is still considered to be sufficient to allow Internal Audit to deliver its risk based plan in accordance with professional standards<sup>1</sup> and to enable the Chief Internal Auditor to provide his annual audit opinion. Any impacts of such a reduction

have been mitigated as far as possible through efficiencies and additional resilience offered from the Orbis partnership as explained above.

### Internal Audit Charter (Appendix B)

13. The PSIAS require Internal Audit to have a Charter that has been formally approved and is regularly reviewed. The Charter attached at Appendix B reflects the PSIAS Local Government Application note which was published in April 2013 and has been refreshed in order to clarify the arrangements covering the appointment and removal of the Chief Internal Auditor as part of the Orbis Partnership.

#### **IMPLICATIONS:**

15. There are no direct implications (relating to finance, equalities, risk management or value for money) arising from this report. The Annual Internal Audit plan is designed to focus on key areas of risk and as such should help ensure effective risk management and support the achievement of value for money.

#### **WHAT HAPPENS NEXT:**

16. The Internal Audit team will deliver the 2018/19 Internal Audit Plan and Internal Audit reports will be produced and distributed in line with the Reporting and Escalation Policy.
17. Quarterly updates on completed audit work and performance against the 2018/19 Plan will be reported to the Committee throughout the year.

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