

6 March 2018		ITEM: 10
Standards and Audit Committee		
Strategy for Internal Audit 2017/18 to 2019/20 and Annual Internal Audit Plan 2018/19		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Gary Clifford – Chief Internal Auditor		
Accountable Assistant Director: N/A		
Accountable Director: Sean Clark – Director of Finance & IT		
This report is Public		

Executive Summary

In January/February 2017, a comprehensive Audit Needs Assessment (ANA) process was undertaken which involved attending meetings with each of the Directorate Management Teams (DMT's) to discuss the risks and priorities with Directors and senior management. As a result, a 3 year Strategy for Internal Audit 2017/18 to 2019/20 was developed. This report comments on the Audit Plan for 2018/19 which represents the second year of the three year Strategy.

1. Recommendation(s)

1.1 That the Standards & Audit Committee:

Receive and agree the Strategy for Internal Audit 2017/18 to 2019/20 and the Annual Internal Audit Plan 2018/19.

2. Introduction and Background

2.1 Following the comprehensive Audit Needs Assessment (ANA) process in January/February 2017, a 3 year Strategy for Internal Audit 2017/18 to 2019/20 was agreed by the Standards & Audit Committee on 28th February 2017. The Annual Audit Plan 2018/19 represents the work to be carried out in the second year of that Strategy. As part of the planning process, Internal Audit also considered a number of other sources including the External Auditor's Annual Audit and Inspection Letter, the Annual Governance Statement, Annual Governance Report and the risks arising from the Corporate Risk & Opportunity Register. New issues and potential emerging risks were also identified and discussed with senior management during the year. We also consider the results of our work in 2017/18 and concerns raised by the Standards & Audit Committee.

It is important to note that the Audit Strategy and plan is designed, in part, to test the control environment surrounding potential risks and key controls. Internal Audit will continually revisit the Strategy and Plan to reflect changes that may occur through restructure, new legislation and changes in working practices. The plan is dynamic and is likely to change during the year as priorities change, new regulations are introduced and the structure of the council is further developed. Any changes will be agreed by the Chief Internal Auditor and/or Director of Finance & IT and presented to members of the Standards & Audit Committee as part of the progress reporting arrangements.

3. Issues, Options and Analysis of Options

- 3.1 With the addition of 2 Assistant Internal Auditors in January 2017, the Chief Internal Auditor has developed an ambitious plan which will provide the Standards & Audit Committee with an increase in outputs, and as a consequence, provide greater assurance around the council's control, risk management and governance frameworks.

4. Reasons for Recommendation

- 4.1 For the Standards & Audit Committee to satisfy itself that:

- the Strategy for Internal Audit covers the organisation's key risks as they are recognised by the Standards & Audit Committee.
- the detailed Internal Audit Plan for the coming financial year reflects the areas that the Standards & Audit Committee believe should be covered as a priority.
- sufficient assurances are being received to monitor the organisation's risk profile effectively, including any emerging issues/key risks not included in the strategy or annual plan.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The Chief Internal Auditor consulted with all Directors and attended Directorate Management Team meetings. The plan was also presented to the Directors Board as a final draft before being brought before the Standards & Audit Committee.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The achievement of corporate priorities is a key consideration of the senior management and internal audit when they are discussing the areas that need to be included within the annual audit plan.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**

Chief Accountant

The Annual Audit Plan will be within the annually agreed budget for 2018/19.

7.2 Legal

Implications verified by: **Matthew Boulter**

Democratic Services & Governance Manager

The Council has the legal obligation to maintain an adequate and effective system of internal audit and the Council has delegated this responsibility to the Standards & Audit Committee. The report recommends that the Standards & Audit Committee receives and agrees the Strategy for Internal Audit 2017/18 to 2019/20 and the Annual Audit Plan 2018/19. The Strategy and the Annual Plan identify how the Section 151 Officer will deliver an effective internal auditing service for the Council, therefore there are no obvious adverse legal implications associated with receiving this report.

7.3 Diversity and Equality

Implications verified by: **Rebecca Price**

Community Development Officer

There are no direct diversity implications arising from this report.

7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

In terms of risk and opportunity management, the Internal Audit Plan and its outcomes are a key part of the Council's risk management and assurance framework. The Internal Audit Plan is based on risk assessments that include a review of the Council's Strategic/Corporate Risk & Opportunity Register.

8. Background papers used in preparing the report:

- The Accounts and Audit Regulations 2015.
- Public Sector Internal Audit Standards (PSIAS).
- CIPFA – PSIAS Local Government Application Note.
- Strategic/Corporate Risk & Opportunity Register.

9. Appendices to the report

- **Appendix 1** – Draft Strategy for Internal Audit 2017/18 to 2019/20 and Annual Internal Audit Plan 2018/19

Report Author:

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