

Audit Committee

23 March 2017



Title	Internal Audit Service Annual Plan 2017/18		
Purpose of the report	To note		
Report Author	Internal Audit Manager, Punita Talwar		
Cabinet Member	Councillor Howard Williams	Confidential	No
Corporate Priority	Financial Sustainability		
Recommendations	Not Applicable.		
Reason for Recommendation	Not Applicable.		

1. Key issues

- 1.1 This report sets out the work planned by Audit Services during 2017/18 in order to fulfil its statutory and professional requirements.
- 1.2 Accounts and Audit Regulations require local authorities '*to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices*'.
- 1.3 Internal Audit is defined as "*An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*" (Public Sector Internal Audit Standards).
- 1.4 The audit planning process is set out below:
 - 1.4.1 All auditable areas are identified (known as the 'Audit Universe'). These include:
 - Significant risks included in the Corporate Risk Register
 - Financial and fraud risks
 - Corporate systems and processes
 - Functions operating within Group areas
 - Information governance and security
 - Council acquisitions and Investments
 - Key Council projects and government led initiatives

- 1.4.2 In establishing the internal audit resource requirement and priorities for 2017/18 consideration has been given to existing sources of assurance. These include existing management controls (first line of defence), corporate review and monitoring processes (second line of defence) and independent sources of assurance such as Internal Audit (third line of defence).
- 1.4.3 Continued reliance will need to be placed on other sources of assurance (other than Internal Audit) where possible. During 2016/17 Internal Audit have continued to encourage Group Heads and Managers (representing the first line of defence) to provide assurance that controls in their functions/services are operating effectively, which contributes to a more efficient way of working as well as promoting Management ownership of risks and controls. Group Heads are now required to sign off final versions of audit reports to confirm that the report is factually correct and that the controls are operating as described.
- 1.4.4 Audit work is prioritised and time allocated to each area which is related to factors such as budgetary implications, value/volume of transactions, likelihood and impact of risks, known system weaknesses and vulnerabilities, changes in personnel, management requests for Internal Audit input and availability of Internal Audit staff.
- 1.4.5 The Internal Audit annual plan for 2017/18 will be delivered with a total resource of 1.55 FTE's plus some bought in time equivalent to approximately one third of a post. It is intended to continue commissioning experienced audit resource from Surrey County Council and it is reassuring that Group Heads have provided positive feedback about the calibre of Auditors used.
- 1.4.5 The Annual Plan is intended to be flexible allowing for periodical review to take into account changing priorities according to perceived risks.
- 1.5 Group Heads have been consulted during the audit planning process to identify emerging risks following the organisational restructure, which has been fed into the 2017/18 Audit Plan.
- 1.6 A copy of the Internal Audit Annual Plan Summary (2017/18) is attached at Appendix 1.

2. Options analysis and proposal

- 2.1 There are no options.

3. Financial implications

- 3.1 Not applicable.

4. Other considerations

- 4.1 There are no further considerations to be taken into account.

5. Timetable for implementation

- 5.1 The Internal Audit Annual Plan sets out work to be undertaken by the Internal Audit team during the 2017/18 financial year.

Background papers: There are none.

Appendices: Appendix 1 – Internal Audit Annual Plan– 2017/18.