

Committee: Standards and General Purposes Committee

Date: 15 March 2018

Wards:

Subject: Internal Audit Strategy, Plan and Charter 2018/19

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Peter McCabe -Chair of the Standards and General Purposes Committee

Contact officer: Margaret Culleton – Head of Internal Audit

Tel. 0208 545 3149 [Email: margaret.culleton@merton.gov.uk](mailto:margaret.culleton@merton.gov.uk)

Recommendations:

-
- 1. That members review and comment upon the 2018/19 Draft Internal Audit Strategy, Plan and Charter**
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The Draft Internal Audit Strategy, Audit Plan and Audit Charter 2018/19 are included in Appendix 1

2 DETAILS

- 2.1 The Internal Audit Plan has been compiled using the following planning mechanism:
 - The Corporate Risk Register
 - Financial systems audit reviews
 - Strategic audit plan and audit previously identified as limited
 - Areas of concern arising from fraud investigations and Whistleblowing concerns.
 - Departmental requests
 - Best Practice and knowledge of significant new initiatives
 - The Contracts Register
 - The Capital Programme
 - Service Plans
 - On-going projects and new IT systems
- 2.2 The Head of Audit provides copies of the draft plan to department directors and attends the departmental management teams where they may request audits to be added to provide assurance on their areas of risk. Comments are also obtained from their Heads of Services and key managers, departmental finance advisors.
- 2.3 Final Audit reports are sent to Directors and Heads of service in order to improve efficiencies.

Anti-fraud work

- 2.4 Audit days are included in the audit plan for Council-wide anti-fraud initiatives such as on-line fraud training and updating of anti-fraud policies.
- 2.5 Other anti-fraud work is, as far as possible, integrated into individual audits, e.g. an audit of payments would evaluate the controls in place that mitigate the risk of fraud and error. Fraud alerts and information provided by London Audit Group provide areas of potential fraud risk to the authority. Audits are included in the plan where risk is considered high.

Information Technology audits

- 2.6 The Internal Audit service will cover non specialist IT work, such as reviewing the controls in place on the main financial systems. 2018/19
- 2.7 Where IT audits are of a specialist nature, they require the detailed technical knowledge and expertise of a skilled IT practitioner; the framework contract with Mazars is used.
- 2.8 Additional work will be undertaken this year to review compliance on the new General Data Protection Regulations, which come into effect from May 2018

3 ALTERNATIVE OPTIONS

- 3.1. None for the purpose of this report.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. The draft Audit Plan has been sent to all Chief Officers who have consulted with their management teams. The Head of Audit meets with the members of departmental management team to discuss the audit coverage

5 TIMETABLE

- 5.1.1 The Internal Audit Plan will be the basis of Internal Audit's programme of work throughout the 2018/19 financial year. The timing of individual audits is considered in consultation with the Departments where possible.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. The audit plan is completed within the provision of existing resources.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1 The requirement to maintain an Internal Audit function is defined within legislation, some of which is outlined below:-
 - a) Section 151 of the **Local Government Act 1972** requires each Local Authority to *make arrangements for the proper administration of their financial affairs and to ensure that one of their officers is made*

responsible for the administration of those affairs.

- b) The **Accounts and Audit Regulations 2015** 3 (a) relevant authority must ensure that it has a sound system of internal control which—
(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and(c) includes effective arrangements for the management of risk.
5 (1) 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

7.2. The Director of Corporate Services is the designated officer responsible for ensuring compliance with these pieces of legislation. In a similar manner to a private company:-

- a) Elected Members will look to the Director of Corporate Services to provide them with an assurance as to the adequacy of the Authority's financial systems and system of internal audit.
- b) Chief Officers will also seek an assurance that the financial dealings within their departments meet the standard required.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. Effective and timely auditing and advice enables Departments, Voluntary Organisations and Schools to provide quality services to their clients. These client groups are often vulnerable members of the community, e.g. elderly people, disabled people, asylum seekers and members of staff and voluntary organisations. The audit service helps to identify weak financial management and sometimes reflects weaknesses in other operational systems such as quality and ethnic monitoring. Audit, therefore, has a crucial role in ensuring that Council resources are used to enable a fair access to quality services.

9 CRIME AND DISORDER IMPLICATIONS

9.1 There are no specific crime and disorder implications arising from this report.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1 The Audit Plan has a risk assessment formula built into the processing. This takes such aspects as expenditure, income, and previous audit findings into account and calculates priorities and the frequency of the audit.

10.2. In addition to the audit risk assessment formula the Corporate Risk Register is consulted during the production of the Draft Plan.

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

11.1 Appendix A - Merton's Draft Internal Audit Strategy, Plan

11.2 Appendix B South West London Audit Partnership Charter 2018/19

12 BACKGROUND PAPERS

12.1. Papers held within the Internal Audit Partnership