

**AUDIT COMMITTEE
19 JANUARY 2016**

DRAFT STRATEGIC AUDIT PLAN FOR 2016/17

Cabinet Member Councillor Peter Hare-Scott
Responsible Officer Audit Team Leader

Reason for Report: To present the Draft Strategic Audit Plan for 2016/17 to 2019/20 and the Draft Audit Work Plan for 2016/17.

RECOMMENDATION: The Committee considers the draft audit plans and feeds back any amendments for inclusion in the final Audit Work Plans due to be presented to this Committee on 15 March 2016.

Relationship to Corporate Plan: Effective Internal Audit is a fundamental element of being an economic, efficient and effective council and can assist with reducing costs and doing things differently and better.

Financial Implications: Inadequate Internal Audit coverage would mean that the Internal Audit Team Leader (IATL) cannot form an opinion as to the effectiveness of MDDC's internal control environment.

Legal Implications: Failure to produce a risk based audit plan would cause the Council to be in breach of the Public Sector Internal Audit Standards.

Risk Assessment: Without a strategic audit plan to adhere to, the Council is at risk of providing inadequate audit coverage on high-risk areas and no assurance on the control environment.

1.0 Introduction

1.1 The Public Sector Internal Audit Standards require that the IATL prepares a risk based strategic audit plan, which should take account of the adequacy and outcomes of the organisation's risk management, performance management and other assurance processes.

1.2 The IATL and Internal Audit team are intending to do a presentation at the committee meeting to give more information about the process and the matters to be considered in preparing the Audit Work Plans.

2.0 Risk Assessment Process

2.1 The number of available audit days has been allocated using a system of risk analysis. Criteria taken into account include materiality, changes to staff, legislation etc. The plan has also been updated to reflect changing priorities and previous audit report opinions.

2.2 Some areas viewed as high risk e.g. because of potential financial impact or damage to reputation are audited more frequently than the target 4-yearly minimum; these have all been scheduled annually/biennially as relevant.

2.3 Resources are of course finite so, where there are alternative forms of external assurance available, upon which reliance can be placed, these are taken into account in the allocation of time to reduce overlaps and gaps. Examples include QLM report on Leisure Health & Safety (especially the centres' Emergency Action Plans), SWAP on Wessex Home Improvement Loans, EDDC on Devon Home Choice and the work to gain the annual Public Computer Network Compliance Certificate.

2.4 Any weaknesses identified will of course be followed up in subsequent Internal Audit Work to verify that controls have been strengthened.

3.0 Core Audits

3.1 The "High" priority, annual audits remain: Council Tax/NNDR, Income & Cash Collection, Main Accounting System, Housing Benefits, Creditors, Housing Rents, Treasury Management, Payroll, Recovery and ICT Core. Also Trade Waste and Car Park Income scheduled for alternate years.

4.0 Systems Audits

4.1 The frequency of these is determined by the risk assessment. Some are scheduled as annual e.g. Gifts and Hospitality because the Head of Service for Internal Audit is also the Monitoring Officer. Some are biennial e.g. Data Protection and Corporate Health and Safety because of high financial impact and severe reputational damage if there was an incident.

4.2 There were 2 audits postponed from 2015/16, which were both perceived as low risk, these are included in the plan for the 2016/17 financial year. The remaining time has been allocated based on perceived risk to MDDC.

4.3 I am confident that this level of coverage combined with the prioritisation of higher risk audits will be sufficient for me to form an overall annual opinion on the internal control environment.

5.0 Other Work

5.1 The administration of SPAR and the Data Quality assurance checks completed on Committee reports will continue as usual.

5.2 If there is the need for additional work to be done in exceptional circumstances and additional resources are required the IATL will be able to call on the Head of Communities and Governance.

5.3 Fraud and consultancy work will be undertaken as required and resources allow.

6.0 Conclusion

6.1 This report outlines the Draft Annual Internal Audit Work Plan for 2016/17 which is attached at Appendix A and the Strategic four year Audit Plan attached at Appendix B.

- 6.2 The Internal Audit Team are doing a presentation about this plan as a separate item on the agenda to explain the process and the draft Plan itself including the risk assessment process.
- 6.2 The Internal Audit Leader would like feedback about any areas of concern to reflect in the Final Audit Plan to be presented for approval at the March meeting.

Contact for more Information: Catherine Yandle, Audit Team Leader

Circulation of the Report: Cllr Peter Hare-Scott and Management Team