

MIDDLESBROUGH COUNCIL

Corporate Affairs and Audit Committee Report

29 June 2017

Internal Audit – 2017/18 Annual Internal Audit Plan

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PURPOSE OF REPORT

1. This report seeks the final comments of the Corporate Affairs and Audit Committee to the 2017/18 Internal Audit Plan for Middlesbrough Council.

BACKGROUND

2. Internal Auditing is 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. The Internal Audit Plan, and its consideration by Corporate Affairs and Audit Committee, is a key element in the annual governance cycle of the Council. The Council is on a continuous improvement journey and so the content of the Plan is intended to support the Council on that journey.
3. The Council's internal audit service is provided by a shared service arrangement with Redcar and Cleveland Council. A shared service agreement has been documented between the two councils and includes a number of performance measures.
4. The Plan was presented to members of the Corporate Affairs and Audit Committee in draft format at its meeting in March so that Members were able to contribute to the consultation process by commenting upon the areas selected for review and the overall scope of the plan. Consultation has been made with the Chief Executive, the Strategic Director Finance, Governance & Support, DMTs and the external auditor.
5. The available budget for 2017/18 internal audit is just over £180K. The summary of the Plan included at **Appendix 1** includes 855 audit days which can be delivered within the budget. Progress against the final version of the Plan will then be reported to DMT/LMT and Members of the Committee by the Audit and Assurance Manager throughout the financial year.
6. The work carried out by TVAAS is aimed at providing assurance to the Council's senior officers, elected members and members of the public that the key risks faced by the Council are being managed effectively and that appropriate safeguards are in place for public funds and assets. The Plan is included at

Appendix 1 and is based on the key risks and priorities facing the Council. In addition to providing compliance and assurance assignments, Internal Audit will seek to support the Council on its continuous improvement journey by providing advice and guidance regarding appropriate controls at the point of system and process development. By doing this, effective controls can be identified at the outset. Contingency allocation has been built into the Plan to enable the Team to respond to requests for support as and when they arise during the year.

7. Each assignment has been included in the Plan for one of more of the following reasons:
 - It is linked to a key improvement area as included on the Council's Improvement Plan or to a new system or process.
 - It is linked to a key risk on the corporate or departmental risk registers.
 - It has been specifically requested by a director or head of service or previous audit work has identified the area as a known weakness requiring further review.
 - It is a material financial system to the Council and therefore some level of internal audit assurance is required on an annual basis both for the purposes of external audit and the annual governance statement.
 - It is linked to the need for internal audit to report on the control environment to management and Members throughout the year.
8. For each assignment, the Plan at **Appendix 1** also includes a very brief indication as to what the audit may cover but a detailed scope for each piece of work will be agreed with the relevant head of service, or director at the planning stage for each audit.
9. An audit plan should be flexible enough to respond to management requests, changes in priorities and new or emerging risks. Close liaison with the leadership management team, heads of service, risk management and performance management teams, external audit and departmental managers will produce audits that will add value to the Council's operations and will address the management of key risks.
10. Internal Audit, along with other assurance processes of the Council, have a statutory obligation under the Accounts and Audit (Amendment) (England) Regulations 2015 to provide assurance from the work they undertake in respect to the internal control systems operating within the Council.

FINANCIAL CONSIDERATIONS

11. Redcar & Cleveland Borough Council charges Middlesbrough Council for the provision of an internal audit service. Charges are based on a daily charge rate linked to the grade of staff involved in the audit work. The budget for 2017/18 is just over £180K, 50% of the budget in 2012/13 of £368K. The Plan in **Appendix 1**

has been costed based on the estimated allocation of time to each grade of staff. Daily rates agreed with the Strategic Director Finance Governance & Support are charged as follows:

Audit and Assurance Manager - £411;

Assurance Lead - £321;

Principal Compliance Officer - £286;

Audit and Assurance Officer - £233;

Compliance Auditor - £185;

Trainee Assurance Officer and Quality Assurance Officer - £51.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

12. There are no specific ward implications arising from the Internal Audit Plan 2017/18. The internal audit budget for Middlesbrough Council for 2017/18 is approximately £180K.

RECOMMENDATIONS

13. That Members are asked to comment on the proposed internal audit plan for 2017/18 at **Appendix 1** and consider whether the planned programme of work provides them with the assurance they require in their roles as Members of the Committee.

REASONS

14. The Plan acts as a means of demonstrating that an effective planning process has been undertaken and that internal audit resources will be used effectively. Internal audit standards and the Council's internal audit charter require the compilation of a proposed audit plan prior to the commencement of each financial year. The Plan must be based on key risks and priorities facing the Council and should take into account the views of Members of the Corporate Affairs and Audit Committee.

BACKGROUND PAPERS

15. No background papers other than published works were used in writing this report.

AUTHOR

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