

## **AUDIT COMMITTEE**

**12 JANUARY 2016**

### **REVISED INTERNAL AUDIT PLAN 2015-16**

Report from: Phil Watts, Chief Finance Officer

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#### **Summary**

This report advises Members of the reduction in internal audit resources available during the 2015-16 financial year and seeks approval from the committee for a Revised Internal Audit Plan for the year.

#### **1. Budget and Policy Framework**

1.1. Council delegates responsibility for the oversight and monitoring of internal audit to the Audit Committee.

#### **2. Background**

2.1 On 19 March 2015 the Audit Committee approved the Annual Internal Audit Plan for 2015-16. The plan included work totalling 1,000 audit days and to deliver this, there was a staff establishment of one Full Time Equivalent (FTE) Head of Internal Audit & Counter Fraud, one FTE Principal Auditor and four FTE Auditors.

#### **3. Internal Audit Resources**

3.1 As previously reported to Members, the previous Head of Internal Audit & Counter Fraud left the council's employment at the end of March 2015; since 1 June 2015 the post has been shared with Gravesham Borough Council with Medway receiving 60% of the officer's time since that date. One Auditor left the council's employment in May; a second Auditor left the council's employment in November. Due to the implementation of the Shared Service with Gravesham and the transfer of the Housing Benefit Investigation function to the Department for Work & Pensions Single Fraud Investigation Service, the team is subject to a formal consultation period for a restructure. Further details are provided in the update report elsewhere on this agenda.

3.2 The two Auditor posts are being held vacant until the restructure is complete, to ensure staff currently employed in internal audit and counter fraud functions at both Medway and Gravesham have the maximum opportunity to secure a post

in the new Shared Service. The team therefore have less staff resources to deliver audit work than planned, and as a result the team will not be able to complete all audit work on the original Annual Internal Audit Plan 2015-16. The team is currently forecast to deliver 760 audit days, a reduction of around 240 days on that planned.

- 3.3 As a result the team will not be able to deliver all areas of work on the agreed Annual Internal Audit Plan 2015-16. The team have directed the available resources to the areas of the plan considered to represent the highest risk, and where internal audit involvement would add value. Those areas of work that have been identified for removal from the plan have all been the subject of recent internal audit work that has provided positive assurance, of where other assurance providers have carried out recent work and provided positive assurance. Any areas removed from the plan will be considered in the development of the 2016-17 Annual Internal Audit Plan.
- 3.4 A version of the original plan that identifies the areas of work identified for removal from the plan, along with explanations of why those items were selected, is provided for Members at Appendix A.

#### **4. Risk management**

- 4.1. Internal Audit provides a key source of assurance for the council on the adequacy and effectiveness of its arrangements to manage risk and achieve its objectives. A reduction in the level of internal audit resources available reduces the amount of assurance work the team can deliver, however the Shared Service will deliver the same level of assurances to the council as was originally planned for this financial year and will provide increased resilience for periods of staff absence.
- 4.2. The revised plan focusses the available resources on the areas considered to be the highest risk and where internal audit work can be of the most value to the council. The revised plan takes account of the recent work of the team and the work of other assurance providers to reduce duplication of effort and ensure the internal audit resources are used to the maximum effect.

#### **5. Financial implications**

- 5.1. The vacant posts will deliver a saving against the agreed salary budget of around £40,000. There are no other direct financial implications to this report; however an adequate and effective internal audit function provides the council with assurance on the proper, economic, efficient and effective use of council resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the financial statements of the council.

#### **6. Legal implications**

- 6.1. Section 151 of the Local Government Act 1972 requires that "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. Recommendations**

7.1. Members are asked to approve the Revised Annual Internal Audit Plan 2015-16 as the work programme for the team for the remainder of the financial year.

### **Lead officer contact**

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### **Appendices**

Appendix A – Revised Annual Internal Audit Plan 2015-16

### **Background papers**

None