

<b>5 March 2014</b>		<b>ITEM: 7</b>
<b>Standards &amp; Audit Committee</b>		
<b>Draft Strategy for Internal Audit 2014/15 to 2016/17 and Draft Annual Plan 2014/15</b>		
Report of: Cllr Philip Smith – Portfolio Holder Central Services		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Non-key	
<b>Accountable Head of Service:</b> Sean Clark – Head of Corporate Finance		
<b>Accountable Director:</b> Graham Farrant – Chief Executive		
<b>This report is Public</b>		
<b>Purpose of Report:</b> To receive the Draft Strategy for Internal Audit 2014/15 to 2016/17 and the Draft Annual Audit Plan 2014/15		

## **EXECUTIVE SUMMARY**

In October 2006, following a tendering process, the Council's Internal Audit Service was outsourced to Baker Tilly (formerly RSM Tenon). As part of the contract, it was agreed that an Audit Needs Assessment (ANA) would be carried out on an annual basis with senior management within the Council. From this ANA process, a three year strategy and an annual audit plan are produced. This report comments on the ANA process to date for 2014/15.

### **1. RECOMMENDATIONS:**

- 1.1 That the Standards & Audit Committee receive the Draft Strategy for Internal Audit 2014/15 to 2016/17 and the Draft Annual Audit Plan 2014/15 and officers report back to the next meeting with a final agreed version.**

### **2. INTRODUCTION AND BACKGROUND:**

- 2.1** In November 2010, a comprehensive ANA process involving all Corporate Directors and Heads of Service was carried out and resulted in a three year strategic plan being developed from 2011/12 to 2013/14. This Draft Strategy for Internal Audit 2014/15 to 2016/17 is the first year of a new three year plan. As part of this year's planning process, Internal Audit also considered a number of other sources including the External Auditor's Annual Audit and Inspection Letter, the Annual Governance Statement, Annual Governance Report and the risks arising from the Corporate Risk Register. New issues and potential risks are also identified with senior management and are used to inform the strategy and plan such as the changes in welfare reform, the public

health agenda, the new Care Bill etc. We also consider the results of our work in 2013/14 and concerns raised by the Standards & Audit Committee.

It is important to note that the Audit Strategy and plan is designed, in part, to test the control environment surrounding potential risks and key controls.

### **3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:**

- 3.1 As this year requires a full Audit Needs Assessment to be carried out, there are still further meetings to be held with some Directors and Heads of Service before we can provide a final strategy and plan for 2014/15. These meetings have been scheduled for the end of February/beginning of March 2014. Once these meeting have been carried out and the strategy and plan updated to reflect management priorities, the report will be presented to Directors Board for final comments. As a result of the above, some changes will be made to the plan and it is likely that some work will be brought forward from future years to the current year and some reviews will be moved back or cancelled, as they are no longer applicable.
- 3.2 The plan is being presented in draft form to the Standards & Audit Committee and any changes they consider appropriate can be included before the plan is finalised. The final strategy and plan will be presented to the next meeting.

### **4. REASONS FOR RECOMMENDATION:**

- 4.1 For the Standards & Audit Committee to satisfy itself that:
- the Draft Strategy for Internal Audit covers the organisation's key risks as they are recognised by the Standards & Audit Committee.
  - the detailed Draft Internal Audit Plan for the coming financial year reflects the areas that the Standards & Audit Committee believe should be covered as a priority.

### **5. CONSULTATION (including Overview and Scrutiny, if applicable)**

- 5.1 A total of 12 Directors, Heads of Service and senior managers have been interviewed so far as part of the consultation process to ensure the draft strategy and annual plan reflects their current priorities. It is anticipated that the draft strategy and plan will be presented to the Directors Board at the end of March for their consideration before being finalised.

### **6. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT**

- 6.1 The achievement of corporate priorities is a key consideration of the senior management and internal audit when they are discussing the areas that need to be included within the annual audit plan.

### **7. IMPLICATIONS**

### 7.1 **Financial**

Implications verified by: **Michael Jones**  
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[mxjones@thurrock.gov.uk](mailto:mxjones@thurrock.gov.uk)

The Annual Audit Plan will be within the annually agreed budget for 2014/15.

### 7.2 **Legal**

Implications verified by: **David Lawson**  
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[David.Lawson@bdtlegal.org.uk](mailto:David.Lawson@bdtlegal.org.uk)

The Council has the legal obligation to maintain an adequate and effective system of internal audit and the Council has delegated this responsibility to the Standards & Audit Committee. The report recommends that the Standards & Audit Committee receives the Draft Strategy for Internal Audit 2014/15 to 2016/17 and agree the Draft Annual Audit Plan 2014/15. The Strategy and the Annual Plan will identify how the Section 151 Officer will deliver an effective internal auditing service for the Council, therefore there are no obvious adverse legal implications associated with receiving this report.

### 7.3 **Diversity and Equality**

Implications verified by: **Teresa Evans**  
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There are no direct diversity implications arising from this report.

### 7.4 **Other implications**

In terms of risk and opportunity management, the Internal Audit Plan and its outcomes are a key part of the Council's risk management and assurance framework. The Internal Audit Plan is based on risk assessments that include a review of the Council's Corporate Risk and Opportunity Register.

## **BACKGROUND PAPERS USED IN PREPARING THIS REPORT:**

- Internal Audit Strategy 2013/14 to 2015/16 and Annual Plan 2013/14
- Accounts and Audit (England) Regulations 2011.
- Public Sector Internal Audit Standards (PSIAS)
- CIPFA – PSIAS Local Government Application Note

## **APPENDICES TO THIS REPORT:**

- Draft Strategy for Internal Audit 2014/15 to 2016/17 and Draft Annual Plan 2014/15

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