

15 March 2016		ITEM: 11
Standards and Audit Committee		
Strategy for Internal Audit 2016/17 to 2018/19 and Annual Internal Audit Plan 2016/17		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Gary Clifford – Internal Audit Manager		
Accountable Head of Service: N/A		
Accountable Director: Sean Clark – Director of Finance & IT		
This report is Public		
Purpose of Report: To receive and agree the Strategy for Internal Audit 2016/17 to 2018/19 and the Annual Internal Audit Plan 2016/17		

Executive Summary

In October 2006, following a tendering process, the Council's Internal Audit Service was outsourced to Baker Tilly. This contract expired on 31st March 2015. As a result, a decision was taken by Directors Board to TUPE transfer the Internal Audit Team back into the Council from the 1st April 2015. The Strategy for Internal Audit 2016/17 to 2018/19 and Annual Internal Audit Plan 2016/17 is the first year since this transition took place. As part of the planning process, an Audit Needs Assessment (ANA) will be carried out on an annual basis with senior management within the Council. From this ANA process, the three year strategy and an annual audit plan are produced.

1. Recommendations:

1.1 That the Standards & Audit Committee

Receive and agree the Strategy for Internal Audit 2016/17 to 2018/19 and the Annual Internal Audit Plan 2015/16.

2. Introduction and Background:

2.1 In January 2016, a comprehensive Audit Needs Assessment (ANA) process was started which involved attending a meeting of each of the Directorate Management Teams (DMT's) to discuss the risks and priorities with Directors, Heads of Service and Strategic Leads. This Strategy for Internal Audit 2016/17 to 2018/19 is the result of those meetings and forms the basis for 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 emerging risks were also identified and discussed with senior management and were used to inform the strategy and plan e.g. changes in welfare reform, the public health agenda, the new Care Act etc. We also consider the results of our work in 2015/16 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.

With the team coming back in-house, Internal Audit will continually revisit the Strategy and Plan to reflect changes that may occur through restructure, new legislation and changes in working practices. The plan is dynamic and is likely to change during the year as priorities change, new regulations are introduced and the structure of the Council is further developed following the changes to the senior management structure. Any changes will be agreed with the Head of Corporate Finance, discussed with the Chair of the Standards & Audit Committee and presented to members of the Committee as part of the progress reporting arrangements.

3. Issues, Options and Analysis Of Options:

- 3.1 Meetings have been held with some members of Directors Board and Heads of Service in producing this final strategy and plan for 2016/17. As a result of these meetings, some changes were made to the proposed plan and some work was brought forward from future years to the current year and some reviews were moved back or cancelled, as they were no longer applicable.

4. Reasons for Recommendation:

- 4.1 For the Standards & Audit Committee to satisfy itself that:
- the Strategy for Internal Audit covers the organisation's key risks as they are recognised by the Standards & Audit Committee.
 - the detailed Internal Audit Plan for the coming financial year reflects the areas that the Standards & Audit Committee believe should be covered as a priority.
 - sufficient assurances are being received to monitor the organisation's risk profile effectively, including any emerging issues/key risks not included in the strategy or annual plan.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The plan has been discussed with some members of Directors Board and will be discussed with the other Directors when they have been appointed and are in post following the Chief Executive's senior management restructure. This will ensure the strategy and annual plan reflect and address their current priorities and concerns.

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: **Jonathan Wilson**
Chief Accountant

The Annual Audit Plan will be contained within the annually agreed budget for 2016/17.

7.2 Legal

Implications verified by: **David Lawson**
Monitoring Officer

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 and agrees the Strategy for Internal Audit 2016/17 to 2018/19 and the Annual Audit Plan 2016/17. 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: **Rebecca Price**
Community Development Officer

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.

8. Background Papers Used In Preparing This Report:

Accounts and Audit (England) Regulations 2015.
Public Sector Internal Audit Standards (PSIAS)
CIPFA – PSIAS Local Government Application Note

9. Appendices to This Report:

Draft Strategy for Internal Audit 2016/17 to 2018/19 and Annual Internal Audit Plan 2016/17

Report Author

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Internal Audit Manager