

<b>28 February 2017</b>		<b>ITEM: 9</b>
<b>Standards and Audit Committee</b>		
<b>Draft Strategy for Internal Audit 2017/18 to 2019/20 and Annual Internal Audit Plan 2017/18</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Non-key	
<b>Report of:</b> Gary Clifford, Chief Internal Auditor		
<b>Accountable Head of Service:</b> Sean Clark, Director of Finance & IT		
<b>Accountable Director:</b> Sean Clark, Director of Finance & IT		
<b>This report is</b> Public		
<b>Purpose of Report:</b> To receive and agree the Draft Strategy for Internal Audit 2017/18 to 2019/20 and the Annual Internal Audit Plan 2017/18		

## **EXECUTIVE SUMMARY**

The Internal Audit Service transferred back into the Council on the 1<sup>st</sup> April 2015. As a result, an Audit Needs Assessment (ANA) was carried out to develop a three year strategy. This strategy is refreshed on an annual basis through meetings with senior management and informs the detailed plan for the year. This report comments on the ANA process carried out between January and February 2017 which has resulted in the attached Draft Strategy and Annual Plan.

### **1. Recommendations:**

#### **That the Standards & Audit Committee**

#### **1.1 Receive and agree the Draft Strategy for Internal Audit 2017/18 to 2019/20 and the Annual Internal Audit Plan 2017/18.**

### **2. Introduction And Background:**

2.1 In March 2015, 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 2017/18 to 2019/20 is the result of those meetings and subsequent annual reviews with senior management. 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 & Opportunity 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 2016/17 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.

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. Any changes will be agreed with the Director of Finance & IT and presented to members of the Standards & Audit Committee as part of the progress reporting arrangements.

### **3. Issues, Options And Analysis Of Options:**

- 3.1 With the addition of 2 Assistant Internal Auditors in January 2017, the Chief Internal Auditor, in consultation with senior management, has developed an ambitious plan which will provide the Standards & Audit Committee with a significant increase in outputs, and as a consequence, provide greater assurance than was possible over the last two years, around the Council's control, risk management and governance frameworks.

### **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 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 Chief Internal Auditor consulted with all Directors and attended Directorate Management Team meetings. The plan was also presented to the Directors Board as a final draft before being brought before the Standards & Audit Committee.

## **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: **Laura Last**  
**Senior Finance Officer - Management Accounts**

The Annual Audit Plan will be within the annually agreed budget for 2017/18.

### **7.2 Legal**

Implications verified by: **David Lawson**  
**Deputy Head of Law & Governance**

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 2017/18 to 2019/20 and the Annual Audit Plan 2017/18. The Strategy and the Annual Plan 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: **Natalie Warren**  
**Community Development & Equalities Manager**

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 Strategic/Corporate Risk & Opportunity Register.

## **8. Background Papers Used In Preparing This Report:**

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

- Strategic/Corporate Risk & Opportunity Register.

**9. Appendices To This Report:**

- Appendix 1 - Draft Strategy for Internal Audit 2017/18 to 2019/20 and Annual Internal Audit Plan 2017/18

**Report Author:**

Gary Clifford  
Chief Internal Auditor