

16 July 2015		ITEM: 7
Standards and Audit Committee		
Strategy for Internal Audit 2015/16 to 2017/18 and Annual Internal Audit Plan 2015/16		
Report of: Cllr Victoria Holloway – Portfolio Holder Central Services		
Wards and communities affected: All	Key Decision: Non-key	
Accountable Head of Service: Sean Clark – Head of Corporate Finance		
Accountable Director: David Bull – Interim Chief Executive		
This report is Public		

Executive Summary

In October 2006, following a tendering process, the Council's Internal Audit Service was outsourced to Baker Tilly (formerly RSM Tenon). 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. Therefore, it was agreed with the Head of Corporate Finance that an initial 3 month Draft Audit Plan 2015/16 should be presented to the Standards & Audit Committee meeting held on 17th March 2015, with a full 3 year Strategy and Annual Plan 2015/16 being presented to the first meeting in the new municipal year.

1. Recommendations

1.1 That the Standards & Audit Committee

Receive and agree the Strategy for Internal Audit 2015/16 to 2017/18 and the Annual Internal Audit Plan 2015/16.

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 2015/16 to 2017/18 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 2014/15 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. This will involve further meetings with Directors and Heads of Service. These meetings were scheduled to start in May and we have met with: Children's Services; Adults, Health & Commissioning; Chief Executives Delivery Unit; Housing; and HR, OD and Customer Strategy. A meeting was arranged with Highway's & Transportation Directorate but this had to be cancelled due to "Strategy Week" and the Director acting up in the Interim Chief Executive role. Therefore, the plan is not yet fully completed. However, 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 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 As this year requires a full ANA 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 2015/16. 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.

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 To date, a total of 30 Directors, Heads of Service and senior managers have been involved in discussions as part of the consultation process to ensure the draft strategy and annual plan reflects their current priorities.

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: **M Jones**
Management Accountant

The Annual Audit Plan will be within the annually agreed budget for 2015/16.

7.2 Legal

Implications verified by: **D 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 2015/16 to 2017/18 and the Annual Audit Plan 2015/16. 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: **R 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.

Background papers used in preparing the report

- Accounts and Audit (England) Regulations 2011.
- Public Sector Internal Audit Standards (PSIAS)
- CIPFA – PSIAS Local Government Application Note

Appendices to this report

- Strategy for Internal Audit 2015/16 to 2017/18 and Annual Internal Audit Plan 2015/16

Report Author Contact Details:

Name: Gary Clifford

Telephone: 01375 652702

E-mail: gclifford@thurrock.gov.uk