

TITLE OF REPORT: **The Internal Audit Strategy Statement and Annual Plan 2016/17**

REPORT OF: **Darren Collins, Strategic Director, Corporate Resources**

Purpose of the Report

1. The report sets out the proposed Audit Strategy Statement and annual plan of work to be undertaken by the Internal Audit & Risk Service in 2016/17.

Background

2. The terms of reference for Internal Audit are laid down in Financial Regulations, which forms part of the Council's Constitution and the Audit Charter.
3. The Internal Audit & Risk Service is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the Council's resources.
4. The Strategic Director, Corporate Resources has delegated responsibility to maintain an adequate internal audit of the Council's financial affairs as required by Section 151 of the Local Government Act 1972. The Accounts and Audit Regulations 2015 also require Councils to "*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*".
5. The Chief Internal Auditor manages the Internal Audit & Risk Service and is responsible for ensuring resources are sufficient to meet the Audit Plan, which is developed based on a systematic review and evaluation of all aspects of the internal control environment.
6. The principal objective of the Internal Audit & Risk Service is to assist service managers in delivering the priorities of the Council and its partners, through the assessment of exposure to risk and the continuous improvement of the control environment.

Basis for the Plan

- 7 Standards for Internal Audit in local government are set out in the Public Sector Internal Audit Standards (PSIAS). PSIAS state that the Chief Internal Auditor *“must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”*.
- 8 In accordance with the PSIAS, the input of senior management must be considered in this process. All Service Directors were given the opportunity to contribute towards the plan and there was a 95% take-up of this offer.
- 9 The Chief Internal Auditor forms an annual assurance opinion based on the programme of audit work as well as assurance obtained from other means. Combined assurance aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers. This is a key area where development work is planned for 2016/17 to formalise assurance mapping across the Council.
- 10 In addition to audit, the Chief Internal Auditor considers any issues identified through counter fraud and irregularities or developing systems and processes insofar as they impact of the effective operation of governance, risk management or internal controls.
- 11 The plan includes allocation for advice and consultancy to all services and partnerships where appropriate. This is an increasing area of focus given the amount of change ongoing across the Council and our partners. Time is allocated to support developing systems, ensuring early engagement and audit support across the Council.
- 12 The plan has moved from a traditional cyclical-based approach to one focused on the main risks to the Council. It provides a balanced approach to traditional compliance work with advisory work as a catalyst for service improvement and to sharpen focus on emerging risks. The plan is flexible and is reviewed and adjusted throughout the year as necessary in response to changes in policies, systems, processes, risks and controls across the Council.
- 13 The audit plan has been mapped to the Strategic Risk Register. As reported elsewhere on the agenda, this is being reviewed to ensure it is relevant and covers all the key risks facing the Council. Once this is finalised, the audit plan will be revisited to ensure appropriate coverage of strategic risks.
- 14 The Audit Strategy Statement and the annual plan for 2016/17 are attached at Appendix A. The approach to the plan is that it is flexible, supportive, challenging, prioritised and timely, all characteristics endorsed by PSIAS which ensures the plan maintains focus on emerging risks and that assurance is continually focused on the most important risks to the Council, retaining flexibility to reprioritise assurance activities as required.

Recommendations

15 The Committee is asked to:

- agree the Audit Strategy Statement and the annual plan of work to be provided by the Internal Audit & Risk Service for 2016/17.
- agree to receive quarterly monitoring reports showing progress made against the plan.

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