

Title of Report:	Internal Audit Plan 2014-17
Report to be considered by:	Governance and Audit Committee
Date of Meeting:	28 April 2014
Forward Plan Ref:	GA2842

Purpose of Report: To outline the programme of work for Internal Audit.

Recommended Action: Note the programme.

Reason for decision to be taken: This report forms part of the Council's performance framework.

Other options considered: None

Key background documentation: None

The proposals will help achieve the following Council Strategy principles:

- CSP6 - Living within our means**
- CSP8 - Doing what's important well**

The proposals contained in this report will help to achieve the above Council Strategy principles by:

Reviewing the systems and procedures the Council has in place for the delivery of the Council Strategy

Portfolio Member Details	
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Date Portfolio Member agreed report:	10 April 2014

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Implications

Policy: none
Financial: none
Personnel: none
Legal/Procurement: none
Property: none
Risk Management: none

Is this item relevant to equality?	Please tick relevant boxes	Yes	No
Does the policy affect service users, employees or the wider community and:			
• Is it likely to affect people with particular protected characteristics differently?		<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Is it a major policy, significantly affecting how functions are delivered?		<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Will the policy have a significant impact on how other organisations operate in terms of equality?		<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Does the policy relate to functions that engagement has identified as being important to people with particular protected characteristics?		<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Does the policy relate to an area with known inequalities?		<input type="checkbox"/>	<input checked="" type="checkbox"/>
Outcome (Where one or more 'Yes' boxes are ticked, the item is relevant to equality)			
Relevant to equality - Complete an EIA available at www.westberks.gov.uk/eia			<input type="checkbox"/>
Not relevant to equality			<input checked="" type="checkbox"/>

Is this item subject to call-in?	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
If not subject to call-in please put a cross in the appropriate box:		
The item is due to be referred to Council for final approval		<input type="checkbox"/>
Delays in implementation could have serious financial implications for the Council		<input type="checkbox"/>
Delays in implementation could compromise the Council's position		<input type="checkbox"/>
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months		<input type="checkbox"/>
Item is Urgent Key Decision		<input type="checkbox"/>
Report is to note only		<input checked="" type="checkbox"/>

Executive Summary

1. Introduction

- 1.1 This report sets out the proposed plan of work for internal audit over the next three years.
- 1.2 The report outlines the method used to compile the plan, which is based around risk.

2. Proposals

- 2.1 The audit plan sets out a range of proposed audits. In addition work carried out in the previous year will be followed up. A copy of the audit plan is at appendix C.
- 2.2 The main areas of focus will be the "Key Financial Systems" and the anti fraud work, particularly the National Fraud Initiative.

3. Equalities Impact Assessment Outcomes

- 3.1 This item is not relevant to equality.

4. Conclusion

- 4.1 The work of internal audit is designed to provide the Council with assurance on the state of the Council's internal control framework. The work is also designed to highlight and remedy weaknesses identified in the Council's service delivery systems.

Executive Report

- 4.2 The purpose of this report is to set out a risk based plan of work for Internal Audit. that will provide assurance to the Governance and Audit Committee on the operation of the Council's internal control framework and support the Committee's review of the Annual Governance Statement.
- 4.3 The work of internal audit is regulated by the "Public Sector Internal Audit Standards" based on the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). These provide a:
- (1) Definition of Internal Auditing
 - (2) Code of Ethics
 - (3) International Standards for the professional practice of internal auditing (including interpretations and glossary)
- 4.4 The report covers the following points:
- (1) Audit objectives and outcomes
 - (2) How audit work is planned to ensure significant local and national issues are addressed.
 - (3) Basis for the opinion of the Chief Internal Auditor on the internal control framework
 - (4) Methods of providing and resourcing the service.
- 4.5 The main areas of focus will be the audits of the "Key Financial Systems", anti fraud work,
- (1) The audits of the "Key Financial Systems", in Customer Services and Finance, are carried out annually, partly because of the scale and materiality of them and partly as the Council's external auditor relies on the work Internal Audit does on these systems. These audits are highlighted in the audit plan with an F.
 - (2) The main element of anti fraud work is in relation to the National Fraud Initiative, which is a data matching exercise run by the Audit Commission.

5. Audit Objectives and Outcomes

- 5.1 The Public Sector Internal Audit Standards provide the following definition of Internal Audit :

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes"

- 5.2 Translated into plain English, Internal Audit is there to help Services deliver the Council Strategy by identifying and helping to mitigate weaknesses in service delivery systems and procedures.
- 5.3 The objectives for Internal Audit are set out in the Audit Charter which forms an appendix to the Terms of Reference of the Governance and Audit Committee. The full charter is attached at appendix B.
- 5.4 The main outcomes from the work of Internal Audit are:
- (1) Audit reports produced at the conclusion of each audit, for the relevant Head of Service and Director.
 - (2) Monitoring reports on progress with implementation of agreed audit recommendations.
 - (3) An annual assurance report and an interim update report for Management Board and Governance and Audit Committee on the outcomes of Internal Audit work.

6. Audit Planning

- 6.1 The work programme for Internal Audit for the period 2014-17 is attached at appendix C. The plan analyses the different areas of Council activity that Internal Audit feel require auditing. The Plan is laid out by, Corporate Audits, then by Head of Service and for each audit covers:
- (1) The key risks that the audit will cover
 - (2) The level of risk associated with the subject, as assessed by Internal Audit
 - (3) The complexity of the audit.
 - (4) The type of audit
 - (5) An initial estimate of the number of days that will be required to complete the audit, and the year in which the audit is planned
- 6.2 The process of putting the plan together is extensive in terms of the documents and people who are consulted. The following identifies the key drivers:
- (1) The Council Strategy. This is reviewed to ensure that audit resources are used to support the delivery of Council objectives.
 - (2) The Council's risk registers, particularly the Strategic Risk Register. This is used to highlight areas where assurance is required for controls that are in place to significantly reduce levels of risk to the Council.
 - (3) Results of previous audit, inspection and scrutiny work, by internal teams and external agencies, is considered.
 - (4) The views of stakeholders, Heads of Service, Corporate Board, Management Board are considered.

(5) Plans are made available to the Council's external auditor to ensure that there is no unnecessary duplication of effort.

6.3 The work programme is based on levels of risk. The risk registers are used to inform the level of risk where appropriate and this is supplemented by an audit view of risk. This takes account of:

- (1) Results of risk self assessments (Strategic and Operational Risk Registers);
- (2) Complexity/scale of system and processes / volume and value of transactions;
- (3) Fraud and corruption - eg the risk of fraud or corruption occurring;
- (4) Inherent risk - eg degree of change/instability/confidentiality of information;
- (5) Internal Audit knowledge of the control environment based on previous audit work.

7. Audit approach and opinion

7.1 The work of Internal Audit forms the basis of the opinion given by the Chief Internal Auditor on the Council's internal control framework. The work of Internal Audit is regulated by the Public Sector Internal Audit Standards. This sets out the standards and methods that should be applied in doing the work. At an operational level Internal Audit have a procedure manual that explains in detail how work is delivered. In addition an Audit Protocol is published to all Heads of Service setting out how the service operates. A copy of this is at Appendix D

7.2 There are a number key elements to the process that ensure the output from audit is fit for purpose.

- (1) Consultation takes place at various stages of each audit with the service under review (Terms of reference, rough and formal draft and final reports and action plans are all discussed and agreed with the service under review)
- (2) Audits are followed up to ensure that agreed actions are implemented. (Method and approach to follow up work varies depending on the nature of the issues identified in the original audit)
- (3) All audit work is reviewed before being released. (The review process is ongoing during the course of each audit)
- (4) The External Auditor relies on the work of Internal Audit, and will raise any concerns in their annual audit letter, to date no concerns have been raised.

7.3 The work produced by Internal Audit is designed to identify and remedy weaknesses in the internal control framework. Weaknesses that are identified are categorised according to their severity (fundamental, significant, moderate and minor).

7.4 Taken together, the above provides a sound basis for the Chief Internal Auditor to provide an annual opinion of the internal control framework of the Council.

8. Service provision and resources

8.1 Resources have been reduced for the section, in order to support the need to reduce the Council's budget. The Chief Internal Auditor now has the support of 6 FTE's. Corporate Board take the view that this is the minimum level of resource to provide adequate assurance to the Council.

Appendices

Appendix A - Internal Audit Charter

Appendix B - Internal Audit Work plan

Appendix C - Internal Audit Protocol

Consultees

Local Stakeholders: N/a

Officers Consulted: Directorate SMT's, Corporate Board

Trade Union: N/a