

# AUDIT COMMITTEE

## Internal Audit Strategy and Risk Based Plan 2015/16 17 June 2015

### Report of Internal Audit Manager

#### PURPOSE OF REPORT

To seek the Committee's approval for a proposed three-year Internal Audit Strategic Plan and Annual Operational Plan for 2015/16

**This report is public**

#### RECOMMENDATIONS

1. That the Internal Audit Strategy and Risk Based Plan for 2015/16 is approved.

##### 1.0 Introduction

- 1.1 The terms of reference of the Audit Committee include: *"To approve Internal Audit strategic plans and the Annual Internal Audit Plan"* (the Constitution, part 3 section 8, TOR 11).
- 1.2 Professional standards for Internal Audit in local government<sup>1</sup> specify that *"The chief audit executive (the Internal Audit Manager) must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."*
- 1.3 The standards also specify that *"The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities."*

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<sup>1</sup> Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) (CIPFA 2013)

## **2.0 Proposal Details**

### **Internal Audit Strategy**

- 2.1 In accordance with the standards, a strategy statement has been incorporated in the Risk Based Internal Audit Plan, which is attached to this report as Appendix A.
- 2.2 There is an ongoing strategic theme for internal audit to support the council's change programme by contributing to the implementation of new service structures and the conduct of service reviews.
- 2.3 As the organisation responds to the continuing financial pressures it is experiencing and new structures, systems and working practices are introduced, there is an ongoing need to ensure that standards of governance, internal control and conduct in the organisation are maintained. Internal Audit's strategy aims both to promote these standards and to provide independent assurance on the effectiveness of arrangements.

### **Risk Based Internal Audit Plan 2015/16**

- 2.4 The draft Risk Based Internal Audit Plan (section 2 of Appendix A) has been developed along similar lines to recent years and retains the following features:
- being explicit about which elements of work are intended to provide assurance to support the overall annual opinion on the internal control environment;
  - being explicit about the resources to be devoted to other "consultancy" work aimed at helping the Council's ongoing improvement programme; and
  - providing for a rolling programme of audit work to be operated within the plan which will provide a suitable level of flexibility and responsiveness to changes in the risk environment, and any emerging demands for internal audit assurance work.
- 2.5 The annual plan for 2015/16 is based on estimated available resources of 630 days, this being delivered by the in-house team of four staff. The Internal Audit Manager's role as Deputy Section 151 Officer has been estimated as requiring 10 days with a further 25 days on other managerial duties. This gives a net allocation to audit activity of 595 days. The estimated resources take account of a staff vacancy at the beginning of the financial year.
- 2.6 As with established practice, the Internal Audit Manager continues to consult with Chief Officers, the statutory officers, service managers and Management Team generally to inform and develop the detailed programme. As indicated in the strategy statement, it is anticipated that the scope and objectives of audit work during the year will once again be greatly influenced by the financial pressures affecting the council. In all categories of work, the plan will be managed flexibly to ensure that audit effort is targeted as effectively as possible.
- 2.7 The current quarterly rolling programme, as at 1<sup>st</sup> June 2015 is attached on the final page of Appendix A. This is currently under development through consultation with Chief Officers and senior managers. As each quarterly programme is developed, it will be publicised both to Members of the Audit Committee and to Chief Officers and senior managers as well as the plan being formally reported to and monitored by each meeting of the Audit Committee.

## **3.0 Details of Consultation**

3.1 No specific consultation has been undertaken in compiling this report. Management Team, the statutory officers and senior managers are being consulted in detail in the preparation of Internal Audit's detailed work programmes for 2015/16.

#### **4.0 Options and Options Analysis (including risk assessment)**

4.1 The proposal is that the Committee approves the Risk Based Internal Audit Plan for 2015/16. Members are invited to comment on the proposed plan, but no specific alternative options are identified.

#### **5.0 Conclusion**

5.1 Audit strategy and planning are key elements in the provision of an effective internal audit service. The proposed risk-based plan seeks to maintain a firm platform for the ongoing effectiveness and improvement of the Council's internal audit service.

#### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

This report has no direct impact on these areas.

#### **FINANCIAL IMPLICATIONS**

None arising from this report

#### **SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and has no further comments

#### **LEGAL IMPLICATIONS**

None arising from this report

#### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

#### **BACKGROUND PAPERS**

**Contact Officer:** Derek Whiteway  
**Telephone:** 01524 582028  
**E-mail:** [dwhiteway@lancaster.gov.uk](mailto:dwhiteway@lancaster.gov.uk)  
**Ref:** aud/ctte/aud/150617/IAPPlans