

AUDIT COMMITTEE

Internal Audit Strategic and Annual Plans 24 April 2013

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 2013/14

This report is public

RECOMMENDATIONS

1. That the Internal Audit Strategic Plan for 2013/14 to 2015/16 is approved.
2. That the Internal Audit Annual Operational Plan for 2013/14 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 The Code of Practice for Internal Audit¹ specifies that *"the Head of Internal Audit must produce an audit strategy; this is the high-level statement of how the internal audit service will be delivered and developed in accordance with its terms of reference and how it links to the organisational objectives and priorities."*

The Code also specifies that *"the Head of Internal Audit should prepare a risk-based plan designed to implement the audit strategy"*.

2.0 Proposal Details

Internal Audit Strategic Plan 2013/14 to 2015/16

- 2.1 The draft Internal Audit Strategic Plan is attached at Appendix A.
- 2.2 A key strategic theme for internal audit in recent years has been to support the council's change programme by assisting where possible with the implementation of the new service structures. With ongoing structural and cultural change within the organisation, this focus remains and is included again in the proposed strategic plan.
- 2.3 As the organisation responds to the continuing financial pressures it is experiencing and new structures, systems and working practices are developed, there is an ongoing need to ensure that standards of governance, internal control and conduct in

¹ Code of Practice for Internal Audit in Local Government in the United Kingdom (CIPFA 2006)

the organisation are maintained. Fulfilling this assurance role is seen as the key factor influencing the three-year strategy.

- 2.4 Alongside the assurance role, it is increasingly important that internal audit is able to actively support and contribute to the change programme. Exploring ways in which this can be achieved is another key element in the strategy.

Internal Audit Annual Plan 2013/14

- 2.5 The draft Internal Audit Annual Plan attached at Appendix B is designed, as required by the Code of Practice, to implement the internal audit strategy. The plan 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 “support” 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 greater flexibility and responsiveness to changes in the risk environment, and any emerging demands for internal audit assurance work.

- 2.6 The annual plan for 2013/14 is based on estimated available resources of 690 days, this being delivered by the in-house team of 3.81 FTE staff. The Internal Audit Manager’s role as Deputy Section 151 Officer has again been estimated as requiring 15 days. This gives a net allocation to audit activity of 675 days.

- 2.7 At the time of writing, work is ongoing to develop a detailed programme of audit assignments. The Internal Audit Manager continues to consult with Service Heads, the statutory officers and Management Team generally to inform and develop the detailed programme. As indicated in the strategic plan, 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 and the plan will be managed flexibly to ensure that audit effort is targeted as effectively as possible.

- 2.8 The draft plan includes for the first time a contingency allocation (10 days) to cover audit work on behalf of other bodies. This follows on from the section having undertaken two minor pieces of work in early 2013 for another local authority. It is possible that this may provide an opportunity for discussions about the potential for further collaboration and any developments on this front will be reported to Audit Committee.

- 2.9 As the detailed programme is developed, this will be publicised both to Members of the Audit Committee and to Service Heads 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 programme for 2013/14.

4.0 Options and Options Analysis (including risk assessment)

- 4.1 The proposal is that the Committee approves both the draft Internal Audit Strategic Plan 2013/14 to 2015/16 and the Internal Audit Annual Plan for 2013/14. No 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, as demonstrated by their prominence in the Code of Practice. The proposed internal audit strategy and annual plan seek to establish 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
Ref: aud/ctte/aud/130424/IAPPlans