

AUDIT COMMITTEE

Internal Audit Strategy and Risk Based Plan 29 June 2016

Report of the Internal Audit and Assurance Manager

PURPOSE OF REPORT

To seek the Committee's approval for a proposed Internal Audit Strategy and Annual Risk Based Plan for 2016/17

This report is public

RECOMMENDATIONS

1. That the Internal Audit Strategy and Risk Based Plan for 2016/17 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 government¹ 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."*

¹ 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 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 develop the level and quality of independent assurance provided to the organisation on the effectiveness of its arrangements.

Risk Based Internal Audit Plan 2016/17

- 2.3 The draft Risk Based Internal Audit Plan submitted in section 2 of Appendix A is currently set out in similar lines to recent years. This takes account of a current position in which the Council's approach to risk management and to the generation of assurance are both under review.
- 2.4 It is anticipated that the adoption of a revised corporate risk management strategy will entail a re-focusing of internal audit objectives and an associated re-design of the annual plan. Developments in the risk management strategy and the implications for internal audit will be reported to Audit Committee in due course.
- 2.5 The annual plan for 2016/17 is based on estimated available resources of 535 days, this being delivered by the in-house team of three staff. The Internal Audit and Assurance Manager's managerial responsibilities outside of internal audit, including his role as Deputy Section 151 Officer and management in relation to the information governance function and the Corporate Counter Fraud Team has been estimated as requiring 55 days. This gives a net allocation to audit activity of 480 days.
- 2.6 As with established practice, the Internal Audit and Assurance Manager continues to consult with Chief Officers, the statutory officers, service managers and Management Team generally to inform and develop the detailed programme.

Financial Considerations

- 2.7 The overall 2016/17 budget for the Internal Audit and Assurance service is £307k of which £154k relates to the Internal Audit team, including the Internal Audit and Assurance Manager.
- 2.8 Applying an average charging rate for the team, calculated at £288 per chargeable day or £39 per hour, the cost of the individual elements in the plan are summarised as follows:

Plan Element	Planned Days	Cost £
Assurance Audit Work	330*	95,000
Ad-hoc Advice	50	14,400
Corporate Risk Management	20	5,750
Support Work	20	5,750
Internal Audit Management	40	11,500
Non-Audit Duties	55	15,850
Investigations	20	5,750
Totals	535	154,000

* Includes the general contingency of 20 days

3.0 Details of Consultation

3.1 Management Team has been consulted in the preparation of 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 2016/17.

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 2016/17. 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

The budgeted costs of providing the planned internal audit service are set out in the report. There are no further financial implications arising from the report at this point.

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/160629/IAPlans
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