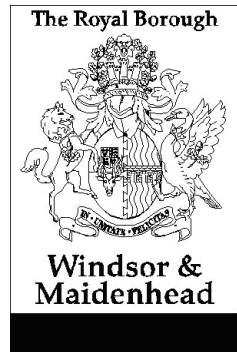


Report for:
ACTION



Contains Confidential or Exempt Information	NO – Part 1
Title	2016/17 Draft Internal Audit Plan
Responsible Officer(s)	Andrew Brooker, Head of Finance
Contact officer, job title and phone number	Catherine Hickman, Service Manager – Shared Audit and Investigation Service, 07917 265742
Member reporting	Councillor Paul Brimacombe
For Consideration By	Audit and Performance Review Panel
Date to be Considered	16 February 2016
Implementation Date if Not Called In	1 April 2016
Affected Wards	All

REPORT SUMMARY

1. This report recommends that the Audit and Performance Review Panel (A&PRP) approves the 2016/17 Draft Internal Audit Plan. This recommendation is being made to ensure that the Council meets its statutory requirements and that the A&PRP meets the requirements of its Terms of Reference to consider and approve the Internal Audit Plan and ensure that the work of the Shared Audit and Investigation Service (SAIS) is focused appropriately with adequate resources and is delivered in accordance with recommended best practice.
2. If adopted, the key financial implications for the Council are revenue costs of the SAIS. The Internal Audit Plan will be effective from 1 April 2016.

If recommendation is adopted, how will residents benefit?

Benefits to residents and reasons why they will benefit	Dates by which residents can expect to notice a difference
Residents will have independent and objective assurance that the Council's control environment (comprising risk management, control and governance) is operating	Ongoing

effectively, that resources are being used economically, efficiently and effectively and that public monies and the Council's assets and interests are being safeguarded.	
---	--

1. DETAILS OF RECOMMENDATION

RECOMMENDATION: Option 1 - Members are asked to approve the 2016/17 Draft Internal Audit Plan.

2. REASON FOR RECOMMENDATION AND OPTIONS CONSIDERED

2.1 This recommendation is being made to ensure the Council has adequate Internal Audit coverage for 2016/17, enabling the Service Manager, Shared Audit and Investigation Service (and Head of Internal Audit) to give an overall opinion on the Council's internal control and risk framework at the end of the financial year.

2.2 The proposed 2016/17 Draft Internal Audit Plan, attached at Appendix A, is intended to demonstrate how Internal Audit supports the overall aims and objectives of the Council. Consultations have been undertaken with internal stakeholders and the key external stakeholder of External Audit, KPMG. The Audit Plan focuses efforts / cost on only those audits that feed directly into:-

- the regulated external audit which would result in higher external audit costs if not done internally.
- other regulated reporting, but only the minimum effort necessary to deliver compliance, including the Annual Governance Statement (AGS).
- facilitating the provision of an overall opinion each year for the A&PRP on the operation of the Council's internal control environment, risk management arrangements and governance framework.
- other CMT / Cabinet / A&PRP strategic & tactical priorities which are at high risk from changes in customer needs, funding, processes or resourcing.
- areas identified by External Audit as requiring improvement.
- the audit of areas which are deemed to be 'important' to support operating objectives.
- cutting out all other 'housekeeping' activities not directly driven by the above.
- the Audit Plan is aligned with the Council's objectives and Corporate Risk Register (CRR).

2.3 Whilst a number of audit reviews within the Internal Audit Plan are effectively considered as mandatory (key financial systems, particularly high risk items etc.), others enter or leave the Audit Plan based on the risk register rating and the views of officers and Members. As such, the plan is fluid and is regularly reviewed to accommodate changes to the risk register, ensuring that it remains

current and focussed. Changes made to the Internal Audit Plan during the year will be reported to the A&PRP.

2.4 Under S151 of the Local Government Finance Act 1972, the Council's Head of Finance (as S151 Officer) has a statutory duty to maintain an appropriate framework of controls over the Council's financial affairs. Reliance upon the SAIS and their annual programme of work in reviewing the operation of systems of internal control and financial management is fundamental to the fulfilment of that responsibility.

Option	Comments
<p>(1). Approve the risk based 2016/17 Draft Internal Audit Plan.</p> <p>Recommended</p>	<p>The Council will be able to discharge its statutory functions in relation to audit, control and governance. In addition, the A&PRP will comply with its responsibilities as set out within their Terms of Reference.</p> <p>This will demonstrate that the Council is not exposing itself to unnecessary risks by having an adequate internal control and governance framework leading to good performance and better outcomes for service users/residents.</p>
<p>(2). Approve the risk based 2016/17 Draft Internal Audit Plan in the main but reprioritise Internal Audit resources at the margins, ensuring that the Council fulfils its statutory obligations.</p>	<p>Members may wish to request that the Internal Audit be amended / altered if they feel that there are material issues which have not received sufficient emphasis or if there are specific issues the report is deficient in.</p>
<p>(3). Significantly reprioritise the SAIS resources, which may result in the Council not fulfilling its statutory function and not sufficiently reviewing key risk areas.</p>	<p>Reduces ability of the Council to discharge its statutory functions in relation to audit, control and governance and thereby not comply with legislative requirements (Section 5).</p> <p>This may expose the Council to unnecessary risks by not having an adequate internal control and governance framework leading to poor performance, fraud / irregularities and poor outcomes for service users/residents.</p> <p>It may result in a qualification in the External Auditors' Annual Management Letter and/or an increase in External Audit fees which could affect services.</p> <p>A&PRP will not be discharging its responsibilities as shown in its Terms of Reference.</p>

3. KEY IMPLICATIONS

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered
Residents have confidence that public funds are being used economically, efficiently and effectively and that Council assets and interests are being safeguarded from misappropriation / loss.	<p>Failure of the Council to meet its statutory requirements and failure of the A&PRP to discharge its responsibilities.</p> <p>Loss of residents' confidence.</p> <p>Council reputation may be affected.</p>	<p>Council meets its statutory requirements to provide an adequate and effective internal audit of its accounting records and system of internal control.</p> <p>A&PRP discharges its responsibilities.</p> <p>Gain residents confidence.</p> <p>Council reputation protected.</p>	n/a	n/a	31 March 2017
Unqualified External Audit Financial Accounts and Management Letter.	Adverse comment and a qualified External Audit Management Letter if the Council fails to maintain an adequate Internal Audit Service.	Unqualified External Audit Management Letter as Council meets its requirements to provide an adequate and effective Internal Audit Service.	n/a	n/a	31 March 2017
External Audit fee kept to a minimum.	Increase in the External Audit fee arising from them being required to undertake additional audit work by not being able to place reliance	External Audit relies on the work of the SAIS.	n/a	n/a	31 March 2017

	on the work of the SAIS.				
--	--------------------------	--	--	--	--

4. FINANCIAL DETAILS

4.1 Financial impact on the budget

Revenue - Officer time in dealing with provision of the SAIS. The proposal relates to existing budgets, no new funds are being sought.

Capital - None

5. LEGAL IMPLICATIONS

5.1 Relevant legislation includes:

- Accounts and Audit (Amendment) (England) Regulations 2015
- CIPFA/IIA Public Sector Internal Audit Standards 2013
- S151 Local Government Finance Act 1972

6. VALUE FOR MONEY

6.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal audit assists the Council in ensuring its assets are used efficiently and that they are properly safeguarded against misappropriation and loss.

6.2 Peer reviews and consultations have found little difference between the methodology and range of audits currently being delivered from those being undertaken by internal audit teams noted for their audit best practice.

6.3 Internal Audit continues to ensure that its processes are lean and undertakes an annual self-assessment to ensure they are compliant with the CIPFA/IIA PSIAS, as recommended best practice. In accordance with those requirements, an independent external assessment will also be undertaken every five years.

7. SUSTAINABILITY IMPACT APPRAISAL – N/A

8. RISK MANAGEMENT

Risk	Uncontrolled Risk	Controls	Controlled Risk
------	-------------------	----------	-----------------

1. Failure to discharge statutory obligations leads to breach of legislation resulting in fines, investigation and reputation damage.	High	Risk based Internal Audit Plan that are aligned with the Council's objectives and CRR.	Low
2. Failure to provide necessary assurances that the Council's systems are secure leads to major event, fraud and/or mismanagement of monies.	High	Risk based Internal Audit Plan that is aligned, where possible, with the Council's objectives and CRR.	Low
3. Failure to have suitable systems in place to reduce potential losses and inefficiencies leads to wasted resources or duplication of work.	High	Integrate individual audit reviews with other reviews. Risk based Internal Audit Plan that is aligned with the Council's objectives and CRR.	Low

9. LINKS TO STRATEGIC OBJECTIVES

9.1 The 2016/17 Draft Internal Audit Plan is aligned with the Council's objectives and the CRR. Internal Audit helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION – N/A

11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS – N/A

12. PROPERTY AND ASSETS – N/A

13. ANY OTHER IMPLICATIONS – N/A

14. CONSULTATION

14.1 Consultations have been undertaken with internal stakeholders (Members of the A&PRP, Corporate Management Team, S151 Officer, Directorate Management Teams and Insurance and Risk Manager) and the key external stakeholder of External Audit, KPMG in preparing the 2016/17 Internal Audit Plan.

15. TIMETABLE FOR IMPLEMENTATION

15.1 The 2016/17 Draft Internal Audit Plan will come into effect from 1 April 2016. Progress on delivering the Internal Audit Plan will be reported to the A&PRP on an interim (6 monthly) and annual basis.

Date	Details
December 2016	2016/17 Interim Audit and Investigation Report
June 2017	2016/17 Annual Audit and Investigation Report

16. APPENDIX

16.1 Appendix A – 2016/17 Internal Audit Plan (attached to this report).

17. BACKGROUND INFORMATION

Accounts and Audit Regulations 2015
CIPFA/IIA Public Sector Internal Audit Standards 2013
S151 Local Government Finance Act 1972

18. CONSULTATION (MANDATORY)

Name of consultee	Post held and Department	Date sent	Date received	See comments In paragraph:
Internal				
Alison Alexander	Managing Director and Strategic Director of Adult, Children and Health Services	22/01/16	27/01/16	Separated Internal Audit Charter report from 2016/17 Internal Audit Plan, Strategy and, Charter Plan report.
Corporate Management Team (CMT)	Managing Director, All Strategic Directors, Head of Finance	22/01/16	27/01/16	As above
Cllr Paul Brimacombe	Chair of Audit and Performance Review Panel	05/02/16		

Report History

Decision type:	
Key decision entered into the Forward Plan – N/a	N/a

Report no.	Full name of report author	Job title	Full contact no:
	Catherine Hickman	Service Manager – Shared Audit and Investigation Service	07917 265742