

Contains Confidential or Exempt Information	No
Title	Indicative Annual Internal Audit Plan 2015/16
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Portfolio	Cllr Yvonne Johnson - Finance, Performance and Welfare
For Consideration By	Audit Committee
Date to be considered	17 March 2015
Implementation Date if Not Called In	N/A
Affected Wards	All
Keywords/Index	N/A

Purpose of Report:

This report details the proposed operational Internal Audit plan for 2015/16.

In accordance with the Public Sector Internal Audit Standards (PSIAS), and more specifically Standard 2000, the Audit Committee is being asked to review and approve the proposed plan.

1. Recommendation

- 1.1 In accordance with the PSIAS requirements, the Audit Committee is asked to review and approve the proposed Internal Audit Plan for the period 1 April 2015 to 31 March 2016.

2. Reason for Decision and Options Considered

- 2.1 Internal Audit is an assurance function that provides an independent and objective opinion to the Council on the adequacy and effectiveness of the systems of internal control comprising, risk management, internal control and governance by evaluating its effectiveness in achieving corporate objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

2.2 The assurance gained from the programme of work set out in the 2015/16 Plan (Appendix A), will form the main input for the development of the 2015/16 opinion of the Chief Audit Executive.

3. Key Implications

3.1 The 2015/16 Plan is an indicative Plan which is kept under constant review to ensure that it is aligned and able to respond to emerging risks. It is subject to revisions during the year with approval by the Audit Committee.

3.2 Basis for Plan Compilation

3.2.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The role of Internal Audit is to advise the Council whether these arrangements are in place and whether they are operating effectively. The Council's response to Internal Audit activity should lead to a strengthening of the control environment and therefore contribute to the overall achievement of the Council's objectives.

3.2.2 In accordance with PSIAS Standard 2450, the Chief Audit Executive must deliver an annual internal audit opinion and report to the Audit Committee, timed to support the Annual Governance Statement, which must conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control.

3.2.3 Further, the Internal Audit Plan must be risk-based, broad in coverage, with its purpose being to identify the work required to support the Chief Audit Executive opinion for the financial year ending 31 March 2016. The Plan will however remain flexible throughout the financial year to adapt, as required, to the changing needs and risk profile of the Council.

3.3 Independence

3.3.1 A further requirement of PSIAS relates to independence and more specifically that the internal audit activity must be independent and internal auditors must be objective in performing their work.

3.3.2 Standard 1100 of PSIAS details independence as the freedom from conditions that threatens the ability of internal activity to carry out internal audit responsibilities in an unbiased manner. The proposed Internal Audit Plan has been developed in accordance with the requirements of this standard.

3.4 Planning Approach

3.4.1 The Plan and the planning approach followed takes fully into consideration the above requirements and has been prepared in accordance with PSIAS and which reflects the Council's strategic and operational risks. The key principles involved in the development of the Plan are:

- The Plan is risk based in order to help prioritise audits;
- Is viewed as flexible and dynamic tool that can be amended throughout the year to reflect changing Council risks and priorities;
- Takes into consideration work performed by other inspection agencies and External Audit;
- Is developed with the understanding that there are inherent risks and limitations associated with any method of prioritising audits;
- Ensures that assignments are mapped to the Council's corporate priorities; and
- Developed in accordance with the requirements of the Public Sector Internal Audit Standards.

3.4.2 The objective of utilising a risk based audit plan is to identify and prioritise various financial, operational and other threats posing the greatest potential strategic and operational risk and liability to the Council. The Plan has specifically been developed through:

- Discussions with Executive Directors and Directors;
- Discussions with the Section 151 Officer;
- Review of the most recent version of the Council's Corporate and Directorate risk registers.
- Review of key projects and activities linked to 15/16 budget proposal activity;
- Reference to previous audit and assurance activity, including the follow up of the implementation of previous recommendations;
- Reference to weaknesses identified in previous special investigations into fraud and irregularity; and
- Discussions with the Council's External Auditors.

3.5 Shared Service and Delivery

3.5.1 The plan is based on the delivery of a total of 750 audit days, which is reduction of 38 days when compared to the previous year's activity. Every effort has however been made to make better use the resources available, including the completion of more detailed cross-cutting reviews, to ensure that the necessary level of coverage and assurance is provided.

3.5.2 The current activity to create a shared service for Internal Audit and Counter Fraud services with the London Borough of Hounslow, will further provide the opportunity to complete joint audits during the 2015/16 audit year. This approach will be adopted wherever

practicable to support the effective and efficient delivery of the audit plan. By adopting this approach it is anticipated that this will further improve coverage and mitigate any potential impacts in the reduction of audit coverage when compared to the previous year.

3.5.3 The Audit plan is developed to be delivered at 100% by the end of the Financial year 2015/16.

3.5.4 The audit day budget for each individual review will be approved by the Head of Internal Audit at the point of approval of the terms of reference for each review, once the scope of each review has been fully developed following detailed planning meetings with each review sponsor.

4 Financial

4.1 The revenue budget for Audit & Investigation for 2015/16 incorporates the expenditure cost for the service, including the current contract with Ealing's audit partner – Mazars.

4.2 All audit activity covered in this report will be delivered within the current Audit & Investigation budget.

5 Legal

5.1. All Local Authorities are required to make proper provision for Internal Audit in accordance with the 1972 Local Government Act and the Accounts and Audit Regulations 2011 (as amended). The Public Sector Internal Audit Standards (PSIAS) requires proper planning of audit work.

6 Value For Money

6.1 Ealing's Internal Audit Services are currently provided by Mazars via a framework agreement led by the London Borough of Croydon (LBC). The contract places an obligation on Mazars to continuously develop and improve services over the life of the contract, including improved benchmarking of services and costs.

6.2 The long-term nature of the contract means that daily rates are held and only increased in line with inflation each year. This provides some stability in costs for future years and avoids market fluctuations. Confirmation has however been received outlining that the day rates charged by Mazars are being held, with the inflationary increased being waived.

7 Sustainability Impact Appraisal

7.1 Not applicable

8 Risk Management

- 8.1 The Council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
- 8.2 As outlined, the proposed internal plan is based on risk and takes into consideration the current levels of strategic and operational risks managed by the Council. Risk management arrangements are however kept under continual review. The strategic risk register is to be reviewed and refreshed by Corporate Board in April 2015, any significant changes to the risk profile of the Council will be considered and the audit plan subject to revision where necessary. These recommended changes will be presented to a future meeting of the Committee.
- 8.3 The current risk management framework is also to be reviewed in April / May 2015 with the revised document to be presented to the June meeting of the Committee.

9 Community Safety

- 9.1 Not applicable.

10 Links to Strategic Objectives

- 10.1 Internal Audit makes a significant contribution to delivering the Corporate Plan and Council Objective, providing regular assurance to senior management and members on the effectiveness of the corporate governance and internal control framework. Internal Audit impacts on all services and functions throughout the Council, including internal and external partnerships and stakeholders. This links to the strategic objective of being a high performing organisation focused on the needs of its community.

11 Equalities and Community Cohesion

- 11.1 No equality impact assessment has been undertaken as the report does not affect the general duties of the Equalities Act 2010.

12 Staffing/Workforce and Accommodation implications:

- 12.1 Not applicable.

13 Property and Asset

- 13.1 Not applicable

14 Any other implications:

14.1 None.

15 Consultation

15.1 As per attached table.

16 Appendices

Appendix A: 2015/16 Proposed Internal Audit Plan

17 Background Information

Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Ian O'Donnell	Executive Director of Corporate Resources	3 rd March 2015		
Maria Christofi	Director of Finance (Deputy s151 Officer)	3 rd March 2015		

Report History

Decision type:	Urgency item?
For information	No

Authorised by Cabinet member:	Date drafted:	Report deadline:	Date report sent:
Report no.:		Report author and contact for queries:	
		Steve Tinkler, Head of Audit & investigation. Ext 8571	

