



**Report for:
INFORMATION**

9.

Contains Confidential or Exempt Information	No
Title	Indicative Annual Internal Audit Plan 2016/17
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Portfolio	Cllr Yvonne Johnson - Finance, Performance and Customer Services
For Consideration By	Audit Committee
Date to be Considered	15 March 2016
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 2016/17.

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 2016 to 31 March 2017.

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 of 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 2016/17 Plan (Appendix A), will form the main input for the development of the 2016/17 opinion of the Chief Audit Executive.

3 Key Implications

- 3.1 The 2016/17 Internal Audit 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 the approval of 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 and 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 2017. 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 that the 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 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 a 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 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 2016/17 budget;
- 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 consistent with the provision in the current year. Every effort has been made to make better use of 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 implementation of the Shared Service arrangement for Internal Audit and Counter Fraud with the London Boroughs of Hounslow and Brent will provide further opportunities to improve the level of assurance provided. The shared Service approach to audit delivery will allow for further cross-Council reviews to be undertaken which will improve the level of coverage across the three bodies. This approach will also allow greater opportunities for sharing best practice and potentially driving further savings across the Councils.

3.5.3 The Audit Plan is designed to be delivered in full by the end of the 2016/17 financial year.

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 has been developed following detailed planning meetings with each review sponsor.

4. Financial

4.1 The Audit Plan will be funded from the Audit and Investigations 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 a Strategic Audit Partner. The contract places an obligation to continuously develop and improve services over the life of the contract, including improved benchmarking of services and costs.

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 The proposed internal audit 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 2016 and any significant changes to the risk profile of the Council will be considered, and the audit plan revised where necessary. These recommended changes will be presented to a future meeting of the Audit 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 Objectives, 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 focussed 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 Assets

13.1 Not applicable.

14. Any other implications

14.1 None.

15. Consultation

15.1 As per attached table.

16. Appendices

Appendix A: 2016/17 Proposed Internal Audit Plan

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	22/02/16	25/02/16	N/a
Maria Christofi	Director of Finance (Deputy s151 Officer)	22/02/16	25/02/16	N/a
Corporate Board	All Departments	26/02/16	02/03/16	N/a
Cllr Yvonne Johnson	Portfolio Holder - Finance, Performance and Customer Services	04/03/16		

Report History

Decision type:	Urgency item?		
For information	No		
Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:
Report no:	Report author and contact for queries: Steve Tinkler, Head of Audit & Investigations, ext 8571		