



Purpose: For Decision

## Committee report

Committee	<b>AUDIT COMMITTEE</b>
Date	<b>THURSDAY, 11 DECEMBER 2014</b>
Title	<b>DEVELOPMENT OF INTERNAL AUDIT PLAN 2015/16</b>
Report of	<b>BUSINESS IMPROVEMENT MANAGER</b>

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### EXECUTIVE SUMMARY

1. This report gives the Committee a further opportunity to have input to the council's internal audit plan for 2015-16.

### BACKGROUND

2. The Council's internal auditors have a finite amount of time to carry out their work which is determined by the current contract. It is therefore important that their activities are well planned and resources are used in the most effective manner. Although the current contract expires on 30 June 2015, the assessment of audit need and the resultant plan should be seen as something which is based on the council's risk and therefore is irrespective of the chosen delivery method or the provider.
3. Audit plans should therefore be 'risk-based' and the starting point for their development will be a risk assessment of all council activities. Often this involves an element of 'scoring' which gives each council activity some sort of risk assessment. This is conducted by Pricewaterhouse Coopers LLP initially and used as the basis for further development, usually as a result of discussion with senior management. That allows for a degree of intelligence to be applied, which might include for example, forthcoming changes in services, new initiatives, changes to organisational responsibilities, changes in personnel, or simply misgivings that managers may have about the effectiveness of controls in their areas.
4. The activities required to produce a draft plan are set out in the table below:

<b>Time-frame</b>	<b>Activity</b>
October- November	Refreshing the understanding of the council's operations/ structure. Initial risk scoring of auditable units. Meetings with heads of service/strategic managers with a list of potential reviews to be considered for inclusion
December 11 Audit Committee	Consultation with Audit Committee – the committee is updated with progress so far and has further opportunity to influence the plan's content
December 2015	Dialogue with Executive and other relevant members to seek their views
January 2015	Consultation with senior management confirm the reviews to be undertaken and their provisional scheduling
January 2015	Presentation to Corporate Management Team senior managers have the opportunity to collectively consider the plan and to recommend it to the Leader and the Audit Committee
February 19 2015 Audit Committee	Presentation to Audit Committee - the draft 2015/16 Internal Audit Plan will be presented to Audit Committee for approval

5. The plan's development is progressing well with all of the planned activity until now complete. Members were given the opportunity to have an initial discussion about the plan at the workshop in Southampton which took place in September.
6. The Committee can add value to the planning process by:
  - Seeking assurance that the plan is developed in a logical way (i.e. that it is based on an assessment and understanding of risk)
  - Seeking assurance that the plan is developed in consultation with stakeholders (senior managers and relevant members)
  - Considering whether it is linked to the council's objectives
  - Checking that the plan appears to cover the most significant risks (by reference to members' own analysis and experience and the issues which have arisen in previous audit reviews)
  - Ensuring that, with limited resources, the plan is a proportionate response to dealing with risk, and that any shortfall in resource is managed accordingly (i.e. by appropriate rationing and ensuring that the most significant risks are covered)
  - Ensuring that where they have concerns about the control regime that have been highlighted by their own perception of risk, that the plan includes those issues to be audited.
7. Appendices A and B set out the potential areas of audit reviews for the committee to consider. These are the early results of Pricewaterhouse Cooper's work and are subject to a more thorough review as the plan is developed.

## STRATEGIC CONTEXT

8. The internal audit function plays an important role in providing assurance that the council's governance (and in particular financial governance) is robust. It is therefore important that the plan for the work of the auditors is given appropriate attention, is designed to counter risk, has sufficient coverage and deals with those issues which are the most important.

## CONSULTATION

9. Consultation about the plan and its content has already taken place with most heads of service and strategic managers, who are able to identify any emerging issues that will impact on their own service or issues which are giving cause for concern. Executive members will also be asked for their views on the potential for audit reviews of particular areas. The Chairman of Scrutiny Committee will also be consulted for his views. Senior managers will be consulted both individually and collectively during January so that the draft plan can be recommended to Audit Committee in February.

## FINANCIAL / BUDGET IMPLICATIONS

10. The audit plan is the basis for the contract with the internal audit provider. It allows for approximately 1,000 days of audit activity with a current cost of £223,400. Any proposal to increase (or indeed reduce) the plan would have a directly proportionate effect on the cost of the contract.

## LEGAL IMPLICATIONS

11. The Accounts and Audit (England) Regulations 2011, require that local authorities undertake an adequate and effective internal audit of their accounts and internal control. The annual plan provides significant evidence that the work of the auditors is well managed and therefore meeting our statutory obligations in this regard.

## EQUALITY AND DIVERSITY

12. The council has a legal duty under the Equality Act 2010 to seek to eliminate discrimination, victimisation and harassment in relation to age, disability, gender re-assignment, pregnancy and maternity, race, religion, sex, sexual orientation and marriage and civil partnership. It is considered that there are no direct equality and diversity implications of this report for any of the protected groups.

## RISK MANAGEMENT

13. The key risk of associated with the plan is that it fails to adequately address the most significant risks facing the council. The consultation (in particular with senior management) is designed to manage that risk. The committee's involvement at an early stage of the plan's development also helps to ensure that the plan is relevant to the council's needs.

## RECOMMENDATION

14. To consider the early development of the internal audit plan for 2015/16 and where appropriate to recommend areas for inclusion.

APPENDICES ATTACHED

15. [Appendix A](#) – The Council's activities – The Audit Universe

[Appendix B](#) – Outline scope of potential audit reviews

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