



Committee report

Committee	AUDIT COMMITTEE
Date	18 FEBRUARY 2016
Title	INTERNAL AUDIT PLAN 2016/17
Report of	TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. This report seeks approval of the council's internal audit plan for 2016-17. The committee has a key role in overseeing the work of the internal auditors and should have a major part in agreeing what the auditors should cover in the plan.

BACKGROUND

2. The committee's terms of reference include the oversight of the internal audit function, which includes approving the annual internal audit plan. The internal audit function is outsourced to PricewaterhouseCoopers LLP (PwC) but the council retains the statutory responsibility for ensuring that there is an adequate and effective system of internal audit in place. One of the ways in which that responsibility is exercised is to ensure that the work of auditors, as set out in the plan for the year ahead :
 - is based on the perceived risks facing the council;
 - addresses any emerging issues;
 - directs audit resource to meet those risks;
 - takes account of the finite resource available to the audit function.
3. The plan is developed by the council's external provider PwC who consult widely with the council's senior management. They take account of the context in which the plan operates – not least of all, the far reaching implications of the austerity programme on the council. They also use a comprehensive risk assessment methodology to measure the relative risk presented by council operations. That is vital if the plan is to address the most significant risks to the council with a finite internal audit resource.
4. The committee itself has had opportunities at its away-day in September, during its meetings throughout the last year and in recent informal meetings, to highlight its particular concerns, and PwC have taken those into account when developing the plan.

5. As stated before, 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, relevant members and the council's external auditors);
 - ensuring that 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 (ie by appropriate rationing and ensuring that the most significant risks are covered).

6. Appendix A sets out the draft internal audit plan for the committee to consider.

STRATEGIC CONTEXT

7. 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 is given appropriate attention, is designed to counter risk, has sufficient coverage and deals with those issues which are the most important. The plan takes account of the council's corporate plan and strategic objectives as reference points for deciding which areas are crucial to the council's success.

CONSULTATION

8. Consultation about the plan and its content has taken place with 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.
9. The council's external auditor has also been consulted over the content and frequency of audit reviews. Those views have been incorporated into the draft plan.
10. The Audit Committee itself has highlighted a number of issues that it wishes to see covered in the plan which have now been included in the plan's development.
11. The council's Corporate Management Team (CMT) has reviewed the draft plan and had an opportunity to recommend changes to it, subject to the agreement of the committee.

FINANCIAL / BUDGET IMPLICATIONS

12. The audit plan is the basis for the contract with the internal audit provider, with a current cost of £184,222 per annum. Any proposal to increase (or indeed reduce) the plan would have a directly proportionate effect on the cost of the contract. The contract for internal audit services has been re-tendered during the current financial year, which delivered savings of £20,000 per annum.

LEGAL IMPLICATIONS

13. The Accounts and Audit Regulations 2015, require that local authorities undertake an adequate and effective internal audit of their accounts and internal control. The annual plan provides evidence that the work of the auditors is well managed and therefore meeting the council's statutory obligations in this regard.

EQUALITY AND DIVERSITY

14. 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.

OPTIONS

15. The options for the committee are:

Option (a) Approve the Audit Plan as set out at Appendix A.

Option (b) Amend the Audit Plan as set out at Appendix A.

RISK MANAGEMENT

16. The key risk 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

17. Option (a) Approve the Audit Plan as set out at Appendix A.

APPENDICES ATTACHED

18. [Appendix A](#) – The Internal Audit Plan 2016/17.

Contact Point: Jo Thistlewood, Technical Finance Manager ☎ 821000
e-mail Jo.Thistlewood@iow.gov.uk

DAVE BURBAGE
*Chief Financial Officer and
Section 151 Officer*

CLLR JONATHAN BACON
*Leader & Executive Member for Resources,
Organisational Change*