

 <b>Finance and Audit Scrutiny Committee</b> <b>4 April 2017</b>		<b>Agenda Item No.</b> <b>4</b>
<b>Title</b>	Internal Audit Strategic Plan 2017/18 – 2019/20 and Internal Audit Charter	
<b>For further information about this report please contact</b>	Richard Barr Tel: (01926) 456815 email: richard.barr@warwickdc.gov.uk	
<b>Service Area</b>	Finance	
<b>Wards of the District directly affected</b>	Not applicable	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Finance and Audit Scrutiny Committee – 5 April 2016	
<b>Background Papers</b>	Internal Audit risk assessment file; SMT minutes	

<b>Contrary to the policy framework?</b>	No
<b>Contrary to the budgetary framework?</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality &amp; Sustainability Impact Assessment Undertaken?</b>	N/A: no direct service implications

<b>Officer/Councillor Approval</b>		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive	1 March 2017	Chris Elliott
CMT	1 March 2017	
SMT	1 March 2017	
Section 151 Officer	1 March 2017	Mike Snow
Monitoring Officer	1 March 2017	Andrew Jones
Finance	1 March 2017	As Section 151 Officer
Portfolio Holder	16 March 2017	Councillor Whiting
<b>Consultation and Community Engagement</b>		
Consultation with managers and the Council's external auditors.		
<b>Final Decision?</b>	Yes	
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1 **Summary**

- 1.1 The report presents the Internal Audit Strategic Plan 2017/18 – 2019/20 and the Internal Audit Charter for consideration and approval.

## 2 **Recommendation**

- 2.1 That Members consider and approve the Internal Audit Strategic Plan 2017/18 – 2019/20 and the Internal Audit Charter.

## 3 **Reason for the Recommendation**

- 3.1 The Internal Audit Strategic Plan is an important element in providing the required independent and objective opinion to the organisation on its control environment, in fulfilment of statutory duties.
- 3.2 The compilation of the Internal Audit Charter is a requirement of the Public Sector Internal Audit Standards.

## 4 **Policy Framework**

- 4.1 Although there are no direct policy implications, Internal Audit provides a view on all aspects of governance and will take into account the Council's policies.

## 5 **Budgetary Framework**

- 5.1 Although there are no direct budgetary implications arising from this report, Internal Audit provides a view on all aspects of governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

## 6 **Risks**

- 6.1 Internal Audit provides a view on all aspects of governance, including corporate and service arrangements for managing risks.
- 6.2 It is difficult to provide a commentary on risks as the report is concerned with the provision of reviews by Internal Audit on other services. Having said that, there are clear risks to the Council in not dealing with issues raised within Internal Audit reports and there is an overarching risk associated with the Finance & Audit Scrutiny Committee not fulfilling its role properly e.g. not scrutinising this report robustly.

## 7 **Internal Audit Strategic Plan**

- 7.1 Internal Audit provides an independent opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 7.2 The Internal Audit Strategic Plan 2017/18 to 2019/20 comprising the planned reviews over this period is set out as the first Appendix to this report.

- 7.3 The Audit Plan is organised as follows:
- Risk-based coverage
  - Coverage for external audit reliance or to meet regulatory requirements
  - Other internal audit coverage
- 7.4 The audits set out in the first year of the Plan are carried out throughout the year with timings (start dates) agreed with managers on individual audits, usually at the beginning of the year.
- 7.5 The Internal Audit Charter for delivering this assurance is also included and is set out as Appendix 2.

## 8 **Formulation of the Plan**

- 8.1 To produce the audit plan, the following has been taken into consideration:
- The strategic objectives of the organisation and the specific risks associated with those objectives;
  - the content of risk registers and assurance frameworks to understand the risks faced, and the controls that the organisation places reliance on to manage those risks;
  - areas of concern or previous requests for coverage from management and the Finance & Audit Scrutiny Committee;
  - areas where the External Auditors will wish to place reliance on the testing performed by Internal Audit;
  - other sources of assurance available to the organisation e.g. inspections, peer reviews, accreditations;
  - any recent significant changes within the organisation and its operations;
  - regulatory requirements for internal audit coverage;
  - emerging issues, including any additional risks that do not appear on the risk profile but may merit internal audit coverage;
  - the timing for each internal audit review to maximise the benefit of assurance provided; and
  - the results of previous internal audit coverage.
- 8.2 In recent years we have strengthened our risk-based approach by placing greater reliance on the risk registers to identify priority areas. An exercise to link the audit plan to the risk registers also highlighted some new areas that required audit coverage. A good example of this was climate change where an audit of the Authority's preparations for responding to climate change was identified. We have continued that approach for this year.
- 8.3 An earlier draft of the Strategic Plan was issued to CMT and Service Area Managers for their views.
- 8.4 Views were sought on a number of aspects, including:
- ∇ The amounts of time allocated to the various proposed assignments;
  - ∇ whether anything important has been missed;

- ∇ whether any planned assignments should be excluded (because, for example, the function is considered very low risk or because the function is no longer performed);
- ∇ whether any risk profiles had changed significantly in the last 12 months.

8.5 Service Area Managers were requested to share the draft Plan as widely as possible within their service areas and to feed back comments to Internal Audit so that a revised Plan could be presented to SMT.

8.6 A further draft of the Plan, following its presentation and discussion at SMT, is attached.