

REPORT OF: Audit and Performance Manager

TO: Accounts and Audit Committee

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INTERNAL AUDIT STRATEGY & AUDIT PLAN 2017/20

PURPOSE OF REPORT

1. The purpose of this report is to seek comments from the Accounts and Audit Committee on the proposed Internal Audit Strategy and Audit Plan covering the period 2017/20.

RECOMMENDATIONS

2. It is recommended that the Accounts and Audit Committee agree the Internal Audit Strategy & Audit Plan for 2017/20.

REASONS FOR RECOMMENDATION

3. To seek Accounts and Audit Committee approval of the Internal Audit Strategy & Audit Plan for 2017/20.

ISSUE

4. Attached at Appendix A is the proposed Internal Audit Strategy for 2017/20. The Internal Audit Strategy is a high level statement of how the internal audit service will be delivered and developed in accordance with the Internal Audit Charter and how it links to organisational objectives and priorities.
5. The key strategic aim is to ensure that the Council complies with its statutory obligations to provide an adequate internal audit service.
6. Also attached is the proposed 3 year Audit Plan i.e. 2017/20. This has been developed in accordance with the Public Sector Internal Audit Standards (PSIAS) 2013 which set out the requirement for the Audit and Performance Manager to prepare a risk-based audit plan to determine the priorities of the internal audit activity.
7. An Audit Needs Assessment (ANA) (**Appendix A**) has been undertaken across the entirety of the auditable areas across the Council. The results of this work allows limited audit resources to be targeted at areas of highest risk whilst at the same time ensuring that all auditable areas are audited on a systematic basis.

8. The planned audit coverage in each year is shown in Table 1 below as a percentage of all identified auditable areas. Also included is the total risk to be covered each year as a percentage of the total risk assessed within these systems. In both cases, these are compliant with the aims of the Internal Audit Strategy which indicates that both audit and risk coverage will exceed 60% in each year.

Table 1: Percentage of Audit and Risk Coverage

	2017/18	2018/19*1	2019/20*1
Percentage of risk coverage	73%	70%	74%
Percentage of audit coverage	69%	68%	69%

*1 – Detailed Internal Audit Plans for 2018/19 and 2019/20 will need to be determined to ensure that audit days required match audit days available.

9. Each audit (**Appendix B**) has been banded into 3 categories based on their respective risk status with Band 1 audits performed annually and Band 2&3 audits performed once over the 3 year period. Further work may be undertaken prior to the start of each financial year to assimilate the resources available to the proposed plan and may, therefore, necessitate some change in the allocation of days as shown (although this is not expected to be material). In particular, there are ongoing discussions around the delivery of Computer Audit in view of the current external provider Furness Audit no longer able to deliver the service. The Plan will need to be updated to take account any changes in auditable areas as they arise. Finally, discussions will take place with External Audit (Grant Thornton) to ensure that the work of Internal Audit is complementary to their work.
10. **Appendix C** provides details of the proposed plan allocation of days over each of the next three years. The plan provides for 328 chargeable audit days as opposed to 422 in 2016/17. The plan is now based on the resources of 2 full time auditors.
11. The Accounts and Audit Committee is requested to discuss and give approval to the Internal Audit Strategy and Audit Plan.

IMPLICATIONS

Policy

12. There are no policy implications arising directly from the contents of this report.

Financial

13. There are no financial implications arising directly from the contents of this report.

Legal

14. The Council is required by statute to have an independent internal audit function. The production of the Internal Audit Strategy 2017/20 will guide the work of the Internal Audit function.

Risk Management

15. The Internal Audit Strategy is part of the framework for ensuring that audit resources are applied effectively and directed towards the areas of greatest internal control risk for the Council. If the strategy is implemented as required, this should form part of the mitigation against risks, both strategic and operational, faced by the Council.

Health and Safety:

16. The adequacy of internal controls contributing to the delivery of the Council's policy on health and safety, whether for Council staff or those who interact with the Council, are considered in any of health and safety arrangements. Other than that, there are no health and safety implications arising from this report.

Climate Changes:

17. There are no sustainability issues arising directly from the contents of this report.

Community Safety:

18. There are no community safety issues arising directly from the contents of this report.

Equality and Diversity:

19. There are no equality and diversity issues arising directly from the contents of this report.

APPENDICES

Appendix 1 – Internal Audit Strategy 2017-20

Appendix 2 – Internal Audit Plan 2017-20