

INFORMATION NOTE

Internal Audit Plan 2017-18



Audit Plan Development

1. The primary work of the Internal Audit Service is to provide independent assurance and to report upon the effective and efficient application of internal controls, governance arrangements and risk management at the Council. All Internal Audit reports form part of the evidence to enable the Chief Executive and Leader of the Council to sign the Annual Governance Statement (the obligatory statement in the Annual Accounts).
2. The work also enables compliance with the Council's Constitution and Code of Corporate Governance. Reports will make recommendations to address any weaknesses identified and, with the advice and agreement of management, give direction on how to support continual improvements by providing professional advice and guidance.
3. The Internal Audit Plan considers many factors and ensures that all stakeholders' contributions are included. The main drivers used to formulate the Audit Plan are detailed below:
 - ♦ Corporate Plan priorities
 - ♦ Engagement with Chief Executive, Directors and Section 151 Officer
 - ♦ Review of strategic corporate risks
 - ♦ Recent significant change to the Council or its operations
 - ♦ Cumulative audit knowledge and experience
 - ♦ Level of assessed risk within each service
4. Key financial systems are audited on an ongoing basis, such that a review relating to each main system takes place in alternate years. Usually the follow up work is completed in the succeeding year so that annual coverage is maintained. The same arrangements apply to risk management.
5. In addition to the above, some other areas are also reviewed annually - these include corporate governance and anti-fraud activities. These topics are not subject to the risk assessment process.
6. The work of the team may be broken down into several main services to the Council:
 - ♦ Risk Based: To provide assurance on the arrangements in place to manage key business risks. These are the audits that focus on risks in service and directorate plans and the corporate risk register and are designed to provide management and members with assurance that appropriate steps are being taken.
 - ♦ System and Compliance: To provide assurance to statutory officers and key stakeholders that key systems and processes are operating as intended and will include work on the core financial systems.
 - ♦ Anti-Fraud, Irregularity and Probity Programme: There will be ongoing proactive testing of systems and processes to identify potential fraud and misappropriation, as well as potential non-compliance with policies and procedures. In addition there is an allocation of resource for dealing with whistleblowing referrals and the investigation of potential irregularity, wrongdoing, fraud and corruption.
 - ♦ Consultation and Advice: Internal Audit provides ongoing advice across the Council. Whether through attendance at working groups or responding to ad hoc enquiries this remains an area where early advice can add value, support the transformation agenda and help maintain a robust control environment.

- ♦ Follow Up Work: To provide assurance that improvements agreed by managers have been implemented in accordance with the approved action plan. This work is essential to ensure the value added by internal audit is realised.

Prioritisation of Audit Reviews

7. In order to make best use of audit resources, the need for audit reviews in individual areas is considered, based on a risk assessment, which considers:
 - ♦ Business risk - the extent to which the risk impacts on the delivery of corporate priorities
 - ♦ Materiality - the relative value of funds flowing through a system or in the case of non-financial systems the comparative impact on service delivery and the control environment
 - ♦ Assurance - a factor to reflect the latest available assurance rating awarded by Internal Audit following a previous audit review of the area, or other assurance providers
 - ♦ Time - a factor to represent the time since the area was last subject to audit
8. This assessment of risks is then translated into an annual operational plan, which sets out the areas to be covered in the current year, taking into account resource constraints.
9. Planned audit work has been discussed with the Chief Executive and all members of Management Team, in particular the Section 151 Officer, to ensure wherever possible their major concerns are being addressed. The views of external audit have also been sought.

Other Factors

10. It should also be emphasised that within the dynamic environment that the Council operates, business risks are prone to change and the plan is not intended to be regarded as rigid. Areas for review may emerge in-year. As a result, the Plan should be treated as an indicative working document, subject to amendment, as necessary, to reflect changing corporate conditions or demands as well as reflecting any changes or refinement in the Council's Strategic Risk Register.
11. A contingency provision has also been included in the plan to cover changes in circumstances after the completion of the risk assessment, such as specific management requests for audit, ad hoc work, on-demand tasks and special investigations. This recognises that the plan, whilst produced on an acknowledged risk basis, remains a flexible document.
12. There are a small number of audit reviews from 2016-17 that will be ongoing at the end of March 2017 and the days to complete these are also included in the current year's plan.

Resources

13. As previously reported, the internal audit team has been affected by reduced resources in 2016/17 and this plan has been developed based on a staff resource of 2.3 FTE, which represents the existing permanent staff.
14. The plan targets available resources towards the core systems and significant corporate risks. This approach is intended to enable the Head of Internal Audit to formulate an opinion of the overall adequacy and effectiveness of the Council's control environment as required by the Public Sector Internal Audit Standards.

FURTHER INFORMATION AVAILABLE FROM

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