



**REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT AND  
IMPROVEMENT**

**INTERNAL AUDIT PLAN – 2017/18**

**Purpose of the Report**

1. To inform Members of the proposed Internal Audit Plan for the 2017/18 financial year.

**Information and Advice**

2. Internal Audit is defined as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.
3. The Public Sector Internal Audit Standards require the chief audit executive to establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. As part of the planning process, account is taken of external sources of assurance, including the work of external inspectorates. Where audits are planned, pre-audit work will also include discussion with managers over sources of assurance that can be relied upon, to prevent duplication.
4. The attached Audit Plan sets out the proposed coverage of the Authority's systems and procedures which deliver the Council's priorities, for the period 2017/18. The Plan represents the Section's assessment of the key areas that need to be audited in order to satisfy the Authority's statutory responsibility to undertake an adequate and effective internal audit of its accounting records and its system of internal control.
5. The Annual Plan is based on an audit needs assessment to identify the priority activities for audit coverage. Each area of activity in the Council is assessed in terms of the following factors:
  - Value and volume of transactions involved with the activity
  - The known level of internal control in place (from previous audits)
  - The value of cash and bank transactions
  - The relative complexity of the activity
  - Whether the activity is stable or subject to change
  - How sensitive the activity is for the Council among its key stakeholders
  - The number of sites where the activity is carried out
  - The number of years since the previous audit

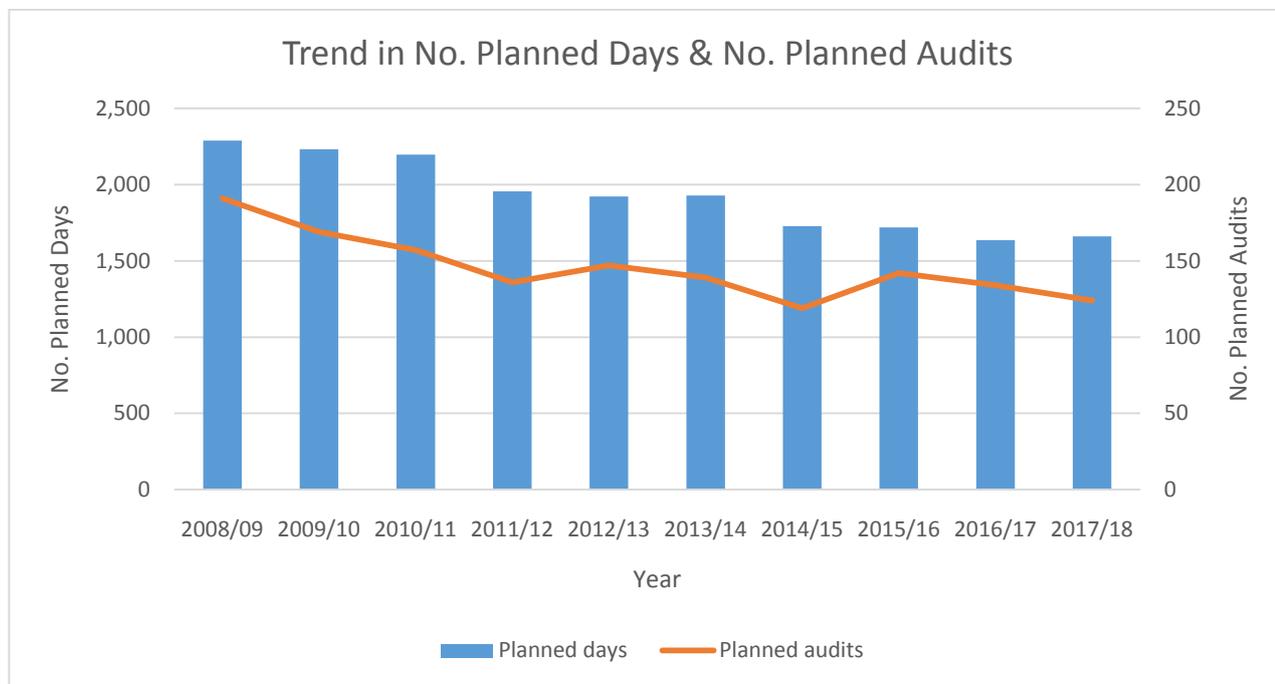
Using an established system of scoring and weighting the above factors, the needs assessment arrives at a high/medium/low risk-rating for each area of activity.

6. The outcomes of the Audit Needs Assessment, and the proposed audit coverage, were discussed between January and March at departmental leadership teams. As part of this, more detailed consultations took place with Service Directors and their management teams. The Audit Plan is implemented flexibly, and will continue to change to ensure that any emerging priorities during the year are addressed.
7. The role of Internal Audit is to provide management with an objective assessment of whether its systems and controls are working properly. It provides an independent and continuous appraisal of the Authority's activities and in particular focuses on the internal controls established by the organisation's managers. The Section's aim is to complete the programme of planned work in order to express an overall view on the adequacy and effectiveness of the Authority's internal control systems.
8. This work is important in enabling the County Council's External Auditors to form a view on the overall adequacy of the Council's financial controls, which in turn supports their assessment of whether the County Council's annual statement of accounts gives a "true and fair view". The work is also a key contributory factor in the preparation of the Council's Annual Governance Statement.
9. The Plan has been compiled in accordance with the Public Sector Internal Audit Standards, which came into force in 2013. A detailed breakdown of the 2017/18 Plan is shown in **Appendix 1**, and is summarised in the table below.

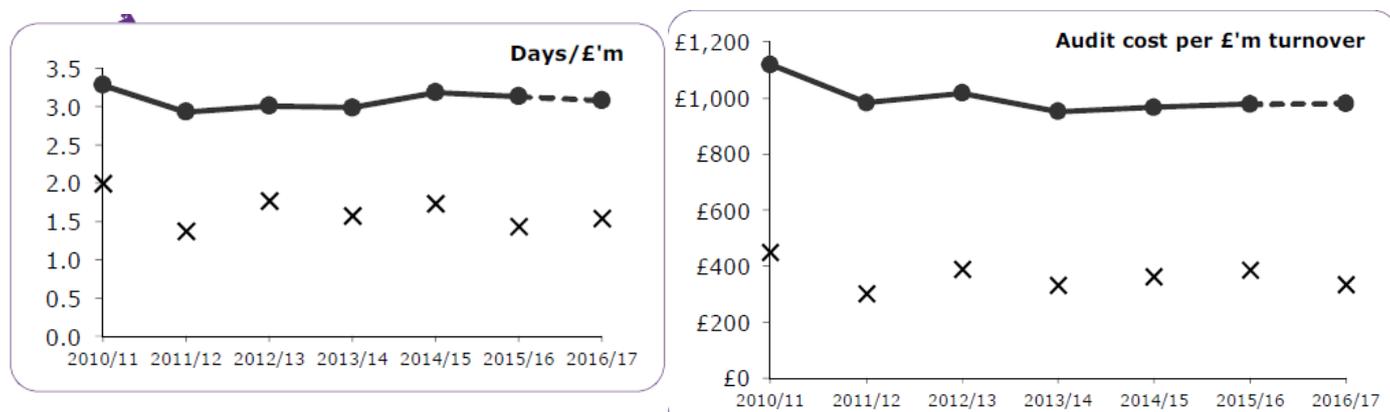
Department	Days	Number of Audits			
		High Risk	Med Risk	Other	Total
Council-wide	361	13	4	5	22
Children, Families & Cultural Services (excluding schools)	128	-	5	2	7
Schools	338.5	-	45	-	45
Adult Social Care, Health & Public Protection	265	3	9	9	21
Place	198	6	5	5	16
Resources	220	6	7	-	13
Contingency	150				
Total County Council	1660.5	28	75	21	124
External Clients (Notts Fire & Rescue, School Funds)	115				
Grand Total	1775.5				

10. As can be seen from the above, a total of 1,775 days are planned for 2017/18 of which 1,660 (93%) will be spent on the Authority's systems and procedures. The remaining 115 days will be spent on external contracts, providing an internal audit service to Nottinghamshire Fire and Rescue Service and limited work on school funds. The costs incurred in delivering external contracts are fully recovered. Progress against the plan will be reported to the Council's Audit Committee and the Corporate Leadership Team on a regular basis.

11. The chart below shows the trend in the number of planned days (blocks) and the number of planned audits (trend line) in recent years. The plan for 2017/18 shows a similar number of days to that in 2016/17, but a reduction in the number of jobs. The reason for this is that more of Internal Audit's work is being focussed on the council-wide processes and procedures, in accordance with the outcome of the Audit Needs Assessment. These audits require more days to carry out than a typical, departmentally focussed review.



12. The Plan should maintain the extent of audit coverage of the Council's activities at a comparable level to previous years. The Section participates in the Chartered Institute of Public Finance and Accountancy (CIPFA) benchmarking club for internal audit services. Extracts from the latest benchmarking report received in December 2016 show the Council's Internal Audit Section (plotted 'X's') is below the comparator average (trend line) both in terms of the number of days per £1m of expenditure and in terms of the cost of the Internal Audit service per £1m of the Council's turnover.



13. Attached as Appendix 2 is a paper produced by the Council's external auditors, KPMG, entitled 'Redefining Internal Audit'. KPMG undertook an analysis of local government providers of internal audit sections and the paper presents its findings across a number of

key themes. The paper is appended to this report to provide relevant context for members in considering the proposed Internal Audit plan for 2017/18.

### **Other Options Considered**

14. This report is for information and noting only.

### **Reason/s for Recommendation/s**

15. To provide information to Members on the Internal Audit Plan of work for 2017/18.

### **Statutory and Policy Implications**

16. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATION**

1) That the Internal Audit Plan 2017/18 be noted.

**Nigel Stevenson**

**Service Director (Finance, Procurement and Improvement)**

**For any enquiries about this report please contact:**

Rob Disney

Head of Internal Audit

### **Constitutional Comments (KK 08/02/2017)**

17. This report is for noting only.

### **Financial Comments (RWK 06/02/2017)**

18. There are no specific financial implications arising directly from the report.

### **Background Papers**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None.

### **Electoral Division(s) and Member(s) Affected**

- All.