

**REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT AND  
IMPROVEMENT****INTERNAL AUDIT PLAN – 2016/17****Purpose of the Report**

1. To inform Members of the proposed Internal Audit Plan for the 2016/17 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 2016/17. 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 plan is shown in **Appendix 1**, and is summarised in **Table 1**, below.

**Table 1: Summary of Internal Audit Plan for 2016/17**

Department	Days	Number of Audits			
		High Risk	Med Risk	Other	Total
Council-wide	250	14	-	-	14
Children, Families & Cultural Services (excluding schools)	190	1	11	3	15
Schools	350	-	54	-	54
Adult Social Care, Health & Public Protection	275	6	10	4	20
Place	201	4	7	3	14
Resources	269	8	9	-	17
Contingency	100				
Total County Council	1635	33	91	10	134
External Clients (Notts Fire & Rescue, School Funds)	130				
Grand Total	1765				

10. As can be seen from the above, a total of 1,765 days are planned for 2016/17 of which 1,635 (93%) will be spent on the Authority's systems and procedures. The remaining 130 days will be spent on external contracts, providing an internal audit service to Nottinghamshire Fire and Rescue Service and work on school funds. External contracts help the section maintain high quality services and costs are fully recovered.

11. The Audit Plan shows a reduction in terms of the number of days to that in 2015/16. This is due to a restructure in the section involving a reduction of 2.82 auditors (including vacant posts), with effect from 1 April 2016. The reduction will ensure the section meets its savings target established in the outline business case process for 2016/17. The restructure will enable a continuation of the changes implemented over the past two years to provide more consultancy-style work and to audit increasingly complex areas. In particular, the section needs to continue its inputs to the set-up of the Alternative Service Delivery Models in the council, and to assess the impact of these new approaches to the on-going nature of Internal Audit's work in these areas of activity. **Table 2** sets out planned coverage in previous years, as an indicator of the changing plans over the years.

**Table 2: Changes in the Planned Audit Days for the Council, Planned Jobs, Council Gross Turnover and Internal Audit cost per £ million turnover between 2008/09 and 2016/17**

Year	Planned days	Planned audits	Council Gross turnover (£m)	Audit Cost per £m expenditure (£)
2008/09	2,288	191	1,201	561
2009/10	2,233	169	1,240	510
2010/11	2,196	157	1,253	448
2011/12	1,955	136	1,283	323
2012/13	1,923	147	1,215	313
2013/14	1,929	139	1,093	329
2014/15	1,727	119	1,093	334
2015/16	1,719	142	1,110	330
2016/17	1,635	134	1,157	279

12. Progress against the plan will be reported to the Council's Audit Committee and the Corporate Leadership Team on a regular basis.

**Other Options Considered**

13. This report is for information and noting only.

**Reason/s for Recommendation/s**

14. To provide information to Members on the Internal Audit Plan of work for 2016/17.

**Statutory and Policy Implications**

15. 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 2016/17 be noted.

**Nigel Stevenson**

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

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

Rob Disney

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### **Constitutional Comments**

16. This report is for noting only.

### **Financial Comments (SES 23/02/16)**

17. The financial implications are set out in 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