



Report of: **Corporate Director of Finance and Resources**

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	17 <sup>th</sup> March 2016		

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## **SUBJECT: Internal Audit Annual Plan for 2016/17**

### **1. Synopsis**

1.1. The report seeks approval for the Annual Internal Audit Plan for 2016/17.

### **2. Recommendations**

2.1. To note the content of this report and approve the Annual Internal Audit Plan for 2016/17.

### **3. Background**

3.1. The Council has a statutory duty to maintain an adequate and effective internal audit function.

3.2. The Internal Audit's primary objective is to offer the Council (via the Audit Committee), Chief Executive, S151 Officer, External Audit and senior managers an independent and objective appraisal of whether objectives are being met efficiently, effectively and economically. Internal Audit also provides advice and guidance to management on risk and control issues within individual systems. We aim to achieve this through a planned programme of work based on an annual assessment of the major risks facing the authority.

3.3. The attached plan details the work to be undertaken by the Internal Audit Service in 2016/17 to deliver this objective.

## **4. Preparation and consultation**

4.1. The plan has been prepared taking the following steps:

- A list of all auditable systems was identified;
- Auditable areas was evaluated against risk criteria, departmental risk registers, and CMB principle risks and then ranked, and
- Departmental Management teams, Corporate Governance Group and the Corporate Management Board have noted and commented on plans at meetings attended by the Head of Audit.

## **5. Internal Audit Resources**

5.1. The annual plan has been drawn up to address the statutory requirements and key risks for the Council, taking into account available resources. We will be working jointly with our audit partners, PWC, to deliver the annual plan. Changes to the annual plan may be necessary during the year to reflect changing priorities and risk environment.

5.2. A contingency has been set aside to cover requests from management for ad hoc, consultancy type work on risk identification and subsequent control design (as well as urgent, unplanned reviews arising during the year).

## **6. Follow-up audits**

6.1. All planned audit work undertaken will be subject to a formal follow up to ensure that all agreed actions have been implemented. The timing of each follow up review is agreed with the client for the original audit. We report to the Audit Committee summary findings of all internal audit work as well as levels of implementation of agreed actions and the impact that this has on our risk assessment of that area.

## **7. Assurance Levels**

7.1. The majority of internal audit projects result in a statement of assurance of either 'substantial', 'moderate', 'limited' or 'no' assurance. These conclusions are based on the number of critical and high priority risks identified in the report. The Audit Committee will receive details of high priority issues raised in audit reviews which result in 'limited' or 'no' assurance statements.

## **8. Continuous Auditing**

8.1. The audit plan includes resource allocated to continuous auditing work. This includes automated monitoring of key controls within finance and IT systems to assess whether they are operating effectively and to flag areas and report transactions that appear to circumvent control parameters.

## 9. Financial implications

9.1. The programme of audit work will be met from within the existing Internal Audit revenue budget. Due to further budget reductions of £73,000, the total number of direct audit days for 2016/17 is 847 (a reduction of 141 days (17%) from 2015/16 and 461 days (55%) since 2014/15); this translates in to 480 days available for new projects, after management time, follow ups, risk and fraud support and contingency have been taken in to account.

## 10. Legal Implications

10.1. The Council has a duty to maintain an adequate and effective system of internal audit in accordance with proper internal audit practices (regulation 6 Accounts and Audit Regulations 2003 amended 2006 and 2011). Due regard must be had by the Council to the CIPFA code of practice for internal audit and Public Sector Internal Audit Standards (PSIAS). Any officer or member must supply necessary documents and other records and provide any necessary information and explanation required in the course of an internal audit

## 11. Resident Impact Assessments

11.1. There are no direct Resident Impact Assessment implications arising from the recommendations in this report.

## 12. Environmental Implications

12.1. There are no environmental implications

## 13. Conclusion and reasons for recommendations

13.1. This report indicates the level of work being undertaken by Internal Audit in order to provide assurance over Islington's control environment.

### Final Report Clearance:

Signed by



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Corporate Director of Finance

Date

Received by

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Head of Democratic Services

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Date

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