
Internal Audit Plan 2017/2018

1. Introduction

This document contains the operational Internal Audit Plan for 2017/2018

2. Background

2.1. The Accounts and Audit Regulations 2015 require every local authority to maintain an adequate Internal Audit (IA) service which should operate within codes of professional best practice.

2.2. CIPFA and the Institute of Internal Auditors (IIA) developed a common set of Public Sector Internal Audit Standards (PSIAS) to be adopted across the public sector.

2.3. The PSIAS definition of IA is as follows:

“Internal auditing is 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 evaluate and improve the effectiveness of risk management, control and governance processes.”

2.4. The PSIAS affirm the need for “risk based plans” to be developed for IA, stating that the “Chief Audit Executive” must “establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals” They refer to the need for the Plan to reflect the assurance framework, risk management arrangements and input from management and “the board”, which in Nottingham City Council is interpreted to be the Audit Committee.

2.5. Consequently IA is recognised as an integral part of the Council’s Corporate Governance Framework giving assurance which complements that given by external review bodies including that given by external auditors.

3. The Role of IA

3.1. As noted above IA’s role is as an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations..

3.2. A key factor in the effectiveness of IA is that it is seen to be independent. To ensure this independence, IA operates within a framework that allows:

- Unrestricted access to senior management
- Reporting in its own name
- Segregation from line operations.

3.3. Each audit or piece of work undertaken has a clear scope and objectives. Any audit undertaken within the Council and its partners is conducted under the framework of

an agreed audit programme, service level agreement or a clearly defined letter of engagement. This is of particular importance in the management of consultancy where the respective roles, inputs and outputs are clearly defined and the independence of auditors maintained.

3.4. The IA Service requires unrestricted coverage of the Authority's and its partners' activities and unrestricted access to all records and assets deemed necessary to fulfil this function. In addition, the Head of Internal Audit and Risk (HoIA) has unrestricted access to the Chief Executive, Councillors, Corporate Directors and all colleagues of the Council.

4. The Audit Plan and Planning Process.

4.1. IA work is co-ordinated with that of external review agencies to provide maximum audit coverage and to prevent duplication of effort where practical.

4.2. The work is targeted in order to address the key risks to the Council's strategic objectives and other priorities of the Council. The proposed IA Plan for 2017/2018 is summarised in the table below

Table 1- Summary of proposed 2017/2018 Internal Audit Plan

Audit Category	Planned Days	Council Plan Key Theme(s)
Governance	185	10
Organisation	85	5, 10
Key Financial Systems	121	3, 10
Procurement & Projects	150	1, 6, 9, 10
Risk Based Service Reviews	150	3, 5, 9, 7
Compliance	195	2, 6, 7, 8, 10
ICT and Information Governance	130	3, 4, 5, 7, 8, 10
Fraud / Counter Fraud	530	2, 10
Corporate Fraud Strategy	90	10
Companies / Other Bodies	357	2, 3, 5, 9, 10
Consultancy, Advice and Support	210	10
Development , Redesign & Quality	115	10
Total Days	2318	

Key to link to Council Plan key themes:

1 - Strategic Regeneration and Development	6 - Jobs, Growth and Transport
2 - Schools	7 - Adults, Health and Community Sector
3 - Planning and Housing	8 - Children, Early Intervention and Early Years
4 - Community Services	9 - Leisure and Culture
5 - Energy, Sustainability and Customer	10 - Resources and Neighbourhood Regeneration

- 4.3. The full plan is available for discussion with the Head of Internal Audit and Risk on request.
- 4.4. The unique value that the professional IA function provides to the Council is objective assurance on the effectiveness of the governance, risk management and internal control processes. Management colleagues are responsible for the strategic and operational elements of these processes but need independent assurance that they are operating effectively and advice in respect of their improvement.
- 4.5. IA also has an important role to support the Chief Finance Officer in the statutory responsibilities, which include:
- S151 Local Government Act 1972 – to ensure the proper administration of financial affairs.
 - S114 Local Government Act 1988 – to ensure the Council's expenditure is lawful.
 - Accounts and Audit Regulations 2015 – to ensure that an adequate and effective IA of the Council's accounting records and of its system of internal control is undertaken in accordance with the proper practices in relation to internal control.
- 4.6. IA also helps the Council to achieve its key priorities. The service does this by helping to promote a secure and robust internal control environment which enables a focus to be maintained on these key priorities.
- 4.7. Accordingly the Audit Plan has been devised following a risk based approach using the following approach:
1. **Understand corporate objectives and risks** by reviewing the Council Plan and Corporate Risk Register
 2. **Understand departmental risks** by reviewing departmental risk registers
 3. **Consider local and national issues** and how Nottingham City Council is affected
 4. **Consult with key stakeholders within NCC** to identify potential emerging risks and to consider the expectations of stakeholders for internal audit opinions and other conclusions
 5. **Utilise the Assurance Framework** (currently in draft) to identify any possible gaps that represent potential reviews for inclusion in the Audit Plan
 6. **Consider the requirements of the PSIAS** and ensure that the Internal Audit Plan reflects the expectation of the standard.
 7. **Consider the results from Internal Audit reviews/recent experience** and put forward areas of concern as potential reviews including professional judgement on the risk of fraud and error
 8. **Determine the minimum level of audit coverage**, timing and scope of audits to provide the annual Head of Audit Opinion on the control environment. This includes determining the approach to using other sources of assurances and any other work required to place reliance upon those other sources
 9. **Consider the level of resources available** for the delivery of the audit plan including that these are appropriate, sufficient and effectively deployed.

The illustrations below depict how the plan meets the client and risk demands

Illustration 1: Analysis of 2017/2018 Plan by type of activity

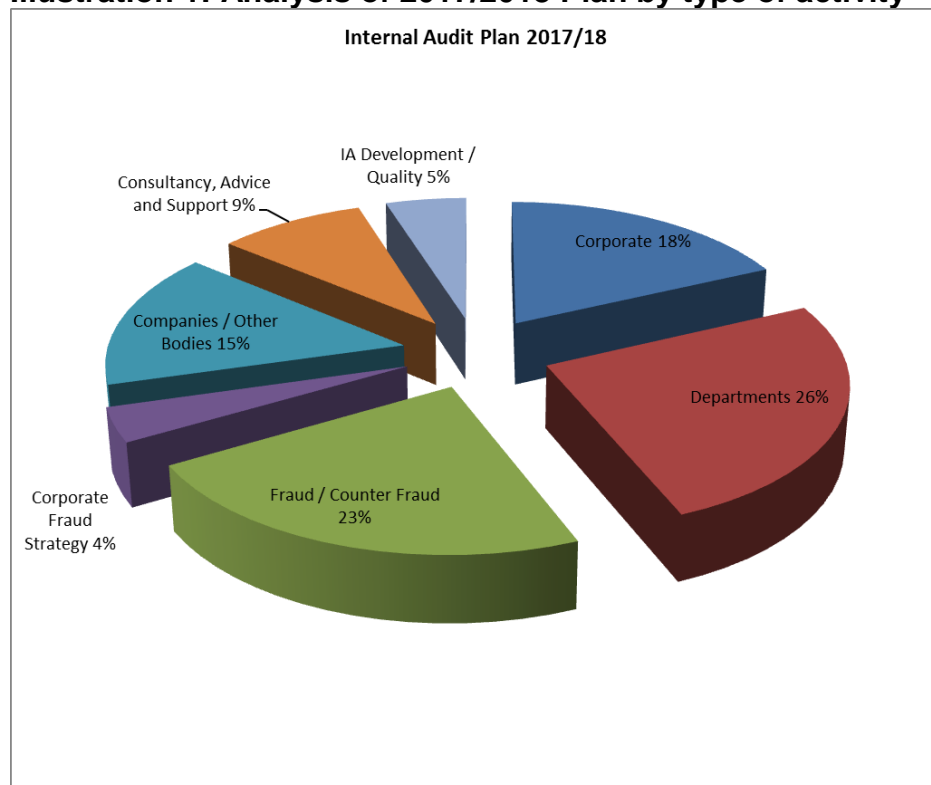
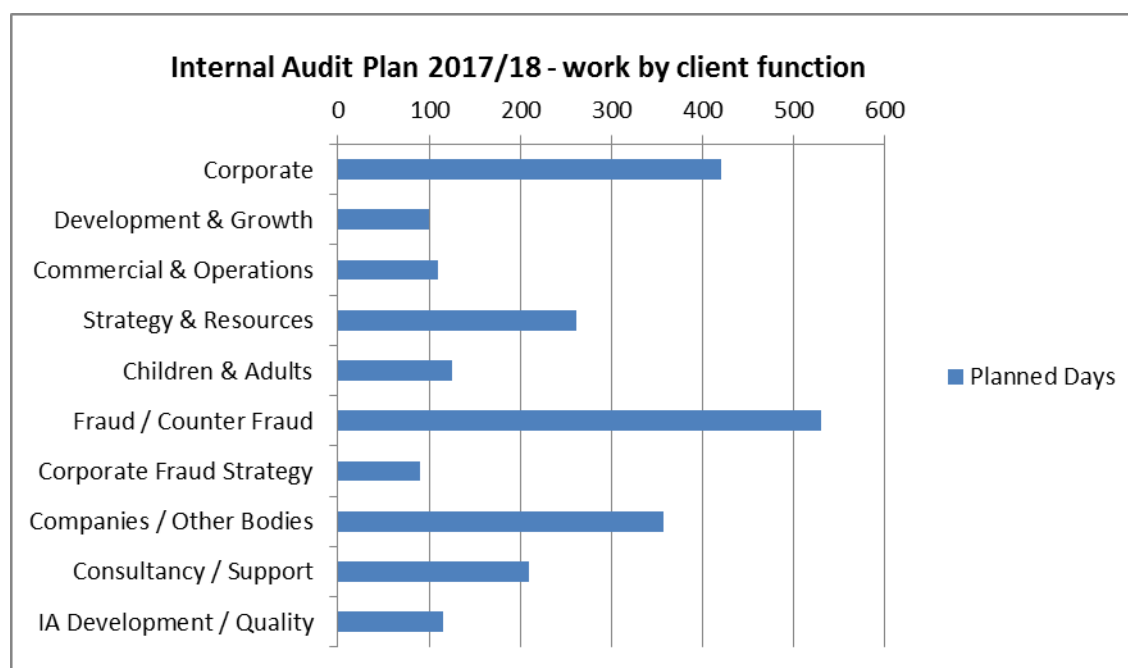


Illustration 2: Summary of the 2017/2018 Plan by department / client



4.8. As was the case when developing previous plans, the Council is continuing to go through a period of radical change giving rise to significant changes to financial and colleague resources available. Periods of change inevitably increase the potential for risks, both positive (opportunities) and negative (threats). The reduction in the workforce for example, provides opportunity for a breakdown in control as well as an opportunity to improve service delivery.

4.9. Substantial transformational changes are taking place in the design, commissioning and delivery of services. Delivering business as usual and achieving key priorities remains a key challenge for the Council and these are reflected in the IA Plan.

4.10. IA will continue to deliver work on the core financial systems and a number of proactive anti-fraud, irregularity and probity audits to provide assurance that the basic governance and control arrangements are continuing to operate effectively, minimising the risks of misappropriation, loss and error. However, the IA Plan incorporates some flexibility to enable assurance to be obtained over current as well as emerging risks, as well as those risks yet to be identified.

5. Standards

5.1. IA colleagues are required to adhere to the code of ethics, standards and guidelines of their relevant professional institutes and the relevant professional auditing standards. The service has also adopted its own code of ethics which complies with the PSIAS. IA has recently been externally assessed against the PSIAS Local Government Application Note issued in March 2016 and has received a positive report from the assessment team. The service has internal quality procedures in place and is ISO9001:2008 accredited. The service has fulfilled the requirements of the Account & Audit Regulations 2015 and associated regulations in respect of the provision of an internal audit service.

5.2. The City Council's Audit Committee receives regular monitoring reports of work undertaken against the Plan. The Committee scrutinises the work undertaken at both Plan and individual audit level, and monitors the actions taken by departments in respect of the recommendations made. The work of IA will also inform the opinion of the Audit Committee in respect of the assurance and corporate governance arrangements in place.