

## **AUDIT COMMITTEE - 28 April 2017**

<b>Title of paper:</b>		<b>INTERNAL AUDIT ANNUAL WORK PLAN 2017/2018</b>	
<b>Director(s)/ Corporate Director(s):</b>		Geoff Walker Director of Strategic Finance	<b>Wards affected:</b>
<b>Report author(s) and contact details:</b>		Shail Shah Head of Internal Audit and Risk ☎ 0115-8764245 ✉ <a href="mailto:shail.shah@nottinghamcity.gov.uk">shail.shah@nottinghamcity.gov.uk</a>	
<b>Other colleagues who have provided input:</b>			
<b>Recommendation(s):</b>			
1	To approve the Internal Audit Plan for 2017/2018		
2	To note the Head of Internal Audit's opinion regarding the organisational independence of Internal Audit		
3	To note the Head of Internal Audit's opinion regarding whether there are inappropriate scope or resource limitations		

### **1 REASONS FOR RECOMMENDATIONS**

- 1.1. The Accounts and Audit Regulations 2015 require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 1.2. The mandatory Public Sector Internal Audit Standards (PSIAS) have been issued by CIPFA in collaboration with the Chartered Institute of Internal Auditors. The latest revision was in March 2017. The 2016 and 2017 versions of the standard are very similar but are being compared to identify any necessary adjustments.
- 1.3. Internal Audit 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. A report on the assessment will be brought to a future meeting.
- 1.4. The Committee's terms of reference include the function of overseeing the work of Internal Audit and this includes ensuring compliance with PSIAS. The PSIAS requirements in Table 1 will be met through this report and the Committee's discussions.

**TABLE 1: DUTIES OF THE AUDIT COMMITTEE RELATED TO APPROVAL OF THE INTERNAL AUDIT PLAN**

<b>PSIAS ref</b>	<b>Duty of the Audit Committee*</b>
1110	Approve the risk based Internal Audit plan, the Internal Audit budget and resource plan including any significant changes
1110	Receive an annual confirmation from the Chief Audit Executive with regard to the organisational independence of the internal audit activity

<b>TABLE 1: DUTIES OF THE AUDIT COMMITTEE RELATED TO APPROVAL OF THE INTERNAL AUDIT PLAN</b>	
<b>PSIAS ref</b>	<b>Duty of the Audit Committee*</b>
1110	Make appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations
2020 & 2030	Receive communications from the Chief Audit Executive on internal audit's audit plan and resource requirements including the approach to using other sources of assurance, the impact of any resource limitations and other matters

\*(referred to as the Board in PSIAS)

- 1.5. Approval of the Internal Audit Plans gives the Committee the opportunity to understand the focus of audit resources and helps inform Committee's understanding of the Council's assurance, control and governance arrangements.
- 1.6. This report informs the Committee of the proposed work planned by the Internal Audit Service and is designed to support the City Council's Governance and Control Framework.

## **2. BACKGROUND**

- 2.1. The Internal Audit Planning Methodology involves the following steps:
  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.
- 2.2. The number of days allocated in the plan to specifically provide the Head of Internal Audit with the necessary evidence for the opinion on the control environment is 2318, which includes the resources required to provide internal audit services to external clients.
- 2.3. **Appendix 1 of this report** is a summary the IA Plan for 2017/2018. Detailed plans are available for members of the Audit Committee or by request to the Head of Internal Audit and Risk (HoIA). The plan is centred on the need to align audit activity to

Council objectives and to meet the requirements of effective Corporate Governance, including the Annual Governance Statement (AGS).

**3     BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE  
DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION**

3.1   None

**4     PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

- The Accounts and Audit Regulations 2015
- Public Sector Internal Audit Standards 2016
- Public Sector Internal Audit Standards 2017
- Public Sector Internal Audit Standards 2016 Local Government Application Note