

**READING BOROUGH COUNCIL
REPORT BY HEAD OF FINANCE**

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	21st April 2015	AGENDA ITEM:	4
TITLE:	INTERNAL AUDIT PLAN 2015-16		
RESPONSIBLE COUNCILLOR:	COUNCILLOR STEVENS	PORTFOLIO:	FINANCE
SERVICE:	FINANCE	WARDS:	N/A
LEAD OFFICER:	PAUL HARRINGTON	TEL:	79390695
JOB TITLE:	Chief Auditor	E-MAIL:	Paul.Harrington@reading.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 The annual audit plan is designed to implement the internal audit strategy. In preparing the plan the adequacy and outcomes of the Council's risk management, performance management and other assurance processes have been taken into account. Where the outputs from these processes are not judged to be sufficiently reliable, the plan has been informed using an internal audit risk assessment.
- 1.2 It is internal audit's responsibility to form opinions about the risks and controls identified by management and annually to give a formal opinion on the control environment. In the context of the Public Sector Internal Audit Standards¹, 'opinion' does not simply mean 'view', 'comment' or 'observation'; it means that internal audit will have done sufficient, evidenced work to form a supportable conclusion about the Council's activities that we have examined. Internal audit will word its opinion appropriately if it cannot give reasonable assurance (e.g. because of limitations to the scope of, or adverse findings arising from, its work). The attached audit plan (appendix 1) will allow for the effective discharge of this responsibility. In accordance with the Accounts and Audit regulations (2015)² and the Public Sector Internal Audit Standards the Council's Audit and Governance Committee is required to approve (but not direct) and monitor progress against, the internal audit strategy and plan.

2. RECOMMENDED ACTION

- 2.1 That the Audit & Governance Committee approves the audit plan for the period April 2015 to March 2016.**

¹ The Public Sector Internal Audit standards - Applying the IIA International Standards to the UK Public Sector 2013

² A relevant authority must 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.

3. INTERNAL AUDIT PLAN

- 3.1 The Chief Auditor must produce an audit strategy; this is the high-level statement of how the internal audit service will be delivered and developed in accordance with the terms of reference and how it links to the organisational objectives and priorities of the Council.
- 3.2 The strategy sets out the contribution that Internal Audit makes to the Council and includes:
- a) Internal Audit objectives and outcomes
 - b) How the Chief Auditor will form and evidence his or her opinion on the control environment to support the Annual Governance Statement
 - c) How Internal Audit's work will identify and address significant local and national issues and risks
 - d) The resources and skills required to deliver the strategy.
- 3.3 The risk-based plan is designed to implement the audit strategy. In preparing the plan I have taken account of the adequacy and outcomes of the Council's risk management, performance management and other assurance processes. Where the outputs from those processes are not judged to be sufficiently reliable, I have undertaken my own risk assessment. I have consulted with stakeholders, such as Directors and Heads of Service, the Head of Finance and the Council's external auditor.
- 3.4 The audit plan is fixed for a period of one year; however it must at the same time be fluid, kept under continuous review and amended to take into account emerging risks and areas where assurance work is required to be provided. Any significant changes will be reported back to the Audit & Governance Committee.
- 3.5 The plan outlines the assignments to be carried out, their respective priorities and the estimated resources needed. A contingency allowance (14%) has been included to allow for flexibility in order to respond to the changing risks and priorities of the Council.
- 3.6 There is a preliminary detailed list of audits for the year underpinning this narrative plan (appendix 1); we will confirm our audit plans as we go through the year on a quarterly basis.
- 3.7 CMT and the Audit and Governance Committee will also be advised of performance against the audit plan and be kept informed of the results of those audit reviews undertaken.

4. CONTRIBUTION TO STRATEGIC AIMS

- 4.1 Audit Services aims to assist in the achievement of the strategic aims of the Council set out in the Corporate Plan by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In particular audit work is likely to

contribute to the priority of remaining financially sustainable to deliver our service priorities.

5. COMMUNITY ENGAGEMENT AND INFORMATION

5.1 N/A

6. LEGAL IMPLICATIONS

6.1 Legislation dictates the objectives and purpose of the internal audit service the requirement for an internal audit function is either explicit or implied in the relevant local government legislation.

6.2 Section 151 of the Local Government act 1972 requires every local authority to “make arrangements for the proper administration of its financial affairs” and to ensure that one of the officers has responsibility for the administration of those affairs.

6.3 In England, more specific requirements are detailed in the Accounts and Audit Regulations in that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices”.

7. FINANCIAL IMPLICATIONS

7.1 N/A

8. BACKGROUND PAPERS

8.1 N/A