

**THE INTERNAL AUDIT STRATEGY & INTERNAL AUDIT PLAN – APRIL-JUNE
2018**

Report by Chief Internal Auditor

PURPOSE OF REPORT

This report presents the strategy for the delivery of Internal Audit and the proposed Internal Audit Plan for the period April to June 2018.

1. BACKGROUND

- 1.1 Internal Audit, as defined in the Public Sector Internal Audit Standards (PSIAS), is an independent, objective assurance and consulting activity designed to add value and improve the effectiveness of the Council's operations. It helps the Council to accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of risk management, control and governance processes.
- 1.2 The PSIAS require the Chief Internal Auditor to prepare a risk based Internal Audit Plan (the Plan) setting out the team's annual work programme. The Plan should take account of the Council's objectives, risk and performance management arrangements.
- 1.3 In order to develop a comprehensive risk based audit work programme, a detailed review of the wider "audit universe" requires to be undertaken. The audit universe encompasses all of the activities, systems, controls and processes which contribute to the achievement of the Council's objectives.
- 1.4 In the course of 2017/18 the audit and risk landscape has changed significantly for this Council;-
 - a new Local Outcome Improvement Plan has been developed and agreed, outlining the strategic priorities and objectives of the Council and its partners within the Community Planning framework;
 - the Council has developed a new Corporate Plan which sets out the priorities, aims and objectives of the Council;
 - the Council's Revenue Budget for 2018/19 has been approved with challenging savings and efficiencies targets for services;
 - the political leadership of the Council has changed;
 - 22 of the 40 elected members are first time Councillors or new to this Council;
 - there has been a change to the Council's decision-making structure, with changes in roles and remits for Committees;
 - the Chief Officer restructure;

- the re-design of Services with the new Housing & Environment Service bringing together all strategic and operational responsibilities for services relating to housing, homeless, community safety and resilience, environment, regulation, infrastructure, property, planning and community services;
- the Council has ambitious programmes in place in respect of;-
 - service transformation and redesign
 - economic development
 - major infrastructure projects;
- the public sector reform agenda has changed and will change the traditional local government governance framework for functions such as social care and education;
- the drive towards greater collaboration with statutory partners, the third sector and the community will significantly alter the way in which the Council operates, changing the risk profile significantly.

1.5 The changing local government risk landscape warrants a revised approach from Internal Audit to: not only ensure compliance and conformance in respect of the system of internal control but to; ensure that the internal audit function supports change; adds value; ensures the success of the organisation in managing risk; and achieving its objectives.

2. PROPOSAL

2.1 It is proposed that the first quarter of the 2018/19 plan be devoted to progressing this new approach and developing a more thematic risk-based audit plan for 2018/19 and beyond, which reflects the priorities and objectives of the Council and better targets the key corporate risks. Our approach and phased plan will:-

- build upon the findings of the service based risk workshops that are being undertaken as part of the implementation of the Council's new risk strategy;
- take the learning from the self-assessment exercises that will be carried out by services over the next three months as part of the governance and best value assurance exercise which will inform the Annual Governance Statement;
- complement the Assurance and Improvement Plan of the Local Area Network of external scrutiny bodies in respect of Perth & Kinross Council to ensure that there is no duplication of effort.

2.2 This phased approach will not only enable the Internal Audit team to make the best use of their presently limited resources, but will ensure that the right audit activities are undertaken to maximise the value to the organisation.

2.3 A further detailed Audit Plan for the remainder of 2018/19, and potentially beyond, will be presented to the Audit Committee for approval in June.

- 2.4 Within the 2018/19 Plan an allocation of resources will be set aside to enable Internal Audit to respond to requests for ad hoc advice and unplanned consultancy work. Resources will also be made available to support the Counter-Fraud and Corruption Strategy and to undertake investigations as required.
- 2.5 A continuation of resources will be set aside within the Plan to support the Chief Internal Auditor of NHS Fife, Tayside and Forth Valley in delivering the Internal Audit Plan for the Integrated Joint Board. Detailed work in this area will be approved by, and reports will be submitted to, the Integrated Joint Board.

3. CONCLUSION AND RECOMMENDATION

- 3.1 It is recommended that the Audit Committee considers and approves the following:-
- (i) that the first quarter of the 2018/19 Audit Plan focusses on developing a more thematic risk-based Audit Plan based on the priorities and objectives outlined in the Local Outcome Improvement Plan and the Council's Corporate Plan;
 - (ii) that the further plan reflects the key strategic and operation risks identified through the governance & best value assurance self-assessments and the service risk workshops;
 - (iii) In addition the following specific work will be carried out:
 - the certification of Council grant claims;
 - facilitating the Council's response to the National Fraud Initiative;
 - completion of the [2017/18 Internal Audit Plan](#);
 - follow up report in respect of financial assessment and charging;
 - supporting the Chief Internal Auditor for the Integrated Joint Board and;
 - other ad-hoc audit assignments or investigations as required.

Author(s)

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Strategic Plan	Yes
Resource Implications	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	None

1. Strategic Implications

1.1 Corporate Plan

1.1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

1.1.2 This report relates to all of these objectives.

2. Assessments

2.1 Equality Impact Assessment

2.1.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

- 2.1.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

2.2 Risk

- 2.2.1 The risks are associated with the level of assurance provided on the control environment in the event that Internal Audit's planned work is not completed on time.

3. **Consultation**

3.1 Internal

- 3.1.1 The Chief Executive, Depute Chief Executives and the Head of Legal and Governance Services have been consulted in the preparation of this report.

2. **BACKGROUND PAPERS**

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.