

Committee(s)	Dated:
Audit and Risk Management Committee	26/01/2016
Subject: 2016-17 Internal Audit Plan and Three Year Strategy	Public
Report of: Head of Internal Audit and Risk Management	For Decision
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Summary

The Head of Internal Audit is required by the Public Sector Internal Audit Standards to establish risk-based plans to determine the priorities of internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual independent internal audit opinion on the design and effectiveness of the City's governance, internal control and risk management environment. This report sets out the proposed internal audit annual plan for 2016-17 and future year's coverage for the three year strategy.

Recommendation(s)

Members are asked to agree the 2016-17 internal audit work plan and three year strategy.

Main Report

Background

1. The purpose of this report is to present the internal audit plan for 2015-16, supported by a three year strategy. This year the plan has been produced from afresh by the entire Internal Audit, Risk and Anti Fraud team. Audit areas have been identified from the corporate, departmental and institutional business plans and risk registers, and then risk assessed using a similar approach as that defined in the Risk Management methodology.
2. Audit areas were then sorted in high risk priority and a review undertaken to assess whether any other sources of assurance were available and could be relied upon.
3. Chief Officers have been consulted and provided input into the proposed plan and coverage within their areas.

Current Position

4. The internal audit plan for 2016-17 provides for 1,025 days to deliver the internal audit reviews and can be accommodated by internal resources. The coverage provides sufficient assurance to produce a Head of Internal Audit Opinion.
5. The three year strategy will be subject to review annually but demonstrates that all key areas will be covered within a three year period.

Role of Internal Audit

6. Internal auditing is an independent, objective assurance and consulting (advisory) activity designed to add value and improve an organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
7. The Internal Audit function reviews the operations of the City. It also supplies the internal audit service to the Museum of London and London Councils under an SLA.
8. The Internal Audit function operates in accordance with the Audit Charter which reflects statutory and professional requirements. Implementation of the audit plan helps the City maintain "a sound system of internal control which facilitates the effective exercise of functions and which includes arrangements for the management of risk" (Accounts and Audit Regulations 2011). Proper practices are defined in the new Public Sector Internal Audit Standards which are the professional basis for the operation of the Internal Audit function.
9. Internal audit adds value and improves the City's operations by promoting a robust control environment for both financial and operational systems, promoting best practice in governance and risk management as well as making recommendations for improvements in operating efficiencies.

Internal Audit Planning and Allocation of Resources Process

10. The Head of Internal Audit is required by the Public Sector Internal Audit Standards to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual independent internal audit opinion on the design and effectiveness of the City's governance, internal control and risk management environment.
11. Annually, internal audit conducts a risk-based audit planning process to ensure appropriate coverage of the City's operations (and external partners, where appropriate) is provided.
12. The detailed plan of internal audit work is detailed in **Appendix 1**. It has been presented in four main areas:

- Corporate and strategic reviews, which mainly address the corporate risks and/or are cross cutting reviews to identify efficiencies in process and good practice that can be shared.
- Departmental reviews that have been subject to the internal audit risk assessment process and cover some of the areas of concern requested to be reviewed by Chief Officers, including information system reviews.
- Institutional reviews, which cover the key risk areas of the City's Institutions (Police, Barbican Centre, Guildhall School of Music and Drama, City of London Freemans School, City of London School and City of London School for Girls). These programmes are also separately agreed with these institutions.
- Non City Institutional reviews that cover the priority and key financial areas of the Museum of London and London Councils. These programmes are also separately agreed with these institutions.

However, as discussed at the Institutional committees already presented with draft plans, we have indicated that they may be subject to change.

13. All reviews included in the plan are full assurance reviews that will result in a formal opinion given over the adequacy of risk management and control within the system audited and the extent to which controls have been applied, with a provision also included for follow ups.

Conclusion

14. The internal audit annual work plan will provide Members and management with assurance over the financial control and operational framework in key risk areas. It will also lead to an overall annual opinion on the effectiveness of the City's arrangements for internal control, risk management and governance.

Appendices

- Appendix 1 – Detailed internal audit plan 2016-17 and three year strategy

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