

## **AUDIT AND GOVERNANCE COMMITTEE**

### **21 JULY 2017**

## **INTERNAL AUDIT RISK ASSESSMENT, PLAN AND CHARTER 2017/18**

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### **Recommendations**

1. **The Chief Financial Officer recommends that the following documents attached at Appendix 1 and 2 be approved:**
  - a) **the Internal Audit Strategy 2017/18; and**
  - b) **the Internal Audit Charter.**

### **Background**

2. The Council has a duty to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account relevant auditing standards.
3. The role of internal audit is primarily to provide reasonable assurance to the organisation and ultimately the taxpayers that the Council maintains an effective control environment that enables them to manage its significant business risks. Internal Audit does this **by providing risk-based and objective assurance, advice and insight**. In addition to providing assurance the audit service also undertakes consultancy and advisory work designed to add value and offer insights that will improve the effectiveness of risk management, control and governance processes e.g. acting as a critical friend when process changes are being developed.
4. To ensure the best use of limited audit resources audit work needs to be carefully planned. In accordance with best practice the Committee's role is to review and approve the annual internal audit work plan. The plan is developed in consultation with senior managers and takes account of the organisation's aims, strategies, key objectives, associated risks, and risk management processes (as required by internal audit standards). It also takes into account those topics which have not recently been audited or which feature in the corporate risk register or which, when last audited, received a low opinion. This year more care has been taken to more explicitly link the internal audit plan with critical risks.
5. Based upon the discussions to date and our professional judgement an indicative priority and an estimated number of days has been allocated to each potential topic. This takes into account a range of factors including: when the topic was last audited, complexity of the topic, and the level of change. The list of potential topics arising from the planning process is included in the attached audit strategy document (**Appendix 1**) together with those topics we are unable to cover during the year based on existing level of resources. The aim is to give a high-level

overview of audit areas. The Committee will note that whilst we are able to cover key aspects of very high risk areas, these and other risks are not covered comprehensively. The Committee is able to accept a plan on this basis, provided this matches its “risk appetite” for independent assurance, also recognising that management have the prime accountability for managing processes and risks (and therefore assurances can be obtained directly from them where necessary).

6. Good practice requires us to recognise that the plan should be responsive to changes in risks during the year and will therefore be reviewed at intervals throughout the year to ensure it remains relevant.

7. The Internal Audit function is governed by its Audit Charter, which is a requirement of the Public Sector Internal Audit Standards and sets out the purpose, authority and responsibility of internal audit. As the Committee will appreciate, it has to be formally agreed and approved by the organisation and periodically reviewed. The Charter establishes the internal audit activity’s position within the organisation, including the nature of the service’s functional reporting relationship; authorises access to records, personnel and physical properties relevant to the performance of engagements and defines the scope of internal audit activities. The current Audit Charter was last considered by the Committee in 2016 and a number of minor changes to the Charter are now required to reflect recent changes to professional standards and an updated version of the Charter is attached (**Appendix 2**) for approval by the Committee. Changes are not significant but:

- Highlight the importance of having an audit plan that is explicitly linked to the strategy, objectives and key risks of the organisation and the importance that audit should offer future oriented assurance, advice and insight to add value to the organisation
- Reflects the new Mission of internal audit as set out in the standards and the underpinning core principles of an effective audit service.

## **Contact Points**

### County Council Contact Points

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## **Supporting Information**

- Appendix 1- Internal Audit Strategy 2017/18
- Appendix 2- Internal Audit Charter

## **Background Papers**

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.