

	<p style="text-align: center;">Audit Committee</p> <p style="text-align: center;">30th April 2015</p>
<p style="text-align: right;">Title</p>	<p>Internal Audit, Corporate Anti-Fraud Team (CAFT) and Risk Management Plan 2015-16 and Internal Audit Charter update</p>
<p style="text-align: right;">Report of</p>	<p>Clair Green – Acting Assurance Director Caroline Glitre – Head of Internal Audit</p>
<p style="text-align: right;">Wards</p>	<p>N/A</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix A - Internal Audit, CAFT & Risk Management Plan 2015-16</p> <p>Appendix B - Internal Audit Charter</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721</p>

Summary

Appendix A: Internal Audit, CAFT & Risk Management Plan 2015-16

The risk-based plan has been formulated in line with the requirements of the Public Sector Internal Audit Standards.

The Institute of Internal Auditors (IIA) describes assurance mapping as a tool to ensure key risks are assured across your organisation – driving out gaps and overlaps in the assurance jigsaw. We have used this approach to help inform where internal audit resource should be directed in 2015/16 to ensure that duplications of assurance activities or gaps in coverage are identified, and that the internal audit budget is used efficiently and effectively. The exercise has involved:

- Analysing the Council's services to define its 'Auditable Units' (of which we have assessed there are currently 235) - key activities performed by the Council which could be audited by internal audit;
- Reviewing the corporate risk register;
- Discussing each auditable unit with the appropriate Commissioning Director, Delivery Unit

Director and / or Assistant Director and their wider team to identify other sources of assurance and emerging risks;

- Undertaking a workshop between Internal Audit, Risk Management and Fraud colleagues to challenge areas for review;
- Applying an 'Audit Requirement Rating' to each auditable unit. This is made up of the following:
 - **Inherent Risk Rating.** A combination of assessed Impact and Likelihood
 - **Control Environment Indicator.** This is based on our judgement from knowledge of the controls in operation in that unit, and consideration of other sources of Assurance over that unit.
- Prioritising the auditable units with the highest Audit Requirement Rating of 5 to design a plan that makes the best use of the resources available;
- Provisionally allocating auditable units to future years' plans using the following rationale:
 - Audit requirement rating 5 = every year
 - Audit requirement rating 4 = every 2 years
 - Audit requirement rating 3 = every 3 years
 - Audit requirement rating 2 or 1 = not subject to audit
- Seeking agreement by the Strategic Commissioning Board (SCB) and the Audit Committee to ensure coverage of the core aspects of the Council's governance and control environment.

The final draft plan represents an independent view of those risk areas that need audit review in 2015-16.

During the year, if changes are required to the plan in response to any new local or national risks, this will be communicated to the Audit Committee in a timely manner. There is a contingency within the plan to enable it to be responsive in this way.

The plan will form the basis of quarterly reporting to the SCB and the Audit Committee.

The plan also incorporates updated performance indicators for Internal Audit and CAFT that will be reported to the Audit Committee for scrutiny and challenge.

The Head of Internal Audit is satisfied that the Plan will provide assurance on the adequacy of the internal control environment, anti-fraud and risk management arrangements and therefore that it will be possible to produce an annual opinion at the end of the year summarising the assurances obtained.

Appendix B: Internal Audit Charter

An update to the Internal Audit Charter is also presented as an Appendix to the annual plan. The Charter was first approved in July 2013 and this is the first revision. A summary of the changes is as follows:

- Expanded description of Advisory work (section 8)
- More explicit referral to how officers should notify Assurance Group on suspected or detected fraud (section 9)
- Reference to assurance protocols in place with Capita and the Barnet Group (section 12)
- Reference to the Quality and Improvement Programme (section 13) including the requirement for an external review of the Internal Audit service and our proposed approach:

External Review of the Internal Audit service

The Public Sector Internal Audit Standards (PSIAs), introduced on 1st April 2013, require an external review of the Internal Audit Service to be undertaken at least every 5 years. The first review must be completed by 31st March 2018.

The reviews require an appropriate sponsor outside of the Internal Audit service, and we would like to engage both the Chief Executive and the Chair of the Audit Committee as sponsors to our review.

We propose that the review be undertaken as part of the London borough Peer Review process (in which 32 of the 33 boroughs are participating). A peer review has been chosen as the most efficient, cost effective method and also a learning opportunity for our Internal Audit team who will undertake an assessment of another borough as part of the process.

There is a standard approach being adopted for all the London borough peer reviews and all reviewers must be part of an Internal Audit team at a London borough.

There are safeguards within the system to ensure independence, for example:

- you cannot review a neighbouring borough that you have close ties with
- there is a moderation process
- you cannot both give and receive a review in the same year as this could result in the moderation session being perceived to be unfair
- there is an additional mandatory Conflict of Interest process when the allocation of a review borough is made.

Recommendations

- 1. That the Committee approves the Internal Audit, Anti-Fraud and Risk Management Plan for 2015-16.**
- 2. That the Committee approves the updated Internal Audit Charter.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee's role in receiving the Internal Audit, Anti-Fraud and Risk Management plan for 2015-16 is to consider the planned programme of work.
- 1.2 The Audit Committee's role in receiving the updated Internal Audit Charter is to approve the Charter in line with the requirements of the Public Sector Internal Audit Standards.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Compliance with the Public Sector Internal Audit Standards.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Not relevant.

4. POST DECISION IMPLEMENTATION

4.1 The Internal Audit Plan will be delivered and progress against the plan reported to the Audit Committee on a quarterly basis.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 All internal audit and risk management planned activity is aligned with the Council's objectives set out in the Corporate Plan 2015-2020, and thus supports the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the Council's services.

5.1.2 A comprehensive Internal Audit Plan is essential to giving an annual Internal Audit Opinion on the internal control environment (ICE) which is fundamental for the achievement of all of the Council's objectives. This opinion forms an integral element of the Annual Governance Statement.

5.1.3 The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Anti-Fraud Team supports this by continuing to provide an efficient, effective value for money anti-fraud activity.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 This Plan, by being based on the risks of the organisation, will ensure the appropriate allocation of resources to those areas that require audit review, assurance and anti-fraud activity.

5.2.2 In addition, the follow-up of priority one audit/CAFT recommendations will ensure that a positive culture of internal control and anti-fraud improvement is achieved.

5.2.3 The proposed plan is being achieved from Internal Audit, CAFT and Risk Management's current budget.

5.3 Legal and Constitutional References

5.3.1 There are no legal issues in the context of this report.

5.3.2 The Council's Constitution, Responsibilities for Functions – Annex A - the Audit Committee terms of reference details the terms of reference of the Audit Committee including:

- To consider the audit annual report, plan and opinion.
- To consider the anti-fraud strategy, annual anti-fraud work plan and CAFT Annual Report.
- To monitor the effective development and operation of risk management and corporate governance in the Council.

5.4 Risk Management

5.4.1 The Plan is based upon the risks of the organisation and supports the

Council's risk management system and processes as each internal audit or pro-active anti-fraud exercise will either comment on how well risks are being managed or how effective the controls to mitigate the risks in the area under review are.

5.4.2 Outcomes from internal audits / pro-active anti-fraud will either confirm effective management of risk or suggest areas for improvement. In addition, this will provide Directors with assurances that managers are being effective in managing the risks within the service.

5.4.3 Internal Audit work contributes to increasing awareness and understanding of risk and controls amongst managers and thus leads to improving management processes for securing more effective risk management.

5.5 Equalities and Diversity

5.5.1 Effective systems of audit, internal control, anti-fraud, risk management and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community. Individual audits and CAFT exercises assess, as appropriate, the differential aspects on different groups of individuals to ensure compliance with the Council's duties under the 2010 Equality Act.

5.6 Consultation and Engagement

5.6.1 N/A

6. BACKGROUND PAPERS

6.1 Audit Committee 29 April 2014 (Decision Item 10) - the Committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan and Risk Management approach 2014-15.

<http://barnet.moderngov.co.uk/documents/g7501/Printed%20minutes%2029th-Apr-2014%2019.00%20Audit%20Committee.pdf?T=1>

6.2 Audit Committee 24 July 2013 (Decision Item 14 (2)) - the Committee approved the Internal Audit Charter.

<http://barnet.moderngov.co.uk/documents/g6596/Printed%20minutes%2024th-Jul-2013%2019.00%20Audit%20Committee.pdf?T=1>