

Item 10

The Internal Audit Universe

Report of the Lead Member of the Audit Panel

Recommended:

- 1. That the Members support the development of the internal audit universe.**
- 2. That the Members agree a protocol on how to engage internal audit resource for scrutiny purposes.**

SUMMARY:

This report provides an overview of the process in developing and monitoring the Council's internal audit universe and requests Members to develop a protocol on how to utilise internal audit resource for scrutiny purposes.

1 Introduction

- 1.1 Members of the Audit Panel requested, earlier in 2015/16, a copy of the internal audit universe. The internal audit universe acts as a guide on what to audit, why to audit and how frequent to audit. They were keen to understand the principles of the audit universe as part of their responsibilities of the Audit Panel.
- 1.2 The Audit Panel also indicated that they would like, if feasible, to commission audit work for scrutiny when developing the overall audit plan.

2 Background

- 2.1 A full presentation on the internal audit universe was delivered to the Audit Panel Members on the 7th December 2015. This highlighted the process in developing, updating and monitoring the Council's internal audit universe. It also included the full internal audit universe coverage for the last two years (2013/14 & 2014/15), the current year (2015/16) and the projected two years forward (2016/17 & 2017/18).
- 2.2 The internal audit universe included all the audit entities (as at December 2015), a risk scoring (high, medium and low) and linkages to Corporate Action Plan/Corporate risk register/service risk register (indicating whether they are Red/Amber/Green (RAG) risks).

- 2.3 The audit universe assists the auditors, management and Members in developing and agreeing the annual internal audit coverage based on the risk assessment criteria. This planning process is just about to begin for the 2016/17 internal audit coverage.
- 2.4 If Members of OSCOM/Audit Panel wish to utilise internal audit for scrutiny purposes a defined and agreed protocol requires developing. This will be dependent on the availability of internal audit resource and will have to be limited to a maximum of 10 audit days to ensure coverage of the approved internal audit plan

3 Summary of key factors within the internal audit universe

- 3.1 The following section provides a summary of the key factors within the audit universe:-
- (a) How the audit entities link with the risk registers (corporate and service).
 - (b) Once risk rated how frequent should an area be audited based on a Red/Amber/Green (RAG) system. This may fluctuate year on year based on overall opinion from past audits. Other external factors may also influence the frequency of audit.
 - (c) Some audit entities will be annually audited (the core work) to provide statutory officers with independent assurance of control supporting the Council's annual accounts and to provide a robust opinion on the overall control environment included in the Audit Managers annual opinion statement.
 - (d) A key factor is to balance the internal audit coverage to the availability of audit resource. This is the more detailed work in fine tuning the annual internal audit plan with all service heads, senior management and external audit as the internal audit universe just recognises whether to review that entity not the number of days it will take to complete that review.

4 Conclusion

- 4.1 Detailed long term audit plans are becoming less common. However, there is still benefit in mapping the internal audit universe onto the Council's assurance framework to demonstrate the scope and limitations of internal audit work. The risk based internal audit plan is the key planning document, although it is recognised that even this needs to be flexible in order to be more responsive to changes and events occurring during the year.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	Nil		
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