Appendix 3c

Torbay Council Annual Internal Audit Plan

Audit Framework -

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

"A relevant authority must undertake an effective internal audit to ==evaluate the effectiveness of its risk management, control and governance processes==, taking into account public sector internal auditing standards or guidance".

From April 2013, organisations in the UK public sector are required to adhere to the Public Sector Internal Audit Standards (the Standards).

The Standards require that the Head of Internal Audit must "==establish risk-based plans== to determine the priorities of the internal audit activity, consistent with the organisation's goals". When completing these plans, the Head of Internal Audit should take account of the ==organisation's risk management framework==. The plan should be adjusted and reviewed, as necessary, in response to ==changes in the organisation's business, risk, operations, programs, systems and controls.== The plan must take account of the requirement to produce an internal audit opinion and assurance framework.

The audit plan is drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.

Audit Needs Assessment –

We employ a risk based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the "Audit Universe" using a number of factors/criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention.

The audit plan for 2016/17 plan has been created by:

- **Consideration of risks identified in the Authority's strategic and operational risk registers**
- **Review and update of the audit universe**
- **Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives**
- **Taking into account results of previous internal audit reviews**
- **Taking into account Internal Audit's knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council's delivery plans**
- **Requirements to provide a "collaborative audit" approach with the external auditors**

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements assist in the protection of public funds and accountability. Internal Audit investigate instances of potential fraud and irregularities referred to it by managers, and will also carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud. In recognition of the guidance in the Fraud Strategy for Local Government "Fighting Fraud Locally", internal audit resource will be allocated to allow a focus on identifying and preventing fraud before it happens. Additionally, new guidance recently introduced by CIPFA, in their 'Code of practice on managing the risk of fraud and corruption', and also the new Home Office 'UK Anti-Corruption Plan', will further inform the direction of counter-fraud arrangements going forwards.

Internal Audit, additionally coordinate the Authority's response to the Cabinet Office national data matching exercise (National Fraud Initiative - NFI) every two years.

Annual Out-Turn Report & In-Year Monitoring Reports

- Annual Report to Audit Committee & Directorates provide a summary of findings within each audit area examined.
- Six Month Monitoring Report to Audit Committee & Directorates provide an update on progress to date and identify any significant issues
- Follow Up Report to Audit Committee, of progress made as a result of the previous year's audit activity for those areas identified as requiring Improvements to their controls / processes.

Audit Reports (linked to the Annual Audit Plan) - provided to Service Managers & Executive Heads, throughout the year, detailing the evaluation of systems and controls in those specific areas, identifying any weaknesses, & agreeing improvements to address or mitigate risks identified.