

Report of the Head of Internal Audit, Anti-Fraud and Assurance

AUDIT COMMITTEE – 20th JANUARY 2021

INTERNAL AUDIT PLANNING CONSULTATION PAPER FOR 2021/22

1. Purpose of this report

1.1 The purpose of this paper is to set out the annual audit planning process and to consult with the Audit and Governance Committee with regard to potential projects for inclusion in the draft Internal Audit Plan for 2021/22.

2. Recommendations

2.1 It is recommended that:

- **Members note the report and consider potential projects for consideration in the Internal Audit Annual Plan for 2021/22.**
- **Members should pass nominations for the 2021/22 Internal Audit Plan through the Chair for notification to Internal Audit.**
- **Members consider the proposed planning process and be satisfied that it is sufficiently robust that it will determine a value-adding audit plan, informed by risk and through consultation with appropriate senior management.**

3. Background Information

3.1 The Annual Internal Audit Planning Process for 2021/22 has commenced. The following actions will be undertaken during this process:-

- Consideration of the strategic risk, concerns and issues registers including the recorded mitigation controls;
- Consideration of historical and topical issues (e.g. impact of Covid-19 pandemic) as well as horizon scanning to attempt to identify any major issues that might affect the controls, risk or governance of the Council;
- Consideration of issues to assist the statutory Section 151 Officer to meet his statutory responsibilities;
- Consultation with the Senior Management Team and each Directorate Management Team responsible for the delivery of services, with reference to their business plans;
- Consultation with the Audit and Governance Committee with responsibility for overseeing delivery of the work of the Internal Audit Team.

3.2 The consideration of the areas of work to be included in the Audit Plan will have cognisance of risk/concerns and strategic significance. Professional internal audit standards require audit work to be risk based. It is important therefore that in the

process of audit planning, risks and concerns within the area under consideration have been identified by management.

- 3.3 The audit of financial systems is completed on a 3 year cyclical basis, unless there is evidence of significant change in the risk profile which may warrant more frequent coverage. This approach was agreed as part of the annual planning process for 2020/21 with the Service Director - Finance.
- 3.4 A key part of the audit planning process is to ensure sufficient overall coverage is provided across all Directorates to enable the Head of Internal Audit to give an annual opinion on the effectiveness of the Council's control, risk and governance arrangements. In addition, and where possible, capacity will be provided for advisory support to management.
- 3.5 Irrespective of any resource limitations it is important that the audit planning process identifies all areas of work that Internal Audit and management are concerned about and are therefore seeking assurance on. As in previous years, it is likely that the areas requiring assurance extend beyond the resources (and sometimes the capability) of Internal Audit. The Audit and Governance Committee and management need to be satisfied that alternative sources of assurance are identified and resourced. Through further consultation the process of allocating indicative audit days is applied to produce a draft audit plan.
- 3.6 The Audit and Governance Committee is therefore requested to consider key risk and areas of concern where Internal Audit coverage may be appropriate. In view of the timetable for meetings and eventual agreement of the Annual Plan members are asked to provide the Chair with suggestions for collation and notification to the Head of Internal Audit, Anti-Fraud and Assurance.
- 3.7 The planning process, whilst focussed during January and February particularly, is a continual process. Reviews of the Plan are undertaken regularly throughout the year to ensure Internal Audit resources are directed at the most relevant priority areas. As such an indicative Plan will be prepared for consideration by the Committee at the March meeting with and revisions and changes to the Plan being incorporated into the quarterly Progress reports.
- 3.8 The ability to set a plan for a 12 month period has always been difficult. The Committee will appreciate that the circumstances of the last 12 months make this even more difficult. The Committee should be assured however that because of the liaison arrangements we have in place with all Directorates and SMT, the Plan will be kept relevant throughout the year. The engagement with senior management is very good and demonstrates a culture of openness and commitment to improve.

4 Local Area Implications

- 4.1 There are no Local Area Implications arising from this report.

5 Consultations

- 5.1 The Senior Management Team and all Directorate Management Teams are consulted during the plan consultation process.
- 5.2 No specific consultation has been necessary in the preparation of this report.

6 Compatibility with European Convention on Human Rights

6.1 In the conduct of audit work and investigations particularly, Internal Audit operates under the provisions of the Data Protection Act 2018, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

7 Reduction of Crime and Disorder

7.1 An inherent aspect of audit work is to prevent, detect and investigate incidents of fraud, theft and corruption. The control issues arising from audit investigations have been considered to ensure improvements in overall controls are made. Additionally, Internal Audit ensures that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.

8 Risk Management Considerations

8.1 The underlying purpose of the work of Internal Audit is to address and advise on key risks facing management.

8.2 The Service's operational risk register includes the following risks which are relevant to this report:

- Ensuring the appropriate use of and management of, information to inform and direct internal audit activities;
- Able to provide a flexible, high performing and innovative service; and
- Ensuring continuously high levels of customer satisfaction.

8.3 All of these risks have been assessed and remain within the tolerance of the Service.

8.4 An essential element of the control (and on-going) management of these risks is the provision of update reports to the Audit and Governance Committee and the assurance this provides.

9 Employee Implications

9.1 There are no employee implications arising from this report.

10 Financial Implications

10.1 There are no financial implications arising directly from this report. The costs of the Internal Audit function are included within the Authority's base budget.

11 Background Papers

11.1 Plan consultation papers.

Officer Contact: Head of Internal Audit, Anti-Fraud and Assurance
Telephone No: 01226 773241
Date: 11th January 2021