



REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	21 JANUARY 2021
REPORT OF THE:	CHIEF FINANCE OFFICER (s151) ANTON HODGE
TITLE OF REPORT:	INTERNAL AUDIT PLAN 2021/22 - CONSULTATION
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The purpose of the report is to seek members' views on risk areas that should be considered a priority for audit in 2021/22, to help inform the preparation of the annual internal audit plan.

2.0 RECOMMENDATION(S)

- 2.1 Members are asked to identify any specific risk areas which they believe should be considered a priority for audit in 2021/22.

3.0 REASON FOR RECOMMENDATION(S)

- 3.1 To ensure audit resources are targeted to key risk areas and to help inform the overall internal audit planning process.

4.0 SIGNIFICANT RISKS

- 4.1 To comply with proper practice requirements for internal audit, the views of the committee on council strategies, key business objectives, associated risks and risk management processes should be considered in planning internal audit work.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), Cipfa guidance on the application of those standards in Local Government and the Cipfa Statement on the role of the Head of Internal Audit.

6.0 REPORT DETAILS

- 6.1 In accordance with the PSIAS, and as acknowledged in the council's audit charter, *"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*
- 6.2 The council's audit charter requires internal audit to draw up an indicative audit plan each financial year. The plan must be based on an assessment of risk. The plan is also informed by a number of factors such as the council's risk registers, relevant national issues and our wider audit knowledge including the results of recent audit work. The council's external auditors are also consulted to avoid possible duplication of work programmes, and to maximise the overall benefit of audit activity. The draft plan will be presented to the next Overview and Scrutiny Committee in April 2021, for approval.
- 6.3 Internal audit plans cover a range of risk areas to ensure that the work undertaken enables the team to meet the requirement to provide an overall opinion on the governance, risk management, and control framework operating in the council. These include areas such as:
- **Strategic risks** – for example those included as key risk areas in the corporate risk register, the successful management of which are fundamental to the ongoing success of the council
 - **Corporate and cross-cutting areas** – covering areas such as governance, performance, projects and risk
 - **Fundamental / material systems** – which represent a high level of inherent risk due to the value and volumes of transactions processed
 - **Specific service reviews** – particularly those which make a significant contribution to corporate objectives and where weaknesses may represent a significant risk
 - **Technical / projects** – those areas of a technical nature and/or where project management is involved. These areas are key to the council as the risks involved could detrimentally affect the delivery of services.
 - **Value for money and efficiency**
- 6.4 The standards require that internal audit independently forms a view on the risks facing the council and work to be included in the audit plan. However, there is also a requirement to take into account the views of the Overview and Scrutiny Committee and senior council officers in forming that view. This requirement is set out explicitly at paragraph 5.2 of the audit charter which states that internal audit should *"draw up an indicative risk based audit plan on an annual basis following consultation with the Overview and Scrutiny Committee and senior management"*. Some further background information on the standards is included in Appendix 1.
- 6.5 Internal audit is currently at the initial stage of planning work for 2021/22. Consultation with officers has already begun and further meetings will be held in February and March 2021. The planning process will, as usual, take into account those criteria listed at paragraph 6.3 but will also take account of the impact of the coronavirus on the Council both in terms of the requirement to reprioritise its work and also the impact on internal audit delivery during 2020/21. The purpose of this report is to seek the views of the committee on key risks facing the council, and areas they feel should be considered for audit review in 2021/22 so that any views can be factored into the planning process.

- 6.6 The coronavirus pandemic has undoubtedly had a significant and sustained impact on the operations of the council. It is inevitable that the effects of Covid-19 will carry on into 2021/22, and almost certainly beyond. At the same time, the council is facing significant uncertainty surrounding local government reorganisation (LGR) and the implications of Brexit. Risks arising from the council's external environment are particularly high profile at the moment and they have changed, or have the potential to change, the context in which the council operates. However, it is important that all of the areas referenced at paragraph 6.3 are considered as these remain the appropriate criteria for prioritising audit resources.
- 6.7 Table 1 on the following page includes some initial ideas on possible areas for consideration. This is included to prompt discussion and is not intended to be a definitive or complete list of areas that could be reviewed. Additional detail has been provided for a number of suggested audit areas to set out potential areas of focus, and to illustrate how the key risks around Covid-19, LGR, and Brexit can and will be incorporated into the audit plan for 2021/22. It is also important to emphasise that the audits included in the draft plan when it is presented to this committee in April 2021 are not fixed. Instead, the plan will be kept under review to ensure that audit resource is deployed on areas of greatest risk and importance to the council.

Table 1: initial ideas for audit priorities for 2021/22

Area	Possible Work
Strategic risks / Corporate & cross-cutting	<ul style="list-style-type: none"> • Areas of the council's corporate governance framework (e.g. schemes of delegation, constitution, complaints process, standards) • Strategic planning (e.g. policies and procedures, the Council Plan, Covid-19 recovery, preparedness for local government reorganisation) • Risk management • Business continuity and disaster recovery • Health and safety (e.g. service risk assessments, health surveillance, accident and incident reporting) • Asset management • Performance management and data quality • Financial resilience / Medium Term Financial Plan • Partnership working • Procurement and contract management (including supply chain resilience, due diligence, Modern Slavery Act compliance) • HR and organisational development / workforce planning (e.g. homeworking arrangements, management and supervision of remote teams, staff wellbeing) • Information governance and data protection (e.g. new ICO data sharing code of practice, records management) • Training and development (officer and / or member) • Ethics and organisational culture • Safeguarding (including domestic violence)
Fundamental / material systems	<ul style="list-style-type: none"> • Revenue budgeting • Capital budgeting • Payroll / personnel • Debtors / income collection (including enforcement practices) • Creditors • General ledger • Council Tax / NNDR & benefits (including review of Covid-19 related grants)
Technical / projects	<ul style="list-style-type: none"> • IT strategy and governance (e.g. transformation plans, information security policies, IT risk management, supporting service development and roles and responsibilities) • IT information security (e.g. server configuration, patch management and operating system configuration) • IT resilience and services (e.g. help desk, incident management and network availability) • Cybersecurity (access control, anti-virus and malware protection, incident management, training, communication and awareness raising) • Overall corporate project management arrangements • Review of specific key council projects

Table 1: initial ideas for audit priorities for 2021/22

Area	Possible Work
Other areas	<ul style="list-style-type: none"> • Risks relating to specific service areas (such as street scene / waste collection and recycling, planning, local plan strategy, leisure services, environmental health, licensing and regulation, economic development and housing) • Homelessness • Climate change (e.g. review of the Climate Change Action Plan, carbon reduction / neutrality, recycling, sustainable transport) • Assurance mapping

7.0 IMPLICATIONS

7.1 The following implications have been identified:

- a) Financial
None
- b) Legal
None
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental and Climate Change, Crime & Disorder)
None

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Background Papers:
 Internal Audit Charter
 Public Sector Internal Audit Standards
 Corporate Risk Register (October 2020)
 Council Plan 2020-2024

APPENDIX 1

Background

There is a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require the audit takes into account public sector internal auditing standards or guidance.

The Public Sector Internal Audit Standards (PSIAS) and CIPFA's local government application note for the standards represent proper practice for internal audit in local government.

Public Sector Internal Audit Standards (PSIAS) - extracts

1100: Independence and Objectivity

The internal audit activity must be independent and internal auditors must be objective in performing their work.

Interpretation: Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

1110 Organisational Independence

The chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity.

1110.A1

The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results. The chief audit executive must disclose such interference to the board and discuss the implications.

2010 Planning

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

Interpretation: To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.

2020 Communication and Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.

Cipfa Local Government Application Note: In accordance with current best practice the audit committee should *'review and assess the annual internal audit work plan.'* The development of the risk-based audit plan remains the responsibility of the chief audit executive after consultation with senior management and the board, but the board should approve it.