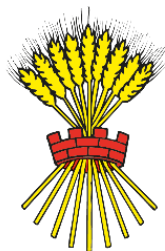




# INTERNAL AUDIT WORK PROGRAMME

2021/22

RYEDALE  
DISTRICT  
COUNCIL



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## INTRODUCTION

- 1 Internal audit provides independent and objective assurance and advice about the Council's operations. It helps the organisation to achieve its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- 2 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.
- 3 In accordance with the PSIAS and the Council's Audit Charter, internal audit is required to prepare an indicative risk-based audit plan following consultation with the Overview and Scrutiny Committee and senior management. The work in this audit plan – or work programme – will form the basis for the Head of Internal Audit's annual opinion on the Council's framework of risk management, governance and internal control.
- 4 Responsibility for effective risk management, governance and internal control arrangements remains with the Council. The work of internal audit cannot be expected to prevent or detect all weaknesses or failures in internal control nor can audit work cover all areas of risk across the organisation.
- 5 The content of the internal audit work programme, which is included at appendix A, has been subject to consultation with this committee, as part of its 21 January 2020 meeting, and more recently with Strategic Management Board.
- 6 The internal audit work programme is based on a total number of 225 days for 2021/22 which is the same as in 2020/21. Internal audit resources are limited and the programme is intended to ensure the available resources are prioritised towards those systems which are considered to carry more risk and / or which contribute the most to the achievement of the Council's priorities and objectives.
- 7 In order to ensure continued alignment with priorities and risks, Veritau has introduced a new flexible approach to the development and delivery of the internal audit work programme. This approach is detailed in the following sections.



## 2020/21 INTERNAL AUDIT WORK PROGRAMME

### Historic approach

- 8 Previously, internal audit plans have set out a defined list of audits to be undertaken during the financial year. Whilst this is an established and well understood approach, there are limitations in its usefulness, which are summarised below.
- 9 The main drawback in preparing annual audit plans is that they do not reflect the pace of change in local authorities. These types of plan are based on a risk assessment at a point in time, which aims to predict priorities for 12+ months in the future. Given the lead time for preparing plans (work usually commences in January each year), elements of the plan can effectively already be out of date by the time it is approved. The plan then continues to become less relevant as the year progresses and risks and priorities change. While some variations are made under this more traditional approach, the focus for internal audit work continues to be on completion of the original plan as far as possible.
- 10 A further weakness is the tendency of this approach to focus audit work on whole system assurance<sup>1</sup>, and historic data. In setting a plan for 12 months, it is not possible to predict in detail where audit time can best be spent. As a result audit work has traditionally set out to provide assurance on the whole system or area, or significant elements of it. However, in recent years, the audit work which has delivered most value to our council clients has tended to be that which has had a well-defined scope, focused on specific issues, or specific areas where controls and risks are changing, and which has utilised data analytics and wider intelligence. For example, this includes such activity as advising on potential control implications of changes in processes; undertaking targeted reviews of specific elements of systems or processes where issues have occurred; or using analytic techniques to review datasets that, in turn, provide wider assurance. By its nature this type of work is often driven by issues which arise on an ongoing basis.
- 11 The 2021/22 programme retains the fundamentals and benefits of good, organised planning but represents a new, more responsive approach that is consistent with developments seen in internal audit teams across the local government sector.

### New approach to audit planning

- 12 From 2021/22 onwards, at the beginning of the audit year we will present an indicative outline programme – as is being presented in this report in appendix A. This will include a broad allocation of time to be spent on different areas of activity. For the current year, we have retained the activity areas previously used, which are listed below. In future years, it is

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<sup>1</sup> An approach to internal auditing that prioritises coverage of all key processes and controls operating within a system as opposed to specifically reviewing those processes and controls which are – after assessment – considered to carry the most risk.

intended to align these areas more closely with the assurance categories set out in paragraph 18 below.

- **Corporate and cross cutting:** to provide assurance on areas which, by virtue of their importance to good governance and stewardship, are fundamental to the ongoing success of the Council.
  - **Financial systems:** to provide assurance on the key areas of financial risk. This helps support the work of the external auditors and provides assurance to the Council that risks of loss are minimised.
  - **Service areas:** to provide assurance on key systems and processes within individual service areas. These areas face risks which are individually significant but which could also have the potential to impact more widely on the operations or reputation of the Council if they were to materialise.
  - **Technical / projects:** to provide assurance on those areas of a technical nature and where project management is involved. These areas are key to the Council as the risks involved could detrimentally affect the delivery of services.
  - **Other audit assurance areas:** an allocation of time to allow for continuous audit planning and information gathering, unexpected work, and the follow up of work we have already carried out, ensuring that agreed actions have been implemented by management.
  - **Client support, advice and liaison:** work we carry out to support the Council in its functions. This includes the time spent providing support and advice and liaising with staff.
- 13 The indicative programme is a long list of areas of potential work which are considered the highest priority for audit, based on an initial assessment of risk. This will act as a guide for more detailed planning throughout the course of the year. It is expected that areas will drop out of this list, and new areas will be added as the year progresses and our assessment of relative risks and priorities changes.
- 14 Using the indicative programme, we will then determine audit work to be undertaken on an ongoing, rolling basis during the year, on the basis of:
- "Do now" – work of the highest value, priority, or urgency
  - "Do next" – work to be started after current audit work is completed
  - "Do later" – work to be scheduled for consideration later in the year
- 15 Decisions on which category work falls into will be based on professional judgement, together with close communication with key client officers, and will be guided by the following considerations. These indicate factors which will result in audit work being considered a higher priority at the time of assessment. These include areas:
- where we have no recent audit assurance, or other sources of information
  - where controls are changing and/or risks are increasing
  - where we are following up previous control weaknesses
  - where specific issues have arisen

- that are of significant importance to the Council, for example they reflect key objectives or high priority projects
  - that provide broader assurance, for example corporate policies and frameworks
  - that need to be covered to enable us to provide an annual opinion
  - where there are time pressures or scheduling requirements, for example grant deadlines, or work scheduled to minimise the impact on Council service areas at busy times.
- 16 An initial assessment of priorities for work for 2021/22 is included at appendix B.
- 17 Individual pieces of work will move between the categories as required based on their priority at the time of assessment. For example, an audit scheduled for quarter two to minimise the impact on a service area may initially be classed as to “do later”, but will become “do now” as we move into quarter two. Similarly, a project audit classed as “do now” because it represents an area of high importance to the Council may move from “do now” to “do next” or “do later”, if the project slips or planned work cannot be undertaken until a specific point is reached. Towards the end of the year, audits classed as “do later” are likely to be deferred until the next year.
- 18 One potential drawback to this approach is that by allowing the audit programme to develop over the year, insufficient attention is given to areas that are important to cover to provide the annual Head of Internal Audit opinion. To counter this, we have defined the key areas where we require assurance during the course of the year in order to provide that opinion. The requirement for gaining assurance across all of these areas will be taken into account in prioritising work. For example, if we have undertaken insufficient work in any area, it will become a higher priority for audit as the year progresses. The assurance areas are:
- Strategic planning
  - Organisational governance
  - Financial governance
  - Risk management
  - Information governance
  - Performance management and data quality
  - Procurement and contract management
  - People management
  - Asset management
  - Programme and project management
  - ICT governance
- 19 To ensure the Overview and Scrutiny Committee continues to have oversight of planned audit work, updates to the overall indicative programme (appendix A) and the current assessment of work to be undertaken (appendix B) will be presented as part of each internal audit progress report. This will enable the Committee to understand what work is currently planned and to provide input on the relative priorities of work to be carried out in the future.



- 20 This is the first year we have fully introduced flexible audit planning. It is being undertaken alongside wider developments of the internal audit service including an increased focus on data analytics and assurance gathering, which complement the flexible approach, and which will help to provide broader assurance than has been possible previously.
- 21 We will monitor the effectiveness of the new approach during the year, and ensure any lessons learnt are used to improve the arrangements in future years.

## APPENDIX A: INDICATIVE INTERNAL AUDIT WORK PROGRAMME 2021/22

Area	Days	Potential audits / activity
<b>Corporate and cross cutting</b>	70	LGR readiness Freedom of Information Physical information security Records management Procurement Transparency (follow-up)
<b>Financial systems</b>	40	Income collection and debtor management CIPFA Financial Management Code Budget monitoring and management Council tax and NNDR
<b>Service areas</b>	50	Depot: stores and stock control; fleet operation and workshop management Service risk management Post-Covid economic recovery Empty Homes Strategy Home energy efficiency Support Services review (health check) Environmental health
<b>Technical / projects</b>	25	Everyone Active (financial support package) Cybersecurity (email security, remote access, awareness) Disaster recovery / backups management
<b>TOTAL</b>	<b>185</b>	

## Other audit assurance areas

Area	Days	Activity
<b>Ongoing assurance</b>	5	Continuous audit planning and assurance gathering to support annual opinion
<b>Follow up of management actions</b>	10	Follow up of previously agreed management actions
<b>TOTAL</b>	<b>15</b>	

## Client support, advice and liaison

Area	Days	Activity
<b>Client and committee related support, advice and liaison</b>	25	Committee preparation and attendance Liaison with officers and internal meeting attendance Support and advice External audit liaison Member and officer training Contingency
<b>TOTAL</b>	<b>25</b>	
<b>OVERALL PROGRAMME</b>	<b>225</b>	



## APPENDIX B: INTERNAL AUDIT WORK PROGRAMME 2021/22: CURRENT PRIORITIES

Audit / Activity	Rationale
<b>Corporate and cross cutting</b>	
<b>Category 1 (do now)</b> Service risk management Records management	Continuation of work from 2020/21. Key assurance area. High risk area. Information governance is a key assurance area.
<b>Category 2 (do next)</b> LGR readiness	Controls are changing and / or risks are increasing. Provides broader assurance.
<b>Category 3 (do later)</b> Procurement Freedom of Information Transparency (follow-up)	
<b>Financial systems</b>	
<b>Category 1 (do now)</b> Income collection and debtor management	Deferred from 2020/21. Controls are changing and / or risks are increasing.
<b>Category 2 (do next)</b> Council tax and NNDR	Controls are changing and / or risks are increasing.
<b>Category 3 (do later)</b> CIPFA Financial Management Code Budget monitoring and management	

<b>Service areas</b>	
<b>Category 1 (do now)</b> Depot: stores and stock control; fleet operation and workshop management	Continuation of work from 2020/21. To support ongoing and planned reviews in these areas.
<b>Category 2 (do next)</b> Post-Covid economic recovery Environmental health	Of significant importance to the Council. No recent audit assurance. Deferred from 2020/21. Controls are changing and / or risks are increasing.
<b>Category 3 (do later)</b> Home energy efficiency Empty Homes Strategy Support services review (health check)	
<b>Technical / projects</b>	
<b>Category 1 (do now)</b> Everyone Active (financial support package)	To provide support and advice in an area of higher risk with known issues.
<b>Category 2 (do next)</b> Disaster recovery / backups management Cybersecurity	Key assurance area and no recent audit assurance. Key assurance area. Controls are changing and / or risks are increasing.
<b>Category 3 (do later)</b>	