

AUDIT COMMITTEE

28 MARCH 2018

REPORT OF ACTING AUDIT AND GOVERNANCE MANAGER

A.2 INTERNAL AUDIT PLAN 2019/20 (Report prepared by Craig Clawson)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek the approval of the Audit Committee for the 2019/20 Internal Audit Plan.

EXECUTIVE SUMMARY

- The 2019/20 Audit Plan has been developed using a risk based approach, taking account of the Councils Corporate Objectives, Corporate Risks and Emerging Risks.
- The establishment for the Internal Audit function is currently 3.6 fte. A restructure of the service is proposed in 2019/20 maintaining the same resources with an update to be provided at the July 2019 Audit Committee.
- The level and range of coverage is considered sufficient for the Acting Audit and Governance Manager to be able to provide an annual opinion on the Council's assurance framework.

RECOMMENDATION(S)

- (a) that the Internal Audit Plan for 2019/20 be approved; and**
- (b) that the existing arrangements for updating the plan during the year, where necessary to reflect changing Authority activity and operational needs and to provide flexibility of service delivery, be continued, with significant amendments reported to this committee as part of the periodic Internal Audit reporting arrangements.**

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Provision of adequate and effective internal audit helps demonstrate the Council's commitment to corporate governance matters.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The proposed 2019/20 Internal Audit Plan can be resourced from the 2019/20 budget. The

total budget is £188,340 for 2019/20 so therefore there has been no reduction in financial resources.

Risk

Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.

LEGAL

The Council has a statutory responsibility to undertake an effective internal audit.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.

During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.

There is no specific effect on any particular ward.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

In respect of the Internal Audit Plan the Public Sector Internal Audit Standards require the Acting Audit and Governance Manager to: -

- Establish a risk based Internal Audit Plan, at least annually, to determine the priorities of the Internal Audit function, consistent with the Council's goals.
- Has in place a mechanism to review and adjust the plan, as necessary, in response to changes to the Council's business, risks, operations, programmes, systems and controls.
- Produces a plan that takes into account the need to produce an annual Internal Audit opinion.
- Considers the input of senior management and the Audit Committee in producing the plan.
- Assesses the Internal Audit resource requirements.

DEVELOPMENT OF THE AUDIT PLAN

The Internal Audit Plan has been produced taking into account the requirements as set out in the Public Sector Internal Audit Standards, the current Internal Audit Charter and with an emphasis on continuing to use different audit techniques and reporting styles as previously

reported.

The 2019/20 Audit Plan has been developed using a risk based approach, taking account of the Councils Corporate Objectives, Corporate Risks and Emerging Risks. A Risk Assessment process has also been undertaken on all auditable areas (Audit Universe) of the Council to enable the Acting Audit and Governance Manager to provide an opinion on the effectiveness of governance, risk management and internal control processes within the organisation and provide reasonable assurance to the Audit Committee.

Existing knowledge of the auditable areas and historical data on operational processes within each service area has allowed for a practical assessment on whether a full audit, a leaner audit or a more balanced approach is required. The proposed audit approach for all audits is set out within the Draft Internal Audit Plan (Appendix A).

Discussions have been held with Management Team members individually and collectively. The feedback from Management Team has been taken into account and incorporated within the plan presented to the Committee. The Committee now has the opportunity to input into the draft plan provided.

INTERNAL AUDIT RESOURCE REQUIREMENTS

The establishment for the Internal Audit function is currently 3.6 fte. A restructure of the service is proposed in 2019/20 maintaining the same resources with an update to be provided at the July 2019 Audit Committee.

The proposed plan has been developed based on the current resource available and the teams' adaptation to new innovative and leaner ways of working. The number of audit days has been reduced from 570 to 520; however, this will not impact on the level of assurance provided to the audit committee and the overall assurance opinion for a number of reasons;

- A leaner more practical audit plan has been developed using a risk based approach, knowledge of all operational processes within service areas, historical assurance opinions and an understanding of where procedural changes have occurred around the Council.
- By having a leaner audit plan it has saved a total of 50 days that can now be used to support services in implementing agreed audit actions to help them facilitate change and create more efficient and effective processes within their area.

INTERNAL AUDIT PLAN DETAIL

The plan provides an outline of the work currently proposed to be undertaken during the 2019/20 financial year. In order to provide a proactive and flexible approach the plan should be considered indicative of the work currently intended. The Internal Audit Plan needs to be flexible to ensure that Internal Audit resources are directed where they are most needed, and add as much value as possible to the organisation.

The plan will be kept under review during the year, in consultation with the Council's senior management, and taking account of changes to the Council's priorities, operations and risk. Changes to the plan will be brought to the attention of the Committee for approval.

The Internal Audit Plan is not intended to provide coverage, in any one year, of the entire Audit Universe. If resources become available as a result of plan changes during the year,

then priority will be given to audits with the highest ranking that were not included in the plan, that are considered to be due.

The plan is considered to be in effect a rolling programme of work, rather than being specific to one year, and audits scheduled, but incomplete at the end of any financial year roll forwards and are completed in the new financial year.

A detailed breakdown of the Audit Plan is included in Appendix A.

The Committee's attention is drawn to the following: -

- **The comments section** of the plan provides additional detail on the audit techniques to be used to deliver the reviews, a brief summary of what is included within the audit and in some instances why it is included in the plan
- **Emerging key projects** – there are a number of projects in progress or due to start in 2019/20. It is unknown at this stage the level of capacity needed from Internal Audit to support the Council in delivering and/or providing independent advice on the projects. Time has been allocated to support the Council and further detail will be provided to the Audit Committee when the level of involvement becomes clear. An example of an emerging key project now included in the audit plan for full review is Garden Communities.
- **Development** – Some days have been allocated within the plan to ensure that there is enough time available for the Audit Team to incorporate all of the new processes, procedures, techniques and reporting arrangements into all areas of their work. The time has been reduced in the 2019/20 plan due to the improvements made in the last twelve months, however some time is still needed to continue to improve and adapt to changes in both the internal and external environment.

As referred to above mechanisms exist to allow amendment to the plan and if any issues arise regarding the risks in the current Corporate Risk Register, or new risks emerge including any identified by the Council's external auditors, then plan adjustments will be considered.

The level and range of coverage is considered sufficient for the Acting Audit and Governance Manager to be able to provide an annual opinion on the Council's assurance framework.

BACKGROUND PAPERS FOR THE DECISION

Audit Plan Working Papers

APPENDICES

Appendix A - Internal Audit Plan 2018/19