

AUDIT COMMITTEE

25 MARCH 2021

REPORT OF THE INTERNAL AUDIT MANAGER

A.1 INTERNAL AUDIT PLAN 2021/22 AND MARCH 2021 PERIODIC UPDATE (Report prepared by Craig Clawson)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek the approval of the Audit Committee for the 2021/22 Internal Audit Plan.

EXECUTIVE SUMMARY

- The 2021/22 Audit Plan has been developed using a risk based approach, taking account of the Council's Corporate Objectives, Corporate Risks and Emerging Risks. The plan has been collated based on the information gained from liaising with Directors, Heads of Service and entire departments to target areas that may benefit from an independent review of processes and procedures to determine potential efficiency gains, improved technology / software requirements or if the function has not been audited for a substantial period of time due to it being considered of lower risk historically.
- The establishment for the Internal Audit function is currently 3.6 full time equivalent (fte) staff. However, it is proposed a trial period of working with a hybrid structure of 3 fte internal employees, while using the budget available from the vacancies we are holding to pay for third party professional services to contribute to the delivery of specialist audit areas within the Internal Audit Plan.
- The level and range of coverage is considered sufficient for the Internal Audit Manager to be able to provide an annual opinion on the Council's assurance framework.

RECOMMENDATION(S)

- (a) That the Internal Audit Plan for 2021/22 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
<p>Finance and other resources The total direct budget for Internal Audit is £172,080 (excluding recharges) for 2021/22. The Internal Audit Team has a full time equivalent (fte) establishment of 3.6 staff. The Internal Audit Team are currently holding a vacancy for an Audit Technician post with an fte of 0.6</p> <p>Risk Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.</p>
LEGAL
The Council has a statutory responsibility to undertake an effective internal audit.
OTHER IMPLICATIONS
<p>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.</p> <p>Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.</p> <p>During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.</p> <p>There is no specific effect on any particular ward.</p>

PART 3 – SUPPORTING INFORMATION

BACKGROUND
<p>In respect of the Internal Audit Plan the Public Sector Internal Audit Standards require the Internal Audit Manager to: -</p> <ul style="list-style-type: none">• 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. The Internal Audit Team aspire to add value by targeting particular areas of the Council that may benefit from an independent review of processes and procedures to determine potential efficiency gains, improved technology / software requirements or change through new innovative ways of working.

The 2021/22 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 Internal Audit 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. Every audit within the plan will include a section on the impact of COVID-19 on the service area rather than have a separate audit covering the entire organisation. This way we can continually monitor the impact throughout the year and provide a more detailed level of assurance overall.

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, however it has not operated at this level for some time. As reported previously within Audit Committee Periodic Reports two members of the Internal Audit Team have left the organisation leaving 3 fte currently working within the team. The Internal Audit Team has worked hard to deliver the 2019/20 audit plan while holding vacancies. Due to the organisation moving towards digitalisation and the Internal Audit Team already working paperless this has allowed us to stream line our own processes and work smarter by targeting our resources and even undertaking 100% sample testing due to the availability of electronic data. Because of the changes to how we work, it is proposed that the Internal Audit Team remains with 3 fte while retaining the current budget to commission support from a third party for specialist audit days when needed.

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 proposed is 450 which remains unchanged from the 2020/21 audit plan. The plan has been created with the following in mind;

- 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.
- A hybrid structure of both internal and external resource will provide additional resilience within the team as well as provide different experience, skills transfer for more junior staff and access to a hub of audit resource.
- The impact of COVID-19 will be assessed within all auditable areas identified to ensure a consistent level of assurance can be provided.

INTERNAL AUDIT PLAN DETAIL

The plan provides an outline of the work currently proposed to be undertaken during the 2021/22 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.

For 2021/22, it is proposed that Internal Audit will undertake a random check of areas categorised as low risk within the audit universe. This way we can ensure that even areas where the risk to the organisation is minimal will still have some form of assurance review.

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 the Appendix.

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 2021/22. 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.

- **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.

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 Internal Audit Manager to be able to provide an annual opinion on the Council’s assurance framework.

INTERNAL AUDIT PLAN PROGRESS 2020/21

Due to the short period of time since the previous update to the Audit Committee in February 2021 a more summarised report of progress is provided below;

Since the previous update, progress can be provided on the following audits;

GDPR – Data Sharing Agreements

The audit is now complete and received an overall audit opinion of Adequate Assurance. There was one significant recommendation raised during the audit meeting the requirements to be reported to the Audit Committee;

Issue identified

Out of date Data Protection Policy

The current Data Protection Policy may be viewed as ‘Out of Date’. Originally written in May 2018 as a response to GDPR, it was intended that it be reviewed annually. As well as questions whether the policy reflects current GDPR regulations and best practice since implementation of the Act, it would be beneficial to enhance or support the section on Information Sharing Agreements (ISA) or Data Sharing Agreements (DSA)

Agreed Action;

The DPO will record all reviews of the Data Protection Policy in the amendment history on page 2 of the policy. A formal review will be undertaken every 2 years or as required due to a known requirement. A review will also be undertaken of the policy in line with the findings of the audit.

BACKGROUND PAPERS FOR THE DECISION

Audit Plan Working Papers

APPENDICES

Appendix - Draft Internal Audit Plan 2021/22