

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	15 th March 2021		
TITLE:	Internal Audit Strategic Plan 2021-22		
TYPE OF REPORT:	Scrutiny		
PORTFOLIO(S):	Cllr Brian Long, Leader		
REPORT AUTHOR:	Kathy Woodward, Audit Manager		
OPEN		WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

REPORT SUMMARY/COVER PAGE

PURPOSE OF REPORT/SUMMARY:
To provide Committee Members with the opportunity to review the proposed Strategic Internal Audit Plan for 2021-22.
KEY ISSUES:
<p>The Public Sector Internal Audit Standards (PSIAS) require that the Audit Manager must <i>'establish risk-based plans to determine the priorities for the internal audit activity, consistent with the organisation's goals'</i>.</p> <p>The Audit Manager has to provide an annual Internal Audit opinion on the system of internal control to support the Annual Governance Statement. The work performed in accordance with the plan enables the Audit Manager to form her opinion.</p> <p>In order to satisfy the requirements of the PSIAS and to provide the required audit opinion, the attached plan defines the work of the Internal Audit team for the year 2021-22.</p>
OPTIONS CONSIDERED:
There are no options
RECOMMENDATIONS:
The Committee is asked to acknowledge the Internal Audit resources and to consider and agree the work planned for 2021-22.
REASONS FOR RECOMMENDATIONS:
To enable the Internal Audit team to perform the audit work necessary to provide assurance on the systems of internal control and to enable the Audit Manager to provide an Annual Audit Opinion for the Annual Governance Statement in 2022.

REPORT DETAIL

1. Introduction

1.1 According to the Terms of Reference of the Audit Committee, one of the Core Functions is to review the Internal Audit's Strategic Audit Plan.

2. Proposal

2.1 The Strategic Internal Audit Plan 2021-22 is attached to this report and indicates the work proposed by the Audit Manager for Internal Audit function for the next year.

2.2 **Appendix 1** details the Audit Plan for 2021/22. Although the work can be adjusted if necessary to accommodate any major occurrences during the year, it is usual for the plan to be completed as shown. It is important to note that this year considerable flexibility will be afforded to the organisation to assist with any ongoing and new pressures that are identified as a result of the ongoing Covid-19 pandemic and possible staff changes to the Internal Audit Team.

2.3 The overall strategy of the Internal Audit is reviewed on annual basis and is attached as **Appendix 2**. The Public Sector Internal Audit Standards refer to this document as the Audit Charter. A revised Internal Audit Charter will be presented to the Audit Committee at the next available meeting.

2.4 The Strategic Audit Plan is intended to:

- Ensure all identified areas are audited over the life of the plan, taking in to account clients' audit requirements and the major risks facing the council.
- Ensure there are adequate resources to undertake the required audits.
- Provide a basis for monitoring actual performance of the Internal Audit function.

2.5 The audit work performed to fulfil the plan informs the Audit Manager's opinion that is required in the Annual Governance Statement.

2.6 The Public Sector Internal Audit Standards (PSIAS) require that the Audit Manager must '*establish risk-based plans to determine the priorities for the internal audit activity, consistent with the organisation's goals*'. In response to this requirement, an Assurance Framework has been developed.

2.7 The Assurance Framework provides a structured analysis of the Council based on five high level domains that support the Council's business and one domain covering the operational aspects:

- Governance and Reputation
- People
- Financial
- Infrastructure
- Information
- Operational and Service Delivery

Within these domains, audit areas have been identified and risk assessed based on the following factors:

- Materiality (Value and Volume);
- Significance/ Profile;
- Complexity of the system;
- Change;
- Regulatory/ Contractual matters;
- External Monitoring;
- Prior Audit results;
- Susceptibility to fraud and corruption;
- Staff turnover.

2.8 Other sources of assurance are considered within the External Monitoring section and where they are deemed to be satisfactory by the Audit Manager, the score is adjusted accordingly. Examples of this are the use of external specialists to review the Council's Health and Safety systems, and the work carried out to achieve Payment Card Industry (PCI) and Public Services Network (PSN) approval for the security of the ICT network systems. This reduces the need for internal audit to review the systems and duplicate work.

2.9 A risk rating of High, Medium or Low is allocated according to the result of the assessment. Based on the rating, a time scale between audits is applied. The audit plan is based on this risk assessment process covering all six domains to ensure all aspects of the Council are covered to some degree.

2.10 Both the Audit Manager and the Assistant Director Finance Services (s151 Officer) are satisfied that the resources are sufficient, after the level of contingencies have been adjusted, and that the proposed plan will provide the level of assurance required.

3. Issues for the Audit Committee to Consider

3.1 The Committee should consider if they are satisfied that the proposed audit areas represent a sufficient coverage of the services provided by the Council.

4. Corporate Priorities

4.1 The internal audit activity supports the achievement of the Corporate Business Plan by adding value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

5. Financial Implications

5.1 None.

6. Any other Implications/Risks

6.1 The plan enables the Audit Manager to manage the work of the Internal Audit team and to provide an annual opinion as required by the Annual Governance Statement. It also enables the Audit Committee to monitor the work of the team and to receive assurance on the state of the internal control system of the Council.

7. Equal Opportunity Considerations

7.1 None.

8. Consultation

8.1 The plan has been presented to Management Team and Assistant Directors for comments on the areas for inclusion in this year audit work programme.

9. Conclusion

9.1 The Strategic Internal Audit plan provides the basis for the Internal Audit team to carry out the work necessary to provide assurance on the systems of internal control, risk management processes and governance arrangements and to enable the Audit Manager to provide an Annual Audit Opinion for the Annual Governance Statement in 2022.

10. Background Papers

Public Sector Internal Audit Standards (PSIAS)

<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

The Assurance Framework and the Risk Assessment template are available on InSite within the reports section of Internal Audit.

Audit Title	Risk Rating	Last Audit	Last Audit results	20-21 days
2020-21 brought forward				80
Governance and Reputation				
Democratic Services	Medium	2014/15	Substantial	15
Subtotal Governance and Reputation				15
People				
Compliance with Bribery Act 2010	Medium	New		10
Subtotal People				10
Financial				
Accounts Payable (CORE)	High	2016/17	Substantial	20
Financial Management System (CORE)	High	2015/16	Full	20
Asset Register and Inventories	High	2016/17	Substantial	20
Covid-19 Business Grants	High	New	N/A	17
Capital Programme	Medium	2016/17	Substantial	15
Financial Governance and Budgetary Control (CORE)	High	New	N/A	20
Subtotal Financial				112
Infrastructure				
Amenity Property and Land	Medium	2016/17	Substantial	15
ICT Wireless Networks	Medium	New		15
Subtotal Infrastructure				30
Information				
Information Legislation	Medium	2015/16	Substantial	10
Subtotal Information				10
Operational and Service Delivery				
Alive West Norfolk	High	New		20
Emergency Planning and Management	Medium	2017/18	Full	15
Food Safety and Health and Safety	Medium	2016/17	Substantial	15
Major Projects	High			15
Play Areas	Medium	2016/17	Substantial	10
Licencing	Medium	2016/17	Substantial	15
Subtotal Operational and Service Delivery				90
Total Risk Based Audits				347
External Audits and Other Work				
Water Management Alliance				5
Audit Committee				20
Review of Statement of Accounts / AGS				5
Check of calculations for COL and PRP				3
Follow ups				20
Contingency				24
Subtotal External and Other Work				77
Grand Total				424



Internal Audit Strategy 2021-22

Introduction

Regulation 5 of the Accounts and Audit Regulations 2015 states that local authorities '*...must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*'.

This strategy is a high level statement of how the Internal Audit service will deliver the required assurance on the Council's internal control systems.

The Council's Internal Auditors will conduct all audit work in accordance with the Public Sector Internal Audit Standards (PSIAS), which define internal audit as:

'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.'

Internal Audit Objectives

Internal Audit's objectives are to:

- Provide an independent and objective internal audit service that helps the Council to meet its stated objectives
- Support the Assistant Director Finance Services in the discharge of her duties as Section 151 Officer (the officer responsible for the proper administration of the financial affairs of the authority).
- support and assist in embedding corporate governance, effective internal controls and risk management throughout the Council
- help to identify areas for improvement and make recommendations to address these
- offer advice and assurance on achieving effective internal controls
- comply with the Public Sector Internal Audit Standards (PSIAS).

Under the PSIAS the Audit Manager must produce a risk-based audit plan which takes into account the requirement to express an annual internal audit opinion on the adequacy and effectiveness of governance, risk management and internal controls.

To this end, an Assurance Framework has been developed to enable a structured analysis of the internal controls to take place and in turn the framework is supported by a risk analysis of each identified sphere of audit. The whole process enables a risk based plan to be produced.

Outcomes

The Internal Audit team will work with a risk based audit plan that is designed to provide the required assurance on the system of internal controls.

On completion of each audit a report which will describe the scope of the work undertaken and the results of that work, will be provided to the relevant manager, Executive Director, Assistant Director, the Assistant Director Finance Services (s151 Officer) and Portfolio Holder. Where necessary recommendations will be made and actions agreed with the manager to rectify any control weaknesses or improve service delivery. Any such recommendations will be followed up at an agreed interval, but usually six months after the report is finalised, to assess progress in implementation.

Progress against the plan will be reported to the Audit Committee at regular intervals. All reports will be made available in full to the members of the Committee via a secure area on InSite and Modgov.

Managers will also be able to seek advice from the team on possible control issues if necessary.

At the end of the financial year, the Audit Manager produces an Annual Report which includes Annual Audit Opinion as described below.

Annual Audit Opinion

Internal Audit's role is to understand the key risks to the Council and to examine and evaluate the adequacy and effectiveness of its systems of risk management, governance and internal control. Each year the Audit Manager will provide an opinion on the effectiveness of the internal control environment to the Audit Committee. It will be influenced by the individual opinions provided for each piece of audit work undertaken and the progress made by managers in implementing previously agreed actions. The opinion will be supported by sufficient, reliable and relevant evidence

Resources

The internal audit service will be provided by an in-house team consisting of one full time Auditor, one part time Auditor and a fulltime Investigation Officer/Internal Auditor. Management support will be provided by an external contractor.

The frequency of audits over the 5-year strategic audit plan is as follows:

Low risk audits	If time permits in the audit year
Medium risk audits	Full systems audit one year in five
High risk audits	Full systems audit one year in three,
Core audits	Full systems audit one year in two

Core audits comprise:

- Accounts receivable
- Accounts payable
- Treasury management
- Financial Management System
- Financial Governance and Budgetary Control
- Council tax and business rates
- Benefits
- Asset register and inventories
- Payroll

The available resources are calculated as shown in the table below:

	Days
Total working days available	665
Less:	
Annual Leave	54
Bank Holidays (Including extended Christmas closure)	28
Training (non-qualification)	20
Section administration	74
Management	65
Total audit time available	424
Core Systems	60
Risk based and external audits	292
Follow-ups, reviews and Audit Committee support	48
Contingency	24
Total allocated	424

In addition to the in-house team the Council has access to IT auditors via the contract the Eastern Internal Audit Services (based at South Norfolk District Council) has in place with TIAA Ltd for the provision of their internal audit services.

To maintain the skills and knowledge levels required, training assessments of the team will be carried out on an annual basis as part of the Council's appraisal process. The Audit Manager will be responsible for prioritising the identified needs and ensure that the most effective use is made of the available training resources.

Key Performance Indicators

PI Ref	Indicator	Target
AUD 1	Delivery of the Audit Plan	95%
AUD 2	Productive time	60%

Audit Committee

The Terms of Reference relating to the Audit Committee include a requirement to review and approve, but not direct the Internal Audit Strategy. It is intended that this Strategy will be reviewed on an annual basis and the results presented to the Committee for approval along with the Audit Strategic Plan.

The next date for review will be – March 2022.