INTERNAL AUDIT – AUDIT PLAN

SUMMARY:
This report is to set out the annual plan for 2020/21.

RECOMMENDATIONS:
Members are required to:
   • Agree to the annual plan, which will be monitored and updated on a rolling quarterly basis.

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1   Introduction

1.1   The audit plan is produced annually to provide a framework for the use of audit resources. To ensure that resources are focused on activities that will enable the Audit Manager to provide the organisation with an overall assurance of the internal control environment.

2   Purpose of Internal Audit

2.1   The role of internal audit is defined within the Public Sector Internal Audit Standards, as an:

> *'independent, objective assurance and consulting activity designed to add value and improve an organisations 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'.*

2.2   Internal Audit provides the organisation with assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working with consulting activities available to help to improve those systems and processes where necessary.

3   Methodology for compiling audit coverage

Risk Universe and Criteria

3.1   The risk universe has been updated to show auditable areas as at January 2020. This will be reviewed as appropriate.

3.2   The risk criteria has been developed to ensure it captures all relevant areas to be considered in determining the level of risk exposure within an auditable area. The Corporate Risk register and the details within the Annual Governance Statement are also taken into account when reviewing the risk universe and developing the audit plan.

3.3   The risk criteria includes the following areas:

- **Corporate priority**
  This looks at the Council's corporate plan and assesses to what level the auditable area contributes to the corporate plan. This is included so that areas of high corporate priority are considered more highly than areas of low corporate importance, which are not deemed to risk the Council achieving its overall objectives.

- **Impact on reputation**
  This looks at the potential impact on the Council's reputation if a risk within the auditable area was to transpire. This is included so that areas of high reputational impact are considered more highly for a review to ensure that the reputation of the Council is maintained.

- **Assurance from others**
  This considers whether another body either externally (e.g. external audit) or internally (e.g. systems thinking) have reviewed the area. This is included so that if assurance can be provided by others then Internal Audit would not need to also review the same area.

- **Concerns raised**
  This looks at any concerns raised by Managers or employees, any previous frauds identified and any previous poor controls identified by Internal Audit. This is included as if concerns are raised then this could highlight control weaknesses impacting on the Council in various ways.

- **Laws or Regulations**
  This looks at if the auditable area is enshrined by Laws or regulations or not. A requirement for high levels of compliance with Laws and Regulations will result in a higher risk to the Council if these are not adhered to.

- **Financial transactions total**
  This looks at the financial value of transactions in the auditable area, as the higher the value of the transactions the more risk of financial loss to the Council. This also looks at the number of transactions, as a small financial value but high frequency of transactions opens the auditable area up to a bigger risk of fraud and error.

- **Vulnerability**
  This looks at whether the area is completely new to the Council or not or if it's a constantly evolving area e.g. IT. New and evolving areas will present a higher vulnerability than an area that has not changed.

Input from Heads of Service

3.4 Heads of Service were consulted on the areas, which were high risk on the audit universe, to ensure that these were appropriate to be reviewed within the financial year and highlight any areas of concern within their service.

Developing the Audit Plan

3.5 Internal Audit strategy is to review key financial systems on a 3-year rolling basis adjusted for any significant system developments or identified weaknesses. Additionally, all other areas of coverage are based on various risk factors developed by Internal Audit described in section 3.3 of this report and input from Heads of Service.

3.6 The first 6 months of work will be established based on the auditable areas with a view to risk, suitability of timing and availability of audit resource. This will be agreed with CLT and the Licencing, Audit & General Purposes Committee. The work for the following quarters will be established at subsequent CLT and Committee meetings, as laid out in table 1 below. This will allow Internal Audit to react more effectively to the needs of the Council when required throughout the year.

Communication and monitoring of the plan

Table 1

Date	Meeting	Details
10th March 2020	CLT	• Present the audit plan for 2020/21
23rd March 2020	LA&GP Committee	• Set the work for quarter 1 & quarter 2 (subject to change if required for the needs of the organisation.)
19th May 2020	CLT	• Present the audit opinion for 2019/20.
28th May 2020	LA&GP Committee	• Present compliance towards the PSIAS and plan of work towards the standards in 20/21. • Present the Annual Governance Statement and update to the Local Code of Corporate Governance • Give an overview of the work completed in 2019/20.
30th June 2020	CLT	• Report on the work carried out to date for quarter 1.
20th July 2020	LA&GP Committee	• Report any changes required for quarter 2 deliverables and the reason for these changes. • Set the work for quarter 3.

8th September 2020	CLT	• Report on the work carried out to date towards the actions defined within the Annual Governance Statement.
28th September 2020	LA&GP Committee	
3rd November 2020	CLT	• Report on the work carried out for quarter 2 and outstanding work for quarter 1. • Report any changes required for the deliverables for the rest of quarter 3 and the reason for these changes. • Set the work for quarter 4.
23rd November 2020	LA&GP Committee	
12th January 2021	CLT	• Report on the work carried out for quarter 3 and outstanding work for quarter 2. • Report any changes required for the deliverables for the rest of quarter 4 and the reason for these changes.
25th January 2021	LA&GP Committee	
9th March 2021	CLT	• Present the audit plan for 2021/22 • Set the work for quarter 1 & quarter 2 (subject to change if required for the needs of the organisation.) • Report on the work carried out to date for quarter 4 and outstanding work for quarter 3. • Report on the work carried out to date towards the actions defined within the Annual Governance Statement
29th March 2021	LA&GP Committee	

3.6   A rolling programme means that the plan can be set for each quarter allowing greater flexibility of audit coverage to meet the changing environments faced by the Council.

4   Resources

4.1   There is currently a vacant full-time auditor post. The work of this post was carried out by contract auditors in 2019/20. This vacant post is currently being reviewed therefore contract auditors will continue to be utilised during 2020/21 to enable the audit plan, as detailed within Appendix A, to be delivered.

5   2020/21 audit plan

5.1   The first 6 months work, as set out in Appendix A, has been selected from the higher risk areas. The list of audits is subject to review due to the changing

needs of the organisation or resource availability. An update will be provided at the committee meeting in July.

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References:

- *Public Sector Internal Audit Standards (2017)*
  http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards

Appendix A

Table of Audits expected deliverables for Quarters 1 & 2

Service	Title of audit	Scope indication*
Facilities and Property	External tenants within the Council Offices	To review the contracts in place with external tenants within the Council Offices to ensure the contracts cover key areas, they are being correctly invoiced, and payments are being received in line with the agreements.
CLT	Contractors/ consultants & IR35	To review the contractors/ consultants used by the Council ensuring that IR35 requirements are maintained in line with HMRC requirements.
CLT/ELT	ICE programme – cost of changes	To review the costs associated with the implementation of changes associated with the ICE programme.
Operations - Parking	Car Park PCNs	To review the process for issuing and recovering car park PCNs.
IT/ Legal	Legal system set up	To review the setup of the new Legal system to ensure the parameters and security of the system has been appropriately set up.
IT	IT system security - patch management	To review the processes that are in place to ensure that system patches released from system providers are tested and promptly implemented to minimise any security risk that not installing these poses to the Council.
Property	Council property maintenance	To ensure that forecasts are in place for the maintenance of Council owned properties to ensure that they are appropriately maintained and ensuring that appropriate budgets are in place.
Finance	Purchase Ledger	Key financial system reviewed on a 3-year cycle.

Follow up of previous audit reviews

Various	General follow up on high priority recommendations	

	from previous audits.	

Provisional forward programme of audit work

Finance	NNDR Billing & Collection	Key financial system reviewed on a 3-year cycle.
Finance	FMS & Bank Reconciliation	Key financial system reviewed on a 3-year cycle.
HR	Payroll	Key financial system reviewed on a 3-year cycle.
Democracy, Strategy & Partnerships	Performance Management	To review the new performance management process in place.
Finance/Regeneration and Property/ Legal	Capital project	A capital project from the capital programme is reviewed annually due to the overall capital spend amount.
Finance/ Democracy, Strategy & Partnerships	Financial assistance to organisations	To review the overall financial assistance given to organisations from the various departments within the Council. Ensuring that the process/criteria for issuing financial assistance is consistently applied and considered as a whole.

* This is just the potential scope of the audit which can be subject to change as the scope is agreed with the auditee prior to the audit commencing.