

Report of:	Head of Internal Audit, Veritau
Submitted to:	Corporate Affairs and Audit Committee, 4 February 2021
Subject:	Internal Audit consultation report

Summary

Proposed decision(s)
<p>That the Committee:</p> <ul style="list-style-type: none"> Provides comments on risk areas that they consider a priority for audit in 2021/22 to help inform the preparation of the annual internal audit plan

Report for:	Key decision:	Confidential:
Information	No	No

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
<p>Agreement to note the audit findings or identify where additional assurance is required will help the Committee perform its role. Internal audit work contributes towards achieving the Council's priorities by identifying any potential control issues which may obstruct that achievement.</p>	<p>Internal Audit assists management in delivering their priorities by working to an annual programme of work that includes assignments linked to corporate risks and priorities, and which seeks to add value by assessing the quality of controls, ensure value for money and achieve better outcomes for local people.</p>	<p>Internal Audit assists management in delivering their priorities by working to an annual programme of work that includes assignments linked to corporate risks and priorities, and which seeks to add value by assessing the quality of controls, ensure value for money and achieve better outcomes for local people.</p>

Ward(s) affected
None.

What is the purpose of this report?

1. To seek the views of Members on risk areas that should be considered a priority for audit in 2021/22, to help inform the preparation of the annual internal audit plan.

Why does this report require a Member decision?

2. Internal audit professional standards require internal auditors to establish risk based plans to determine the priorities for audit work. When developing audit plans, the standards require that the auditors consult with the committee.

Report Background

3. Internal audit provides independent and objective assurance and advice on the Council's operations. It helps the organisation to achieve overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
4. 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.
5. The purpose of this report is to seek the committee's views on risk areas that may be a priority for audit during 2021/22.

Consultation on 2021/22 internal audit plan

6. Internal audit standards and the Council's audit charter require internal audit to draw up indicative audit plans. Plans must be based on an assessment of risk and an understanding of the Council's operations. In coming to a view on the risks facing the Council the opinions of the Corporate Affairs and Audit Committee and senior Council officers will be taken into account. The plan will also be informed by the Council's risk registers, relevant national issues and wider audit knowledge such as information about emerging risks identified through professional networks. The Council's external auditors (EY) are also consulted to avoid possible duplication of work programmes and to maximise the overall benefit of audit activity. The draft plan will be presented to the Corporate Affairs and Audit Committee on 4 March 2021, for final approval.
7. Internal audit plans cover a range of areas to ensure that overall, the work undertaken will enable internal audit to meet the requirement of the standards to provide an overall opinion on the framework of governance, risk management, and control operating in the Council. These include areas such as:
 - strategic risks - for example those included as key risk areas in the risk register
 - financial systems - which represent a relatively high level of inherent risk due to the value and volumes of transactions processed
 - corporate areas – covering areas such as governance, performance, projects and risk

- reviews - particularly those which make a significant contribution to corporate objectives and where weaknesses may represent a significant risk
 - value for money and efficiency.
8. The standards require that Veritau independently forms a view on the risks facing the Council and work to be included in the audit plan. However, there is also a requirement to take into account the views of the Corporate Affairs and Audit Committee in forming that view. The requirement is set out explicitly at paragraph 5.2 of the audit charter which states that Veritau should “draw up an indicative risk based audit plan on an annual basis following consultation with the Corporate Affairs and Audit Committee and senior management”.
 9. Veritau are currently at the initial stage of planning work for 2021/22. Consultation with officers has already begun and further meetings will be held in February 2021. As in 2020/21, the audit plan is designed to be flexible; the areas identified in the plan will not be exhaustive and will be amended during the year to reflect changing risks and priorities.
 10. The planning process will take into account those criteria listed at paragraph 7 but will also take account of the impact of the Covid-19 pandemic on the Council, which has had a significant and sustained effect. It is inevitable that this will carry on into 2021/22 and beyond. In addition, the planning will consider other external risks to the Council including Brexit.
 11. Table 1 below includes some initial ideas on possible areas for consideration. This is included to prompt discussion and is not intended to be a definitive or complete list of areas that could be reviewed. It includes references to areas of work which may consider risks relating to Covid-19.

Strategic risk / Corporate & cross-cutting	<ul style="list-style-type: none"> • Medium term financial planning and budgeting, budget management, savings plans, commercialisation and investments, financial resilience • Areas of the council’s corporate governance framework (e.g. schemes of delegation, constitution, complaints process, standards) • Strategic Planning (e.g. policies and procedures, the Council Plan, Covid-19 recovery, Brexit implications) • Risk management, disaster recovery plans and insurance arrangements • Performance management and data quality • Partnership working • Procurement and contract management (including supply chain resilience third party risk, due diligence, Modern Slavery Act compliance) • Ethics and organisational culture • Training and development • HR and organisational development / workforce planning (e.g., Covid-19 homeworking arrangements, management and supervision of remote teams, staff wellbeing) • Information governance and data protection – compliance, management of information assets, data breach management, training
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s p e c	<ul style="list-style-type: none"> • Environment, climate change and waste – air pollution, carbon footprint, energy reduction, recycling • Health and safety
Project Management	<ul style="list-style-type: none"> • Overall corporate arrangements • Review of specific key projects
Main Financial systems	<ul style="list-style-type: none"> • Payroll/personnel • General ledger, debtors (including debt recovery and enforcement practice), creditors, cash income • Capital accounting and assets • Council Tax/ NNDR & benefits (including review of Covid-19 related grants) • Treasury management
Service specific risks and other areas	<ul style="list-style-type: none"> • Adult and children's social care – budget management, workforce planning, case management, placements, referrals and assessments, procurement, quality assurance, capacity, contract monitoring, deprivation of liberties (including review of the Council's response to the Ofsted inspection) • Transporter Bridge and other asset maintenance • Special Education Needs and Disability (SEND) – EHC plans (processes), planning, working with partners, funding • Public health including management of contracts and management of Covid-19 schemes • Housing strategy and homelessness • Other risks relating to specific service areas (such as schools, planning, local plan strategy, estates, leisure services, waste collection and recycling, licensing, environmental health, economic development). • IT Strategy & Governance (such as information security policies, IT risk management, supporting service development and roles and responsibilities) • IT Information security (such as server configuration, patch management and operating system configuration) • IT Services (such as help desk, incident management and network availability) • Cyber security • Digitalisation / automation

What decision(s) are being asked for?

12. That the committee:

- Provides comments on risk areas that they consider a priority for audit in 2021/22 to help inform the preparation of the annual internal audit plan.

Why is this being recommended?

13. Internal audit professional standards require an indicative audit plan based on an assessment of risk. This report gives Members an opportunity to have their opinions taken into account.

Other potential decisions and why these have not been recommended

14. This report is for information. There are no other options available.

Impact(s) of recommended decision(s)

15. There are no implications to this report in relation to:

- *Legal*
- *Financial*
- *Policy Framework*
- *Equality and Diversity*

Risk

16. The Council will fail to comply with proper practice for internal audit if Members are not consulted on the content of audit plans.

Actions to be taken to implement the decision(s)

17. Any requests for additional assurance or clarification by Members of the Committee will be responded to accordingly.

Appendices

None

Background papers

No background papers were used in the preparation of this report

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