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**REPORT FOR: GOVERNANCE, AUDIT,  
RISK MANAGEMENT AND  
STANDARDS COMMITTEE**

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<b>Date of Meeting:</b>	26 January 2021
<b>Subject:</b>	2021/22 Internal Audit Planning Process and Consultation
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance & Assurance
<b>Exempt:</b>	No
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1 – Annual Plan Process

### **Section 1 – Summary**

This report sets out the 2020/21 Internal Audit annual planning process to help the GARMS Committee understand and contribute to the development of the Internal Audit Plan.

**FOR INFORMATION**

## **Section 2 – Report**

### **Background**

- 2.1 The Public Sector Internal Audit Standard's require the 'chief audit executive' (the Head of Internal Audit) to establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 2.2. The Head of Internal Audit takes into account the organisation's risk management framework or where a framework does not exist, his/her own judgment of risks after consideration of input from senior management and the board. The Head of Internal Audit must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.
- 2.3 The Standards include a specific public sector requirement that the risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.
- 2.4 The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.
- 2.5 The Head of Internal Audit must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.
- 2.6 A further public sector requirement is that the Head of Internal Audit must include in the risk-based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.

### **The 2021/20 Process**

- 2.7 Each year the process, whilst broadly remaining the same, is reviewed and updated/refined. The 2021/20 process is attached at Appendix 1 and takes into account the need for the process to be undertaken remotely given the current working arrangements across the Council in response to the Covid 19 pandemic. It should be noted that it is not a linear process.
- 2.8 There are also a number of elements that are included in the plan each year as follows:

- Annual Governance Review – co-ordination and evaluation of assurances provided for the annual review of governance, drafting of the annual governance statement;
- Risk Management – co-ordination and update of the quarterly Corporate Risk Register;
- Core Financial System reviews – nine systems have been identified as core financial systems (this does not include the accounting system as this is reviewed annually by the External Auditors). These systems are reviewed by internal audit using a cyclical/risk based approach with management, evidence based, self-assessments undertaken annually when not being reviewed by internal audit enabling annual assurance to be provided and feed into the annual internal audit opinion.
- Support, advice and follow-up – to enable pro-active audit advice on control, risk management and governance to be provided to management throughout the year and to follow-up the implementation of audit recommendations.
- Annual corporate compliance testing covering elements of Financial Regulations and Contract Procedure Rules

- 2.9 Other elements generally included on a risk basis, as determined by the annual planning process include, IT reviews, corporate risk based/governance reviews, and departmental risk-based reviews.
- 2.10 Horizon scanning for the 2021/22 plan has already commenced and has identified a number of potential areas for inclusion in the plan e.g. Equality and Diversity, financial sustainability and climate change. These will be fed into the process, discussed with relevant managers and risk assessed before a decision is made on inclusion in the plan.
- 2.11 GARMS Committee members are encourage to consider any areas they feel would benefit from an audit or any areas they would like additional assurance on and relay this to the Head of Internal Audit either at the Committee meeting or sometime before the end of February 2021. Any such suggestions will be explored with managers and risk assessed before a decision is made on inclusion on the plan.

## **Legal Implications**

- 2.10 The Accounts & Audit Regulations 2015:

### **Internal audit**

5.—(1) A relevant authority 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.

## **Financial Implications**

- 2.11 There are no financial implications to this report. The Internal Audit Service is provided within the set service budget.

## **Risk Management Implications**

2.12 There are no risk management implications to this report. The Internal Audit Plan is risk based.

## **Equalities implications / Public Sector Equality Duty**

2.13 There are no equalities implications to this report.

## **Council Priorities**

2.14 The Internal Audit Service contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

## **Section 3 - Statutory Officer Clearance**

3.1 As this report is for information only it has been decided that no Statutory Officer Clearance is required.

<b>Ward Councillors notified:</b>	<b>NO</b>
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## **Section 4 - Contact Details and Background Papers**

**Contact:** Susan Dixon, Head of Internal Audit & Corporate Anti-Fraud, 02084241420

**Background Papers:** None