



## Report of the Chief Auditor

Audit Committee – 9 March 2021

### Draft Internal Audit Annual Plan 2021/22

<b>Purpose:</b>	This report presents the Draft Internal Audit Annual Plan for 2021/22 to the Audit Committee for consideration prior to the final plan being presented to the Committee in April for approval.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance, Access to Services.
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#### 1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) requires a risk-based Internal Audit Plan to be prepared each year to determine the priorities of Internal Audit and ensure they are consistent with the Council's goals and objectives.
- 1.2 The Audit Plan must provide sufficient coverage across the whole of the Council's activities to allow the Chief Auditor to be able to give an opinion on the control environment including governance, risk management and internal control. The annual Internal Audit opinion which is delivered to the Section 151 Officer and the Audit Committee is a key input into the Council's Annual Governance Statement.
- 1.3 The PSIAS also require the Audit Plan to be linked to a high-level Audit Strategy which shows how the internal audit service will be

delivered, how it will be developed in accordance with the Internal Audit Charter and how it links to the Council's objectives and priorities

- 1.4 The methodology used to prepare the Audit Plan is also reported to the Committee at the meeting on 9<sup>th</sup> March 2021.
- 1.5 This report presents the Draft Internal Audit Annual Plan 2021/22 to Committee for consideration.

## **2. Internal Audit Strategy and Annual Plan 2021/22**

- 2.1 A risk-based Internal Audit Annual Plan is produced each year which is used to guide the work of the Internal Audit Section and ensure sufficient coverage of the Council to allow the Chief Auditor to deliver the annual opinion on the internal control environment as well as providing assurance to management, the Section 151 Officer and the Audit Committee.
- 2.2 The Internal Audit Annual Plan must incorporate or be linked to a strategic or high-level statement of how the work of Internal Audit will be delivered and developed in accordance with the Internal Audit Charter and how it links to the Council's goals and objectives. The Internal Audit Strategy 2021/22 will accompany the final version of the Plan which due to be presented to Committee in April.
- 2.3 For 2021/22, the Internal Audit Section is made up of 9.1 full time equivalents plus the Chief Auditor which is the same level of resources available in 2020/21. This gives a total number of available days of 2,366.
- 2.4 A summary of the Internal Audit Plan 2021/22 is shown in Appendix 1 and a list of audits planned for the year is shown in Appendix 2 along with the number of days planned for each audit as well as the perceived risk of each audit arising from the risk assessment process.
- 2.5 The Internal Audit Plan 2021/22 accommodates any audits which were deferred from the 2020/21 Plan where the risk justifies their inclusion.
- 2.6 The Plan includes time for all fundamental audits due in the year i.e. systems that are so significant to the achievement of the Council's objectives that they are audited annually or every 2 years e.g. Employee Services, Accounts Receivable, Pensions Administration.
- 2.7 The Audit Plan has been reconciled to the available resources of 2,366 days by deferring 178 days of audits due in 2021/22. The basis for deciding which audits to defer has been discussed with the Principal Auditor and Senior Auditors. In the majority of cases, those audits that have been deferred are those that were ordinarily due in the year (not deferred from 2020/21), and had received a high level of

assurance when last reviewed and/or were classed as being low or medium risk.

- 2.8 Some low risk areas have been included to ensure adequate audit coverage across the organisation. The detailed discussions between the senior members of Audit Team have dictated which audits are included in the 2021/22 plan based on experience, knowledge of the areas concerned and consideration of any ad hoc issues or concerns that have arisen in the current year.
- 2.9 As detailed in the Audit Plan Methodology report, an assurance mapping exercise is undertaken to inform the internal audit plan. The corporate risk register is also reviewed as part of the planning process, with the control measures noted against each of the risks informing the assurance map. Following a detailed review of corporate risks on the risk register, it was noted that in a number of cases the control measures recorded against the risk couldn't realistically be considered as actual control measures. This was raised with the Strategic Delivery & Performance Manager and the Chief Finance Officer in the first instance, and later with the Corporate Management Team. It is hoped that this will be addressed in 2021/22 via training for risk owners.
- 2.10 The assurance map is also distributed to corporate risk owners in advance of the planning process to give them the opportunity to review the entries in the three tiers of the map to ensure they are up to date and that all sources of assurance have been captured. It should be noted that in some instances, minimal updates or additions were added to the map as a result of this process this year.
- 2.11 As a result of the points above, whilst the updated assurance map has been considered as part of this year's planning process, limited reliance has been placed on the entries in some instances and internal audit knowledge and experience has been relied upon, in consultation with the Chief Finance Officer, to ensure a suitably balanced and risk targeted audit plan is produced.
- 2.12 As in previous years, progress made by the Internal Audit Section in achieving the Audit Plan will be reported to the Audit Committee on a quarterly basis.
- 2.13 It is the view of the Chief Auditor that the proposed Internal Audit Plan 2021/22 will provide sufficient audit coverage for the annual opinion on the control environment to be delivered to Council via the Section 151 Officer and Audit Committee, subject to the extent of ongoing disruption caused by the Covid-19 pandemic in 2021/22.

### **3 Equality and Engagement Implications**

3.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

3.2 There are no equality and engagement implications associated with this report.

### **4. Financial Implications**

4.1 There are no financial implications associated with this report.

### **5. Legal Implications**

5.1 Provision of an adequate and effective internal audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2005 as amended. For local government in Wales, the PSIAS is mandatory for all principal local authorities. An effective internal audit service also ensures that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are being met.

**Background Papers:** None

**Appendices:** Appendix 1- Draft Internal Audit Annual Plan 2021/22 (Summary)  
Appendix 2- Draft Internal Audit Annual Plan 2021/22

## Appendix 1

### Draft Internal Audit Annual Plan 2021/22 – Summary

Categories of Audit Work	Plan 2020/21	Plan 2021/22	
	Days	Days	%
People	419	335	14
Place	420	322	14
Corporate Services	215	305	13
Fundamental Audits	168	247	10
Contract Audit Systems	55	30	1
Computer Audits	35	52	2
Contract Audits	0	0	0
Cross Cutting Audits	85	135	6
Miscellaneous Audits	40	15	1
Projects & Special Investigations	78	63	3
<b>Productive Days</b>	<b>1515</b>	<b>1504</b>	<b>64</b>
Staff Training	76	48	2
Holidays, Sick & Special Leave	499	543	22
Admin, Planning, Control, Clerical Support etc.	219	219	9
Contingencies	41	36	2
Vacancies	0	0	0
Performance Management - Appraisals	16	16	1
<b>Non Productive Days</b>	<b>851</b>	<b>862</b>	<b>36</b>
<b>Total Days</b>	<b>2366</b>	<b>2366</b>	<b>100</b>

Days Covering Corporate Priorities	
Cross Cutting Audits	135
Section 151 Officer Assurance	515
Education	167
Safeguarding	433
Poverty	160
Economy & Infrastructure	230
Resources & Biodiversity	45
Transformation & Council Development	197

(Note: the table records the number of days in the plan covering the areas above. Some audits cover multiple priorities as reflected in Appendix 3 hence the number of days have been counted in each area)