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| <b>AUDIT COMMITTEE</b> | <b>AGENDA ITEM No. 5</b> |
| <b>22 MARCH 2021</b>   | <b>PUBLIC REPORT</b>     |

|                                |   |             |
|--------------------------------|---|-------------|
| Report of:                     | Peter Carpenter - Corporate Director of Resources |             |
| Cabinet Member(s) responsible: | Councillor Seaton - Cabinet Member for Resources  |             |
| Contact Officer(s):            | Steve Crabtree, Chief Internal Auditor            | Tel. 384557 |

**INTERNAL AUDIT PLAN 2021/22**

|  |                           |
|--|---------------------------|
| <b>R E C O M M E N D A T I O N S</b>   |                           |
| <b>FROM:</b> Steve Crabtree, Chief Internal Auditor  | <b>Deadline date:</b> N/A |
| <p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Consider and agree to the Internal Audit Charter for 2021 / 2022 (Appendix A);</li> <li>2. Consider and agree to the Internal Audit Code of Ethics 2021 / 2022 (Appendix B); and</li> <li>3. Consider and approve the Internal Audit Strategy and Plans for 2021 / 2022 (Appendix C, D).</li> </ol> |                           |

**1. ORIGIN OF REPORT**

1.1 This report is submitted to the Audit Committee as a routine planned report on the development of the role and service delivery of Internal Audit and investigations.

**2. PURPOSE AND REASON FOR REPORT**

2.1 The purpose of this report is to ensure that the Council reviews and agrees the audit activity for the next audit year.

2.2 This report is for Committee to consider under its Terms of Reference:

2.2.1.1 To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.

2.2.1.3 To consider reports dealing with the management and performance of the providers of internal audit services.

2.2.1.15 To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

**3. TIMESCALES**

|   |           |                                  |     |
|---|-----------|----------------------------------|-----|
| Is this a Major Policy Item/Statutory Plan? | <b>NO</b> | If yes, date for Cabinet meeting | N/A |
|---|-----------|----------------------------------|-----|

## **4. BACKGROUND AND KEY ISSUES**

### **4.1 INTRODUCTION.**

4.1.1 The report explains the strategic approach for Internal Audit that will be adopted to continue to provide effective assurance to the risks facing the Council and the strategic approach to tackling fraud against the Council for the coming year. An ongoing focus for 2021 / 2022 will be the ways in which we can assist management to meet the new challenges they face through redesign of controls to ensure that key risks are managed with reduced resources, considering the effects of the pandemic and by providing appropriate challenge, support and assurance to key programmes and projects which are enabling transformation and efficiencies.

4.1.2 The remit and work of the section is documented in the Internal Audit Charter. The Charter is subject to an annual review by the Committee and is compiled in accordance with the Public Sector Internal Audit Standards and the CIPFA Code of Practice for Managing the Risk of Fraud and Corruption.

### **4.2 INTERNAL AUDIT CHARTER 2021 / 2022 (Appendix A)**

4.2.1 The Charter sets out the purpose, objectives and scope of the activities of the service and has been developed to take account of the following requirements, which have previously been reported to the Audit Committee:

- The Public Sector Internal Audit Standards, which came into effect on 1 April 2013 (and revised in 2017); and
- The governance requirements set out in CIPFA Statement on the Role of the Head of Internal Audit in Local Government (2019 Edition).

4.2.2 The Charter has been compiled to ensure compliance with the Public Sector Internal Audit Standards (PSIAS). In summary, the PSIAS, which were agreed by a range of bodies including IIA and CIPFA, place the following requirements on public sector organisations' internal audit arrangements:

- (i) Compliance with the IIA Code of Ethics (and those of other professional bodies of which an auditor is a member, e.g. CIPFA). The IIA Code of Ethics sets out key principles and rules of conduct covering the following: Integrity; Objectivity; Confidentiality; and, Competency.
- (ii) Purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter which should:
  - define the terms "board" and "senior management" for the purposes of internal audit activity;
  - cover arrangements for appropriate resourcing;
  - define the role of internal audit in any fraud-related work; and
  - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
- (iii) Independence and objectivity: the Chief Internal Auditor must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The Chief Internal Auditor must report functionally to the board. In practice this means that Audit Committee (as the Board) will be involved in:
  - approving the internal audit charter;
  - approving the risk based internal audit plan; and
  - making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations.
- (iv) Proficiency and due professional care: audit engagements must be performed with proficiency and due professional care. Internal auditors must possess the knowledge skills and other competencies needed to perform their individual responsibilities. The

Chief Internal Auditor must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

- (v) Quality assurance and improvement programme: the Chief Internal Auditor should develop an improvement programme that covers all aspects of the internal audit activity. An external assessment should be conducted at least once every five years and progress against any improvement plans, agreed following external assessment, must be reported to senior management and to Audit Committee.

4.2.3 A sharing protocol with Cambridgeshire County Council has been developed to support the delivery of the plan where there is a vested interest in obtaining assurance where a shared service is in operation. It's aim is to avoid duplication and have the potential to use third party assurance where appropriate. The protocol forms part of the Audit Charter and further details can be found at Appendix 1 within the document.

#### 4.3 **INTERNAL AUDIT CODE OF ETHICS (Appendix B)**

4.3.1 The Code of Ethics sets out the expected behaviours of Internal Audit staff in relation to service delivery. The basis of standards of conduct has been reviewed and remains unchanged with reference to those followed by Internal Audit in previous years. The Code of Ethics has been developed to mirror the obligations in this area as per the Public Sector Internal Audit Standards and is therefore considered to be in keeping with professional standards.

4.3.2 Aside from the Code of Ethics, the Chief Internal Auditor in the role of the Chief Audit Executive will also be cognisant of and comply with requirements laid down in CIPFA's Statement on the Role of the Head of Internal Audit. It is also further acknowledged that all Internal Audit staff will operate in accordance with their own professional bodies' Code of Ethics, as well as any organisational Codes of Ethics or Conduct relating to their employer.

#### 4.4 **INTERNAL AUDIT STRATEGY 2021 / 2022 (Appendix C)**

4.1.1 The Internal Audit function will:

- Provide the Section 151 Officer and Audit Committee with an overall annual opinion on the Council's governance, risk and control arrangements, which also supports the Annual Governance Statement;
- Review the Council's governance, risk management and control processes through a risk-based annual work plan which is aligned to the Council's objectives, giving assurance on the Council's wider risk profile, not just financial controls, and on key emerging risks;
- Support the organisation through changes in structure, culture and operating models;
- Demonstrate the value of audit by working proactively with those responsible for transformation and efficiency activities, to avoid duplication of audit and assurance effort and provide assurance across governance arrangements;
- Drive improvement in risk management, controls and governance by making effective recommendations to management arising from our work and monitoring and reporting on implementation;
- Assist management to optimise the control environment through a better understanding of risks which potentially enables fewer but better controls to be put in place;
- Co-operate effectively with external auditors and other review bodies functioning in the council;
- Use technology to improve the efficiency of audit testing –using data analytics and continuous audit methodologies – to foster greater compliance with policies and procedures;
- Improve governance through strengthening of the challenge role of Audit Committee, promoting appropriate compliance and ethical behaviours, and extending assurance arrangements to partnerships

4.4.2 The strategic approach set out above is underpinned by the Internal Audit Strategy which is set out in Appendix C and is aligned with internal audit best practice.

#### 4.5 INTERNAL AUDIT PLAN 2021 / 2022 (Appendix D)

4.5.1 At the January 2021 Audit Committee, Members were provided with details of emerging issues which Internal Audit were using to shape its Internal Audit Plans. This was produced following consultation with Directors and Heads of Service, reviews of strategic and operational risk registers, committee papers, budget proposals, strategies and plans. Since then, we have visited Departmental Management Teams to present draft plans for consideration.

4.5.2 The Plan for 2021/22 aims to give the Council the best audit coverage within the resources currently available, in order to provide an Annual Audit Opinion to feed into the Annual Governance Statement. Assurances from other providers will be utilised where appropriate. The number of days available with a full establishment is 896, however the team currently holds a vacancy for a Senior Internal Auditor which is resulting in the current allocation of deliverable days as 706 as shown below. Consideration is being given to supplementing some resources with temporary staff subject to cost and availability to enable more reviews to be undertaken as indicated as the shaded area within Appendix D.

| Internal Audit Work Activities        | Full Establishment | %          | Available Days | %          |
|---------------------------------------|--------------------|------------|----------------|------------|
| Corporate Governance                  | 110                | 12         | 75             | 11         |
| Financial Governance                  | 195                | 22         | 135            | 19         |
| Information Governance                | 45                 | 5          | 30             | 4          |
| Procurement and Contracts             | 60                 | 7          | 60             | 9          |
| Programmes and Projects               | 90                 | 10         | 40             | 6          |
| Service Delivery                      | 100                | 11         | 70             | 10         |
| Cyclical/Annual                       | 112                | 13         | 112            | 16         |
| Other Resource / Assurance Provisions | 184                | 20         | 184            | 25         |
| <b>TOTAL RESOURCES ALLOCATED</b>      | <b>896</b>         | <b>100</b> | <b>706</b>     | <b>100</b> |

#### 5. CONSULTATION

5.1 Consultation during the drafting of the documents and plans has been through the Directors and their respective management teams. Further consultation was undertaken with Members of the Audit Committee at the previous meeting when the Emerging Audit Issues were discussed.

#### 6. ANTICIPATED OUTCOMES OR IMPACT

6.1 Internal Audit work schedules and resources will be set out for the 2021/ 2022 year.

#### 7. REASON FOR THE RECOMMENDATION

7.1 Audit Committee have a role to oversee the effect delivery of audit resources to ensure that corporate governance arrangements across the Council are monitored, reviewed and are effective to delivering the Council agenda.

#### 8. ALTERNATIVE OPTIONS CONSIDERED

8.1 There is a statutory duty for the S151 Officer to put in place appropriate arrangements for the provision of Internal Audit.

#### 9. IMPLICATIONS

##### Financial Implications

9.1 This report does not give rise to any additional capital or revenue financial implications. Actions to communicate the policies and to ensure compliance will be undertaken within the existing budgets.

## **Legal Implications**

9.2 None.

## **Equalities Implications**

9.3 Not applicable.

## **10. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

Council Risk Registers

Audit Committee Report: Emerging Issues (25 January 2021)

10.1 None

## **11. APPENDICES**

11.1 A: Internal Audit Charter  
B: Internal Audit Code of Ethics  
C: Internal Audit Strategy  
D: Internal Audit Plan

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