

Committee:	Governance, Audit and Performance Committee	Date:	Thursday, 4 February 2021
Title:	2021-22 Annual Internal Audit Plan & Charter		
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Summary

- 1.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of UDC's Internal Audit section is to provide independent, objective assurance and consulting services to the Council (via the GAP Committee, Chief Executive, S151 Officer, External Audit and senior managers), relating to these arrangements, which are designed to add value and improve the Council's operations.
- 1.2. The Audit Manager is also responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance statement. The annual opinion will also conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 1.3. In order to achieve this, Internal Audit have developed the attached internal audit plan for 2021/22 which is based on a prioritisation of the audit universe using a risk-based methodology, including input from the Council's Corporate Plan, Corporate Risk Register, as well as discussions with Council staff, senior management, plus consideration of local and national issues and risks.
- 1.4. The Audit Manager will be responsible for delivery of this plan and will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver it. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.
- 1.5. In addition to planned work, Internal Audit can also provide ad hoc advice and guidance to management on risk and control issues within individual systems as requested.

Recommendations

2. GAP Committee are requested to note the content of this report and approve the draft Annual Internal Audit Plan for 2021/22, as well as note and approve the Internal Audit Charter.

Financial Implications

3. The programme of audit work will be met from the Internal Audit Revenue budget, as outlined in the report.

Background Papers

4. None.

Impact

- 5.

Communication/Consultation	Senior Managers were consulted by the Audit Manager during December 2020/January 2021, with comments reflected in the attached plan. CMT approved the plan on 6 th January 2021.
Community Safety	
Equalities	
Health and Safety	
Human Rights/Legal Implications	The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015).
Sustainability	
Ward-specific impacts	
Workforce/Workplace	

Situation

6. Preparation and consultation

6.1. The 2021/22 plan has been prepared taking the following steps:

- A list of the Council's auditable areas (audit universe) was compiled, evaluated and then ranked against:
- Independent audit risk criteria

- UDC's Corporate Plan 2020 (the plan will also be re-assessed against the new Corporate Plan once available to ensure it remains aligned to the Council's priorities)
 - UDC's Corporate Risk Register
 - Consideration of local and national issues and risks, including the IIA Publication - Risk in Focus (Hot Topics for Internal Audit 2021)
- 6.2. Discussions were held with Assistant Directors and Service Managers during December 2020/January 2021, with comments reflected in the attached plan. CMT approved the plan on 6th January 2021.
- 6.3. Individual service plans will also be taken into consideration when scoping individual reviews to ensure audit coverage is focussed on key objectives and risks.

7. Internal Audit Resources

- 7.1. The annual plan has been drawn up to address the key risks for the Council, taking into account available resources.
- 7.2. Changes to the annual plan may be necessary during the year to reflect changing priorities and risk environment. A time contingency has therefore been set aside to cover requests from management for ad hoc, advisory type work on risk identification and subsequent control design (as well as urgent, unplanned reviews arising during the year).

8. Follow-up audits

- 8.1. Follow-up procedures provide management with updated information about whether key risks have been properly mitigated through remedial actions.
- 8.2. All planned audit work undertaken is subject to a formal follow up to ensure that all agreed actions have been implemented. A time budget for follow ups has been accounted for in the annual plan.

9. Assurance Levels/Basis of Opinion

- 9.1. CMT and GAP will receive details of critical/high priority issues raised in audit reviews, as part of the bi-annual reporting process. From 2021/22, this encompasses the annual report and opinion in May, and Interim Report in November, although any significant emerging risks will be reported as they arise where applicable.
- 9.2. Internal Audit may also undertake work which does not contribute explicitly to the overall audit opinion and/or deliver an assurance statement. These may include certification of grant claims or consulting activities where Internal Audit provide independent and objective advice and guidance to management on

risk and control issues within individual systems to improve those systems and processes where necessary.

- 9.3. Where such work is undertaken, this will be set out as part of Internal Audit's annual report. In order to protect Internal Audit's independence and minimise the impact on the delivery of the overall plan, the Audit Manager will give due consideration to the appropriateness of undertaking such work.

10. Key Financial Systems (KFS)

- 10.1. The annual audit plan includes resource allocated to Key Financial Systems (KFS) work. This includes risk-based monitoring of key controls within finance systems to assess whether they are operating effectively and to flag areas and report transactions that appear to circumvent control parameters.

11. Risk Management and Fraud

- 11.1. In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls and emerging risks.
- 11.2. Internal Audit will work closely with the Council's Risk Manager to discuss and exchange risk information and any emerging issues.

12. Internal Audit Charter

- 12.1. The purpose, authority, and responsibility of the Internal Audit activity must be formally defined in an Internal Audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards.
- 12.2. The Internal Audit Charter establishes Internal Audit's position within UDC, including the Audit Manager's reporting lines, authorisation to access records, staff and physical properties relevant to the performance of engagements, and also defines the scope of Internal Audit activities. It is also a reference point for measuring the effectiveness of Internal Audit.
- 12.3. Alongside other statutory requirements set out in the Charter, Internal Audit is required to meet the mandatory requirements of the International Professional Practices Framework (IPPF) i.e.:
- The Mission of Internal Audit
 - The Definition of Internal Audit
 - The Core Principles
 - The Code of Ethics
 - The Standards – which provide a framework for performing and promoting a broad range of value-added internal auditing services, establish the basis for the evaluation of internal audit performance and foster improved organisational processes and operations.

12.4. The Internal Audit Charter is attached for GAP to note and approve.

Risk Analysis

13.

Risk	Likelihood	Impact	Mitigating actions
The Internal Audit Annual Plan and coverage may not reflect the Council's highest risks or greatest need for assurance leading to risk exposure to the Council, reputational damage and failure to comply with PSIAS.	2	2	Annual risk assessment linked to Corporate Risk Register and Corporate Plan; engagement with Risk Management, Service Managers and CMT, consideration of wider risks e.g. annual IIA Hot Topics survey and other horizon scanning publications, liaison with Essex Audit Group regarding other Council's plans, CMT and GAP approval of plan, contingency built in to plan to accommodate ad hoc work.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.