

Audit Committee

19 March 2020



Title	Internal Audit Annual Plan 2020/21		
Purpose of the report	To note		
Report Author	Internal Audit Manager, Punita Talwar		
Cabinet Member	Councillor Tony Harman	Confidential	No
Corporate Priority	Financial Sustainability		
Recommendations	That the Audit Committee approves the risk based annual audit plan for 2020/21.		
Reason for Recommendation	To fulfil statutory requirements and professional audit standards.		

1. Key issues

- 1.1 This report sets out the work planned by Internal Audit during 2020/21 in order to fulfil its statutory and professional requirements. A copy of the Internal Audit Annual Plan Summary (2020/21) based on the 'prioritised audit need' is attached at Appendix 1.
- 1.2 The Accounts and Audit Regulations 2015 require local authorities 'to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account mandatory public sector internal auditing standards or guidance'.
- 1.3 Internal Audit is defined as "*An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*" (Public Sector Internal Audit Standards).
- 1.4 Group Heads and Managers are accountable for ensuring that controls in their functions are operating effectively. Independent assurance provided by Internal Audit will continue to focus on the effectiveness of the control environment in managing risk at all levels, supported by appropriate verification processes. Audit findings during 2020/21 will be raised with senior management, and recommendations aimed at enhancing control processes and reducing risk will be shared with /reported to the Audit Committee.

- 1.5 Internal Audit findings form the basis of the annual audit opinion on the adequacy of the authority's control environment which feeds into and underpins the Annual Governance Statement which is published with the Statement of Accounts. In order for the Internal Audit Manager to provide an independent evidence based annual audit opinion, there needs to be a sufficient quantity and breadth of audits undertaken to ensure reasonable coverage of auditable areas on which to form an effective opinion. This is therefore an important factor for consideration in the Audit Planning process.
- 1.6 The annual audit planning process for 2020/21 began during October 2019 to ensure alignment with the corporate planning and budget process.
- 1.7 Appendix 1 sets out a list of proposed audits based on the 'prioritised audit need' for 2020/21, as well as other tasks that support the delivery of the audit service to meet statutory and professional requirements. A total of 429 estimated days are required to complete the Audit Plan.
- 1.8 The Plan also refers to wider corporate functions and responsibilities such as corporate risk management and counter fraud oversight which the Internal Audit Manager has significant involvement in. These are important areas of governance with positive developments and benefits derived for the authority.
- 1.9 In establishing audit priorities for 2020/21 focus has been given to ensuring greater alignment with Spelthorne's corporate priorities and objectives as these are the areas deemed to represent the highest risk.
- 1.10 Once Audit Committee have approved the risk based audit plan, Group Heads and Managers will be consulted as to the most beneficial time to undertake these audits during the 2020/21 financial year in order for the service and Internal Audit will produce a Plan for the Group Heads so that the work can be carried out in a timely fashion.
- 1.11 Further background regarding the audit planning process is set out below:
- (a) All auditable areas are identified (known as the 'Audit Universe'). These include:
 - Significant risks included in the Corporate Risk Register
 - Corporate systems and processes
 - Financial and fraud risks
 - Fundamental financial systems
 - Functions operating within service areas
 - Information governance and security
 - Asset acquisitions and Investments
 - Key Council projects
 - Preparedness for significant legislative changes/government led initiatives
 - (b) Group Heads and Managers have been consulted during the audit planning process to discuss emerging risks and consider review areas for inclusion in the plan.
 - (c) An audit needs assessment is undertaken and audit work is prioritised which is related to factors such as risk evaluations, budgetary implications, value/volume of transactions, known system weaknesses

and vulnerabilities, fraud risk or previous irregularities, changes in personnel, time elapsed since last audit, management requests for Internal Audit input and audit resource available.

- (d) In establishing audit priorities for 2020/21, focus has been given to ensuring greater alignment with Spelthorne's corporate priorities and objectives. Best practice guidance from professional auditing/accounting bodies regarding topical risk areas has also been taken into account.
- (e) The Internal Audit Annual Plan is intended to be flexible allowing for periodical review to take into account changing priorities according to perceived risks.

2. Options analysis and proposal

3. Financial implications

- 3.1 There may be a requirement to bring in subject matter experts and investigators to undertake or support special investigations (relating to suspected internal fraud or irregularity). Where appropriate, support will be sought through collaborative working arrangements with Reigate and Banstead Council's counter fraud team (budget available). This may need to be supplemented with subject matter expertise depending upon the nature of the suspected fraud or irregularity for which there is currently no budget and it is difficult to quantify an overall estimated cost for 2020/21 (unforeseen works).

4. Other considerations

- 4.1 The Internal Audit Annual Plan has focussed on the areas of higher priority for 2020/21.

5. Timetable for implementation

- 5.1 The Internal Audit Annual Plan sets out work to be undertaken by the Internal Audit team during the 2020/21 financial year.

Background papers:

Appendices: Appendix 1 Annual Internal Audit Plan 2020/21