

# TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit and Governance Committee
<b>Date of Meeting:</b>	23 September 2020
<b>Subject:</b>	Internal Audit Six Monthly Plan 2020-21 (October-March)
<b>Report of:</b>	Head of Corporate Services (Chief Audit Executive)
<b>Corporate Lead:</b>	Chief Executive
<b>Lead Member:</b>	Lead Member for Corporate Governance
<b>Number of Appendices:</b>	One

## **Executive Summary:**

The Public Sector Internal Audit Standards (PSIAS) REF 2010 (Planning) requires that the Chief Audit Executive (CAE) is responsible for developing a risk based plan. Ref 2030 (Resource Management) requires that the CAE must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the plan.

## **Recommendation:**

**That Members APPROVE the Internal Audit Six Monthly Plan 2020/21 (October-March) as detailed in Appendix 1.**

## **Reasons for Recommendation:**

1. The Terms of Reference of the Audit and Governance Committee require Members to consider a summary of proposed internal audit activity.
2. The PSIAS requires that the CAE reports functionally to the Board, an example of functional reporting is approving the internal audit plan.

## **Resource Implications:**

The undertaking of an audit will require the support and engagement of individual services.

## **Legal Implications:**

None.

## **Risk Management Implications:**

If an internal audit plan is not developed and approved there will be no steer as to where audit resources should be deployed.

If the plan does not give adequate coverage of the internal control environment then resources will not be deployed effectively to the higher risk areas.

**Performance Management Follow-up:**

The Audit and Governance Committee receive at each meeting, a monitoring report on achievement against the plan, and an audit opinion for each individual audit. Any audit within the plan where recommendations have been made to improve control are subject to a follow up audit. Progress in implementing internal audit recommendations are reported to each Audit and Governance Committee.

**Environmental Implications:**

None.

**1.0 INTRODUCTION**

- 1.1** Internal audit sits within the Corporate Services group and has direct reporting to the Chief Executive. This arrangement demonstrates compliance with PSIAS ref 1110 – organisational independence, as it allows the Head of Corporate Services (delegated as CAE within the audit charter) to report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. Safeguards have been put in place to protect the independence of the CAE, given the operational responsibilities of the role.
- 1.2** PSIAS ref 2010 – planning, requires that the CAE is responsible for developing a risk based plan to take into account the requirement to produce an annual internal audit opinion. The input of senior management and the Board (Audit and Governance Committee) must be considered in the process. The plan has been endorsed by Corporate Management Team.
- 1.3** The setting of a six-month plan enables a flexible approach to be taken to audit planning. Rather than setting a rigid annual plan, this approach recognises the changing environment the Council operates in particularly around its transformation agenda. It allows audit planning to better track and respond to the audit of developing risk areas. In terms of auditing the strategic risks facing the Council the corporate risk register helps inform the work of internal audit.

**2.0 PUTTING TOGETHER THE PLAN**

- 2.1** In normal circumstances the plan would be resourced and delivered by two full time equivalent (FTE) members of staff. This would give around 170-175 available audit days. This resource is deemed appropriate, sufficient and will be effectively deployed to achieve the plan. Appropriate refers to the mix of knowledge, skills and other competencies need to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.
- 2.2** As discussed at the meeting of Audit and Governance Committee on 29 July 2020, all internal audit work since 1 April 2020 has been suspended. This was a result of the three team members being re-deployed to support the administration and payment of business grants. As the scheme enters the post assurance phase, this will allow two members of the team to revert back to internal audit work. As detailed in the report of the Head and Finance and Asset Management it is critical to the success of the post assurance work that one member of the internal audit team remains within the business grants cell. This individual will actually be responsible for the day to day management of the post assurance work and the cell. The team member in question, currently fulfils a full-time role in the audit team.

**2.3** It is positive that the internal team audit team will be back up and running with effect from 1 October 2020, albeit with a reduced resource. The remaining two members of the internal audit team equate to one full-time equivalent member of staff. This effectively means the number of available audit days within the plan are half of what is normally available. The 80 available days within the proposed plan – attached at Appendix One is the net total following allowance for non-working days such as weekends and bank holidays, annual leave, sickness and training. The plan (see Appendix 1) takes into account key areas as follows:

#### **2.4 Corporate Risk Register**

It is important the Committee gain assurance that risks reported within the register are being managed. Internal audit will on a rolling basis, review individual risks and ascertain that mitigating controls are actually in place, working effectively and there is progress in implementing actions to mitigate the risk further.

#### **2.5 Corporate Improvement**

This is an allocation of days, specifically requested by Corporate Management Team (CMT). This is ad-hoc work and can either be of a consultancy or assurance type nature. Using the independence of internal audit can help inform the Corporate Management Team of specific issues when a need arises or utilise internal audit to undertake a piece of work where there may not be available resource. Examples of recent work undertaken includes, advising upon risk and compliance in relation to the car pool project, producing an easy to use summary of the Council's financial procedure rules and update of the corporate business continuity plan.

#### **2.6 Financial Systems**

This is the audit review of the key financial systems which inform the year end Statement of Accounts. Although internal audit sits within the Chief Executive's Unit, it still recognises its responsibility to support the Head of Finance and Asset Management to discharge his duties as the Council's Section 151 Officer. One of which is to maintain sound financial control. It has previously been reported to Audit and Governance Committee, both by internal audit and external audit, that the Council has good financial control. Two areas (payment of invoices and sundry debtors) identified within the plan are to gain assurance around the impact of COVID-19 and that a sound system of internal control remains in place. The third proposed area of activity is to audit two initiatives mandated by central government to support business rates payers and working age recipients of the Council Tax Reduction Scheme.

#### **2.7 Service area related activity**

These are service related activities that have been risk assessed based upon factors such as size of budget, inherent risk, previous audit history and the period since last audit. Very often, this does not require any sophistication to the assessment as fundamental changes to service related activity tend to be the main identifier or the time since the last audit. The audit of the S106 framework has been agreed with the new Head of Development Services who sees the audit as being a valuable management tool for improvement.

## **2.8 Other areas**

- There is an allocation of days under 'consultancy and advice'. This covers representation at corporate groups such as the Keep Safe, Stay Healthy Group, Programme Board and individual project groups. The days also cover general advice given on an ad-hoc basis such as advice on procurement, financial procedure rules, data retention etc.
- An estimated number of days are allocated for follow up reviews. This is an important element of audit work to provide assurance as to whether audit recommendations have been successfully implemented.
- There is an allocation of days to cover work which was ongoing at the time of suspending internal audit work.

## **3.0 OTHER OPTIONS CONSIDERED**

3.1 None.

## **4.0 CONSULTATION**

4.1 Consultation has taken place with Corporate Management Team.

## **5.0 RELEVANT COUNCIL POLICIES/STRATEGIES**

5.1 Internal Audit Charter.

## **6.0 RELEVANT GOVERNMENT POLICIES**

6.1 None.

## **7.0 RESOURCE IMPLICATIONS (Human/Property)**

7.1 None.

## **8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**

8.1 None.

## **9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**

9.1 Internal Audit contribute to value for money through its routine audit work and corporate improvement work.

## **10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**

10.1 None.

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**Background Papers:** None

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**Appendices:** 1 – 2020/21 six monthly internal audit plan (October-March 2021).