

## AUDIT COMMITTEE – 26TH FEBRUARY 2019

### Head of Strategic Support

#### Part A

##### ITEM INTERNAL AUDIT PLAN 2019/20

##### Purpose of Report

To present the proposed Internal Audit plan for 2019/20 and the proposed Internal Audit IT Plan for the period 2019-2022.

##### Recommendations

The Committee is recommended to approve the proposed Internal Audit Plans as set out in Appendix A and Appendix B.

##### Reasons

To ensure that internal audit resources are effectively utilised.

##### Policy Justification and Previous Decisions

The Council is required by the Accounts & Audit Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes; taking into account public sector internal auditing standards or guidance.

##### Implementation Timetable including Future Decisions

The Internal Audit Plan will be completed during the period April 2019 – March 2020. Progress against the Plan will continue to be reported to the Committee on a quarterly basis.

##### Report Implications

The following implications have been identified for this report.

##### *Financial Implications*

None

##### *Risk Management*

The risks associated with the decision the Committee is asked to make and proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
Failure to approve a satisfactory	Unlikely (2)	Serious (3)	Moderate (6)	Audit plans are derived using a risk based

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
audit plan could lead to ineffective targeting of internal audit resources.				methodology and in consultation with the Corporate and Senior Management Teams.

Background Papers: None

Officers to contact: Adrian Ward, 01509 634573  
[adrian.ward@charnwood.gov.uk](mailto:adrian.ward@charnwood.gov.uk)

Ellen Williams. 01509 634806  
[ellen.williams@charnwood.gov.uk](mailto:ellen.williams@charnwood.gov.uk)

## **Part B**

### **1. Background**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Audit Executive (CAE) establishes a risk based Audit Plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 1.2 The PSIAS also require that the risk-based plan must take into account both the requirement to produce an annual Head of Internal Audit opinion to support the Annual Governance Statement and the assurance framework.
- 1.3 The Internal Audit Service will be delivered and developed as set out in the Internal Audit Charter
- 1.4 The Audit Plan is required to be reviewed and approved by both senior management and the 'Board'. As set out in the Internal Audit Charter, the role of the 'Board' is fulfilled by the Audit Committee.
- 1.5 Progress against the approved Audit Plan, together with any amendments required during the year, will be reported to the Audit Committee through the periodic reporting process.

### **2. Proposed Internal Audit Plan 2019/20**

- 2.1 The proposed annual Audit Plan for 2019/20 is attached at Appendix A.
- 2.2 The Audit Plan has been prepared following a risk based assessment of the 'audit universe' and consultation with the Senior Management Team and Corporate Management Team, to identify the Council's key risks. Members of the Council's Cabinet and Audit Committee were also invited to put forward proposals for areas to be considered for inclusion in the Audit Plan.
- 2.3 Each audit assignment included in the Plan has been aligned to the Strategic and Corporate Risk Registers as appropriate.
- 2.4 The key financial systems work is planned in accordance with the revised approach to these audits which commenced in 2014/15 whereby a full audit of each system is undertaken every 3 years with targeted testing audits undertaken in the intervening years. This approach was agreed with the Council's S151 Officer following the Council's external auditors confirming that they would not be seeking to place any reliance on the work of internal audit for their accounts work or prescribe any work to be undertaken by internal audit in respect of the Council's key financial systems.
- 2.5 The resources for technical Information Technology (IT) audits have been procured. Further details are recorded below in section 4.

- 2.5 The resources allocated to each audit assignment have been planned based upon the expected complexity of the audit and by reference to previous audits where applicable.
- 2.6 A contingency of 30 days has been included in the Plan to provide flexibility in the event of ad hoc investigatory and other unplanned work being required to be undertaken during the year. The Plan also allows for completion of any audits not finished to final report stage from the 2017/18 annual plan.
- 2.7 It is not intended to place reliance on any other forms of assurance at this time.
- 2.8 The proposed Audit Plan was reviewed and approved for presentation to the Audit Committee by the Senior Management Team at their meeting held on the 17<sup>th</sup> January 2018.

### **3. Resources**

- 3.1 The Internal Audit team is currently fully resourced with the equivalent of 1.8 full time employees.
- 3.2 It is anticipated that there will be sufficient resources available within the Internal Audit Team to enable the areas of key risk identified in the planning process to be included in the proposed Audit Plan. The resource requirements were ascertained by an allocation of audit days to each planned assignment.

### **4. Proposed Internal Audit IT Plan 2019–2022**

- 4.1 A procurement exercise has been undertaken and the Council has awarded the contract to BDO (an auditing and accountancy firm).
- 4.2 The proposed Internal Audit IT Plan for the period 2019-2020 is attached for consideration and approval at Appendix B.
- 4.3 The Plan has been compiled by BDO, on the basis as follows:-

“ The rationale for not moving ahead with Cyber first and looking at Change Management etc. is that IT are changing the entire IT infrastructure over the coming 2 years. Accordingly, thought is to initially look at the IT strategy and assess whether this is actually the right strategy for the Council at this time for both IT and how it fits the needs of the council (considering flexibility for future proofing should changes in requirements occur).

Secondly, if they do change the entire infrastructure then this will present different controls and risks so the plan was to review the new environment, rather than conduct an audit and present management with findings that they advise they are already aware.

We could do it before but would also need to do it after as well and we are happy to take this approach. One of the things we are still waiting for is the output of the latest penetration test; we were led to believe this was pretty 'clean' and no significant findings were made; however, we haven't been able to quantify this as yet."

4.4 Further details of the approach are set out in Appendix B.

## Appendices

Appendix A – Proposed Internal Audit Plan 2019/20

Appendix B – Proposed Internal Audit IT Plan 2019-2022

