

Committee: **Governance & Audit Committee**
Date of meeting: **27th July 2021**

Report Subject: **Internal Audit Plan 2021-2026**

Portfolio Holder: **Cllr Nigel Daniels, Leader / Executive Member
Corporate Services**

Report Submitted by: **Rhian Hayden- Chief Officer Resources**

Report Written by: **Louise Rosser – Audit and Risk Manager**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Governance & Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
	virtual		27.07.21					

1. **Purpose of the Report**
The purpose of this report is to provide the Governance & Audit Committee with the five-year strategic Audit Plan for the period 2021-2026 (Appendix A).
2. **Scope and Background**
 - 2.1 The report provides the strategic five-year Internal Audit Plan including the rationale for implementing a one-year operational plan.
 - 2.2 Under the Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to:
 - Produce a risk-based Internal Audit Plan that prioritises internal audit activity in line with the organisations goals and objectives.
 - Produce a plan that takes into account, the requirements to produce an annual audit opinion, and the assurance framework that exists within the Authority.
 - Confirm that the service will be delivered in accordance with the Internal Audit Charter.
 - Produce a plan based on a documented risk assessment that considers input from Senior Management.
 - Communicate any resource limitations to the Governance & Audit Committee.
 - Report the Internal Audit Plan to the Governance & Audit Committee for approval.
 - 2.3 The plan development process has undergone a review to ensure it remains fit for purpose and to identify areas for improvement. Consequently, there are number of notable changes.
 - 2.4 Risk Matrix

The audit plan is produced following an assessment of risk whereby each potential audit area (the audit population) is scored using a matrix against a set of criteria relating to the audit risks, the Authority's objectives, and the views of the Heads of Services. The scoring matrix has been revised to reflect the current objectives / priorities of the Authority and also to allow more flexibility.

2.5

The following changes to the risk matrix have been made:

- Reduction of the number of headings used to risk score an audit area, allowing for the overlap of areas to be factored in to the score
- A sliding scale to score each area, giving a visual of where the risks lie
- More flexibility in allocating a score to an area, through discussion with the Service Manager
- Banding of audits into high, medium and low risk, making for a more flexible audit plan

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An example of the revised scoring matrix is attached at Appendix B.

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As with the previous matrix, a miscellaneous category will remain to enable the plan to be adjusted for audit timing and ad hoc circumstances.

Fundamental Systems

Historically the major financial systems have been subject to an annual audit, however this approach has now changed and these areas will now be risk assessed as part of the audit population. A number of the audits have already been converted to a Control Risk Self-Assessment (CRSA)

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approach, and will continue in this format.

Thematic Reviews

The section has piloted an alternative approach to audits whereby instead of taking an individual system, a theme is identified and reviews are undertaken of the multiple systems and interactions that this theme encounters. This approach reviews multiple systems and processes as a collective, and also assesses the efficiency and effectiveness of the connections between them. In addition, a number of quick hit compliance audits can be conducted to complement the Thematic Reviews. This will involve testing one element of a process rather than a whole system, e.g. declarations of interest. This is a revised approach to audit in Blaenau Gwent and consists of taking a process and looking at it from start to finish from the users' perspective whilst considering the risks to the Authority.

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Audit Plan

The plan produced from the risk assessments will no longer indicate risk scores but will instead show audits as high, medium or low risk based on the score they achieve. By banding the audits into risk categories instead of a rank order, there will be more flexibility in the audit plan. In addition to the risk assessed audits the plan will continue to contain standard audits, such as grants, and CRSA for schools and some financial systems.

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The plan is constructed by taking the number of available audit days, based on the audit establishment and matching them to the audits. Available audit days have been apportioned across directorates rather than allocated to specific audits. This approach ensures that sufficient breadth of audit coverage will be provided to enable the Audit and Risk Manager to provide the Governance & Audit Committee with an annual audit opinion.

3. **Options for Recommendation**

3.1 The Governance & Audit Committee consider the following options:

Option 1

The Committee note the basis for audit selection / prioritisation as described in section 2, and approve the audit plan attached at Appendix A, deeming it to provide sufficient coverage upon which the Audit and Risk Manager can provide an annual audit opinion, enabling the Governance & Audit Committee to fulfil its assurance role.

Option 2

The Committee note the basis for audit selection / prioritisation as described in section 2, and provide suggestions for amendment to the audit plan attached at Appendix A and subsequently approve it, deeming it to provide sufficient coverage upon which the Audit and Risk Manager can provide an annual audit opinion, enabling the Governance & Audit Committee to fulfil its assurance role.

Option 3

The Committee note the basis for audit selection / prioritisation as described in section 2, and reject the audit plan attached at Appendix A as a method of providing adequate assurance regarding the Authority's control environment. An alternative programme of work for the Internal Audit service would then need to be put forward.

4. **Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1 The Local Government Act (1972) and the Accounts and Audit Regulations (Wales) 2014 require the Council to maintain an effective Internal Audit Service in accordance with proper internal audit practices. The Authority's Internal Audit Service has adopted the Public Sector Internal Audit Standards (PSIAS) for this purpose.

5. **Implications Against Each Option**

5.1 Impact on Budget (short and long term impact)

There are no direct financial implications arising from production of the internal audit plan.

5.2 Risk including Mitigating Actions

Options 1 and 2 will facilitate sufficient audit coverage for the Audit and Risk Manager to provide an annual audit opinion. Option 3 would result in non-

compliance with statutory legislation and the S151 Officer will be unable to discharge her statutory duty.

5.3 Legal

Provision of an adequate audit service, demonstrated in part through the production of a suitable audit plan, contributes to the Section 151 officer being able to fulfil her statutory duties under the Local Government Act (1972).

5.4 Human Resources

The section has a complement of six full time posts and the audit plan has been developed based on a full complement of staff. The section has lost one Senior Auditor during the first quarter of 21/22 but has been able to appoint a suitable replacement.

- 5.4.1 Based on current audit resources, the whole audit population would be covered in a five-year period. This based on maintaining the status quo with both audit areas and staffing numbers. Audits will continue to be prioritised based on high risk areas.

6. **Supporting Evidence**

6.1 Performance Information and Data

The Internal Audit Plan currently operates on a five-year audit cycle with a one-year operational plan.

- 6.1.1 The number of audit days available is set at 1163 days for 2021/22 based on the audit establishment of 6FTE audit posts. Progress against the plan will continue to be monitored and reported through the year to both CLT and the Governance and Audit Committee.
- 6.1.2 Given that the service has lost an experienced auditor during the period, and the service has introduced a new methodology, the target for 21/22 is set at 70%. This is considered to be a realistic and achievable target and is higher than the Wales average plan percentage achieved of 67%.
- 6.1.3 The service currently maintains a set of eight performance indicators as part of a benchmarking exercise with other welsh authorities. As requested by the Committee, these indicators are to be reviewed, the outcome of this review will be reported to this committee.

6.2 Expected outcome for the public

An effective Governance & Audit Committee will assist with the stewardship of public money providing assurance to communities of Blaenau Gwent on the robustness of the Authority's internal controls.

6.3 Involvement (consultation, engagement, participation)

There are no direct implications under involvement.

6.4 Thinking for the Long term (forward planning)

The work of Internal Audit is intended to provide advice and guidance on system improvements resulting in an improved control environment for the future of the Authority.

6.5 Preventative focus

The provision of a five-year strategic audit plan sets out the Authority's intent to consider the adequacy of its control environment and receive assurance on the robustness of its systems.

6.6 Collaboration / partnership working

A number of audit areas that are listed in the audit population are led by other local authorities. In these instances reports are shared between authorities to confirm the level of assurance provided.

6.7 Integration(across service areas)

The audit plan is developed with a view to providing assurance on the whole of the Authority's control environment. Some audits are undertaken with a cross departmental approach.

6.8 EqlA (screening and identifying if full impact assessment is needed)

The production of the Internal Audit Plan has a neutral impact against people or groups from the nine protected characteristics.

7. **Monitoring Arrangements**

7.1 Progress reports are provided to the Governance & Audit Committee throughout the year.

Background Documents /Electronic Links

- *Appendix A – Audit Plan*
- *Appendix B – Example Risk Assessment Matrix*