

North Somerset Council

Report to the Audit Committee

Date of Meeting: 26th January 2023

Subject Of Report: Audit Plan – Audit Committee Consultation

Town or Parish: None

Officer/ Member Presenting: Peter Cann - Audit West

Key Decision: No

Recommendations

The Audit Committee is asked to:

- Comment on any areas or themes they would like to be considered in relation to the Internal Audit Plan for 2023/24.
- Note the intention to keep the plan under regular review, including a six-month progress assessment, in order to prioritise resources as required.

1. Summary of Report

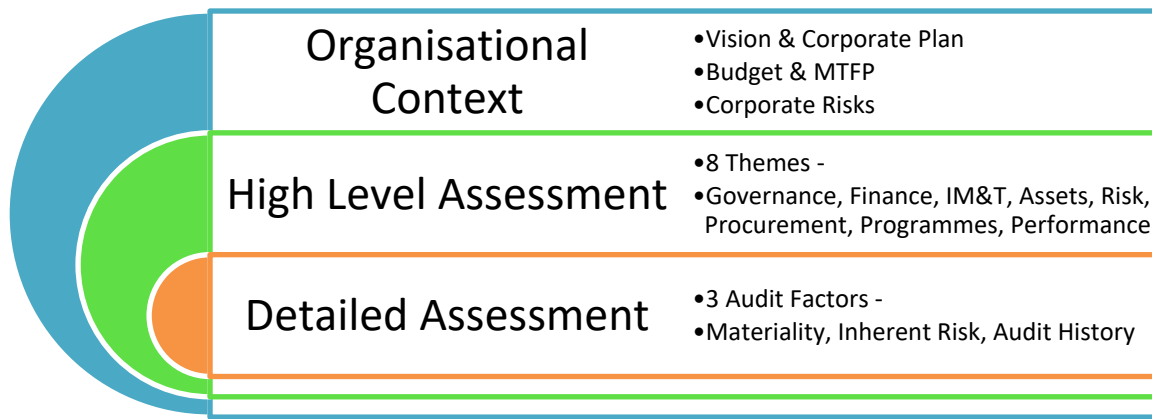
This report updates the Audit Committee on the methodology used to create the Internal Audit Plan and asks for comments on areas or themes they would like to be considered within the plan for 2023/24.

2. Policy

The work of the Internal Audit Service is to provide independent assurance to the council's senior officers and members that governance, risk management and controls are sufficient in ensuring delivery of the council's objectives.

3. Details

- 3.1 The planning process is based on the fundamental requirement that the audit plan proposed will deliver sufficient work to enable the Chief Internal Auditor to independently assess the internal control framework and give a reasonable assurance opinion at the end of each year.
- 3.2 The model used to develop the audit plan – the Reasonable Assurance Model - has previously been reported to the Committee in detail. It was created and adopted in conjunction with a number of other councils in the South West and its approach won a Public Finance award.
- 3.3 The outline of the model is as follows with the key elements in the middle section which introduce a high-level assessment of themes based on good governance.



- 3.4 A key part of the planning process is therefore extensive stakeholder consultation. Conversations in this regard usually take place between December to March, however this process has been shortened this year to meet revised Committee meeting deadlines. Discussions will therefore take place with the following officers/ groups up until the end of February:
- Section 151 Officer
 - Finance Business Partners & Head of Finance
 - Directorate Leadership Teams
 - Statutory Officers
 - Audit Committee (through formal and informal meetings)

3.5 **Rolling Plan Review**

- 3.5.1 During the financial year 2020/21 in particular, members will recall that some changes to planned work were required in order to redirect audit resources to unforeseen issues arising from the then emerging COVID-19 pandemic. At approximately six months in, it was considered that the audit plan should be rebased for the rest of that financial year as a better understanding had been gained of the impact of COVID-19 and how resources should be subsequently prioritised. This was discussed and agreed at the time with the Audit Committee.
- 3.5.2 Whilst only small adjustments were then required to the plans for subsequent years (2021/22 and 2022/23), the Internal Audit Service will continue to ensure a fluid approach for the next financial year. Therefore, whilst the usual consultation process will follow and a full-year audit plan will initially be produced to cover the period 1st April 2023 – 31st March 2024, the plan will be kept under continual review and adjusted to cover any further unforeseen requirements over the first six months. A review of the annual plan at the six-month stage will then take place, if necessary, in order to adequately prioritise and resource the second half of the financial year.

3.6 **Audit Committee - Consultation & Input**

- 3.6.1 The Audit Committee is a key stakeholder and ultimately approve the Audit Plan. Therefore the purpose of the report is to obtain views and feedback on areas which the planning process can consider and take account of before it is finalised in early March.
- 3.6.2 The Chartered Institute of Internal Auditors has published a report which tracks the risks for 2023 as highlighted by organisations and to which should be taken into account when preparing their audit plans.

The top risk areas from the report which are particularly relevant to the public sector are detailed below. This list may assist the committee as a point of reference to help understand where they feel audit coverage may be beneficial.

- Cybersecurity and data security
- Human capital, diversity and talent management
- Macroeconomic and geopolitical uncertainty
- Climate change and environmental sustainability
- Business continuity, crisis management and disasters response
- Financial risk
- Organisational governance and corporate reporting

4. Consultation

In developing and delivering the Annual Audit Assurance Plan the Internal Audit Service is consulting widely with officers and members. Ongoing consultation will continue with the Audit Committee throughout the year after the plan has been approved.

5. Financial Implications

There are no direct financial implications from this report, however finance is considered throughout the planning process including consideration of the Budget and MTFP.

6. Risk Management

Significant risks to the council arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management. Specific risks include supplementary External Audit Fees, undetected fraud and inadequate coverage. Internal Audit assists the council in identifying risks, improvement areas and recommending good practice. Directorate and Strategic Risk Registers are also reviewed when developing the internal audit plan.

7. Legal Powers and Implications

Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIFPA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service. Implications of not providing this service may include qualification of the Accounts, increase in External Audit fees, potential rise in fraud and corruption and misappropriation of assets and resources.

8. Climate Change & Environmental Implications

The plan process will consider key risks (& opportunities) which will directly or indirectly include focus on Climate Change and report back on whether assurances can be given on the delivery of the organisations plan to mitigate the risk in this area.

9. Equality Implications

Embedded within the audit process is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

10. Corporate Implications

Failure to deliver the agreed Annual Assurance Plan may result in an inability to provide assurance to officers and members of the council's corporate governance.

11. Options Considered

Audit Methodology is driven by professional standards and legislative requirements and the model created subjected to external assessment. The plan itself is subject to wide consultation in order to ensure sufficient options and approaches have been considered.

AUTHOR

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BACKGROUND PAPERS

Annual Audit Assurance Plan 2022/23

Audit Committee April 2022