

North Somerset Council

REPORT TO THE AUDIT COMMITTEE

DATE OF MEETING: 28 JANUARY 2021

SUBJECT OF REPORT: AUDIT PLAN – AUDIT COMMITTEE CONSULTATION

TOWN OR PARISH: NONE

OFFICER 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 2021/22.
- Note the intention to keep the plan under constant review, including a six month reassessment, 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 2021/22. It also outlines the intended approach towards COVID-19 activity.

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.

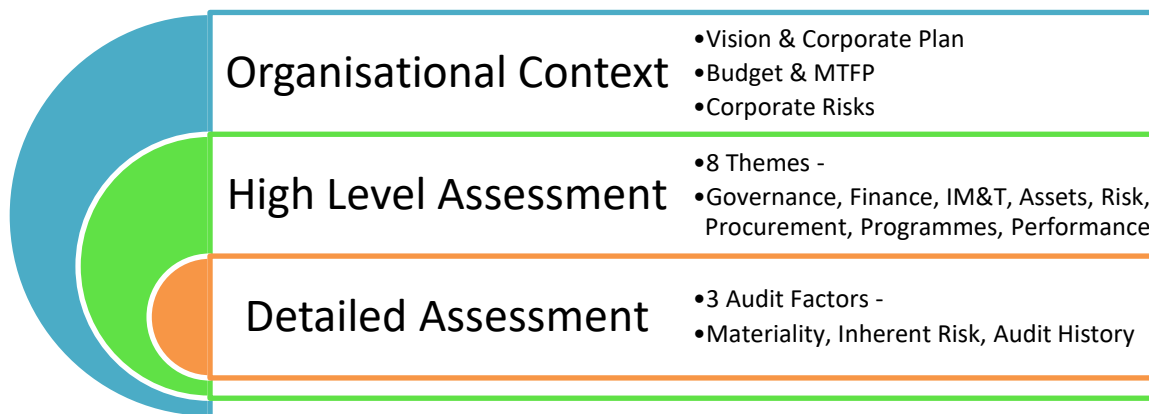
3. DETAILS

BACKGROUND - REASONABLE ASSURANCE MODEL

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. The model we use – the Reasonable Assurance Model - has previously been reported to the Committee in detail.

3.2 It was created and adopted in conjunction with a number of other councils in the South West and indeed its approach won a Public Finance award in 2017.

3.3 The outline of the model is as follows with the key elements in the middle section which introduced a high-level assessment of themes based on good governance.



3.4 COVID-19 and 6 Monthly Rolling Plan Review

3.4.1 During the 2020/21 financial year, members will recall that ongoing changes to planned work were required in order to redirect audit resources to unforeseen issues arising from the COVID-19 pandemic. It was then considered that the audit plan should be rebased for the rest of the financial year, now that 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 November 2020 Audit Committee meeting.

3.4.2 It is the intention of the Internal Audit Service to follow a similar approach for the next financial year, so whilst the usual consultation process will follow and a full-year audit plan will initially be produced to cover the period 1st April 2021 – 31st March 2022, the plan will be kept under constant 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 in order to adequately prioritise and resource the second half of the financial year. In addition to this, a COVID-19 contingency resource will also be held to help smooth any impact.

3.5 Consultation & Input – Audit Committee

The Audit Committee is a key stakeholder and ultimately approve the Audit Plan and 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 at the end of March.

In addition to Covid-19 factors around Financial Resilience, local economic impacts and broader financial assurance around the use of Covid-19 grants the Chartered Institute of Internal Auditors has drawn up ten key areas for 2021 which organisations should take account of in preparing their audit plans.

These are detailed below as a point of reference to help the committee in understanding where they feel audit coverage may be beneficial.

- Information security in the current Covid-19 work environment
- Regulatory requirements and the return to normal
- Delivery of Strategic Priorities following Covid-19

- Financial Resilience - Liquidity risk and cost-cutting amid depressed demand
- Managing talent, staff wellbeing and diversity challenges post pandemic
- Disaster and crisis preparedness: lessons from the pandemic
- Unprecedented economic volatility at National and Regional levels
- Supply chain disruption and third party solvency for critical suppliers
- Fraud and the exploitation of operational and economic disruption
- Climate change and delivery post pandemic

4. CONSULTATION

In developing and delivering the Annual Audit Assurance Plan the Internal Audit Service has consulted widely with officers and members and with the external auditors. Ongoing consultation will continue with the Audit Committee, including at six-months into the year.

5. FINANCIAL IMPLICATIONS

The resources directed at the Internal Audit plan will be reduced again for the coming year. For 2020/21 we were able to defer savings required for a year through a restructure, however these impacts will now be felt in the coming year and will overall result in a 7.5% - 10% reduction in audit coverage.

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 of risks arising from COVID-19. Internal Audit assists the council in identifying risks, improvement areas and recommending good practice.

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 CIPFA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service. Implications of not providing this service would 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 include an increased 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 2020/21

Audit Committee July 2020