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BRISTOL
INTERNAL AUDIT

INTERNAL AUDIT:

DRAFT PLAN 2020/21

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1. Purpose of this Annual Plan Report

1.1 This report provides an overview of Internal Audit's proposed work plan for 2020/21. Its purpose is to:

- Provide the Audit Committee with the draft planned Audit coverage for 2020/21
- Provide details of the methodology used to formulate the plan
- Draw attention to key features of the proposed plan
- Provide details on the plan monitoring process, together with the follow-up and escalation process.

2. Formulation of the 2020/21 Audit Plan

2.1 The Internal Audit planning process reflects the requirements of the Public Sector Internal Audit Standards 2013 (PSIAS) and supporting Local Government Application Note produced by CIPFA/CIIA. It results in an audit plan which should:

- Ensure a programme of work that is designed to enable provision of an evidence based audit opinion on the risk management, governance and control environment to the Head of Paid Service and Audit Committee and in support of the Annual Governance Statement (AGS)
- Help the Council meet high standards of service delivery, conduct and governance by examining, evaluating and reporting on the risk management, governance and internal control environment in areas it has identified support would be beneficial.
- Ensure the Internal Audit Service is in a position to deliver other elements of work carried out on behalf of the Council which also support the year-end opinion.

2.2 The level of Internal Audit resources required to review all Council activities far exceeds those available each year. It is therefore important to ensure work is planned so that the maximum benefit is achieved in respect of the above aims and that the Service completes work which is risk based and adding value. In preparing the audit plan, work is designed to provide assurance in key areas within the Council's risk, governance and control environment as demonstrated by Figure 1.

Figure 1: Key Areas of the Control Environment
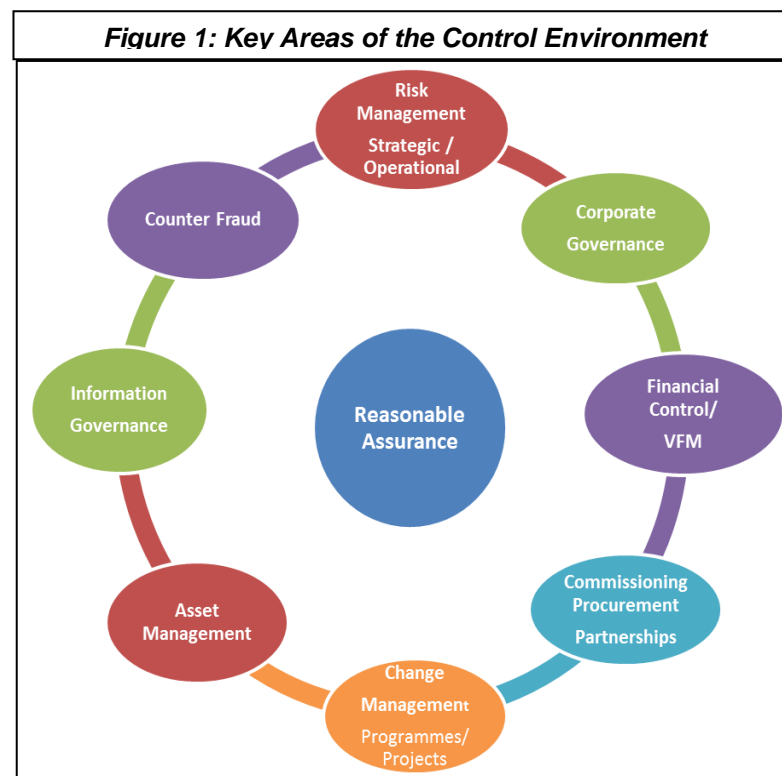
2.3   In developing the plan, a desk top review has been undertaken of the potential risk areas for review including consideration of:
- The Global Risks Report 2020 published by the World Economic Forum
- The IIA Risk in Focus 2020: Hot topics for internal auditors
- The risks recorded in the Corporate Risk Register (Q3)
- The Council's and national fraud risk registers that are specific to local authority operations
- Outcomes from previous internal audit, external audit and any inspection activities across all companies
- The budget proposals for the Council.
- Fundamental financial systems audit requirements
- Areas of the business identified as requiring improvement
- Areas of the business undergoing significant transformation
- Areas of the business requiring urgent assurance support

2.4   Additionally, extensive consultation has been undertaken with officers to confirm our assessment of the risks, determine areas of audit input that can add value to managers and to ensure a clear understanding of how Internal Audit work fits with other known sources of assurance:

- The Corporate Leadership Board
- Executive Directors
- Executive Directorate Management Team
- Service Directors
- S.151 Officer
- Monitoring Officer
- IT and Information Governance Colleagues
- Corporate Support Colleagues
- Finance Managers
- Business Partners

2.5   Internal Audit also has responsibility, on behalf of the Council for facilitation of developments in the following areas and this work is also included in the work plan:

- Co-ordination of assurances around corporate governance and compilation of the Annual Governance Statement (AGS)
- Ensuring robust counter fraud arrangements are in place across the Council.
- From April 2020, the team will take responsibility for the co-ordination and management of the whistleblowing process

2.6   The outcome of the above process is the draft annual plan at Appendix 1. However, recognising that the Council's risk profile may change during the year, the plan will be reviewed quarterly to ensure it remains relevant throughout the year.

3. Resources

3.1   The plan has been developed and is considered deliverable based on the following resourcing assumptions:

- A new role will be recruited to by June 2020 to support the new whistleblowing responsibilities of the team
- A vacant Data Analyst role will be filled by June 2020 to enhance the use of analytic tools in audit approaches.
- A vacant Graduate Trainee will be appointed by July 2020
- The vacant Group Auditor posts will be filled by September 2020. Work is currently in progress to update all role profiles.
- Temporary resource will support delivery of the plan during quarter 1 and later in the year if necessary.

3.2   Given the complexity of the risk environment in which the Council is operating, arrangements are being made to procure the support of a strategic 'reach back' partner to ensure the team has access to additional resource and expertise it requires. This partnering arrangement will also ensure the team is more resilient and enhances the ability to effectively deal with emerging risks and changing assurance requirements. This arrangement will be in place by Q3.

3.3   Trainee posts within the team are a key element of resourcing and succession planning. The team has recently recruited an Apprentice Auditor to replace the previous post holder who successfully secured an audit role elsewhere. Additionally, a Graduate Trainee post is included in the structure. This approach not only supports the Council's wider objectives but also helps to address difficulties currently faced in recruiting experienced and qualified audit staff.

3.4   Table 1 below provides the Committee with a summary view of the proposed coverage for 2020/21 split by audit type and providing indicative days to be spent in each area. It also provides details of days allocated in previous years.

Table 1: Summary of proposed Audit Plan 2020/21 with previous year comparatives:

Area of Work	Indicative Days 2020/21	Indicative Days 2019/20	Indicative Days 2018/19
Governance Systems	145	195	245
Risk Management Effectiveness	125	140	205
Financial Control Systems	160	255	285
Certifications	180	150	150
Schools Financial Governance	100	100	100
Value for Money Exercises	40	50	42
Commissioning and Procurement	95	100	120
Asset Management	35	95	100
IT and Information Governance	165	175	145
Projects and Programme Management	190	170	195
Follow up provision	150	176	60
Consultancy and Advisory	169	-	-
General Contingency and b/f	**240**	**200**	**100**
Total Risk, Governance, Assurance	**1794**	**1806**	**1747**
Counter Fraud			
Strategic Fraud Work	41	19	8
Fraud Prevention	480	273	97
Fraud Detection (incl tenancy fraud work)	840	814	743
Responsive Fraud Investigation excl Tenancy (including DWP interface)	498	550	418
Total Fraud	**1859**	**1656**	**1266**
Total Planned Coverage	**3653**	**3462**	**3013**
Total Available Productive Days	**3650**	**3467**	**2846**

3.6   For each audit assignment planned, the resource required is estimated. A number of factors that occur either before or during the audit reviews can significantly alter (in either direction) the number of days required for individual reviews.

3.7   The Audit Plan needs to be flexible to ensure it can change as the Council's risk environment changes. As such, the plan will be reviewed quarterly. More importantly the plan needs to be reviewed to take into account any risks arising from the Annual Governance Statement. Any amendments to the plan will be reported to management and the Audit Committee during the year.

3.9   Whilst Value for Money (VfM) work represents a small percentage of the overall audit plan, it is integral to all of the work completed and is considered at each audit assignment as a matter of course. A small contingency is also included for specific and targeted VfM work that is not specifically covered elsewhere in the plan. Additionally proactive fraud and irregularity work often identifies significant VfM opportunities.

4. The Audit Plan – Key Features

4.1 The plan reflects some of the highest risk areas to the Council and is designed to ensure that assurance is targeted effectively to enable provision of an opinion on the governance, risk and control framework. Significantly, this year, approaches include:

- **Consultancy and Value added –** Meetings with officers have identified a number of areas where audit input to e.g. new developments or other issues is felt beneficial. This work is designed to support management in delivering aspirations and problem resolution and as such is included, not as work that will support the annual audit opinion but as value added work. These areas are identified in section B of the plan. No assurance opinions will be given in consultancy engagements.

- **Size of the plan** – the number of audits included in the plan has been reduced in comparison with previous years. This has enabled the team to make provision to work with management as detailed above. It has also enabled greater time allocations for each audit to give the auditor sufficient time to deliver adequate coverage and robust assurance.

- **Assurance Mapping** – A significant amount of audit time has been allocated to coordinating activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts. A clear understanding and reliance on other sources of assurance are key to the successful delivery of audit work going forward.

- **Flexibility and Responsiveness** – recognising that independent assurance requirements and organisational risks will change during the year, more flexibility has been built into the plan:
  - o Contingencies have been included for new and emerging risk areas in year. This should enable the team to accept a limited number of requests for work in year without impacting on the planned work for 2020/20.
  - o Resources for responsive fraud investigation work have been increased to ensure the team can deliver investigations in a more timely way.
  - o Resource allocations have been made in the following areas without specifically defining the scope and coverage at this point. Again this will ensure that, at the time the piece of work is delivered, resources are targeted most effectively to provide maximum value:
    - ▪ Risk Assurance Mapping
    - ▪ Project and Programmes
    - ▪ Capital Programmes
    - ▪ Grant Certification
    - ▪ Schools Assurance
    - ▪ Procurement

- **Whistleblowing**. The responsibility for co-ordinating an effective response to whistleblowing reports has transferred to Internal Audit and additional budget is available to the team to recruit additional resources to support delivery of this role.

- **Follow up Approach.** The plan includes increased resources for follow up work. Where Internal Audit reports conclude that limited or no assurance can be provided, the reviews will be repeated at an appropriate time to establish the effectiveness of agreed management actions in improving control. It is

anticipated that the automation of internal audit process will enable management to proactively follow and report the progress in the implementation of agreed management actions.

- **Effective use of Data and Analytics** to support audit processes and to enhance fraud prevention and detection remains a key element of the plan. The Data Analyst roles will enable the team to develop audit approaches designed to give greater levels of assurance and ensure resource is targeted in the most beneficial areas. Significantly, resources have been allocated in the plan to expedite development a fraud 'hub' in the prevention and detection of fraud.

- **Information Governance and IT Asset Management.** The Council's IT Transformation Programme continues into 2021 and is moving into delivery phase.   Specialist IT Audit resource will be commissioned to oversee implementation of IT improvements. In addition, the Council is moving towards implementation of an Information Security Management System (ISMS) and members or the internal audit team will support this as implementation progresses. Plans are in place to ensure the Internal Audit team are sufficiently trained and resources allocated for both lead auditor and internal auditor roles in support of this approach.

4.2　**Team Development and Improvement**. As well as delivering the Assurance and Counter Fraud programmes set out in the audit plan, time has been set aside to continue to develop and improve the services offered by the team during 2020/21. Early priorities include:

- Reprofiling and recruitment to vacant posts in the team structure.
- Development of strategic partner arrangements to ensure the team has access to skills and resources required to support the Council as needed.
- Implementation of Audit Software to automate the audit process and support management in monitoring and tracking of agreed actions.
- Delivery of a training strategy for the team
- Growing the volume of business with a view to increasing income generation to enhance the resilience of the team going forward.

5.　Plan Monitoring

5.1　Performance against completion of the annual plan will be measured and reported in Internal Audit Activity reports at most Audit Committee meetings. The Audit Committee approved the Quality Assurance and Improvement Programme during 2017/18 which set out some key performance indicators for the team. The development of a business plan for the audit team has seen performance targets reviewed and the following will be reported to Audit Committee going forward:

- Delivery of Internal Audit Plan – Complete to at least draft report stage　　90%
- Delivery of Audit Opinion in time to inform the Annual Governance Statement (AGS)　　May 2020
- Number of properties or other positive housing outcomes from Tenancy Fraud Initiative　　50
- Level of agreed management actions fully implemented　　90%
- Client Satisfaction (post individual audit review) with a score of good or above　　85%
- Positive responses to annual management survey re benefits and value of audit service　　85%
- Delivery of AGS in line with statutory timeframe　　May 2020

6. Follow Up and Escalation

6.1 The Audit Committee will receive all internal audit summaries with a no or limited assurance opinion and the relevant Senior Responsible Officers will attend Audit Committee meetings to provide assurance on the implementation of agreed actions. Such audits will be subject to re-performance within six months from the date the final report was issued. In addition all agreed management actions will be subject to monitoring to obtain assurance that they have been implemented on time. Internal audit and management are working on putting in place a process through audit automation that will enable management to proactively monitor and report progress in this area.

6.2 The progress in the implementation of agreed management actions is reported to the Audit Committee as part of its regular activity reports and the Corporate Leadership Team (CLB). Repeated failure to implement the agreed management actions will be reported to CLB and the Audit Committee, who may call the appropriate Senior Responsible Officer to account for the failure to correct the control environment.

6.3 It is the full responsibility of the relevant Senior Responsible Officers to implement the agreed management actions and senior management are responsible for ensuring that there are appropriate arrangements for monitoring and reporting the progress in the implementation of agreed management actions.

7. Context

7.1 The Audit Committee's Terms of Reference includes a strategic requirement to ensure that the Council's internal control and assurance framework is operating effectively. To enable them to do so, the Committee needs to ensure it seeks assurance that key areas that contribute to this framework are robust. The work of Internal Audit is a key component of the assurance provided to the Committee in fulfilling this role and the Audit Committee need to ensure the plan is focussed on the key assurances they require.

7.2 The Public Sector Internal Audit Standards 2013 guidance on the role of Audit Committees in relation to Internal Audit suggests that it should involve reviewing, assessing and approving the Internal Audit work plan for delivery of the Audit Service.

7.3 The standards also include the requirement that Internal Audit must be operationally independent. The Internal Audit Charter and Terms of Reference detail the arrangements in place regarding the team's operational independence including details of the reporting lines for the Head of Internal Audit.

7.4 There is one area of work that the team does deal with operationally on behalf of the Council; facilitating the preparation and review of the Annual Governance Statement.   There are synergies between this and audit work and they are well aligned to the assurances that Internal Audit seek to provide. The External Auditor, however, independently reviews the Annual Governance Statement to ensure it has been

prepared to properly reflect the governance activities that have operated at the Council in the year and as such completion of this work is not felt to be an issue.