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BRISTOL INTERNAL AUDIT

Information Classification: Level 0 Unclassified

INTERNAL AUDIT: DRAFT PLAN 2021/22

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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 2021/22. Its purpose is to:

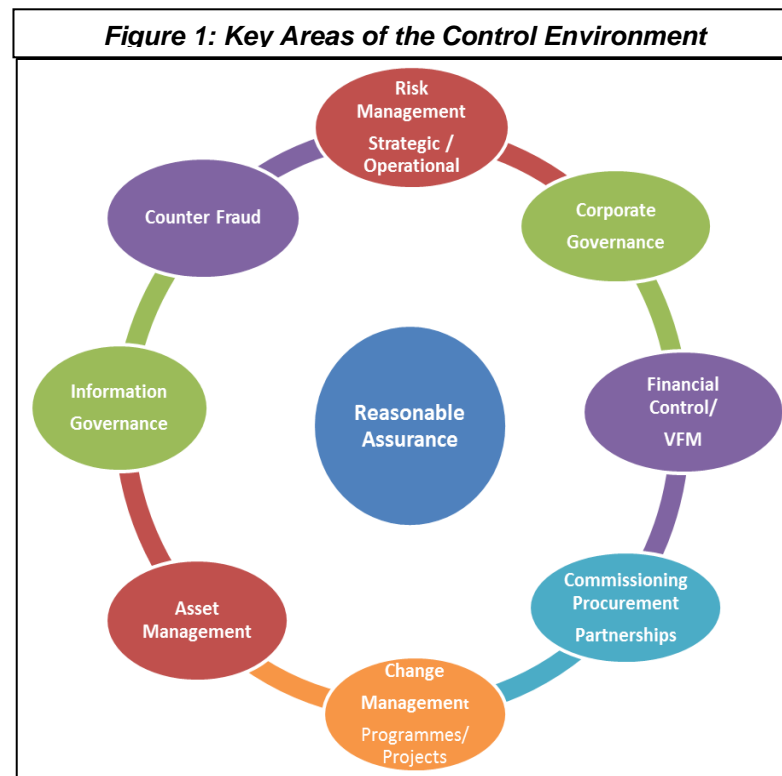
- Provide the Audit Committee with the draft planned Audit coverage for 2021/22
- Provide details of the methodology used to formulate the plan
- Draw attention to key features of the proposed plan
- Provide details on the plan monitoring process, together with the follow-up and escalation process.

2. Formulation of the 2021/22 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 able 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.



- 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 2021 published by the World Economic Forum
 - Risk in Focus 2021: Hot topics for internal auditors published by a consortium of institutes of internal auditors that includes the Chartered Institute of Internal Auditors (UK & Ireland)
 - The risks recorded in the Corporate Risk Register
 - The Covid19 pandemic and its longevity recognising that Council businesses and their risk profiles have been significantly affected by this.
 - Outcomes from previous internal audit, external audit and any inspection activities across all companies
 - The budget proposals for the Council.
 - The Council's transformation agenda
 - Key financial systems audit requirements
 - Areas of the business identified as requiring improvement
 - Areas of the business requiring urgent assurance support
 - Audit work required to inform the annual opinion
- 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
 - Information Governance Board
 - Corporate Support Colleagues
- 2.5 Furthermore, in an effort to understand other sources of assurance, an assurance mapping exercise has been completed on 11 strategic risks. The purpose of the exercise which involved review of documents and interviews with risk owners was to give a coordinated view of the Council's assurance providers in relation to the sampled risks. The outcomes from this exercise which are reflected in Appendix 1 of this report were used to inform the 2021/22 Annual Audit Plan.
- 2.6 Having captured all the potential audit areas, an internal audit risk assessment based on risk, materiality and audit history was undertaken to prioritise areas of focus in 2021/22. Our proposals were considered by the Corporate Leadership on 9 March 2021.
- 2.7 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.
 - Ensuring effective arrangements for the coordination and management of the whistleblowing process.

- 2.8 The outcome of the above process is the Draft Annual Audit Plan at Appendix 2 which identifies potential areas that require assurance based on our assessment. Given the lessons learnt during this devastating pandemic, it is anticipated that risks will continue to evolve at pace so Internal Audit will maintain a rolling plan which will be formally reviewed quarterly as previously agreed with the Audit Committee. In that respect only Quarter 1 priorities have been proposed with priorities for other periods being agreed quarterly. This is a clear recognition that annual proposals will quickly become outdated during periods of significant uncertainty.

3. Resources

- 3.1 The plan will be delivered largely by the in-house team with the support from KPMG, our Internal Audit Strategic Partner. The plan has been developed and is considered deliverable based on the following resourcing assumptions:
- One vacant Group Auditor post will be filled by July 2021.
 - A Group Auditor on a fixed term contract will remain in post until September 2021
 - Two Internal Audit Professional Level 7 Apprentices will be recruited by September 2021. This high-level apprenticeship scheme runs for 36 months.
- 3.2 As our strategic partner, KPMG have been appointed to support our core delivery arrangements and facilitate the transfer of knowledge through joint audit projects as well as providing training to enhance our commercial and specialist skills. 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.
- 3.3 The appointment of high-level apprentices aligns with our strategy of building resilience within our Service by developing and implementing succession plans that are underpinned by the principle of growing our own skilled professionals through the apprenticeship and graduate trainee route. This approach does not only support the Council's wider objectives but also helps to address difficulties currently faced in recruiting experienced and qualified audit staff.
- 3.4 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
- 3.5 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.
- 3.6 Table 1 below provides the Committee with a summary view of the proposed coverage for 2021/22 split by audit type and providing indicative days to be spent in each area. It also provides details of days allocated in previous years. It should be noted that this could change in the event of new risks emerging during the year.

Table 1: Summary of proposed Audit Plan 2021/22 with previous year comparatives:

Area of Work	Indicative Days	Indicative Days	Indicative Days
	2021/22	2020/21*	2019/20
Governance Systems	195	145	195
Risk Management Effectiveness	110	125	140
Financial Control Systems	160	160	255
Certifications	150	180	150
Schools Governance	100	100	100
Value for Money	70	40	50
Procurement and Contracts Management	85	95	100
Asset Management	65	35	95
IT and Information Governance	135	165	175
Projects and Programme Management	200	190	170
Management Action Tracking	80	150	176
Consultancy and Advisory	75	169	-
General Contingency and b/f	165	240	200
Total Risk, Governance, Assurance	1590	1794	1806
Counter Fraud			
Strategic Fraud Work (incl Whistleblowing)	40	41	19
Fraud Prevention	371	480	273
Fraud Detection (incl tenancy fraud work)	858	840	814
Responsive Fraud Investigation excl Tenancy (including DWP interface)	460	498	550
Total Fraud	1729	1859	1656
Total Planned Coverage	3319	3653	3462
Total Available Productive Days	3304	3650	3467

**Indicative days for 2020/21 Plan are based on the plan presented to March 2020 Audit Committee ie before the impact of the pandemic was felt.*

3.7 Available days are slightly lower than in previous years. This is reflective of changes in our delivery model to include our strategic partner as well as the provision of more training days for a number colleagues including the commitment necessary to support 2 Level 7 Internal Audit Professional Apprentices. On the counter-fraud team, allowance has been made for the procurement and implementation of a new case management system. In addition, due the Covid pandemic we have made a higher provision of carry forward leave in 2021/22. Given changes in our approach around automation, use of analytics and agile working it is felt that this level of resource will enable us to deliver the audit and counter-fraud plans.

3.8 The above table also demonstrates:

- the new approach to follow up and management action tracking. Where re-audit work is required for audits concluding no or limited assurance, this will be included in internal audit plans and will include review of progress against previously agreed actions reducing the need for a separate allocation for follow up. Additionally, full use will be made of Pentana Audit for management action tracking.
- A reduced allocation for contingency, consultancy and advice. This resource is lower than in previous years given the change in approach to audit planning. Areas for audit will be reviewed each quarter and where new areas for review are identified, priority of these will be considered alongside existing areas identified in the plan.
- Value for Money (VfM) work represents an increase from previous years to reflect the work required to support External Audit work especially around areas relating to Financial Resilience and Governance. In addition, consideration of VfM is integral to all 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:
- **Covid19** - The unprecedented current situation caused by Covid-19 continues to disrupt the delivery of Council services and impact on its governance and risk management arrangements. Given the longevity of the pandemic, it will take a long time to fully assess the overall impact of the pandemic on the Council and Bristol as a whole. The Council will look to internal audit's enterprise-wide perspective and independent top-down viewpoint for insights into the business and its risks during what remains a significantly challenging period. Consequently, the plan has provision for audit work around lessons learned from Covid, management of Covid grants and Covid recovery. This engagement will build on civil response assurance work completed in 2020/21,
 - **Consultancy and Value added** – Management regularly identify some 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. There is a provision on the plan to accommodate some of these requests should they arise. No assurance opinions will be given in consultancy engagements.
 - **Size of the plan** – the actual number of audits included in the plan has been reduced in comparison with previous years. The approach is to ensure that auditable areas are allocated more days to enable deeper insights and enhanced assurance.
 - **Assurance Mapping** – 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 of, and reliance on other sources of assurance are key to the successful delivery of audit work going forward. This will build on the assurance mapping work completed in 2020/21.
 - **Flexibility and Responsiveness** – recognising that independent assurance requirements and organisational risks will change during the year, more flexibility has been built into the plan:

- 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 2021/22.
- Resources for responsive fraud investigation work have been increased to ensure the team can deliver investigations in a more timely way.
- 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:
 - Assurance Mapping
 - Project and Programmes
 - Capital Programme
 - Grant Certification
 - Schools Assurance
 - Procurement
- **Whistleblowing** – Internal Audit is responsible for co-ordinating an effective response to whistleblowing reports. Additional resource has transferred to support the delivery of this role have been recruited.
- **Follow up Approach.** The plan includes 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. We will maximise the use of Pentana Audit in supporting 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.
- **Fraud Hub** - Resources have been allocated in the plan to support the development a fraud hub. The fraud hub will provide a powerful fraud detection solution, combining advanced data matching with intelligent analytics and counter fraud expertise.
- **Information Governance and IT Asset Management.** The Council's Digital Transformation Programme starts in April building on the IT Transformation Programme that is closing in March 2021. Given the complexity of the IT control environment a provision has been made in the plan first for both an IT risk assessment and time to complete IT audits. In addition, time has been allocated to provide assurance around the Council's Information Security Management System (ISMS) and relevant members of the Internal Audit team have been sufficiently trained to that effect.

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 continuous development and improvement of services offered by the team during 2021/22. Early priorities include:

- Reprofile and recruitment to vacant posts in the team structure.
- Implementation of a continuous auditing and monitoring methodology
- Adopting agile auditing
- Enhancing arrangements for strategic partnering
- Implementing fully all Pentana Audit Software module to maximise the value from the audit system
- Delivery of a training strategy for the team

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 performance indicators are as set out in the Quality Assurance and Improvement Programme that was approved by the Audit Committee in November 2020. These are:

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|---|----------|
| • 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 2021 |
| • Number of properties or other positive housing outcomes from Tenancy Fraud Initiative | 25 |
| • Level of agreed management actions fully implemented | 85% |
| • 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 2021 |

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.

6.2 The progress in the implementation of agreed management actions is reported to the Audit Committee and the Corporate Leadership Team (CLB) as part of its regular activity reports. 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 which was reviewed and approved by the Audit Committee in November 2020 detail the arrangements in place regarding the team's operational independence including details of the reporting lines for the Chief Internal Auditor.
- 7.4 There are two areas of work that the team deal with operationally on behalf of the Council that is (i) facilitating the preparation and review of the Annual Governance Statement (AGS) and (ii) managing the Council's Whistleblowing arrangements. In relation to the AGS, 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. In relation to Whistleblowing, an annual independent review is commissioned to assess the effectiveness of arrangements to manage the self-review risk.