

Meeting:	Audit and governance committee
Meeting date:	Tuesday 5 May 2020
Title of report:	Internal Audit Plan 2020-21 and Internal Audit Charter
Report by:	Chief finance officer / internal audit

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

Internal Audit Plan 2020-21

To be assured that the level and range of activity within the proposed annual internal audit plan is sufficient to provide assurance over the council's corporate governance arrangements and provides appropriate coverage of key business objectives, associated risks, and risk management processes.

To ensure the council complies with recommended best practice as set out in the PSIAS.

The 2020-21 internal audit programme of work will be equivalent to 900 days the same as in 2019-20.

Internal Audit Charter

To approve the internal audit charter for the period 1 April 2020 to 31 March 2021.

To ensure compliance with good practice as set out in the International Professional Practices Framework of the Institute of Internal Auditors and the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Further information on the subject of this report is available from

Jacqui Gooding, email: Jacqui.Gooding@swapaudit.co.uk

Agile Auditing

To note the approach to agile auditing.

Coronavirus – COVID-19 Impact

To note the update of the potential impact of the COVID-19 pandemic on the 2020-21 internal audit programme of work.

Recommendation(s)

That:

- (a) the proposed internal audit plan 2020-21 at appendix 1 be reviewed and the committee determine any recommendations it wishes to make regarding the level and range of activity proposed in order that the work carried out may give a satisfactory level of assurance over the council's corporate governance arrangements;**

- (b) the internal audit charter at appendix 2 be approved; and**

- (c) the agile auditing document at appendix 3 be noted.**

Alternative options

- 1. There is no alternative option to an internal audit plan as it is a requirement of the public sector internal audit standards (PSIAS).
- 2. The content of the plan may be amended; however, in doing so regard should be had to the overall prioritisation of resources, level of risk and/or evidence of control weakness.
- 3. The alternative option is to not approve the internal audit charter. As this is a requirement of the arrangements between Herefordshire Council and the South West Audit Partnership (SWAP) it would put us in breach of our agreement.

Key considerations

- 4. The plan (appendix 1) sets out the work required for internal audit to give an opinion on the adequacy and effectiveness of the council's risk management, governance and internal control arrangements. The plan has been developed in conjunction with senior management and consideration has been given to audits deferred from 2019-20 as well as areas suggested by the audit and governance committee.
- 5. The internal audit charter (appendix 2) sets out the nature, role, responsibility, status and authority of internal auditing within Herefordshire Council, and to outline the scope of internal audit work.
- 6. Agile Auditing (appendix 3) - When delivering the 2020/21 Internal Audit Programme of work, as presented, we will be looking to embrace the concept of Agile Auditing. Agile

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Auditing breaks a typical audit engagement down into several shorter stages, with us reporting any findings as we go. It involves increased communication and collaboration with stakeholders throughout the audit process, with greater speed but also transparency. It is likely to involve a team of audit staff instead of one individual.

7. Following the outbreak of COVID-19 the council has had to and will continue to adapt to dealing with the impact of COVID-19. The Internal Audit function has an important role to play to continue to provide critical assurance, help advise management on the shifting risk and controls landscape and help anticipate emerging risks. There will be disruption to the Internal Audit Plan 2020-21 outlined in appendix 1 and to audits currently in progress for 2019-20.
8. To monitor this regular meetings are being held with the chief finance officer and a meeting with each director to establish which audits in the 2020-21 audit plan could be started. An update will be provided to each audit and governance committee meeting so that the committee is kept informed of the status of the 2020-21 Internal Audit plan and the impact of COVID-19 on progress.

Community impact

9. The council's code of corporate governance commits the council to managing risks and performance through robust internal control and strong public financial management and to implementing good practices in transparency, reporting, and audit to deliver effective accountability. By ensuring robust management responses to identified risks, the council will be better able to meet its corporate plan priority to secure better services, quality of life and value for money.
10. The Internal Audit charter sets out the reporting arrangements to the audit and governance committee demonstrating the council's openness and transparency in providing reports that are published in the public domain.

Equality duty

11. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
12. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

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Resource implications

13. The council is a SWAP partner and the Section 151 Officer (chief finance officer) is the council's nominated director on the Board of South West Audit Partners Ltd. It is a Partnership arrangement and resources are equalised across the Partnership. The legal agreement sets out the delivery which as a minimum should be 90% of the plan. SWAP has delivered 100% of the plan since the council became a partner in 2014.
14. The council's revenue budget includes appropriate budget to fund the equivalent of 900 audit days from SWAP. There is no planned reduction in the number of audit days from previous years.

Legal implications

15. In accordance with section 5 of the Accounts and Audit (England) Regulations 2015, the council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance.
16. The council is under a duty to make adequate arrangements for its internal audit functions and has chosen to appoint an external partner to assist with the discharge of this function.
17. The charter forms part of the legal agreement which the council has entered into with SWAP. Both parties have committed to refreshing the charter on an annual basis to establish a clear expectation of the annual priorities and processes by which the audit service will be provided.

Risk management

18. There is a risk that the level of work required to give an opinion on the council's systems of internal control is not achieved. This is mitigated by the regular active management and monitoring of progress against the agreed internal audit plan.
19. Risks identified by internal audit are mitigated by actions proposed by management in response. Progress on implementation of agreed actions is reported to this committee every six months.
20. Without an approved charter there is a risk that the SWAP will not have:
 - the support of management and the council
 - direct access and freedom to support to senior management including the chief executive and the audit and governance committee
 - access to any records, personnel or physical property of the council for audit work

Consultees

21. The views of the directors, chief finance officer and other key officers have informed development of the proposed internal audit plan.
22. The chief finance officer was consulted in the drafting of the internal audit charter.

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Appendices

Appendix 1 - Internal annual audit plan report 2020 -21

Appendix 2 - Internal Audit Charter

Appendix 3 - Agile Auditing

Background papers

None identified.

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