
INTERNAL AUDIT CHARTER AND AUDIT PLAN 2020/21

REPORT OF AUDIT MANAGER

AGENDA ITEM: 5.2

Reason

1. The Terms of Reference for the Audit Committee sets out its responsibility:
 - To approve the Internal Audit Charter.
 - To approve the risk-based Internal Audit Plan, containing internal audit's resource requirements, the approach to using other sources of assurances and any work required to place reliance upon those other sources.
2. The Audit Committee has a responsibility to review its Terms of Reference annually, and under the Public Sector Internal Audit Standards (PSIAS Standard 1110 – organisational independence), is required to approve the Internal Audit Charter and the risk-based Internal Audit Plan.
3. This report is provided to enable the Audit Committee to formally approve the Audit Charter, its Terms of Reference and the Audit Plan for 2020/21. This follows a consultation process, through which the documents were indicatively agreed outside of a formal Committee meeting, as set out in the following paragraphs.

Background

4. At its meeting on 21 January 2020, the Draft Internal Audit Charter and Summary Audit Plan 2020/21 were presented for Audit Committee to consider and provide comments. Accompanying the Charter is the Audit Committee Terms of Reference.
5. The Audit Plan 2020/21 was further developed until March 2020, through engagement with senior management in directorates and through applying a risk-based methodology, as outlined in the attached Audit Committee Briefing Report.
6. The Audit Committee meeting scheduled for 24 March 2020 was cancelled in consideration of business necessity and the COVID-19 risk. An arrangement was made for a full Audit Committee consultation on the Draft Internal Audit Plan and Charter for 2020/21, outside of the formal Audit Committee meeting, ahead of formal approval at its next Committee meeting.

Issues

7. The Audit Committee considered the Audit Plan and Charter 2020/21, including its Terms of Reference through a consultation process between 23 March – 3 April 2020.
8. Through the consultation process, all comments received were responded to by the Audit Manager, and the overall position was discussed and agreed with the Chair, and endorsed by the Chief Executive on behalf of the Senior Management Team.
9. The Audit Plan for 2020/21, and the Audit Committee Terms of Reference 2020/21 were considered and accepted by Audit Committee Members as proposed. The Audit Charter was also accepted following the insertion of an additional sentence in paragraph 26, as shown underlined and in bold in Annex 2, and the inclusion of the Audit Protocol in Appendix F. The Audit Protocol was formerly a separate document.
10. The Audit Committee Briefing Report which was issued to Audit Committee Members as part of the consultation process is appended to this report, as are all of the final versions of the documents for which approval is sought.
11. The Audit Plan is subject to a small number of proposed adjustments following relationship management arrangements with directors and risk register reviews during quarter 1. These changes are as follows, and are shown underlined and in bold in Annex 3
 - The scope of the audit of 'Governance Arrangements' is proposed to focus on COVID-19 related decision-making and control;
 - The 'Stores' audit is proposed to assess the temporary COVID-19 stores operating from Dominions Way, instead of reviewing parks equipment, as originally proposed;
 - An Assurance audit engagement of 'Business Grants' is proposed in order to assess compliance and control operated within the administration of business grants on behalf of Welsh Government. This audit is separate from the consultancy work that was completed by the audit team, and is for post assurance purposes.
12. The Plan as consulted on in March – April 2020, has been considered to only require a limited level of proposed update, as outlined above for the following reasons:
 - The Plan contained 100 audit consultancy days to manage the impact of COVID-19, through the provision of timely advice, guidance and support to management in implementing new systems and processes for front line delivery, and maintaining back-office resilience. The provision of these audit days has provided flexibility to respond to areas of risk and business need in respect of COVID-19 consultancy. The areas where audit consultation has been provided are included in the progress report (agenda item 5.3);
 - The Plan is mapped to business objectives, and key systems, whilst being informed by risk, governance and assurance assessments. The more immediate Council objectives and risks as a result of the crisis, are informing the prioritisation of audits, their scope and approach. Following engagement with directors and reviews of risk in quarter 1 2020/21, the Plan is considered as relevant to current priorities and risks.
13. Whilst set on an annual basis, the Audit Plan is adaptable and responsive and will be subject to ongoing risk assessment, prioritisation and review throughout the year to maximise assurance and management support. In-year changes may be introduced where appropriate, to respond to emerging risks and issues as the year progresses.

14. The proportion of the Plan which can be delivered in 2020/21 will be materially lower than in 2019/20, for which details are provided in the audit progress report as part of agenda item 5.3. Audits will be allocated on a basis that provides the greatest assurance and value, and limits any impairment to the annual opinion of the Audit Manager on the Council's control environment for 2020/21.

Legal Implications

15. There are no legal implications arising from this proposal.

Financial Implications

16. There are no financial implications arising from this proposal.

Recommendations

17. To formalise the agreed outcomes of the consultation, Audit Committee to:

- Approve the Internal Audit Charter and Audit Committee Terms of Reference 2020/21
- Approve the Internal Audit Plan, 2020/21

CHRIS PYKE
AUDIT MANAGER

- **Audit Committee Briefing Report - 23 March 2020**

Annex 1: Audit Strategy

Annex 2: Internal Audit Charter 2020/21

Annex 3: Internal Audit Plan 2020/21

Annex 4: Summary Assurance Map

Annex 5: Cyclical Audit Planning

Annex 6: Conclusion of Audit Plan 2019/21