

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

Report to Audit & Accounts Committee

25 June 2021

TITLE:	Internal Audit Annual Audit Plan 2021/22
PORTFOLIO HOLDER:	Councillor Sybil Ralphs - Council Leader SMDC
CONTACT OFFICER:	John Leak – Head of Audit
WARDS INVOLVED:	Non-Specific

Appendices Attached:

Appendix 1 High Peak BC / Staffordshire Moorlands DC Internal Audit - Audit Plan 2021/22

1. Reason for the Report

- 1.1 The Accounts and Audit Regulations 2015 requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. In accordance with Public Sector Internal Audit Standards, the Audit Manager should establish a risk based audit plan to determine the priorities of the internal audit activity, consistent with the Council’s goals. The audit plan must be based on a documented risk assessment undertaken at least annually.

2. Recommendation

- 2.1 That the Committee approve the Council’s annual Internal Audit Plan for 2021/22.

3. Executive Summary

- 3.1 The Public Sector Internal Audit Standards state that the Audit Plan must be based on a documented risk assessment undertaken at least annually and it needs to be flexible in response to changes in the Council’s business, risks, operations, programs, systems and controls. Furthermore, the Standard states that the Audit Manager must communicate the internal audit activity’s plans and resource requirements to senior management and the Audit Committee for review and approval. The Audit Manager must also communicate the impact of resource limitations. This report seeks to address these requirements.

- 3.2 Due to the ongoing Covid-19 pandemic, considerable audit resource during April and May 2021 was diverted to continue to support the corporate response to the administration of the Government's business grants support schemes. In addition work has also continued to complete last years planned audits. As a result the Audit Plan for 2021/22 will therefore be reduced accordingly and will aim to cover the Council's key risks and systems.
- 3.3 The annual audit plan for 2021/22 has been created and is attached as **Appendix 1**. This involved a review of the risk scores in accordance with the Audit Service's established risk assessment methodology to ensure that the most recent changes affecting risk are taken into account. The Internal Audit Plan is a joint Alliance plan designed to make the best use of Alliance resources and to reflect the nature of Council services.
- 3.4 Should any amendments to the audit plan be necessary during the year, these will be reported to members at future Audit & Accounts Committee meetings.

4. How this report links to Corporate Priorities

- 4.1 The assurance provided by the work of Internal Audit informs the Annual Governance Statement and therefore helps to confirm effective use of financial and other resources to ensure value for money.

5. Alternative Options

- 5.1 Approve the 2021/22 Audit Plan (*Recommended*). The Council will have an achievable risk based internal audit plan which is designed to provide assurance that the control environment is effective in achieving the Council's objectives and is in accordance with Public Sector Internal Audit Standards, and therefore the Accounts and Audit Regulations 2015.
- 5.2 Do not approve the 2021/22 Audit Plan (*Not Recommended*). The Council will not be complying with the Accounts and Audit Regulations 2015 requirement to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

ANDREW P STOKES
Chief Executive

Web Links and Background Papers

None

Location

N/A

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6. Detail

6.1 The audit plan must be based on a documented risk assessment undertaken at least annually, in accordance with the requirements of the Public Sector Internal Audit Standards. However the audit plan needs to be flexible to be able to reflect the changing risks and priorities of the Council so the entire scope of audits will receive ongoing consideration and attention to ensure that appropriate audit coverage is achieved.

6.2 The Audit Plan has been developed using a comprehensive risk assessment framework which is designed to assess all areas of the Council's services and thereby examine and evaluate the whole system of internal controls (both financial and non-financial) established by management. This risk assessment allows the Audit Plan to be focused, concentrating resources on the areas of greatest need and where there will be the best use of audit resources. The work is designed to appraise and review :

- the completeness, reliability and integrity of information, both financial and operational;
- the systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by the management of the Council, or externally;
- the means of safeguarding assets;
- the economy, efficiency and effectiveness with which resources are employed, and whether operations are being carried out as planned and objectives and goals are being met.

6.3 The risk based planning methodology utilised to prepare the audit plan assesses each system on eight risk elements :

- Monetary / financial value;
- Volume of transactions;
- System factors – stability / type of processing application / complexity of regulations and / or processing;
- Managerial and control environment / previous assurance;
- Incidence / risk of fraud;
- Sensitivity;
- Corporate risks; and
- Time since previous audit.

This approach is linked to a mapping exercise whereby corporate risks are mapped to the Audit Plan to ensure they are adequately considered during the audit lifecycle. In addition the impact of the pandemic on service provision has also been a focus of audit planning and built in contingency will provide scope to direct resources to any increased risks that arise as a result of the pandemic during 2021/22.

6.4 Due to the ongoing Covid-19 pandemic, considerable audit resource during April and May 2021 was diverted to continue to support the corporate response to the administration of the Governments business grants support

schemes. In addition work has also continued to complete last years planned audits. As a result the Audit Plan for 2021/22 will therefore be reduced accordingly and will aim to cover the Council's key risks and systems. However the plan will have to be flexible to reflect the changing risks and priorities of the Council as the impact of the pandemic on services becomes clearer and the recovery phase progresses.

- 6.5 The annual audit plan for 2021/22 has therefore been created and is attached as **Appendix 1**. As the Internal Audit service is a joint resource across both Alliance Councils, and all Alliance services are joint, the most efficient method of auditing to take advantage of economies of scale is to undertake audits covering both Alliance Councils. However there will still be occasions when audits only cover one of the Alliance Councils and this is reflected within the Audit Plan. The future audit approach to potential challenges to the internal control environment will need to be adapted as the delivery of Council services continue to be developed.
- 6.6 It is planned to supplement the annual audit plan if required during 2021/22 with the purchase of a specialist ICT audit resource to focus on technical ICT risks. An initial needs assessment to facilitate the prioritisation of future ICT audits was undertaken previously and where considered appropriate ICT audits arising from this assessment and from any additional risks highlighted during the pandemic will be planned and undertaken during 2021/22 and future years utilising available budget(s).