

**AUDIT & GOVERNANCE COMMITTEE
26 NOVEMBER 2020**

Internal Audit Revised Annual Audit Plan 2020/21

SUMMARY AND PURPOSE:

The purpose of this report is to present the revised Internal Audit and Corporate Fraud Plan for 2020/21 to the Committee. This Plan has been revised for the 7 month period September 2020 to March 2021 in the wake of the Covid-19 pandemic, which caused the suspension of the original annual Audit Plan (approved by this Committee in April 2020), to enable the Internal Audit service to be deployed in other ways to support the Council during the initial phases of the pandemic.

A summary of Internal Audit activities from the first quarter of 2020-21 is presented in a separate report to this Committee.

The Internal Audit Strategy and Charter documents, originally agreed by the Committee in April 2020, remain unchanged and are not therefore resubmitted.

RECOMMENDATION:

Members are asked to consider the contents of this report and Annexes, and to approve the following:

- (i) The Revised Internal Audit and Corporate Fraud Plan (Annex A)

BACKGROUND:

1. The statutory basis for Internal Audit in local government is provided in the Accounts and Audit Regulations 2015, which require a local authority to “*undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes*”.
2. The Accounts and Audit Regulations contain the expectation that Internal Audit will take into account public sector internal audit standards or guidance. The Audit and Governance Committee recognises the mandatory nature of the Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013 (and revised 1 April 2017).

Revision of the Annual Plan

3. The revised Internal Audit and Corporate Fraud Plan for 2020/21, which is a risk-based programme of work, is set out at Annex A. In a similar way to the original Plan for 2020/21, there remains a number of core elements which feature each year such as:
 - (i) Reviewing corporate governance arrangements to inform the Annual Governance Statement
 - (ii) Grant certification
 - (iii) Counter fraud activity, including participation in the National Fraud Initiative (NFI)

In addition to these elements, Internal Audit also carries out testing on an annual basis of many of the Council’s key financial systems. In the revised plan, a risk-based decision has

been taken to defer three key financial systems from the 2020/21 plan of work (General Ledger, Treasury Management, and Pension Fund Investments). The General Ledger audit has received high assurance levels for some years, and is considered to be of low risk, whilst the suspended 2019/20 audits of Treasury Management and Pension Fund Investments have restarted in quarter two and therefore will not need to be repeated later in the year.

4. Once these core elements of the Plan and follow up reviews are accounted for, the remaining audits shown in the revised Plan have been included based on a risk priority which has been assessed following:
 - (i) Consultation and liaison with:
 - a. Executive Directors and other senior officers in across directorates; and
 - b. S151 Officer
 - (ii) Consideration of new and emerging risks arising in the Covid-19 period, including revisions to controls and processes within key systems, and consideration of income and expenditure streams lined to specific Covid-19 funding
 - (iii) Areas of concern emerging from liaison with partners from East Sussex County Council and Brighton and Hove City Council within the overall Orbis Internal Audit partnership,
5. The revised Plan was also presented at a meeting of the CLT on 28/10/2020 and has been agreed by the Section 151 Officer prior to this committee.
6. The Chief Internal Auditor is confident that the revised Internal Audit Plan at Annex A, along with Covid19 response work in the first part of the year, provides sufficient coverage across the Council's activities to enable him to continue to form an overall opinion on the adequacy of the Council's framework of control at the end of the year.

IMPLICATIONS:

7. There are no direct implications (relating to finance, equalities, risk management or value for money) arising from this report. The Annual Internal Audit Plan is designed to focus on key areas of risk and as such should help ensure effective risk management and support the achievement of value for money.

WHAT HAPPENS NEXT:

8. The Orbis Internal Audit Service will continue deliver the revised 2020/21 Internal Audit Plan over the coming months and Internal Audit reports will be produced and distributed in line with the Reporting and Escalation Policy.
9. Quarterly updates on completed audit work and performance of the service will continue be reported to CLT and the Committee throughout the year.

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