

Report to: Governance and Audit Committee

Date: 21 March 2019

Subject: **Strategic Internal Audit Plan**

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1 Purpose of this report

- 1.1 To seek approval for the strategic internal audit plan commencing 1 April 2019.

2 Information

- 2.1 UK Public Sector Internal Auditing Standards, (PSIAS) require the Chief Audit Executive to deliver an annual audit opinion and report that must be used by the organisation to inform its annual governance statement. The internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Work undertaken within the audit plan is the principal body of evidence required to substantiate the opinion provided by internal audit. In addition, PSIAS state that the Chief Audit Executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's objectives.
- 2.2 Previously the plan has been presented as part of a phased three year programme. Year two of this programme, approved in 2018, has been used as the basis for the development of the 2019/2020 plan. Due to the level of change and likely expansion in the Combined Authority's operations and corresponding assurance requirements, it was decided to revert back to an annual audit plan in 2019/20. This plan is subject to ongoing review throughout the year to enable responses to changes in organisational risk and assurance requirements to be accommodated.
- 2.3 In developing the Internal Audit Plan the following elements have been considered:
- The core activities of the Combined Authority and risks associated with the attainment of corporate objectives.
 - Regulatory requirements for internal audit coverage.
 - Significant recent changes within procedures and operations.

- The extent of third-party and management assurances.
- The content of the Combined Authority's corporate risk register, Directorate and operational risk records and consideration of the controls in place to manage those risks.
- Reference to cumulative internal audit knowledge and experience.

In addition, a consultation programme has been conducted with senior officers from within the Combined Authority and with elected members and the independent member of the Governance & Audit Committee. This has provided a valuable insight into stakeholder assurance requirements and has contributed to the development of the plan. Subsequently, the plan was endorsed by the Senior Leadership Team of the Combined Authority at their meeting on 8 March.

- 2.4 The plan is presented under corporate risk categories with clear links to directorate objectives which support the attainment of corporate priorities. The plan also incorporates regulatory and compliance requirements along with counter-fraud and audit follow up activities. This will seek to provide assurance that the governance and control arrangements continue to operate effectively, minimising the risk of misappropriation, loss and error and that key systems and processes are operating as intended. In addition, allowances for value for money and consultancy activities are provided to allow internal audit to support organisational development and process improvements.
- 2.5 Indicative resource allocations for each audit assurance block are provided, based on previous audit performance in conjunction with an initial assessment of the scope of each review. The depth of audit testing is established through the evaluation of risk and considers the existence and operation of key controls. Where new areas of assurance have been identified the number of days required to perform this work is determined from an initial overview of these areas and from discussions with senior officers from within the relevant directorates. The plan requires 457 audit days.

3 Financial Implications

- 3.1 Any requirement to buy-in audit specialisms to undertake work within the Audit Plan will be secured in accordance with the Combined Authority's procurement regulations.

4 Legal Implications

- 4.1 The Accounts and Audit Regulations 2015, Regulation 5, require a relevant Authority to undertake an effective internal audit to evaluate the effectiveness of its risk, control and governance processes, taking into account public sector internal auditing standards or guidance.

5 Staffing Implications

- 5.1 Resourcing of the audit plan can be provided from the proposed structure for internal audit in 2019.

6 External Consultees

6.1 No external consultations have been undertaken.

7 Recommendations

7.1 That the Strategic Internal Audit Plan 2019/20 be approved.

8 Background Documents

None.

9 Appendices

Appendix 1 - Strategic Internal Audit Plan 2019/20