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**Report to:** Governance and Audit Committee

**Date:** 23 January 2020

**Subject:** **Internal Audit Planning Methodology 2020/21 Report**

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## **1. Purpose of this report**

- 1.1. To update the Committee on the methodology being used to develop the audit plan for 2020/21.
- 1.2. To ask Members to consider the content of the report and to advise on any additional areas for consideration that could be included in the plan for next year.

## **2. Information**

### **Audit Planning Methodology**

- 2.1 The internal audit team is currently starting the planning process for the next financial year and will present the draft plan to the next Governance and Audit Committee meeting for agreement. The process is going to move away from cyclical reviews to be a more dynamic and fully risk responsive plan. The intention is to consider the current risks facing the organisation, the corporate priorities and objectives and also to consider external intelligence around emerging risks from a wider business perspective.

### **Internal Planning Considerations**

- 2.2 While Internal Audit will continue to build the compliance picture across the business to enable an informed and evidence based opinion on controls, governance and risk management for the annual audit opinion, audit is also intending to continue offering advisory work as needs are identified within the business. This will mean ongoing engagement with senior management throughout the year and being more open to agreed changes to the plan as risks develop – particularly important given the highly changeable political landscape. The Corporate Risk Register and Corporate Plan are going to be the primary driving force of planned audit activity, but given the scale of project work within the Combined Authority, audit intends to continue the recently started rolling programme of reviews against the Assurance Framework and will also contribute to any review of the Framework itself.

Internal Audit intends to bring some specialist resource in to conduct some ICT work that will include testing for vulnerabilities, an area that comes up both in the Combined Authority risk register and is a concern for most Boards in the wider business world. Discussions will also be held with the external auditors, Mazars, to ensure that there is no duplication and to factor in any issues they believe would enhance the audit plan.

### **External Planning Consideration**

2.3 Internal Audit has been considering the wider, external risk horizon and has had particular regard to a report by the Chartered Institute of Internal Auditors (CIIA), Risk in Focus 2020. This work highlights the key business risks as identified by Chief Audit Executives and their Boards across the UK and Europe for the forthcoming year. The CIIA recommend this as a resource to check against when audit planning. In summary, the following areas constitute the top ten identified risks:

1. Cybersecurity and data privacy
2. Increasing regulatory burden
3. Digitalisation
4. Outsourcing, supply chains and third-party risk
5. Business resilience, brand value and reputation
6. Financial risks
7. Political risks
8. Human Resources
9. Governance, Ethics and Culture
10. Climate Change

Internal Audit will be assessing how well the plan reflects these risk areas, but initial review against the corporate risk register suggests that most of these areas will be included in some form.

### **Timetable for completing the audit planning process**

2.4 Internal Audit will continue to review external sources of information to inform planning and will be meeting with the directors and senior managers at the end of January 2020 to discuss the plan for next year. This will be followed up with further conversations with Heads of Service as appropriate and all this information, including input from this Committee will then be re-assessed against the corporate risk register. The aim is to have a draft plan to review and agree with SLT in mid March 2020 and for that draft plan to then be presented at Governance and Audit Committee for review and approval at the March 2020 meeting.

### **3. Financial implications**

3.1 None.

### **4. Legal implications**

4.1 None.

**5 Staffing implications**

5.1 None.

**6. External Consultees**

6.1 No external consultations have been undertaken.

**7. Recommendations**

7.1 That the Committee note and agree the proposed methodology for audit planning for 2020/21 and consider any items for inclusion in the audit plan for 2020/21.

**8. Background Documents**

None.