

23 March 2021

<b>Report of</b>	<b>Assistant Director of Corporate and Improvement Services</b>	<b>Author</b>	<b>Hayley McGrath</b> ☎ 508902
<b>Title</b>	<b>Internal Audit Plan 2021/22</b>		
<b>Wards affected</b>	Not applicable		

## 1.0 Executive Summary

- 1.1 The Accounts and Audit Regulations 2015 require that 'A relevant authority must 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.'
- 1.2 To ensure that the Council complies with these requirements it maintains a five-year program of the key areas to be audited, then annually a plan is agreed with management about the specific areas to be covered during the next financial year. The annual plan is then submitted for committee approval.

## 2.0 Recommended Decision

- 2.1 The committee are asked to consider and agree the suggested Internal Audit plan for 2021/22, shown in appendix 1.

## 3.0 Reason for Recommended Decision

- 3.1 Internal Audit is a key element of the Council's Corporate Governance framework. A relevant and comprehensive audit programme, and implementation of audit recommendations, gives assurance to members and management that services are operating effectively, efficiently and economically and in accordance with legislative requirements and professional standards.

## 4.0 Alternative Options

- 4.1 The alternative is to not agree a plan for 2021/22 and to decide on an ad-hoc basis which areas are to be audited during the year. However, this option will not ensure that all key controls are audited and will reduce the effectiveness of the internal audit service.

## **5.0 Background Information**

- 5.1 The Council operates a five-year program, covering the key financial and governance functions of the Council, this is an overview of the areas that require assurance. During the program period it is anticipated that service delivery will change, therefore an annual plan, that identifies the specific audits for the coming year, is agreed with senior management and members. Fundamental systems, such as the key financial controls, need to be reviewed every year to provide assurance for the final accounts process.
- 5.2 The current Internal Audit contract provides for 300 auditing days a year. For 2021/22 a total of twenty-five days are allocated to follow-ups and management, leaving 275 days to be allocated to other areas. Currently there are no audits to be carried forward from 2020/21.
- 5.3 The Corporate Governance Manager has discussed the plan and timings with senior managers to ensure that there is commitment in supporting the auditors whilst carrying out the reviews. It has also been agreed with the Council's external auditors.

## **6.0 Colchester Borough Homes & Colchester Commercial Holdings Ltd**

- 6.1 Colchester Borough Homes (CBH) have their own agreed audit plan which is administered by the Council's auditors. The coverage of the plan is decided by CBH and is not reported to this committee.
- 6.2 However there are a few CBH systems that involve input from the Council, and it is appropriate that in these circumstances the audit resource required to provide assurance is shared by, and reported to, both organisations. In 2021/22 there is one 'shared' audit. Housing Rents.
- 6.3 The audit plan has been arranged to reflect the Council's commercial activities and several audits have been identified as coming under Colchester Commercial Holdings Ltd (CCHL). Whilst previously the Council has identified all the audits required for CCHL, it is now more appropriate for a number of days to be allocated to the company, to decide how they are used.
- 6.4 However, the Council will require assurance over specific income areas, especially in the first few years of operation, therefore there are some key areas for review (joint audits) identified on the CBC plan along with a general allowance for CCHL to decide how to use, which has been set at fifteen days.

## **7.0 Strategic Plan References**

- 7.1 The audit plan has been set with due regard to the identified key strategic risks to the Council, therefore ensuring the effectiveness of the processes required to achieve the strategic objectives.

## **8.0 Risk Management Implications**

- 8.1 Agreeing an audit plan enhances the ability of the Council to control its risks and therefore will support the internal control process.

## **9.0 Environmental and Sustainability Implications**

- 9.1 There are no environmental or sustainability implications as a result of this report.

## **10. Other Standard References**

- 10.1 There are no particular references to consultation or publicity considerations or financial; community safety or health and safety implications.

## **Appendices**

Appendix 1 – Draft Internal Audit plan for 2021/22.