

Committee:	Date:
Audit and Risk Management Committee	12 March 2019
Subject: 2019-20 to 2021-22 Initial Draft Internal Audit Plan	Public
Report of: Head of Audit and Risk Management	For Decision

Summary

The Head of Audit and Risk Management is required by the Public Sector Internal Audit Standards to establish a risk-based plan to determine the priorities of internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual independent internal audit opinion on the design and effectiveness of the City's governance, internal control and risk management environment. This report sets out the initial proposed Internal Audit Annual Plan for 2019-20 and the Strategic Audit Plan for 2019-20 to 2021-22.

Internal Audit is currently completing the process of consulting with Chief Officers and their Senior Managers to confirm the proposed plan and coverage within their areas and a process of focussing the Plan on priority audit areas will follow.

As requested by Members, the Three Year Plan is supported by details of audit coverage in previous years.

Recommendation

The Committee are asked to approve the initial draft Internal Audit Plan for 2019-20 and the Strategic Audit Plan for 2019-20 to 2021-22.

Main Report

Background

1. The purpose of this report is to present the initial draft Internal Audit Plan for 2019-20 and the Strategic Audit Plan for 2019-20 to 2021-22. The plan has been produced with input from the Internal Audit, Risk and Anti-Fraud team. Audit areas have been identified from the Corporate Plan and from departmental and institutional business plans and risk registers, together with other sources of assurance and then risk assessed using a similar approach as that defined in the Risk Management methodology.
2. Internal Audit is currently completing the process of consulting with Chief Officers and their Senior Managers to confirm the proposed plan and coverage within their areas and a process of focussing the Plan on priority audit areas will follow.

Current position

3. The draft Internal Audit Plan for 2019-20 currently provides for an estimated coverage of 1,079 days to deliver the internal audit reviews. Through a process of focussed prioritisation, the draft Plan will be reduced down to approximately 938 days; however, while this allows for 25 days to finalise prior year audits, this does not provide for any contingency days. In addition, 100 days have been agreed with the Museum of London and London Councils. The coverage will provide sufficient assurance to produce a Head of Internal Audit Opinion.

Role of Internal Audit

4. Internal auditing is an independent, objective assurance and consulting (advisory) activity designed to add value and improve an organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
5. The Internal Audit function reviews the operations of the City. It also supplies the internal audit service to the Museum of London and London Councils under an SLA.
6. The Internal Audit function operates in accordance with the Audit Charter which reflects statutory and professional requirements. Implementation of the audit plan helps the City maintain "a sound system of internal control which facilitates the effective exercise of functions and which includes arrangements for the management of risk". Proper practices are defined in the Public Sector Internal Audit Standards which are the professional basis for the operation of the Internal Audit function.
7. Internal audit adds value and improves the City's operations by promoting a robust control environment for both financial and operational systems, promoting best practice in governance and risk management as well as making recommendations for improvements in operating efficiencies.

Internal Audit Planning and Allocation of Resources process

8. The Head of Internal Audit is required by the Public Sector Internal Audit Standards to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual independent internal audit opinion on the design and effectiveness of the City's governance, internal control and risk management environment.
9. Annually, internal audit conducts a risk-based audit planning process to ensure appropriate coverage of the City's operations (and external partners, where appropriate) is provided.
10. The detailed plan of internal audit work is detailed in Appendix 1. It has been presented in four main areas:

- Corporate and strategic reviews, which mainly address the corporate risks and/or are cross cutting reviews to identify efficiencies in process and good practice that can be shared.
- Departmental reviews that have been subject to the internal audit risk assessment process and cover some of the areas of concern requested to be reviewed by Chief Officers, including information system reviews.
- Institutional reviews, which cover the key risk areas of the City's Institutions (Police, Barbican Centre, Guildhall School of Music and Drama, City of London Freemans School, City of London School and City of London School for Girls). These programmes are also separately agreed with these institutions.
- Non City Institutional reviews that cover the priority and key financial areas of the Museum of London and London Councils. These programmes are also separately agreed with these institutions.

However, as discussed at the Institutional committees already presented with draft plans, we have indicated that they may be subject to change.

11. Most audits included in the plan are full assurance audits that will result in a formal opinion given over the adequacy of risk management and control within the system audited and the extent to which controls have been applied, with a provision also included for follow ups.
12. As requested by Members, the Three-Year Plan is supported by details of audit coverage in previous years. Details are provided at Appendix 2.
13. The in-house resources are supplemented by our Internal Audit partner, Mazars, who provide IT audit and general audit resources to deliver the Plan. This brings external knowledge and expertise to support the strength of knowledge of the City provided by the in-house staff. Details of the Internal Audit resource base are provided at Appendix 3.

Corporate and Strategic Implications

14. The Internal Audit annual work plan will provide Members and management with assurance over the financial control and operational framework in key risk areas. It will also lead to an overall annual opinion on the effectiveness of the City's arrangements for internal control, risk management and governance. The audits are tied into the City's strategic plans and key risks.

Appendices

Appendix 1 – Detailed internal audit plan 2019-20 to 2021-22

Appendix 2 – Previous Internal Audit Coverage 2013-14 to 2018-19

Appendix 3 – Internal Audit Resource Base 2019-20

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