

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	03/11/2020
<b>Subject: Internal Audit Update – Amended Internal Audit Plan 2020/21</b>	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>N/A</b>
<b>Report of: Head of Audit and Risk Management</b>	<b>For Information</b>
<b>Report author: Matt Lock</b>	

### **Summary**

The 2020/21 Internal Audit Plan has been amended to reflect the impact of COVID-19 and some further events within the current year that have impacted the level of audit resources available. The revised Audit Plan remains sufficient in depth and breadth of coverage to enable the Head of Audit and Risk Management to provide an annual opinion on the adequacy of the City of London Corporation’s systems of internal control.

### **Recommendation**

Members are asked to note the report and the updated 2020/21 Internal Audit Plan.

### **Main Report**

#### **Background**

1. The 2020/21 Internal Audit Plan was approved in draft at the January 2020 meeting of this Committee, with the Final Audit Plan approved at the March 2020 meeting. The Audit Plan is subject to change throughout the year, reflecting changes in priorities and emerging risks, against which assurance is required, such changes are often relatively minor with additions and removals off-setting each other. From time to time, however, it is necessary to make more substantive changes, as is the case this year, reflecting the impact of COVID-19 and other factors impacting resources available for the delivery of Internal Audit Work.

#### **Current Position**

2. While the pace of work has now broadly returned to what may ordinarily be expected, COVID-19 has significantly disrupted the delivery of planned Internal Audit work in 2020/21. There have also been some other, unanticipated changes that impact the resources available to deliver the Audit Plan. In summary:
  - The prioritisation and relevance of some planned Audit work has changed
  - Long term sickness absence of a team member reducing capacity of the team

- Phased retirement of a team member reducing capacity of the team
  - Inaccurate budget assumptions resulting in overstatement of resources in the original plan
3. A refresh of the Internal Audit resource base and an in-depth review of the 2020/21 Internal Audit plan have been undertaken, re-balancing the plan to available resources. The revised 2020/21 Internal Audit Plan is included at Appendix 1, which identifies work completed and in progress.
4. There are a number of amendments that have been made which are detailed on the remaining appendices to this report:
- Appendix 3: Items removed from the plan
  - Appendix 4: Items to be deferred to the following year
  - Appendix 5: A summary of other variations to planned work

There are some further additions that were made to the plan in the first few weeks of the current year that have not been separately identified but are included in the revised 2020/21 Plan.

5. The table below summarises the impact of the changes made, Members should note that the overall resource base for the year has reduced from 1082 audit days to 902 audit days, the total number of planned audit days for the City of London Corporation has reduced from 1082 to 935 days. This results in a small net shortfall of resources (33 days) which the team will look to make up through efficiencies in delivering individual audit reviews.

#### Summary of Adjustments to the 2020/21 Internal Audit Plan

<b>Reduction to Resource Base Assumptions</b>	
Long Term Sickness Absence	60
Flexible Retirement	50
Increase in Direct Admin/Support Budget	40
Net reduction in bought in Audit Days	<u>100</u>
<b>Total Reduction to Resource Base (a)</b>	<b>250</b>
 <b>Additions to Audit Plan</b>	
COVID Response Assurance Work	15
Increase in Follow-up Review Allocation	25
Net Increase of Additional Work/Consolidation of Reviews	<u>23</u>
Total Additions to Audit Plan	63
 <b>Items Removed from Plan</b>	
Deferrals to 2021/22	229
Deletions from Plan	<u>51</u>
Total Removals from Audit Plan	280
<b>Net Reduction to Audit Plan (b)</b>	<b><u>217</u></b>
 <b>Net Shortfall of Audit Resources (a-b)</b>	 <b>33</b>

6. Those items removed and deferred from the 2020/21 Internal Audit Plan were assessed as lower priority work for the year, with the remainder of the work identified as being of greater significance to being able to provide an annual opinion on the adequacy of the control environment.
7. Appendix 2 of the report provides a “dashboard” summary of delivery of the Audit Plan, no further update is provided in respect of work completed since the Committee received a full update at its meeting on 01/10/2020.

### **Corporate & Strategic Implications**

8. The Internal Audit Plan is designed to provide assurance as to the adequacy of the City of London Corporation’s systems of internal control and governance. This programme of activity is aligned with the Corporate Plan, Corporate Risk Register and Departmental Top Risks.

### **Conclusion**

9. Members are asked to note the amendments made to the 2020/21 Internal Audit Plan. The revised plan is comprehensive and wide reaching across the organisation and the changes made do not impact the Head of Audit and Risk Management’s ability to provide an annual opinion on the adequacy of the City of London Corporation’s system of internal control.

### **Appendices**

- Appendix 1: 2020/21 Updated Audit Plan
- Appendix 2: Audit Plan Delivery Summary
- Appendix 3: Items Removed from 2020/21 Plan
- Appendix 4: Items Deferred from 2020/21
- Appendix 5: Other Amendments to Plan

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