

Committee(s)	Dated:
Audit and Risk Management Committee	13/01/2021
Subject: Draft Internal Audit Plan 2021-22	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Head of Audit and Risk Management	For Decision
Report author: Matt Lock	

Summary

The overall level of resource available for Internal Audit activity will be reduced in 2021/22 as part of the Corporate wide efficiency savings. With further streamlining of the Audit process and the support and engagement of Chief Officers to ensure greater efficiency, the Internal Audit Team will be sufficiently resourced to deliver a programme of work to enable the Head of Audit and Risk Management to provide an overall opinion on the effectiveness of the City of London Corporation's control, governance and risk management frameworks. The 2021/22 plan has been prepared with a greater degree of flexibility than in previous years to accommodate the impact of the implementation of the Target Operating Model and the continued uncertainty resulting from the COVID-19 pandemic.

The Audit Plan is being developed to align to the Corporate Plan, seeking to provide assurance that controls in place support the delivery of Corporate Outcomes.

Recommendation(s)

Members are asked to:

- Review the proposed Internal Audit Plan for 2021/22 as set out in Appendix 1 and consider the extent to which:
 - The plan covers the organisation's key risks as they are recognised by Audit and Risk Management Committee
 - The plan incorporates the areas that Audit and Risk Management Committee believe should be covered as priority
- Agree, subject to the above, the 2021/22 Draft Internal Audit Plan

Main Report

Background

1. The Internal Audit function is largely provided by a small in-house team (representing 780 audit days) with a small financial budget to buy in additional resource (representing approximately 50 audit days). The required 12% efficiency savings for 2021/22 have been made by reducing the budget available for the purchase of additional resources, the retained element being for the provision of more specialist work such as IT Audit. This aligns with a move back towards a slightly larger in-house team, with an increase in Senior Auditor resource and a reduction in Audit Management. The availability and quality of the 3rd party provision has been variable and the level of coordination required has made operations over the past 12-18 months more challenging, a continuation of this would be detrimental to achieving the required efficiency of a more streamlined process.
2. Internal Audit is required to provide the S151 Officer, the Senior Leadership Team and the Audit and Risk Management Committee with an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. This opinion is predominantly based on the outcomes from the audit work undertaken each year. The Audit and Risk Management Committee is provided with regular updates on the outcomes of completed audit work and the implementation of recommendations made.

Current Position

3. The Audit Plan for 2021/22 is being developed to align to the Corporate Plan and the achievement of strategic objectives, there are a number of significant factors that impact the plan for the coming year, referred to in the paragraphs below.
4. The organisational transformation programme that is resulting from implementation of a new Target Operating Model will require Internal Audit to change the structure of the Audit Universe to align to the new Organisation. It is proposed that this change is reflected in 2022/23 rather than the forthcoming plan allowing time for delivery of the TOM changes. Recognising the scale of the changes, particularly at a Chief Officer level, it is intended to undertake a narrower Chief Officer consultation, with the plan being drawn largely from the existing Audit Universe, (our 3-year Strategic Audit Plan). The Strategic Plan gives consideration to the Corporate Risk Register, existing departmental business plans and departmental risk registers and so captures the key elements of the City Corporations operations. It is proposed that, with the exception of the existing institutions where a separate Audit Committee is in operation, Chief Officer consultation be focussed through Summit Group and then on an exception only basis.
5. The COVID-19 pandemic still results in significant uncertainty around the extent to which certain service areas will be fully operational in 2021, which impacts some of the work that Internal Audit may meaningfully undertake. The response to the pandemic has driven a number of technological advances, which has impacted the IT security landscape and increased external threat in this regard, IT security will form a substantial element of the IT Audit Plan.

6. We must also give due regard to Brexit implications; in the absence of certainty, we must be prepared to provide an agile and responsive Internal Audit service in response to emerging risks and issues.
7. In light of the above, the 2021/21 Internal Audit Plan has been developed to include approximately 9 months activity. This plan focusses on the core elements that will drive the annual opinion, with the remaining work programme to be developed as both situations progress.
8. The draft Internal Audit Plan for 2021/22 is attached as Appendix 1 to this report. It should be noted that this Plan, as formalised, is an early draft and may be subject to some amendment before the final Plan is published in March 2021. It should be noted that the Internal Audit Plan is ordinarily kept under review and amended as changes in priorities arise during the course of a year, this is key to ensuring continued relevance.

Prioritisation

9. A 4-tier prioritisation methodology was agreed by this Committee in March 2020 as follows,:
 - **Priority 1:** activity that directly links to Corporate Plan Outcomes and/or Corporate Risks, completion of this work within 2021/22 is considered essential to providing the annual opinion.
 - **Priority 2:** activity that is more closely aligned to the delivery of top-level departmental objectives or risks and key corporate systems. Periodic audit coverage is considered sufficient to inform the annual opinion, auditable areas are identified from a rolling 3 year programme.
 - **Priority 3** – lower risk activity where the risk of non-delivery of objectives may be contained at a departmental level, includes advisory assurance work. Periodic audit coverage is considered useful in informing the annual opinion, auditable areas are, again, identified from a rolling 3 year programme. Any P3 work not delivered in year will be considered for escalation to P2 for the subsequent year.
 - **Priority 4** – activity that is focussed on local business objectives and of low financial materiality, risk/impact of failing to deliver objectives may be contained at a service level. Any P4 work not delivered in year will be considered for escalation to P3 for the subsequent year.
10. It should be noted that, in the interests of maintaining flexibility within the audit plan and ensuring that resources are applied to the work of most significance, no P3 or P4 work has been included at this stage.

Corporate & Strategic Implications

11. 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

12. The 2021/22 Internal Audit Plan does not allocate fully the resources available for the year: the plan includes flexibility to accommodate changes resulting from the implementation of the TOM and continued uncertainty in resulting from the COVID-19 Pandemic and disruption to City of London Corporation services. The plan will be reviewed on an ongoing basis and, as more certainty is realised, the remainder of the plan will be developed.
13. Chief Officer Consultation will be lighter touch for 2021/22, reflecting the extent of organisational change in progress. Reliance has been placed on the 3-year Strategic Internal Audit Plan and mid-year planning discussions held in 2020/21. The 2021/22 Internal Audit Plan aligns with the Corporate Plan and gives due consideration to the Corporate Risk Register and significant departmental risks.

Appendices

- Appendix 1 – Draft Internal Audit Plan 2021/22
- Appendix 2 – Audit Universe (Hyperlink available to Members on request)

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