



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 9</b>
<b>27 November 2020</b>	<b>PUBLIC REPORT</b>

## **INTERNAL AUDIT PLAN**

### **1.0 PURPOSE**

- 1.1. This report presents the Committee with the proposed 2020/21 internal audit plan and three-year internal audit strategy.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Officer:</b>	<b>Jon Alsop – Head of Finance (S73)</b>
The Audit and Governance Committee is recommended to:	
(a) Consider and approve the proposed Internal Audit Strategy 2020/21 to 2024/25 and the 2020/21 internal audit plan.	

### **2.0 BACKGROUND**

- 2.1. According to its Terms of Reference, the Audit and Governance Committee shall:
- (a) Provide assurances over the effectiveness of internal audit functions and assuring the internal control environments of key partners;
  - (b) Review internal audit requirements undertaken by the Combined Authority;
  - (c) Approve the internal audit plan;
  - (d) Consider reports and assurances from the Chief Finance Officer in relation to:
    - Internal Audit performance;
    - Annual Assurance Opinion on the adequacy and effectiveness of the framework of governance, risk management and control;
    - Risk management and assurance mapping arrangement;
    - Progress to implement recommendations including concerns or where managers have accepted risks that the Authority may find unacceptable.
- 2.2. At its October meeting, the Committee was introduced to the Combined Authority's newly appointed internal auditors, RSM Risk Assurance Services

LLP (RSM), who presented the Committee with their draft internal audit strategy and plan for 2020/21.

2.3. Following feedback from the Committee, RSM have further developed the strategy and plan, which are now presented to the Committee for consideration and approval (see appendix 1).

2.4. The key points of the proposed audit plan are as follows:

- (a) 2020/21 Internal Audit priorities: Internal audit activity for 2020/21 is based on analysing the Combined Authority's corporate objectives, risk profile and assurance arrangements as well as other factors affecting the Combined Authority in the year ahead, including changes within the sector.

Specifically, audit areas are linked into the Combined Authority's Risk Register and the proposed areas have been identified following discussions with the CPCA's Corporate Management Team (CMT).

- (b) Level of Resource: The level of resource required to deliver the proposed plan for 2020/21 plan has been discussed and agreed with the Chief Finance Officer. The plan details areas highlighted as part of the recent audit needs assessment process undertaken with the CMT, which were highlighted as priority areas for audit coverage in 2020/21.
- (c) Committee Development Session: RSM have agreed with the Combined Authority to hold a development session for the members of the Audit & Governance Committee on developing the internal audit service ahead of the 2021/22 financial year, this will include the role of internal audit, RSM's approach, methodology, reporting and how the Combined Authority can benefit from the value of Internal Audit.
- (d) Core Assurance: The core assurance pieces for the 2020/21 audit plan includes the review of Key Financial Controls which have been planned to consider the Accounts Payable function which is being developed by the Combined Authority during quarters three and four of the 2020/21 financial year. In addition, as part of our work to support and inform the Head of Internal Audit Opinion we will review the effectiveness of the organisations Risk Management arrangements.
- (e) 'Agile' approach: RSM's approach to working with the Combined Authority will always be one where RSM will respond to CPCA's changing assurance needs, which is particularly important in light of the COVID-19 pandemic. By employing 'agile' or a 'flexible' approach to their service delivery, RSM are able to change the focus of audits / audit delivery; keeping CPCA informed of these changes in RSM's progress papers to the Audit & Governance Committee during the year.

2.5. The full Internal Audit Strategy 2020/21 – 2024/25, including the proposed 2020/21 Internal Audit Plan is shown at appendix 1.

### **3.0 FINANCIAL IMPLICATIONS**

3.1. The service is provided on a daily rate basis and will be dependent on the level of internal audit activity agreed, and within the allocated budget.

### **4.0 LEGAL IMPLICATIONS**

4.1 The Accounts and Audit Regulations 2015 require a relevant organisation to undertake an effective internal audit to evaluate the effectiveness of its risk, control and governance processes, taking into account public sector internal auditing standards or guidance.

### **5.0 APPENDICES**

Appendix 1. RSM draft 'Internal Audit Strategy 2020/21 – 2024/25 (including the proposed 2020/21 Internal Audit Plan).

<b><u>Source Documents</u></b>	<b><u>Location</u></b>
None	n/a