



West Midlands  
Combined Authority

## Audit, Risk & Assurance Committee

<b>Date</b>	24 January 2023
<b>Report title</b>	Draft Internal Audit plan 2023/24
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<b>Report has been considered by</b>	Strategic Leadership Team, 14 <sup>th</sup> December 2022

### Recommendation(s) for action or decision:

#### Audit, Risk & Assurance Committee is recommended to:

Consider and agree the proposed audits contained in the draft, risk based Internal Audit plan for 2023/24.

#### 1. Purpose

- 1.1 The purpose of internal audit is to provide the organisation with an independent and objective opinion on the effectiveness of its risk management, control, and governance arrangements and the effectiveness of management arrangements in delivering its agreed objectives.
- 1.2 This document provides ARAC with a draft risk-based internal audit plan, and is based upon an assessment of assurance needs, used to direct internal audit resources to those aspects of the organisation which are assessed as generating the greatest risk to the achievement of its objectives.
- 1.3 The Strategic Leadership Team has been consulted on, and have agreed to the proposed audits contained within this plan as part of its development, in advance of presenting it to Audit, Risk and Assurance Committee.

## **2. Background**

- 2.1 Internal Audit is a statutory requirement for all Local Authorities. The audit service is provided in accordance with the Local Government Act (1972), the Accounts and Audit Regulations 2015, as amended and the Public Sector Internal Audit Standards (PSIAS). WMCA's Internal Audit service is currently provided through contract with the City of Wolverhampton Council's Internal Audit team, and operates in line with the Internal Audit Charter, as required by the PSIAS, and approved by ARAC in November 2021.
- 2.2 Internal Audit is required to provide an independent and objective opinion on risk management, control and governance arrangements within the organisation, and the effectiveness these have in achieving our agreed objectives. The outcome of these activities will be reported to, and monitored by ARAC throughout the year, and will also be used to inform Internal Audit's annual report on the adequacy and effectiveness of our governance, risk management and internal control processes for reporting as part of the Annual Governance Statement within the financial accounts.
- 2.3 Internal Audit is the organisation's third line of defence. It has developed the 23/24 risk-based audit plan through discussion with the Risk Manager and analysis of the Strategic Risk Register, a review of the activities of the Appraisal and Assurance teams (as second line of defence), the status of delivery of the organisation's high-level deliverables, and discussion with Directors to establish themes that will benefit an independent review.
- 2.4 On identification of audit themes, an Audit Needs Assessment has been undertaken giving consideration to the status of associated risks, the business impact if risks were to materialise, the outcome and frequency of any audit reviews previously undertaken, and the likely exposure to error or fraud, to determine an audit rating for a low, medium, or high requirement for inclusion in the audit plan. The outcome of this has resulted in a draft plan having been developed with the rating of this assessment included in the plan as the 'Audit Needs Rating', and is provided as appendix 1 for ARAC's consideration.
- 2.5 Where a proposed audit is aligned to a risk within the Strategic Risk Register, this has been noted with reference to the relevant risk within the plan. It should be noted however, Internal Audit are not able to review all risks contained in the register. Risks that are listed as operating at their target levels are not considered necessary for inclusion on the plan and where audit activity has been undertaken in recent years, inclusion on the plan will not be required unless specific concerns remain or have been identified. There may also be risks on the Risk Register that fall outside of the remit of the Audit, Risk and Assurance Committee and as such will be managed through the appropriate channels. In addition to the audit plan, Assurance, as the organisations second line of defence, will complete regular healthchecks of projects and programmes and will provide periodic updates to this committee.
- 2.6 Due to the continuing and unexpected resourcing issues experienced by our Internal Audit providers, and the impact this has had to date on the achievement of delivering the 22/23 audit plan, a prioritisation exercise has been completed against the 22/23 Internal Audit plan resulting in the proposal for several audits to be deferred, and have been included in the 23/24 audit plan. These include Business Continuity, Monitoring and Evaluation and the Asset Acquisition and disposal framework.

- 2.7 Work is currently underway to identify short term resource to ensure that the outstanding audits identified in the 2022/2023 Plan can be delivered in full and in a reasonable timescale.
- 2.8 A review of the existing audit arrangements is also underway. The recommendations from this review will seek to inform the provision of the WMCA internal audit service moving forwards, to ensure that adequate and appropriate resources are in place to provide a full and comprehensive audit function.
- 2.9 It is recognised the plan should be balanced in setting out an achievable work plan, whilst also allowing flexibility to respond to changing risks and priorities that arise during the year. This will be of particular importance over the coming months whilst the organisation determines its approach and resourcing capabilities for the forthcoming year, alongside any key changes to the risk environment.
- 2.10 Once delivery arrangements have been confirmed, a schedule for delivery will be prepared in advance of the plan being shared with ARAC for it's final approval in April 2023.

### **3. Financial Implications**

There are no direct financial implications arising from this report.

### **4. Legal Implications**

There are no direct legal implications. The audit plan referred to, and details of which are set out in this report assist the Authority in complying with its' statutory obligations.

### **5. Equalities Implications**

Not applicable.

### **6. Inclusive Growth Implications**

Not applicable.

### **7. Geographical Area of Report's Implications**

Not applicable.

### **8. Other Implications**

Not applicable.

### **9. Schedule of Background Papers**

Appendix 1 – Draft Internal Audit Plan 2023/24