

Audit and Governance Committee 14th March 2022

Report Title	Internal Audit Plan 2022/23	
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List of Appendices

Appendix 1: Internal Audit plan 2022/23

1. Purpose of Report

- 1.1 To provide the committee with a draft Internal Audit plan for 2022/23 for review and approval.

2. Executive Summary

- 2.1 The Public Sector Internal Audit Standards (PSIAS) state that the Council should periodically prepare a risk-based plan of Internal Audit activity that is designed to support an annual opinion on the effectiveness of the systems of governance, risk management and internal control and is informed by consultation with stakeholders and a dynamic assessment of risks.
- 2.2 An Internal Audit plan for 2022/23 has been developed in accordance with the process reviewed by the Audit and Governance Committee in January 2022 and in line with the requirements of the PSIAS. This plan is presented to the committee for review and approval and will then form the schedule of work for the Internal Audit team for the financial year. The plan must, however, remain subject to ongoing review to ensure it remains relevant and suitably focused on key risks throughout the period.

3. Recommendations

- 3.1 It is recommended that the Committee:
- a) Approve the Audit Plan for 2022/23, provided in Appendix 1.
- 3.2 Reason for Recommendations –

- For the Committee to exercise its duties and responsibilities within its Terms of Reference for overseeing the work of Internal Audit and acting as the 'board' under the requirements of the PSIAS.

4. Report Background

Basis for the plan

- 4.1 The PSIAS (section 2000) state that the Chief Internal Auditor must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals” and “must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management (Senior Management Team) and the board (Audit Committee) for review and approval”.
- 4.2 In setting the annual Internal Audit Plan, the PSIAS require:
- a) The audit plan should be developed taking into account the organisation’s risk management framework and based upon a risk assessment process undertaken with input from senior management and the Audit Committee;
 - b) The audit plan should be reviewed and approved by an effective and engaged Audit Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
 - c) The Head of Internal Audit should consider accepting proposed consulting engagements based on the engagement’s potential to improve management of risks, add value and improve the organisation’s operations.
- 4.3 As agreed at the meeting of the Audit and Governance Committee in January 2022, the development of the plan has included the following:
- a) Reviewing the Council’s Risk Registers and Corporate Plan;
 - b) Analysing coverage of Internal Audit reviews over the last year and the assurance opinions provided following each review, to identify any assurance gaps or areas where follow up work would be of value;
 - c) Identifying any other sources of assurance for each of the Council’s key risks, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
 - d) Identifying any areas of the Audit Universe (a list of potential areas for audit review across the Council) where assurances are required to suitably inform the annual Audit Opinion;
 - e) Consultation with members of the Audit and Governance Committee to discuss the planning process and areas where Members require assurances from Internal Audit during 2022/23; and
 - f) Meetings with members of the Corporate Leadership Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

- 4.4 All potential audit coverage identified has then been risk assessed and prioritised for inclusion in the Audit Plan, in consultation with Corporate Leadership Team. This has been based on risk, other sources of assurance available and potential value added from a review during this period.

Plan coverage

- 4.5 The plan includes a range of audit assignments which seek to add value and provide assurance. There is a requirement to conduct the fundamental coverage of key financial controls, governance and policy compliance on an annual basis as these must inform the annual Audit Opinion and provide the necessary assurances to the Council's Section 151 Officer.
- 4.6 In providing risk-based assurances over the Council's processes and controls, a range of audits have been proposed which relate to key risk areas identified through consultation and review of risk registers. These will provide targeted reviews of areas where assurance over the design and effectiveness of controls is a priority.
- 4.7 To maximise the value added by Internal Audit's engagements, there is an increasing move towards providing "real time assurances". This reflects a need for Internal Audit to be engaged at the outset of key projects and emerging risks, rather than conduct retrospective audits of compliance. The Audit Plan for 2022/23 seeks to deliver this, where possible, by providing flexibility to respond to such requests and ensure ongoing engagement with service areas. Some specific assignments within the plan, such as the new online payment systems and risk management checks, directly seek to adopt this approach.
- 4.8 The context in which the Council is operating presents some unique risks and issues which have been factored into the planned coverage. It is noted, for example, that "legacy issues" remain a key risk area across the organisation and during recent months there have been steps taken to formalise the monitoring of these issues and their resolution. There is a role for Internal Audit in seeking assurances over the actions taken in relation to these known issues and a block of days has been allocated specifically to engaging with this area.
- 4.9 Risk management is the responsibility of management (ie Service Managers/Leaders), but it is the role of Internal Audit and the Audit and Governance Committee to seek assurances over the effectiveness of the risk management processes. The time assigned to risk management within the audit plan for 2022/23 includes an allocation for regular assurance testing of a sample of controls detailed within the Council's risk registers. It is proposed that a rolling programme of sample testing of key controls from the Strategic Risk Register will seek to assurance that the controls upon which residual scoring is based are operating as expected.
- 4.10 In order to provide some flexibility and the opportunity to actively engage with, and support, the development of robust controls, governance mechanisms and risk management, an allocation of days for "pro-active support and engagement" has been included for each of the Council's directorates. This time can be used for ad-hoc queries and advice, in addition to providing some

contingency and flexibility where emerging risks require prompt audit engagement. This will also provide the opportunity for regular dialogue between Internal Audit and the service leads, highlighting potential changes in risk profiles and raising the profile of the service with officers.

- 4.11 Included within the plan is a specific allocation for counter fraud work. The Audit and Risk Management service includes counter fraud officer resource, and the service plays a key role in the prevention, detection and investigation of fraud. It is planned to continue to valuable work with the Cabinet Office's National Fraud Initiative (NFI) Hub and this is included in an allocation for 'detection' work. There is also an allocation of days for reactive investigation work which can be called upon as required during the financial year. It is intended to develop a Fraud Strategy and work plan during 2022 which will inform and direct the application of these fraud days and align processes with best practice.
- 4.12 Liaison with senior officers will continue throughout the year to ensure that the risks identified are consistent with their understanding and assessment of assurance and support needs and that this is reflective of the first and second lines of assurance within business areas. Any changes required to the plan based on a reassessment of risk or alternative sources of assurance will be agreed with the s151 Officer, in consultation with the Chair of the Audit and Governance Committee and reported to the subsequent Audit and Governance Committee.

Resourcing

- 4.13 Following the disaggregation of the shared internal audit service, from 1st April 2022 the Council will have its own, in house, Internal Audit and Risk Management service. The staff consultation relating to the new service remains underway at the time of reporting and a recruitment campaign for vacant positions is due to commence at the earliest opportunity. The audit plan has been based upon the proposed structure but allows for the structure not being fully staffed for a full financial year. It is the view of the Chief Internal Auditor that the proposed coverage will be sufficient to inform the Annual Internal Audit Opinion and temporary support will be procured, as needed, to resource any gaps pending the full recruitment process. The Audit and Governance Committee would be kept informed of any risks to the delivery of the audit plan during the year, as part of progress reporting.

Next steps

- 4.14 Once approved, the Audit Plan will form the schedule of work for the Audit and Risk Management service for 2022/23. The progress made in delivery of the plan and the key findings of the assignments will be reported to the Audit and Governance Committee throughout the financial year. As above, the plan must remain subject to review and enable Internal Audit to respond to changes in the risk environment.

5. Issues and Choices

- 5.1 The report provides the proposed Internal Audit Plan for 2022/23. Members of the Committee may wish to request amendments to the planned coverage.

6. Implications (including financial implications)

6.1 Resources and Financial

- None specific to this report.

6.2 Legal

- None specific to this report.

6.3 Risk

- None specific to this report.

6.4 Consultation

- None specific to this report.

6.5 Consideration by Scrutiny

- Not required on this occasion.

6.6 Climate Impact

- None specific to this report.

6.7 Community Impact

- None specific to this report.

7. Background Papers

- 7.1 None.