



**Report for: GOVERNANCE, AUDIT, RISK
MANAGEMENT & STANDARDS
COMMITTEE**

Date of Meeting:	20 September 2023
Subject:	Internal Audit Annual Plan 2023/24
Responsible Officer:	Sharon Daniels – Interim Director of Finance & Assurance
Exempt:	No
Wards affected:	All
Enclosures:	Appendix 1: Internal Audit Annual Plan 2023/24 Appendix 2: Internal Audit Charter 2023/24

Section 1 – Summary and Recommendations

This report sets out the 2023/24 Internal Audit Annual Plan and the reviewed Internal Audit Charter.

Recommendations:

- 1) The Committee is requested to: Review and approve the Internal Audit Annual Plan 2023/24 and the Internal Audit Charter 2023/24 in accordance with the Public Sector Internal Audit Standard 2020 Communication and Approval.
- 2) The Committee is also asked to note the annual plan process, the Internal Audit Strategy, the service's organisational independence, the resources available to complete the plan, audit techniques to be used and other sources of assurance, as covered within this report.

Section 2 – Report

Internal Audit Plan 2023/24 (Appendix 1)

Background

- 2.1 Internal Audit is a statutory service. The Accounts and Audit Regulations 2015, state that:

‘A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’
- 2.2 The Public Sector Internal Audit Standards (PSIAS) have been adopted and are being implemented by the Council’s Internal Audit Service. A self-assessment against the standards is required to be undertaken annually.
- 2.3 It is a requirement of the PSIAS that the ‘chief audit executive’ (Head of Internal Audit) ‘must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.’
- 2.4 The purpose of the plan is to enable independent and objective assurance on control, risk management and governance processes, put in place by management, to be provided to those charged with governance. This culminates in an annual report that includes an opinion that concludes on the overall adequacy and effectiveness of the Council’s framework of control, risk management and governance as required by the PSIAS.

Annual Plan Process

- 2.5 In compliance with the PSIAS requirement annually a risk based internal audit plan of work is developed by the Head of Internal Audit to determine the priorities of the internal audit service for the coming year to support the Council’s vision and priorities.
- 2.6 During 2022/23 the Internal Audit Team was involved in a substantial amount of work in relation to potential governance gaps which will be outlined in the Annual Governance Statement, this as well as having a number of vacant posts had a significant impact on the completion of the 2022/23 Internal Audit Plan. As a consequence some reviews, where still relevant, have been carried forward to the 2023/24 plan. The rest of the plan consists of reviews that are included annually e.g. core financial system reviews, the annual governance review, risk management work and schools and a few new reviews relating to the significant governance gap and/or other issues identified during 2022/23 e.g. Leaseholder Charges. The plan has been developed taking into account the Council’s risk management framework.
- 2.7 It has not been possible to consult with GARMS in advance due to the cancelation of the April Committee meeting and the subsequent retirement of the then Head of Internal Audit & Corporate Anti Fraud Team. As we are now in September the plan being presented for approval has been amended to take account of the current resources available. As our usual consultation process has not been possible consideration will be given to comments from members

of the committee – it should be noted that any suggestions will need to be risk assessed and sufficient resources identified before the Head of Internal Audit agrees to include them in the plan.

- 2.8. Consultation with officers has been undertaken as set out in Appendix 1 and included key senior managers across the Council as well as the Corporate Leadership Team (CLT).
- 2.9 The development of the plan has also taken into account the requirement for the Head of Internal Audit to produce an annual internal audit opinion on the Council's framework of governance, risk management and control, reported each year in the Internal Audit Year-end report (annual report) and included in the Annual Governance Statement.

Internal Audit Strategy

- 2.9 Internal Audit adds value to the organisation and contributes to the corporate vision and priorities by providing assurance on the organisation's control environment, alerting managers to weaknesses identified in the control environment, highlighting the risks of such weaknesses and instigating action to be taken by managers to improve the control environment via the implementation of audit recommendations/advice.
- 2.10 The annual plan is designed to provide the GARMS Committee, the Corporate Strategic Board (Managing Director, Monitoring Officer and Corporate Directors), the S151 Officer and other senior managers with assurance on the Council's control environment.
- 2.11 The plan will be delivered primarily by the dedicated in-house team situated in the Resources Directorate in accordance with the Internal Audit Charter (Appendix 2). An Access Agreement is also in place to a Framework Contract with PWC for the provision of Internal Audit Services which can be used for technical IT Audits. The Audit Charter has been reviewed for 2023.
- 2.12 Key to the successful delivery of an effective internal audit service in a rapidly changing business environment is flexibility. Resources available make it difficult to build flexibility into the 2023/24 plan for emerging risks to minimise the impact they may have on the plan.

Organisational Independence

- 2.13 The Public Sector Internal Audit Standards require the Chief Audit Executive (Head of Internal Audit) to confirm to the Board (GARMS Committee/CLT), at least annually, the organisational independence of the internal audit activity and if independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties.
- 2.14 The Internal Audit Service does have organisational independence in that the Head of Internal Audit reports functionally to the board (GARMS Committee/CLT), has effective communication with and free, unfettered access to the Managing Director and the Chair of the audit committee (GARMS). However, the objectivity of the service is impaired in relation to the Corporate Anti-Fraud Team, the maintenance of the Corporate Risk Register, and the preparation of the Annual Governance Statement as the Head of Internal Audit

has responsibility for these areas and thus independent assurance on them cannot be provided by internal audit. It should be noted that this is common across many local authorities.

2.15 This gap is mitigated by the following: -

- The Head of Internal Audit can provide management assurance on these areas;
- The GARMS Committee and CLT have oversight of all the areas;
- Limited assurance of these areas is provided by the External Auditors.

Resources/Audit Techniques

2.16 Internal Audit's current available resources for 2023/24 have been assessed by calculating the number of productive audit days available based on 1 @ 176 days (FTE auditor) + 1@120 days (agency member of the team since August) + 40 days for specialist IT auditor (bought in), giving a total of 336 operational audit days available to undertake the 2023/24 plan plus the Head of Internal Audit's time for managing the service. This is significantly less resources than available during 2022/23 due to the number of audit vacancies resulting in a loss of 877 operational days if resources remain constant for the rest of the financial year. If additional auditors are recruited the number of operational days will increase and the plan will be reviewed. A breakdown of the calculation of operational days available is shown in the table below: -

	Internal Audit Service	Percentage %
Gross Days Available	1489	100%
Less Indirect Time:		
Management/Advice/Admin	-164	11%
Leave, training, etc.	-112	8%
Vacancy drag	-877	59%
Operational Days Available	336	22%

2.17 Using different techniques to gain assurance ranging from self-assessment of some core financial systems to sample testing of corporate processes and by using risk-based audit techniques to optimise the achievement of the plan, the number of audit days available is considered sufficient to deliver the proposed 2023/24 internal audit plan.

2.18 Changes to the way we work as an organisation as a result of the Covid-19 pandemic has required changes to internal audit working practices. The approach to undertaking reviews in previous years relied heavily on face to face meetings, the physical presence of an auditor within the areas, schools or establishments being audited, the physical review of some evidence (in addition to electronic evidence) and the physical review and sign-off of audit files/reports as part of the internal audit quality assurance and management review process. During 2020/21 with the vast majority of the Council's workforce working from home new ways of undertaking audits remotely were developed and continue to be used. This includes the use of Microsoft Teams to conduct face to face meetings, the sharing of screens to view evidence (that cannot be physically sent), the extension of the use of electronic evidence, the reintroduction of the

use of Internal Control Questionnaires, the review of standard audit programmes for schools to make them more manageable remotely, protocols for when to use different forms of communications e.g. when a face to face meeting using technology is required during the audit process and electronic review and sign-off of audit files for quality assurance and management purposes. With the move back to working more in the office the approach to internal audit working practices will continue to be reviewed and developed throughout 2023/24 to ensure that the internal service remains effective.

Other Sources of Assurance

- 2.19 The work planned by the External Auditors has been considered in developing the internal audit plan and the assurance provided by their work will be taken into account during the course of 2023/24.
- 2.20 Other potential sources of assurance i.e. external reviews by reputable bodies such as Ofsted and other Councils (e.g. in relation to shared service arrangements) will be considered as they occur or are reported during 2023/24.

Legal Implications

The Accounts and Audit Regulations 2015, state that:

‘A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The terms of reference for the Committee include the follow requirements:

- to approve the Internal Audit Charter and support the independence of Internal Audit;
- to approve the risk-based Internal Audit Annual Plan, including Internal Audit’s resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources

Financial Implications

The functions of the Internal Audit service is delivered within the budget available.

Risk Management Implications

Risks included on corporate or directorate risk register? - The risks included on the Corporate Risk Register were reviewed and taken into account in the preparation of the Internal Audit Plan 2023/24.

Separate risk register in place? - No, however risk assessments are undertaken to support reviews included in the plan that are not on the Corporate Risk Register.

The relevant risks contained in the register are attached/summarised below. **N/A**

The following key risks should be taken into account when agreeing the recommendations in this report:

There are two main risks to the achievement of the Internal Audit plan.

Risk Description	Mitigations	RAG Status
The risk of inadequate resources to achieve the plans caused by unplanned reduction in staff resource e.g. sickness, maternity leave or staff leaving.	<ul style="list-style-type: none"> ▪ Ongoing consideration of techniques used to achieve the plan ▪ Recruitment ▪ Sickness monitoring/management ▪ Team motivation 	
The risk of detrimental level of reactive work e.g. investigations and emerging risks	<ul style="list-style-type: none"> ▪ Flexible plan approach ▪ Risk assessment of work on investigations and emerging risk 	

Equalities Implications / Public Sector Equality Duty

Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome.

The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

A public authority must, in the exercise of its functions, have due regard to the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- (c) Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- (a) Tackle prejudice, and
- (b) Promote understanding.

Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act. The relevant protected characteristics are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race
- Religion or belief
- Sex
- Sexual orientation
- Marriage and Civil partnership

The Internal Audit Annual Plan will have positive equalities impacts e.g. ensuring and measuring compliance with HR policies and the financial management of schools.

Council Priorities

Internal Audit and the Corporate Anti-Fraud Teams contribute to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support the priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels

Signed by the Interim Chief Financial Officer and S151 Officer

Date: 05.09.23

Statutory Officer: Jessica Farmer

Signed by the Monitoring Office, Interim Director of Legal and Governance,

Date: 31.08 .23

Mandatory Checks

Ward Councillors notified: No, as it impacts on all Wards

Section 4 - Contact Details and Background Papers

Contact: Tracy Barnett,

Interim Head of Internal Audit & Corporate Anti-Fraud

Background Papers: None

If appropriate, does the report include the following considerations?

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| 1. Consultation | YES / NO |
| 2. Priorities | YES / NO |