

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

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| <b>Date of Meeting:</b>     | 15 July 2024   |
| <b>Subject:</b>             | Internal Audit Annual Plan 2024/25   |
| <b>Responsible Officer:</b> | Sharon Daniels – Strategic Director of Finance   |
| <b>Exempt:</b>              | No   |
| <b>Wards affected:</b>      | All  |
| <b>Enclosures:</b>          | Appendix 1: Internal Audit Annual Plan 2024/25<br>Appendix 2: Internal Audit Charter 2024/25 |

## **Section 1 – Summary and Recommendations**

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- 1.1 This report sets out the 2024/254 Internal Audit Annual Plan and the reviewed Internal Audit Charter.

### **Recommendations:**

- 1.2 The Committee is requested to: Review and approve the Internal Audit Annual Plan 2024/25 and the Internal Audit Charter 2024/25 in accordance with the Public Sector Internal Audit Standard 2020 Communication and Approval.
- 1.3 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 2024/25 (See 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 a risk based internal audit plan of work has been developed by the Interim Head of Internal Audit & Anti-Fraud to determine the priorities of the internal audit service for the coming year in order to support the Council’s vision and priorities.
- 2.7 The plan was scheduled to be presented to GARMS for approval in April however this meeting was cancelled. 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 Interim Head of Internal Audit & Corporate Anti-Fraud 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**

- 2.10 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.

- 2.11 The annual plan is designed to provide the GARMS Committee, the Corporate Leadership Team (Managing Director, Monitoring Officer and Corporate Directors), the S151 Officer and other senior managers with assurance on the Council's control environment.
- 2.12 The plan will be delivered primarily by the dedicated in-house team situated in the Finance & Assurance Directorate in accordance with the Internal Audit Charter (Appendix 2). There is also a contract in place with an external provider to undertake technical IT audits throughout the year. The Audit Charter has been reviewed for 2024.
- 2.13 Key to the successful delivery of an effective internal audit service in a rapidly changing business environment is flexibility. Resources available make it challenging to build flexibility into the 2024/25 plan for emerging risks to minimise the impact they may have on the plan.

### **Organisational Independence**

- 2.14 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.
- 2.15 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.
- 2.16 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**

- 2.17 Internal Audit's current available resources for 2024/25 have been assessed by calculating the number of productive audit days available based on 3 FTE auditors + 1 auditor @ 117 days (vacant post hopefully filled by October 2024) + 50 days for specialist IT auditor (bought in), giving a total of 718 operational audit days available to undertake the 2024/25 plan plus the Head of Internal Audit's time for managing the service. A breakdown of the calculation of operational days available is shown in the table below: -

|                                   | <b>Internal Audit Service</b> | <b>Percentage %</b> |
|-----------------------------------|-------------------------------|---------------------|
| Gross Days Available              | 1257                          | 100%                |
| <u>Less Indirect Time:</u>        |                               |                     |
| Management/Advice/Admin           | -233                          | 19%                 |
| Leave, training, etc.             | -190                          | 15%                 |
| Vacancy drag                      | -117                          | 9%                  |
| <b>Operational Days Available</b> | <b>718</b>                    | <b>57%</b>          |

2.18 Using different techniques to gain assurance ranging from self-assessment of core financial systems to sample testing of corporate processes and 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 2024/25 internal audit plan.

### **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 2024/25.

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 2024/25.

## **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**

Risk included on Directorate risk register? No

Separate risk register in place? No

The risks included on the Corporate Risk Register were reviewed and taken into account in the preparation of the Internal Audit Plan 2024/25. Risk assessments are also undertaken to support reviews included in the plan. There are two main risks to the achievement of the Internal Audit plan that should be taken into account when agreeing the recommendations in this report:

| 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"> <li>▪ Ongoing consideration of techniques used to achieve the plan</li> <li>▪ Recruitment</li> <li>▪ Sickness monitoring/management</li> <li>▪ Team motivation</li> </ul> |            |
| The risk of detrimental level of reactive work e.g. investigations & emerging risks  | <ul style="list-style-type: none"> <li>▪ Flexible plan approach</li> <li>▪ Risk assessment of work on investigations and emerging risk</li> </ul>  |            |

## Equalities Implications / Public Sector Equality Duty

Was an Equality Impact Assessment carried out? No (N/A)

## Council Priorities

Internal Audit and the Corporate Anti-Fraud Team 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 Strategic Director of Finance, S151 Officer

Date: 8 July 2024

### Statutory Officer: Jessica Farmer

Signed by the Monitoring Office, Director of Legal and Governance

Date: 8 July 2024

## 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? **N/A**

- |                 |    |
|-----------------|----|
| 1. Consultation | NO |
| 2. Priorities   | NO |