

AUDIT COMMITTEE – 15th FEBRUARY 2022

Report of the Head of Strategic Support

Part A

ITEM 9 2022/23 INTERNAL AUDIT ANNUAL PLAN

Purpose of Report

To present the proposed Internal Audit Annual Plan for 2022/23, including the proposed IT Audit Plan for 2021/22.

Recommendation

The Committee is recommended to approve the proposed audit plan as set out in the appendix.

Reason

To ensure that Internal Audit resources are effectively utilised.

Policy Justification and Previous Decisions

The Accounts and Audit Regulations 2015 state (Regulation 5 (1)) that the relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards and any appropriate guidance.

Implementation Timetable including Future Decisions

Progress against the plan will be reported to Committee on a quarterly basis.

Report Implications

The following implications have been identified for this report.

Financial Implications

None

Risk Management

The risks associated with the decision the Committee is asked to make and proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
Failure to approve a satisfactory audit plan could lead to ineffective targeting of audit resources.	Unlikely (2)	Serious (3)	Moderate (6)	Audit plans are developed using a risk-based methodology and in consultation with Corporate and Senior Management Teams (the approach as required by the Public Sector Internal Audit Standards).

Background Papers: Public Sector Internal Audit Standards

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Part B

1. BACKGROUND

- 1.1. The Public Sector Internal Audit Standards (PSIAS) require that the Chief Audit Executive (CAE) establishes a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. The Chief Audit Executive for Charnwood Borough Council is the Shared Service Audit Manager.
- 1.2. The PSIAS also require that the risk-based plan must consider both the requirement to produce an annual Head of Internal Audit opinion to support the Annual Governance Statement and the assurance framework.
- 1.3. The Internal Audit Service will be delivered and developed as set out in the Internal Audit Charter
- 1.4. The audit plan is required to be reviewed and approved by both senior management and the 'Board'. As set out in the Internal Audit Charter, the role of the 'Board' is fulfilled by the Audit Committee. The Senior Leadership Team reviewed and approved the audit plan on the 26th January 2022.
- 1.5. Progress against the approved audit plan, together with any amendments required during the year, will be reported to the Audit Committee quarterly through the year.

2. INTERNAL AUDIT PLAN 2022/23

- 2.1. The proposed Audit Plan for 2022/23 is attached as an Appendix. The Audit Plan has been prepared following a risk-based assessment of the Council's activities and consultation with the Senior Leadership Team and Corporate Leadership Team, to identify the Council's key risks.
- 2.2. Each audit assignment included in the Plan has been aligned to the Strategic Risk Register where appropriate and to the priority area for the Council.
- 2.3. The specialist resources for technical Information Technology (IT) audits have been externally procured. Further details are recorded within the proposed plan.

Appendices

Appendix - 2022/23 Internal Audit Plan



INTERNAL AUDIT SHARED SERVICE

Charnwood Borough Council

2022/23 Internal Audit Annual Plan

1. INTRODUCTION

1.1 The Public Sector Internal Audit Standards require the Chief Audit Executive (the Audit Manager for this Council) to develop a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. This document sets out the background and the approach to producing the annual plan, with the 2022/23 annual plan attached at Appendix A.

2. BACKGROUND

2.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit play a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to Internal Audit activity should lead to strengthening of the control environment and therefore contribute to the achievement of the organisation's objectives.

2.2. Internal Audit provide a combination of assurance and consulting/advisory activities. Assurance work involves assessing how well the systems are designed and working, with consulting or advisory activities available to help to improve those systems and processes where necessary. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

2.3. The Internal Audit Charter sets out the purpose, authority and responsibilities of Internal Audit. The Charter:

- establishes Internal Audit's position within the organisation;
- authorises access to records, personnel and physical properties relevant to the performance of engagements; and
- defines the scope of Internal Audit activities.

2.4 The Three Lines of Defence Model (below) is a valuable framework that explains Internal Audit's role in providing assurance that the management arrangements over governance, risk and internal control are adequate and effective.



Source: Chartered Institute of Internal Auditors

3. INTERNAL AUDIT PLAN

3.1. Overall Strategy

- 3.1.1 The key aim of the service is to provide an independent, objective assurance and advisory function which is designed to add value and improve the Council's operations. This supports Charnwood Borough Council in the achievement of its priorities and helps services to provide good value for money, as it brings a systematic disciplined approach to evaluating and improving the effectiveness of risk management and control and governance processes.
- 3.1.2 The Audit Manager has produced a risk-based annual audit plan for 2022/23. This is informed by a risk assessment which is based on a combination of:
- consulting with key stakeholders including the existing audit team and senior management;
 - reviewing the strategic risk register and committee minutes;
 - reviewing reports from external agencies (for example external audit) and legislative updates;
 - factors such as changes in staffing, systems and processes; and
 - the Audit Manager's professional judgement.

This approach enables the finite resources of the team to be focussed on areas where it can add value and conforms to the Public Sector Internal Audit Standards.

- 3.1.3 The outcomes from each audit engagement undertaken as part of the annual audit plan underpin the Audit Manager's annual opinion on the Council's internal control environment. This opinion feeds into the Council's Annual Governance Statement.
- 3.1.4 It should be noted that the Public Sector Internal Audit Standards state that

"The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls."

The Audit Manager will ensure that the audit plan is regularly reviewed and adjusted as necessary throughout 2022/23. In practice this may mean that audits are added to or removed from the plan, with details included in the quarterly progress reports.

3.2. Resources Available

- 3.2.1 The Audit Team who will deliver the 2022/23 annual audit plan at Charnwood Borough Council consists of the Audit Manager (0.32 FTE), Senior Auditor (0.66) and an Internal Auditor (0.8 FTE). Table 1 shows a calculation of the available audit days for 2022/23.

Table 1: Resources Available

Available Days	366
Team and Contract Management / Annual Opinion/ Annual Plan/Audit Committees/Progress Reports/External Audit	25
Corporate Meetings/General Admin/ Minutes Review/Regional Audit Groups	35
Available Audit Days	306

3.3. Internal Audit Annual Plan 2022/23

3.3.1 The proposed 2022/23 Annual Audit Plan is shown in Table 2 below and the detailed plan is shown in Appendix A. The Plan will be subject to ongoing review to ensure that it remains aligned with the Council's objectives and the risks identified by management and the audit team. Any changes will be reported to the Senior Leadership Team and the Audit Committee.

Table 2: 2021/22 Annual Audit Plan

Risk Based Audit Work 2022/23 (see Appendix A)	254
Completion of 2020/21 Outstanding Audits	13
Follow up reviews	14
Advisory – Adhoc	12
Public Sector Internal Audit Standards	4
Contingency	9
Total Audit Days	306

3.3.2 The contract with BDO to provide the IT audits to Charnwood BC is due to end in March 2022. A procurement process is currently underway for the provision of the IT audit service for a 2-year period, with the intention of carrying out key IT control audits in these years.

The audit will be reviewed in Q1 2022/23 to consider whether any changes are required in response to changing risks.

3.3.3 The timings shown within the Internal Audit Annual Plan are estimates based on time taken on previous similar audits and a high-level consideration of the scope and existing arrangements. As part of the set-up process for each audit engagement the scope of the audit will be agreed in detail and a more accurate budget for audit days will be set. A contingency has been included in the plan to allow for variances in planned audits days against actual and for ad-hoc or fraud investigations that may arise during the year. Due to the limited resources available, only 9 days have been included at this time. However, 20 days have been allocated in the plan to continue to respond to any Covid-19 related assurance and a further 20 days for NFI work which may be required but cannot be specified at this time. The quarterly progress reports to Audit Committee will include a comparison of planned to actual days for each audit undertaken.

3.4 Limitations

- 3.4.1 The matters raised in the audit reports will only be those which come to our attention during internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or all the improvements that may be required. Whilst every care will be taken to ensure that the information contained in audit reports is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained therein. Our work does not provide absolute assurance that material errors, losses or fraud do not exist.

2022/23 INTERNAL AUDIT ANNUAL PLAN

AUDIT AREA	TYPE	TIMING	COUNCIL PRIORITY AREA	RISK REGISTER (WHERE APPLICABLE)	CORPORATE SIGNIFICANCE	PLANNED AUDIT DAYS
STRATEGIC AND PRIVATE SECTOR HOUSING						
Disabled Facilities Grants	Certification & audit	Q2	Theme 2		Medium	6
SUBTOTAL						6
PLANNING AND REGENERATION						
S106 Agreements	Audit	Q2	Theme 3		High	6
SUBTOTAL						6
CLEANSING AND OPEN SPACES						
Open Spaces Contract Management	Audit	Q1	Theme 1		High	7
SUBTOTAL						7
LEISURE AND CULTURE						
Town Hall		Q3	Theme 3		High	10
SUBTOTAL						10
FINANCE AND CORPORATE SERVICES						
Key Financial Systems	Audit	Q3/Q4	Theme 4		Low	45
Capital Programmes	Audit	Q2	Theme 4		High	10
Covid-19 related assurance work	Assurance	All year	Theme 4		Medium	20
Benefits Subsidy	Assurance	Q3/Q4	Theme 4		Medium	60
SUBTOTAL						135
LANDLORD SERVICES						
Planned & Cyclical Maintenance	Audit	All year	Theme 2		High	30
Responsive Repairs	Audit	All year	Theme 2		High	30
SUBTOTAL						60

CROSS CUTTING						
Workforce Planning	Audit	Q1/2	Theme 4		Medium	10
National Fraud Initiative	Non audit	Q1/2	Theme 4		High	20
SUBTOTAL						30
TOTAL 'INHOUSE' DAYS						254
OUTSOURCED IT AUDITS*						
IT Key Controls Audit	Audit		Theme 4	SR1	High	40
SUBTOTAL						40
TOTAL						294

Key

- Theme 1 - Caring for the Environment
- Theme 2 - Healthy Communities
- Theme 3 - A Thriving Economy
- Theme 4 - Your Council