

# Internal Audit Plan 2020-23

<b>Committee considering report:</b>	Governance and Ethics Committee on 20 April 2020
<b>Date of Committee:</b>	20 <sup>th</sup> April 2020
<b>Portfolio Member:</b>	Councillor Howard Woollaston
<b>Date Head of Service agreed report: (for Corporate Board)</b>	17/02/2020
<b>Date Portfolio Member agreed report:</b>	12 March 2020
<b>Report Author:</b>	Julie Gillhespey (Audit Manager)
<b>Forward Plan Ref:</b>	GE3688

## 1. Purpose of the Report

- 1.1 This report sets out the proposed Internal Audit Work for the three year period from 2020/21 to 2022/23.

## 2. Recommendation

- 2.2 That the Governance and Ethics Committee discuss and approve the Proposed Audit Plan, the amended Internal Audit Charter and Internal Audit Reporting Protocol.

## 3. Implications and Impact Assessment

Implication	Commentary			
<b>Financial:</b>	None			
<b>Human Resource:</b>	None			
<b>Legal:</b>	None			
<b>Risk Management:</b>	Internal Audit work helps to improve risk management processes by identifying weaknesses in systems and controls and making recommendations to provide mitigation and improve service delivery processes.			
<b>Property:</b>	None			
<b>Policy:</b>	None			
	<b>Positive</b>	<b>Neutral</b>	<b>Negative</b>	<b>Commentary</b>
<b>Equalities Impact:</b>				
<b>A Are there any aspects of the</b>		X		

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proposed decision, including how it is delivered or accessed, that could impact on inequality?				
<b>B</b> Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
<b>Environmental Impact:</b>		X		
<b>Health Impact:</b>		X		
<b>ICT or Digital Services Impact:</b>		X		
<b>Council Strategy Priorities or Business as Usual:</b>		X		
<b>Data Impact:</b>		X		
<b>Consultation and Engagement:</b>	Head of Service, Directorate management teams, Finance and Governance Group and Corporate Board.			

## 4. Executive Summary

- 4.1 The Public Sector Internal Audit Standards (PSIAS) require the Council's Audit Plan and Internal Audit Charter to be approved by the Governance and Ethics Committee. The purpose of this report is to set out a risk based plan of work for Internal Audit (IA) that will provide assurance to the Governance and Ethics Committee on the operation of the Council's internal control framework and support the Committee's review of the Annual Governance Statement.
- 4.2 The objectives for IA are set out in West Berkshire Council's Internal Audit Charter. This document is reviewed and refreshed each year where appropriate. The amendments made this year were to reflect the change in the Council's S151 Officer role which has been moved to the Executive Director, Resources post. This change has resulted in the need to review the reporting line of Internal Audit, as the PSIAS requires that the function reports to a senior officer who is part of the senior management team. A recommendation to review the reporting line was included in the New Ways of Working report for Internal Audit. As an interim measure a dotted

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reporting line into the Section 151 Officer has been established (see section 5.2). The revised Charter is attached at Appendix A.

- 4.3 The Internal Audit Reporting Protocol sets out how the team will communicate with its clients. There have been some minor changes made mainly to reflect the move of responsibility of the Section 151 Officer role. The amended IA Reporting Protocol is at Appendix B.
- 4.4 The work programme for IA for the period 2020-2023 is attached at Appendix C. The plan analyses the different areas of Council activity that IA have assessed as needing to be audited. The Audit Team consists of 4 posts, a budget pressure bid was submitted for the 2020/21 budget for a new post. The proposed Audit Plan has been compiled with the anticipation that the new post will be approved.
- 4.5 Last year there had been a shortfall between the planned audits and the resources available to undertake the work, taking into account the prospective new post the planned work over the next 3 years is in line with resources available.
- 4.6 Good practice as stated in CIPFA's Fighting Fraud and Corruption Locally requires an Annual Anti-Fraud Work Plan to be prepared which links to the Audit Plan, a draft plan is attached as Appendix D.
- 4.7 This report sets out the proposed work for IA over the next three years. In order for an informed decision to be made regarding the proposed work programme, the detailed report sets out the role of IA together with supporting information as to how the plan is compiled.

## **5. Supporting Information**

### **Introduction**

- 5.1 The purpose of this report is to set out a risk based plan of work for Internal Audit (IA) that will provide assurance to the Governance and Ethics Committee on the operation of the Council's internal control framework and support the Committee's review of the Annual Governance Statement.
- 5.2 To present the Revised Audit Charter and Audit Reporting Protocols for review and approval.

### **Background**

- 5.3 The work of IA is regulated by the Public Sector Internal Audit Standards (PSIAS) which set out the following:-
  - (1) Definition of Internal Auditing;
  - (2) Code of Ethics;
  - (3) International Standards for the professional practice of internal auditing.
- 5.4 The objectives for IA are set out in West Berkshire Council's Internal Audit Charter. This document is reviewed and refreshed each year where appropriate. The document has been amended to reflect that the Section 151 Officer role has moved to the Executive Director, Resources. This change has resulted in the need to review the reporting line of Internal Audit, as the PSIAS requires that the function reports to a senior officer who is part of the senior management team. A recommendation to review

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the reporting line was included in the New Ways of Working report for Internal Audit. As an interim measure a dotted reporting line into the Section 151 Officer has been put in place (see section 5.2). The revised Charter is attached at Appendix A.

5.5 The main outcomes from the work of IA are:

- (1) Audit reports produced at the conclusion of each audit, for the relevant Head of Service/Service Director and Executive Director.
- (2) Monitoring reports on progress with implementation of agreed audit recommendations.
- (3) An annual assurance report and interim update reports for Corporate Board and the Governance and Ethics Committee on the outcomes of IA work.

5.6 The work programme for IA for the period 2020-2023 is attached at Appendix C. The plan analyses the different areas of Council activity that IA have assessed as needing to be audited. The Plan is broken down by Corporate Audits, then by Head of Service/Service Director. The information for each audit covers:-

- (1) The key risks involved in that area;
- (2) The level of risk associated with the subject, as assessed by IA;
- (3) The type of audit;
- (4) Date last reviewed;
- (5) An initial estimate of the number of days that will be required to complete the audit, and the year in which the audit is planned.

5.7 The process of putting the plan together is extensive in terms of the documents and people who are consulted. The following identifies the key drivers:-

- (1) The views of stakeholders i.e. Heads of Service, Corporate Board, Operations Board, are key to identifying priorities for the team;
- (2) The Council Strategy is reviewed to ensure that audit resources are used to support the delivery of Council objectives;
- (3) The Council's risk registers. These are used to highlight areas where assurance is required for controls that are in place to significantly reduce levels of risk to the Council;
- (4) Results of previous audit, inspection and scrutiny work, by internal teams and external agencies, is considered;
- (5) Plans are made available to the Council's external auditor to ensure that there is no unnecessary duplication of effort.

5.8 The work programme is based on levels of risk. The risk registers are used to inform the level of risk where appropriate and this is supplemented by an audit view of risk. This takes account of:-

- (1) Results of risk self-assessments;
- (2) Complexity/scale of system and processes / volume and value of transactions;
- (3) Fraud and corruption – e.g. the risk of fraud or corruption occurring;
- (4) Inherent risk – e.g. degree of change/instability/confidentiality of information;
- (5) IA knowledge of the control environment based on previous audit work.

5.9 The work of IA forms the basis of the opinion given by the Audit Manager on the Council's internal control framework. The work of IA is regulated by the PSIAS; these

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set out the standards and methods that should be applied in carrying out audit work. At an operational level there is an Audit Manual which sets out in detail how work is to be undertaken, recorded and managed.

- 5.10 In addition, an Audit Reporting Protocol is published setting out the communication process for each audit. There have been some minor amendments to reflect the move of the Section 151 role to the Executive Director, Resources. The Reporting Protocol is attached at Appendix B.
- 5.11 There are a number of key elements to the communication process that ensure the output from audit is fit for purpose:-
- (1) Consultation takes place at various stages of each audit with the service under review (terms of reference, rough and formal draft and final reports and action plans are all discussed and agreed with the service under review);
  - (2) Audits are followed up, where appropriate, to ensure that agreed actions are implemented (method and approach to follow up work varies depending on the nature of the issues identified in the original audit);
  - (3) All audit work is supervised/reviewed at key stages of the process, this is to ensure the scoping is appropriate and to check the accuracy, completeness and quality of the work undertaken (as per the Audit Manual standards);
  - (4) An external review of the IA team is required every five years to ensure the team complies with the professional practices of Internal Audit as stated in the PSIAS.
- 5.12 The work produced by IA is designed to identify and provide remedial action for weaknesses in the internal control framework. Weaknesses that are identified are categorised according to their severity (fundamental, significant, moderate and minor).
- 5.13 Taken together, the above provides a sound basis for the Audit Manager to provide an annual opinion of the internal control framework of the Council.
- 5.14 The Audit Team consists of four staff; the Audit Manager and three senior auditors. A budget pressure has been submitted to cover the costs of a further post.
- 5.15 Appendix C sets out the proposed work plan for Internal Audit. Last year there had been a shortfall between the planned audits and the resource available to undertake the work, taking into account the prospective new post the planned work over the next 3 years is in line with resource available.
- 5.16 Good practice as stated in CIPFA's Fighting Fraud and Corruption Locally requires an Annual Anti-Fraud Work Plan to be prepared which links to the Audit Plan. A draft Fraud Plan is attached at Appendix D.

## **Proposals**

That the Governance and Ethics Committee approve the planned work programme for IA, together with the content of the revised Internal Audit Charter and Reporting Protocol.

## **6. Other options considered**

- 6.1 None, the Public Sector Internal Audit Standards (PSIAS) require the Council's Audit Plan and Internal Audit Charter to be approved by the Governance and Ethics Committee.

## 7. Conclusion

- 7.1 This report sets out the proposed work for IA over the next three years. In order for an informed decision to be made regarding the work programme, this report sets out the role of IA together with supporting information as to how the plan is compiled.

## 8. Appendices

- 8.1 Appendix A – Internal Audit Charter;
- 8.2 Appendix B – Internal Audit Reporting Protocol;
- 8.3 Appendix C – Internal Audit Plan;
- 8.4 Appendix D - Anti-Fraud Work Plan.

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### Subject to Call-In:

Yes: ☐ No: x☐

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