

Internal Audit Plan 2023-2026

Committee considering report:	Governance Committee
Date of Committee:	26 June 2023
Portfolio Member:	Councillor Jeff Brooks
Date Portfolio Member agreed report:	14 June 2023
Report Author:	Julie Gillhespey (Audit Manager)
Forward Plan Ref:	GE4347

1 Purpose of the Report

The Public Sector Internal Audit Standards (PSIAS) require the Council's Audit Plan and Internal Audit Charter to be approved by those charged with governance within the Council. 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 Committee on the operation of the Council's governance, risk management and internal control frameworks, and support the Committee's review of the Council's Annual Governance Statement.

2 Recommendation

That the Governance Committee discuss and approve the Proposed Audit Plan and Audit Charter.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	None
Human Resource:	None
Legal:	None
Risk Management:	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.

Property:	None			
Policy:	None			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:		X		
Core Business:		X		

Data Impact:		X		
Consultation and Engagement:	Directorate management teams and Corporate Board.			

4 Executive Summary

- 4.1 The PSIAS require the Council’s Audit Plan and Internal Audit Charter to be approved by the Governance 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 Committee on the operation of the Council’s governance, risk management and internal control frameworks, and support the Committee’s review of the Council’s Annual Governance Statement.
- 4.2 The objectives for IA are set out in West Berkshire Council’s Internal Audit Charter (Appendix A). This document is reviewed and refreshed each year where appropriate. There were only minor amendments made this year to reflect the name change of the Governance Committee.
- 4.3 The Internal Audit Reporting Protocol (Appendix B) sets out how the team will communicate with its clients. There were no amendments needed to be made this year.
- 4.4 The proposed work programme for IA for the period 2023-2026 is attached at Appendix C. The plan analyses the different areas of the Council’s activity that IA have assessed as needing to be audited.
- 4.5 The plan over the three year period shows the level of resource is sufficient to meet the planned programme of work. The number of planned days in the first year has been reduced to reflect an ongoing vacancy in the Audit team.
- 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 The PSIAS require the Audit Manager to identify areas for improvement for the Internal Audit function each year, these are set out in Appendix E.
- 4.8 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 key 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 Committee on the operation of the Council’s governance, risk management and internal control frameworks, as well as support the Committee’s review of the Annual Governance Statement.

5.2 The purpose is also to present the Audit Charter 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 (Appendix A). This document is reviewed and refreshed each year where appropriate. The only changes this year have been to reflect the amended name of the Governance Committee.

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 Committee on the outcomes of IA work.

These reporting requirements are formally set out in the Internal Audit Reporting Protocol (Appendix B).

5.6 The work programme for IA for the period 2023-2026 is attached at Appendix C. The plan analyses the different areas of the Council's 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, setting out any direct links with the Council Strategy and Corporate Risk Register;
- (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. Executive Directors, Heads of Service/Service Directors, 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 are reviewed 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 (including the annual reports from External Audit) are considered.
- 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 governance, risk management and internal control framework. The work of IA is regulated by the PSIAS; these 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, quality controlled and managed.
- 5.10 There are a number of key elements to the audit process that ensure the output 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 and signed off 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.
- 5.11 The work produced by IA is designed to identify and provide remedial action for weaknesses in the governance, risk management and internal control frameworks. Weaknesses that are identified are categorised according to their severity (fundamental, significant, moderate and minor).

- 5.12 Taken together, the above provides a sound basis for the Audit Manager to provide an annual opinion on the Council's governance, risk management and internal control frameworks.
- 5.13 The Audit Team consists of five staff; the Audit Manager, a Principal Auditor and three Senior Auditors. One of the senior posts has been vacant since June 2022, we have had two unsuccessful attempts to recruit. After considering a strategy for a way forward, we have recently advertised again for the senior post using a wider advertising route, we also advertised for an Auditor level post as we may need to appoint someone at a lower level and train them. The number of applications this time around has increased, with promising applicants at both levels and we are currently arranging interviews.
- 5.14 The Audit Team has a performance target to achieve at least 80% of the agreed work programme for the year. In-year updates are provided to senior officers and Committee, with a detailed year end analysis of work undertaken compared with planned which is included in the Internal Audit Annual Report.

Audit Work Plans for 2023/24

- 5.15 Appendix C sets out the proposed work plan for Internal Audit. The plan over the three year period shows the level of resource is in line with the number of days in the planned programme of work. There is a smaller number of days in the first year due to the ongoing vacancy.
- 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.
- 5.17 The PSIAS require IA to have a Quality Assurance and Improvement Programme. Section 5.10 of this report sets out the overarching approach to quality assurance. An ongoing self-assessment has identified two areas for improvement, which are set out in an Improvement Plan at Appendix E.

Proposals

- (a) That the Governance Committee approve the planned work programme for IA, and the Audit Charter.

6 Other options considered

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

7 Conclusion

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 2023 – 2026;

8.4 Appendix D - Anti-Fraud Work Plan 2023/24;

8.5 Appendix E - Improvement Plan 2023/24.

Subject to Call-In:

Yes: No:

The item is due to be referred to Council for final approval

Delays in implementation could have serious financial implications for the Council

Delays in implementation could compromise the Council's position

Considered or reviewed by Overview and Scrutiny Management Committee or associated Task Groups within preceding six months

Item is Urgent Key Decision

Report is to note only

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