
Internal Audit Plan 2021-2024

Committee considering report:	Governance and Ethics Committee on 19 April 2021
Portfolio Member:	Councillor Howard Woollaston
Date Portfolio Member agreed report:	4 March 2021
Report Author:	Julie Gillhespey (Audit Manager)
Forward Plan Ref:	GE3895

1 Purpose of the Report

This report sets out the proposed Internal Audit Work for the three year period from 2021/22 to 2023/24.

2 Recommendation

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
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 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 reporting line for Internal Audit from next financial year, when the Audit Manager will report to the Service Director, Strategy and Governance. 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 some minor changes made to reflect the change of reporting line for the Internal Audit function. The amended IA Reporting Protocol is at Appendix B.
- 4.4 The work programme for IA for the period 2021-2022 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.
- 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 the change in reporting line for Internal Audit from next financial year, when the Audit Manager will report to the Service Director, Strategy and Governance. 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 2021-2024 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;
- (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. 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;

5.8 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 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 changes in reporting line of the Audit Manager, who will report to the Service Director Strategy and Governance from next financial year. 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 five staff; the Audit Manager, a principal auditor and three senior auditors.

- 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 sufficient to meet the planned programme of work.
- 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. As the team only completed the action plan resulting from the external assessment last year, a full self- assessment against the PSIAS was not deemed necessary this year. Instead, the Audit Manager has identified areas for improvement from reviewing and monitoring audit assignments during 2020/21. Areas that the team will focus on improving are as follows:-
- (1) project planning techniques in order to reduce timeframes for completion of audit assignments;
 - (2) Increase the use of IDEA (data analytics software) as part of obtaining assurance during an audit;
 - (3) Include coverage of basic I.T. controls in the scoping of audits where databases/systems are being used, in order to provide wider coverage of these controls as there are many systems in use within the Council.

Proposals

- (a) 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

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

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.

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

Officer details:

Name: Julie Gillhespey
Job Title: Audit Manager
Tel No: 01635 519455
E-mail: julie.gillhespey@westberks.gov.uk

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