

## **Audit & Governance Committee**

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<b>Date of Meeting:</b>	9 March 2023
<b>Report Title:</b>	Internal Audit Plan 2023/24
<b>Report of:</b>	David Brown, Director of Governance and Compliance
<b>Report Reference No:</b>	AG/10/22-23
<b>Ward(s) Affected:</b>	All

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### **1. Purpose of Report**

- 1.1. The purpose of this report is for the Committee to receive and approve the Summary Internal Audit Plan for 2023/24 (Appendix A).

### **2. Executive Summary**

- 2.1. The preparation and delivery of the annual Internal Audit Plan, the annual opinion on the organisation's arrangements for governance, risk and internal control, and the assurances these provide to the Annual Governance Statement (AGS) are key indicators and contributors for the Council's corporate objectives as an open and enabling organisation.
- 2.2. The Council's Internal Audit Charter, which has been developed to ensure compliance with the Public Sector Internal Audit Standards (PSIAS), requires the preparation of a risk based internal audit plan which takes into account the need to produce an annual internal audit opinion. The opinion is a key source of assurance for the AGS which is approved by the Audit and Governance Committee and signed by the Council's Chief Executive and Leader.

### **3. Recommendations**

3.1. That the Committee:

3.1.1. Approve the Internal Audit Plan 2023/24.

3.1.2. Note that the plan details priority work during quarters 1 and 2 along with additional areas for consideration during quarters 3 and 4. Progress against the plan, and the priorities for the last 6 months will be reported back as part of the regular updates to the Committee.

### **4. Reasons for Recommendations**

4.1. The Council's Internal Audit Charter, developed in accordance with the PSIAS requires the production of an annual internal audit plan. This plan sets out the anticipated range and volume of work which is required to deliver the annual internal audit opinion on the organisation's arrangements for governance, risk and internal control.

4.2. The authority to approve the annual internal audit plan is within the Audit and Governance Committee's Terms of Reference.

### **5. Other Options Considered**

5.1. There is no "do nothing" option. Failure to approve an internal audit plan would mean significant non-compliance with the PSIAS. Approval of the proposed audit plan ensures that the work of Internal Audit during 2023/24 is focused upon and contributes to the annual opinion.

### **6. Background**

6.1. All principal local authorities subject to the Accounts and Audit Regulations 2015 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards. The Standards state that the provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the Head of Audit and Risk (as "Chief Audit Executive") to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

6.2. The planning process and risk assessment is detailed in Appendix A. Through this additional and thorough consultation we look to ensure that internal audit resources continue to focus on areas where assurance provides the most value, particularly during periods of change.

6.3. For planning purposes, the 2023/24 plan will be based on the current team structure with adjustments made where necessary to reflect any changes in resource during the year.

6.4. Proposed audit activities identified through the development and consultation process are matched against the internal audit resources available and

prioritised accordingly; the proposed risk-based summary internal audit plan for 2023/24 is included in Appendix A.

- 6.5. In accordance with PSIAS, the plan is fixed for a period of no longer than one year. It details the assignments to be carried out, their respective priorities, (by differentiating between core assurance work and other work), and the estimated resources required. The Corporate Leadership Team has been consulted on the plan prior to presentation to the Audit and Governance Committee.
- 6.6. The Plan will continue to be reviewed and refined during the year. Minor changes to the plan will be discussed with the Executive Director of Corporate Services, and any significant matters impacting upon the completion of the plan or the ability to provide the annual opinion will be reported to the Corporate Leadership Team and the Audit and Governance Committee.
- 6.7. In accordance with the Council's Internal Audit Charter, the Audit and Governance Committee is asked to review and approve the summary internal audit plan 2023/24. In doing so, Members should consider whether the:
  - 6.7.1. Scale and breadth of activity is sufficient to allow Internal Audit to provide an independent and objective audit opinion that can be used to inform the AGS.
  - 6.7.2. Level of resources in any way limits the scope of Internal Audit, or prejudices the ability to deliver a service consistent with the PSIAS.
  - 6.7.3. Level of non-assurance work has an adverse impact on the core assurance work.

## **7. Consultation and Engagement**

- 7.1. In preparing the Summary Plan, there has been consultation to identify the expectations of senior management, external audit and other key stakeholders. This is covered in Appendix A.

## **8. Implications**

### **8.1. Legal**

- 8.1.1. All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities "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."

- 8.1.2. The guidance accompanying the Regulations recognises that with effect from 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) represent “proper internal audit practices”. The PSIAS apply to all internal audit service providers within the UK public sector.

## 8.2. **Finance**

- 8.2.1. In accordance with the PSIAS, the Audit and Governance Committee should ensure that the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors. A small contingency allocation has been included at this stage.
- 8.2.2. The Internal Audit Plan 2023/24 has been prepared, based on current resources, to cover the core areas of work required to deliver an annual audit opinion. This will be compared to resource availability as part of establishing the plan and in monitoring progress against the plan.
- 8.2.3. If an imbalance between the two arises the Committee will be informed of proposed solutions. Matters that jeopardise the delivery of the audit plan or require significant changes to it will be identified, addressed and reported to the Committee.

## 8.3. **Policy**

- 8.3.1. There are no direct policy implications.

## 8.4. **Equality**

- 8.4.1. There are no direct implications for equality and diversity.

## 8.5. **Human Resources**

- 8.5.1. To ensure that the Internal Audit team can continue to deliver the necessary levels of assurance to the organisation, the opportunity is being taken to reflect on the requirements of the organisation and ensure that sufficient resource is available to deliver this.
- 8.5.2. The Internal Audit team currently has two vacancies: a Principal Auditor and Senior Auditor. A recent recruitment exercise to recruit an Auditor has been completed, and the successful candidate is expected to join in April 2023. Capacity to cover the Principal Auditor and Senior Auditor vacancies will be sought through temporary resource whilst the further development of the Internal Audit team is completed.

## 8.6. Risk Management

- 8.6.1. Delivery of an appropriately balanced and focused Internal Audit Plan supports the Council's ability to effectively and efficiently identify and manage its risks, with the implementation of recommended actions designed to deliver improvements in governance and the control environment.

## 8.7. Rural Communities

- 8.7.1. There are no direct implications for rural communities.

## 8.8. Children and Young People/Cared for Children

- 8.8.1. There are no direct implications for rural communities.

## 8.9. Public Health

- 8.9.1. There are no direct implications for public health.

## 8.10. Climate Change

- 8.10.1. There are no direct implications for climate change.

<b>Access to Information</b>	
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Appendices:	Appendix A: Summary Internal Audit Plan for 2023/24
Background Papers:	Public Sector Internal Audit Standard (PSIAS) The Accounts and Audit Regulations 2015