

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

COMMITTEE: Joint Audit and Standards Committee	REPORT NUMBER: JAC/20/14
FROM: Corporate Manager – Internal Audit & Data Protection	DATE OF MEETING: 29 th March 2021
OFFICER: Corporate Manager – Internal Audit & Data Protection	KEY DECISION REF NO. Item No.

INTERNAL AUDIT PLAN 2021/22

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to inform Councillors of the proposed Internal Audit Plan for the next financial year 2021/22 and provide Councillors with a review of the variety and scope of projects and corporate activities that will be supported through the work of the team.

2. OPTIONS CONSIDERED

- 2.1 The Public Sector Internal Audit Standards require that a risk-based plan of internal audit is produced. There are no alternative options to consider.

3. RECOMMENDATIONS

- 3.1 That the contents of this Internal Audit report, supported by Appendix A, be noted.

REASON FOR DECISION

For the Committee to note Internal Audit's plan of work for 2021/22.

4. KEY INFORMATION

- 4.1 Each Council is required by statute to maintain an adequate and effective Internal Audit function, which forms an integral part of each Council's corporate governance, risk management and internal control arrangements. It is therefore essential that the Internal Audit Plan directs resources to areas of highest risk and has the approval and support of senior management and Councillors.
- 4.2 The preparation and development of the Internal Audit Plan is described in more detail in Appendix A below. The plan will be kept under review to ensure it reflects the evolving risk profile and priorities of the Councils going forward. Should significant amendments be necessary these will be discussed with senior management, including the Section 151 Officer and, where deemed necessary, reported back to this Committee.

5. LINKS TO JOINT CORPORATE PLAN

The delivery of a comprehensive Internal Audit service supports the Councils' Corporate Plan helping to ensure that the right people are doing the right things, in the right way, at the right time, for the right reasons.

- 5.1 Appendix A provides a summary of the proposed work under each of the Councils' Strategic Priorities. This work will contribute to the 2021/22 Internal Audit opinion on the Councils' control environment provided by the Corporate Manager – Internal Audit and Data Protection, as required by the Accounts and Audit (England) Regulations 2015.

6. FINANCIAL IMPLICATIONS

- 6.1 Whilst there are no direct financial implications arising from this report, as the Internal Audit plan will be funded from within approved budgets, there are positive impacts on the overall financial control environment from the operation of a robust internal audit plan.

7. LEGAL IMPLICATIONS

- 7.1 There are no direct legal implications arising from this report.

8. RISK MANAGEMENT

- 8.1 This report is most closely linked to the Councils' Significant Risk number 14, "The Councils may be perceived to be untrustworthy and have a poor reputation". The key operational risk, however, is set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Internal controls within each Council may not be efficient and effective. As a result, each Council may not identify any significant weakness that could impact on the achievement of their aims and/or lead to fraud, financial loss or inefficiency.	Unlikely 2	Bad 3	Councillors receive and note the internal audit work programme and other reports on internal controls throughout the year. The work programme is based on an assessment of risk for each system or operational area.

9. CONSULTATIONS

- 9.1 The Internal Audit Plan was presented to the Senior Leadership Team (SLT) including the S151 Officer as part of the audit planning process.
- 9.2 As part of the preparation for this Plan, the Corporate Manager – Internal Audit and Data Protection engaged with senior management to identify their views of the coming year's risks linked to the Corporate Plan and Delivery Programme, and to gather and map risk assurance across the Councils' functions.

9.3 This report has been shared with both Chairs of the Joint Audit and Standards Committee and the Cabinet Members for Customers, Digital Transformation & Improvement.

10. EQUALITY ANALYSIS

10.1 An equality analysis has not been completed as the report content does not have any impact on the protected characteristics.

11. ENVIRONMENTAL IMPLICATIONS

11.1 There are no environmental implications arising from this report.

12. APPENDICES

Title	Location
(a) Detailed Proposed 2021/22 Internal Audit Plan	Attached

13. BACKGROUND DOCUMENTS

13.1 There are no further documents.

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1. Approach to Audit Planning

- 1.1 The provision of a risk based Internal Audit Plan consistent with each Council's priorities is an essential part of ensuring probity and soundness of each Council's internal controls, risk exposure and governance framework.
- 1.2 The scope of internal audit work is planned to cover all operational and management controls (including governance and risk management arrangements) and is not restricted to the audit of systems and controls necessary to form an opinion on the financial statements. This does not imply that all systems are subject to review but were included in the audit needs assessment and considered for review following the assessment of risk.
- 1.3 There is due consideration in planning this work to ensure that Internal Audit maintains its objectivity and independence. The prioritisation of unplanned work will also take account of the requirements of the approved audit plan.
- 1.4 In line with the Councils' Internal Audit Charter the plan has been constructed to ensure that it delivers against the Public Sector Internal Audit Standards (PSIAS) and the requirement to produce an annual Head of Internal Audit opinion. In doing this it can be confirmed that the plan covers the following activities:
 - Governance processes
 - Monitoring
 - Ethics
 - Information and Information Technology governance
 - Risk management
 - Fraud management
- 1.5 Members are reminded that in line with the requirements of the PSIAS the quality and compliance of Internal Audit service delivery was subject to independent external review during February 2018, with no material issues raised regarding this planning process.
- 1.6 The planning process also recognises that the Councils' are continuing to strive to improve services and use innovative approaches in addressing service delivery against a background of reducing resources.

2. Internal Audit Resources 2021/22 & Impact of COVID-19 Emergency

- 2.1 The Audit Plan will continue to be resourced from existing staff and from an external audit partner. This arrangement still allows a direct internal provision plus the commissioning of external skills and capacity and provides a blend of resources from within the Councils and from an external partner of services.
- 2.2 The COVID-19 Emergency and management's directive to reprioritise work during the last quarter has had a significant impact on the Internal Audit resource and its ability to deliver normal internal audits during 2020/21. As a result, the Corporate Manager for Internal Audit and Data Protection agreed with management to defer a number of audits into this year's Audit Plan. Further details of these changes will be reported by the Corporate Manager for Internal Audit and Data Protection in his 'Annual Internal Audit report 2020/21' later in the year.

3 Development of the Internal Audit Plan 2021/22

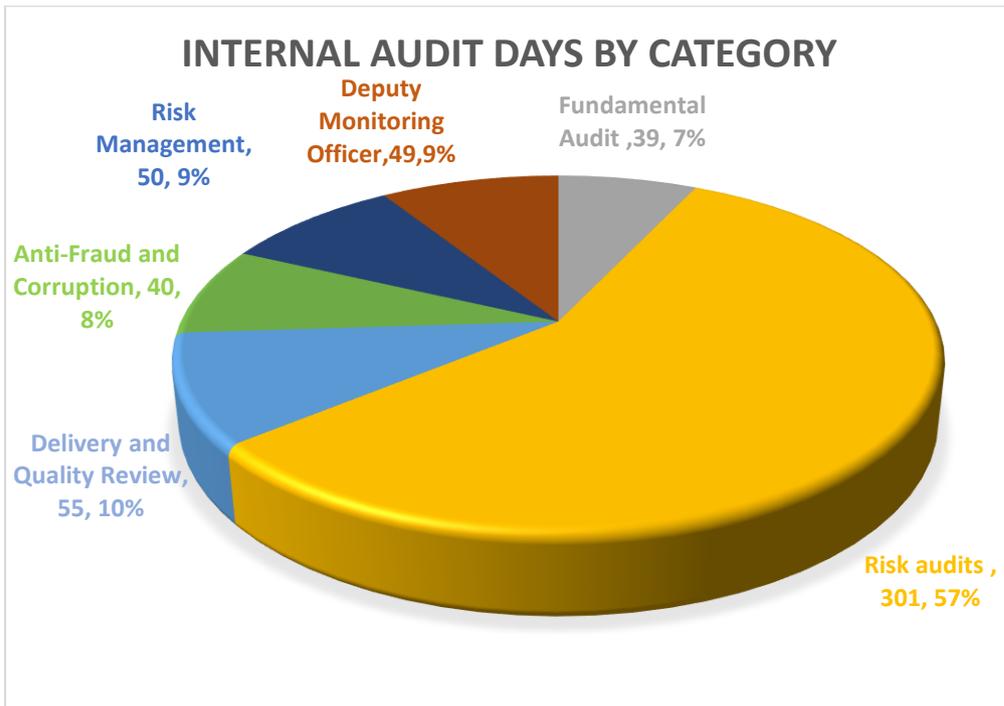
3.1 The construction of the Audit Plan has been developed to support both the Annual Governance Statement and the Councils' Strategic Priorities. Factors used in the risk assessment of services and processes to inform the proposed focus of audit for 2021/22 have been based largely, but not exclusively, on the following:

- Review of each Council's strategic priorities contained in the Corporate Plan and those outcomes that support them.
- The Significant and Operational Risk Registers – including any specific COVID-19 related risks identified;
- Engagement with senior management to identify management's view of the coming year's risks linked to the Corporate Plan and Delivery Programmes about which assurance is required.
- Consideration of 2021/22 Budget to evaluate levels of income and expenditure, value of assets, volume of transactions;
- Interest to Internal Audit – e.g. the level of past audit opinions; recommendations made and implemented; fraud risks; values and complexities of transactions etc.; and
- Control assurance in respect of the three lines of defence: Sound management of front-line operations; Oversight of management activity within a professional framework; and External review by independent assurance providers;

4. Breakdown of planned time

4.1 The plan in Annex A provides the detail of time allocated. The coverage within individual audits continues, where appropriate, to include looking at transformation opportunities for improving efficiency and adding value.

4.2 The 534 days audit work proposed in the plan is structured to reflect the audit disciplines undertaken to support delivery of the governance and professional framework. The resources committed to each category is annotated in the detailed plan in Annex A, and in summary below:



- 4.2.1 **Fundamental Audits (Managing Finance) (39 days)** to cover fundamental systems audit work on which reliance may be placed by the external auditors as they assess the Councils' final accounts. Where the control environment continues to improve there has been reduction in audit time allocated to audit in this area.
- 4.2.2 **Risk Audits (301 days)** identified in the audit planning and assurance process, conducted to support management reliance over the key controls in effect to manage major aspects of the Councils' operation. This includes follow ups and work in progress carried forward from 2020/21. As the business continues to transform audit resource is allocated to this activity in this year's plan; and resources allocated to support projects to provide the necessary assurances around governance, risk profile and internal control arrangements. Projects will continue to be evaluated in terms of risk and scoped accordingly as management request support from Internal Audit.
- 4.3 **Additional audit activity**
- 4.3.1 **Deputy Monitoring Role (49 days)** - The Corporate Manager - Internal Audit and Data Protection performs the role of Deputy Monitoring Officer for the Councils, with the specific duty to ensure that the Council, its officers, and its Elected Councillors, maintain the highest standards of conduct in all they do, pursuant to Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000.
- 4.3.2 **Risk Management (50 days)** - Audit work will help to ensure that the Councils identify and effectively manage significant business and operational risks in line with the Risk Management Strategy.
- 4.3.3 **Counter fraud and corruption work (40 days)** - Ongoing proactive testing of systems and processes help to identify potential fraud and misappropriation, as well as non-compliance with policies and procedures. The audit team will reactively investigate potential wrongdoing, responding to fraud and corruption relating to non-

benefit fraud cases. This includes co-ordinating data matching for the National Fraud Initiative (NFI); raising fraud awareness and providing training in areas such as money laundering; providing advice to services on introduction of new systems or procedures.

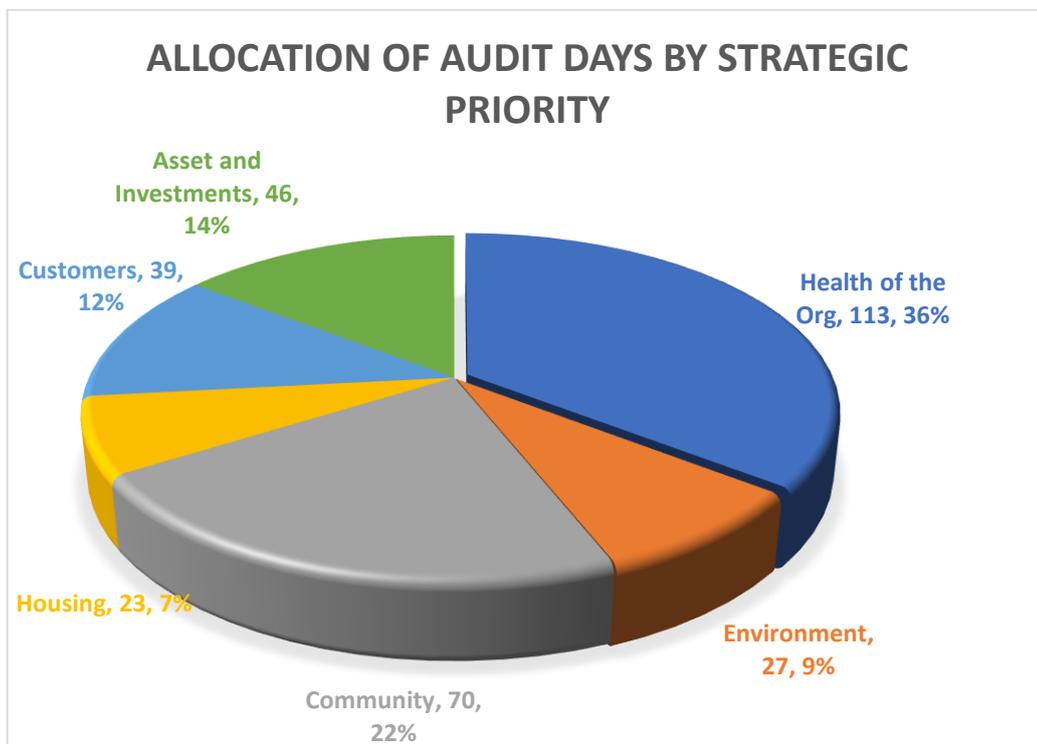
4.4 **Other aspects of our work (Delivery and Quality 55 days) include:**

4.4.1 **Governance arrangements** - audits which contribute to the development of both Council's Corporate Governance Framework and feed into the Annual Governance Statement.

4.4.2 **Miscellaneous audit delivery and quality review** - includes unplanned audits and requests from management and compilation of the Annual Governance Statement.

4.4.3 **Advice and guidance** - the team proactively provide ongoing advice across both Councils. Whether through attendance at working groups, projects or responding to enquiries, early audit advice and support can help maintain a robust control environment and feed in good practice. It is likely to remain an area of demand during 2021/22 as managers at all levels, especially those implementing new systems, structures and relocations, require support.

5. Internal audit days planned against the Councils' Strategic Priorities amounts to 318 days as shown below:



5.1 The relative emphasis on audit coverage relates to the Health of the Organisation, in particular around contract management – to provide assurance of the veracity of the procurement processes and procedures, budgetary control - to enable the Councils to conduct their business in the most efficient and effective manner based on sound financial information, Various government grant funding schemes – to provide assurance in

administering the various grant funding and ensuring that the prescribed criteria in terms of eligibility is met.

- 5.2 The next largest audit resource spend relates to the Community priority, with focus on helping to create the right conditions for communities to work, live and thrive together in a safe environment.
- 5.3 Assets and Investment work concentrates largely on the adequacy of the governance arrangements in place with the Councils' companies.
- 5.4 Work around Customers focusses on ensuring that the Councils' are fulfilling their legislative duties and that the welfare of its communities and staff is being met.
- 5.5 Work on the Environment priority focusses on carrying out a 'healthcheck' against the Carbon Reduction Management Plan.
- 5.6 Housing work will concentrate on providing management with assurance that the governance and oversight arrangements of the Councils' compliance with Health and Safety regulations are sound and robust.

6. Delivering and updating the Plan

- 6.1 The intention is that as far as possible the proposed audits will be undertaken. However, it is recognised that the plan needs to be flexible to respond to changing circumstances or emerging risks. The plan is therefore a statement of intent.
- 6.2 The audit plan as presented at Annex A represents the Corporate Manager – Internal Audit and Data Protection's current view of how audit resources can be most effectively used. Where significant deviations to the audit plan are required these would be reported back to this Committee as appropriate.

7. Annual Internal Audit Opinion

- 7.1 The Corporate Manager – Internal Audit and Data Protection is satisfied that the level and mix of resources, together with the areas covered in the audit plan will enable the Corporate Manager – Internal Audit to provide their annual internal audit opinion.

Circulation:

Presented to SLT, including the S151 Officer;

Joint Chairs of the Joint Audit and Standards Committee;

Cabinet Members for Customers, Digital Transformation & Improvement and

Audit, Legal and Finance representatives.

Prioritised Internal Audit Plan for 2021/22			
All audits to include control environment, good practice and transformational aspects			
Audit	Days	Key areas	Intended benefits to the Council
Health of the Organisation - The right people are doing the right things, in the right way, at the right time, for the right reasons and are able to prove it			
Contract Management	22	Oversight and management of contracts. The purpose of this review is to ensure: <ul style="list-style-type: none"> - Contracts have only been extended in accordance with the contract terms and conditions. - The extension complies with the Contract Procedure Rules. - Contract monitoring confirms that performance was adequate and contributed to the decision to extend the contract. - Alternative contract options were considered. - Value for money is being achieved. - Have additional costs been incurred as a result of COVID-19 and were they justified? - Review supply chains in light of COVID-19 impact - Consider social values 	R Gain assurance of the veracity of the procurement processes and procedures implemented across the business to ensure that the right people are doing the right things, in the right way, at the right time, for the right reasons and are able to prove it.
Corporate Payment Cards	10	Review compliance and spend profile by card holders. Spend analysis, profiles & seasonal trends, product types etc.	F Gain assurance of the veracity of the procurement processes and procedures implemented across the business to ensure that the right people are doing the right things, in the right way, at the right time, for the right reasons and are able to prove it.
General Ledger	12	Focus on reconciliations and management oversight	F Gain assurance of the veracity of the processes and procedures implemented across the business to ensure that the right people are doing the right things, in the right way, at the right time, for the right reasons and are able to prove it.
Budgetary control	22	Process of managing centralised budgets; communication and challenge of budgets spread across services; control of one activity dependant upon another.	R In addition these reviews provide governance assurance to the S151 Officer and Senior Management
Support Central Government various Grant Funding Schemes	30	To ensure that the prescribed criteria in terms of eligibility is met.	R Provide assurance in administrating the various grant funding grants.
Payroll/Establishment list	17	Identify and test the design and operating effectiveness of key controls in relation to the Councils' payroll processes (Inc. starters and leavers and changes to payroll standing data). To support the project planned to review the adequacy of controls for maintaining an accurate establishment list.	F Gain assurance that services are managing and controlling both the costs of employees and effective recording and authorising correctly as part of the Councils' budgetary control and corporate governance processes.
	113	Health of the Organisation	
Environment - promoting and actioning a more sustainable approach to the way live and operate			
Climate Change	27	To provide objective assurance to management and Members that the key risks are being managed effectively and in accordance with internal and external obligations.	R To support the Councils to identify investment opportunities in relation to green growth projects and sustainable business.
	27	Environment planned days	

Community - creating the right conditions for communities to work and live together in the most sustainable way			
Asset Community Value (ACV)	16	The objective of the audit will be to review the robustness of the process for nomination to ensure that the actual current (or recent past) use of ACVs must further the social wellbeing or social interests of the local community.	R To help support the community to bid to buy and take over the running of assets that are of value to the local community.
Community Grant Funding	16	To ensure that a fair and transparent application process (to include pre-grant due diligence procedures are undertaken during the grant fund application process) exists to ensure that grant funding is awarded to eligible organisations that support the Councils' objectives and priorities.	R To support local groups source funding to enable the realisation and completion of community projects. Increase social connections, helping people form strong and meaningful relationships and creating a sense of community and belonging, and helping
Safeguarding	16	To provide assurance that the Councils are fulfilling its responsibilities in safeguarding the most vulnerable members of the community.	R Safeguarding is everyone's responsibility. Legislation places duties on a range of organisations and individuals to ensure their functions, and any services that they contract out to others, have the necessary arrangements in place to help and protect children and adults at risk of abuse or neglect.
National Test and Trace Grant Funding	11	To ensure approved expenditure is compliant with local/legislative requirements (Grant Determination 202/21 - No 31/5075).	R The purpose of the grant is to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred in relation to the mitigation against and management of local outbreaks of COVID-19.
Planning Enforcement	11	The review to include the prioritisation of limited resources and ensuring the prompt completion of prioritised investigations and referrals and that case sign-off's have been correctly exercised.	R Planning enforcement is an important part of the planning process in protecting the environment and a crucial component of controlling development.
	70	Community capacity building and engagement planned days	
Housing delivery – More of the right type of homes, of the right tenure in the right place			
Housing – Health & Safety (Follow Up)	12	Ascertain and report on whether the Organisation has appropriate policy/procedures to ensure actual compliance (in terms of completion of the statutory checks) with both statutory and regulatory health and safety requirements/best practice.	R Provide management with assurance that the governance and oversight arrangements of the Councils' compliance with Health and Safety regulations are sound and robust.
Disabled Facilities Grant	11	To ensure approved applications are compliant with local/legislative requirements	R A Disabled Facilities Grant or DFG is available from Local Authorities to pay for essential housing adaptations to help disabled people stay in their own homes.
	23	Housing delivery planned days	
Customers - further develop and improve customer access and experience through customer insight and intelligence			
Health and Safety	27	Risk management review of the procedures in place to identify and manage the Councils' estate particularly for Fire safety	R Provide comfort to Management that the Councils' are fulfilling their legislative duties and that the welfare of its communities and staff is being met. Determine the Council's resilience of and
Insurance	12	To review the design and operating effectiveness of controls in place, to mitigate key risks for the Councils' insurance arrangements. This included claims handling arrangements to ensure that liability for the claim, responsibility for the claim and value of the claim was correct - arrangements to ensure the appropriate assessment of contractor liability for claims where applicable – and arrangements to ensure the reduction of claims where appropriate. Also to consider the relationship between H&S and the Councils' insurers.	R To provide management that it has appropriate insurance in place to cover key risks associated with its activities and responsibilities.
	39	Customers planned days	

Assets and Investments - improved achievement of strategic priorities and greater income generation through use of new and existing assets			
Gateway 14	12	To appraise the function of the structure; composition and operation of the organisation in line with its terms of reference; consider the oversight, reporting and escalation mechanisms and decision-making framework; assurance on the independence selection and appointment and awarding of contracts.	R
Babergh Holding Company and Mid Suffolk Holding Company	17	To reappraise the function of the structure; composition and operation of the organisation in line with its terms of reference; consider the oversight, reporting and escalation mechanisms and decision-making framework; assurance on the independence selection and appointment and awarding of contracts.	R
Babergh Growth and Mid Suffolk Growth Company's (partnership with NORSE Group)	17	To appraise the function of the structure; composition and operation of the organisation in line with its terms of reference; consider the oversight, reporting and escalation mechanisms and decision-making framework; assurance on the independence selection and appointment and awarding of contracts.	R
	46	Asset and Investment planned days	
Other Audit Activity			
Work in progress from previous year	10	Finalisation of any outstanding work. Liaison with External Auditors over review of internal audit work.	R
Follow Ups	12	Implementation of audit recommendations deemed as high risk.	R
Requests for support from management	15	Unplanned investigations assessing the impact on controls and processes through specific events.	R
Deputy Monitoring Role	49	Work to be undertaken by the Corporate Manager - Internal Audit.	MO
RIPA	5	Work to be undertaken by the Corporate Manager - Internal Audit.	A
Annual Governance Statement	10	Collation, interpretation, challenge and presentation of management opinion of control assurance and governance across the Councils.	Q
Anti-Fraud & Corruption work including the National Fraud Initiative (NFI)	40	Proactive: Money Laundering, Policy reviews, Advice and guidance - awareness and staff training. NFI - co-ordinating bi-annual exercises and oversight. COVID-19; support the Business cell re emergency and discretionary payments. Reactive: investigations	A
Audit Management and service delivery	25	Service delivery - (Cttee reports, audit planning and control risk assessment).	Q
Risk Management	50	Committee report cycle – Cabinet half yearly and JASC annually. Review and challenge of Significant Risk Register. Training, advice and guidance to members & officers. Annual review joint Risk Management Strategy and maintain oversight of the Operational Risk Registers.	RM
	216	Other Audit Activity planned days	
Total days	534		

