

## BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

<b>COMMITTEE:</b> Joint Audit and Standards Committee	<b>REPORT NUMBER:</b> JAC/21/21
<b>FROM:</b> Corporate Manager – Internal Audit	<b>DATE OF MEETING:</b> 28 <sup>th</sup> March 2022
<b>OFFICER:</b> Corporate Manager – Internal Audit & Data Protection	<b>KEY DECISION REF NO. Item No.</b>

### INTERNAL AUDIT PLAN 2022/23

#### 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 2022/23 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 2022/23.

#### 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 2022/23 Internal Audit opinion on the Councils' control environment provided by the Corporate Manager – Internal Audit, 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 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 2022/23 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 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 2022/23**

- 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.

### **3 Development of the Internal Audit Plan 2022/23**

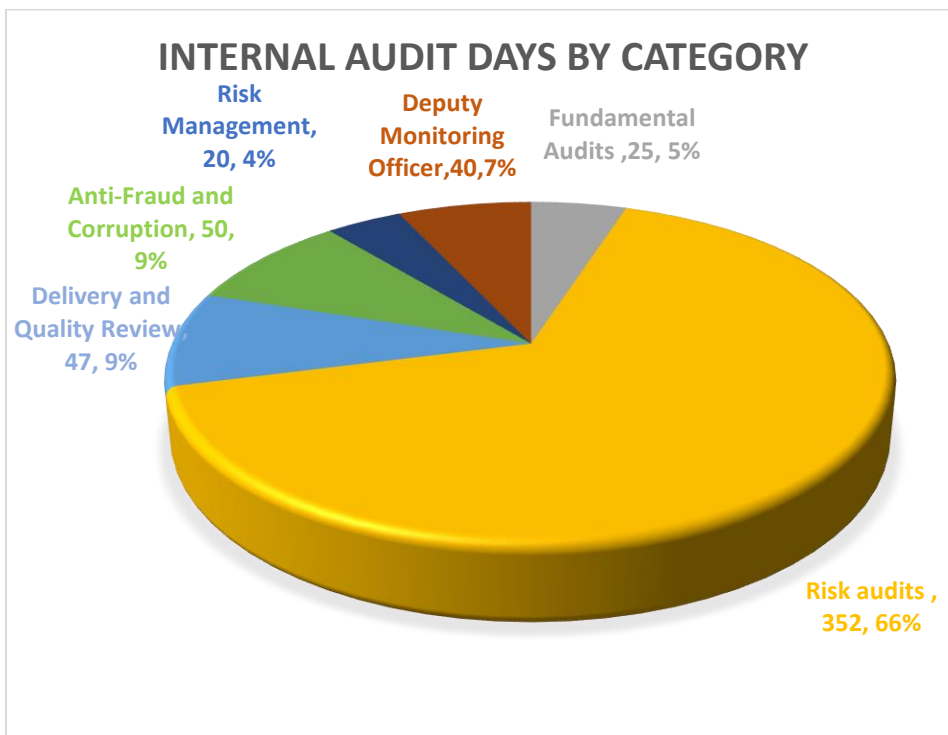
- 3.1 The construction of the Audit Plan has been developed to support both the Annual Governance Statement and the Councils' Strategic Priorities. Factors used in the risk assessment of services and processes to inform the proposed focus of audit for 2022/23 have been based largely, but not exclusively, 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 2022/23 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) (25 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 (352 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 2022/23. 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 (40 days)** - The Corporate Manager - Internal Audit 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 (20 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. The number of days has reduced as management look to move risk management under the responsibility of the Assistant Director for Customer Services and incorporate it alongside performance, policy and insight.

4.3.3 **Counter fraud and corruption work (50 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.

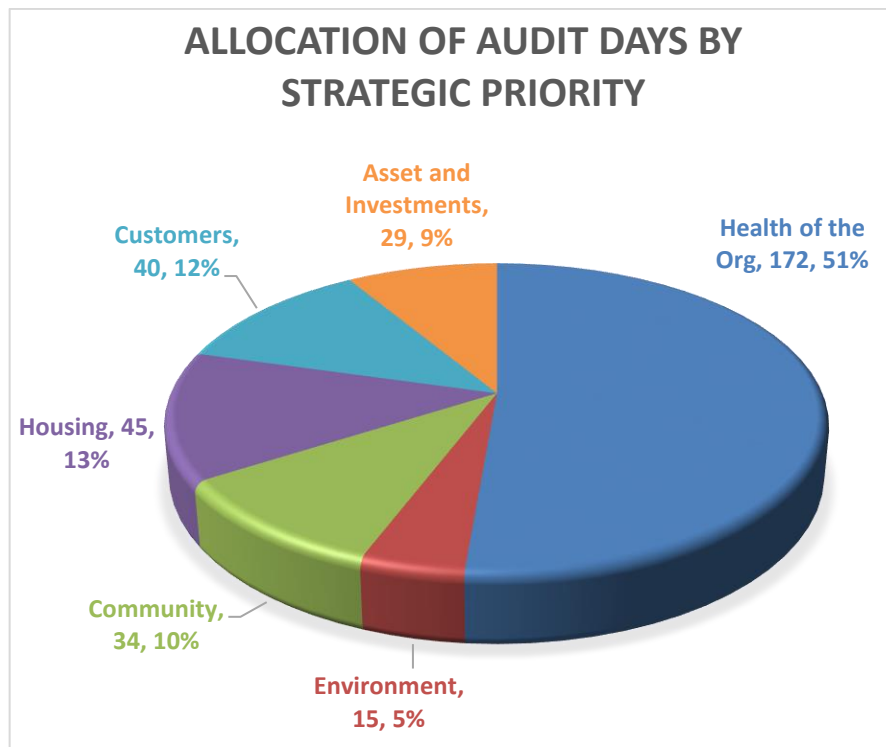
#### 4.4 **Other aspects of our work (Delivery and Quality 47 days) include:**

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 2022/23 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 335 days as shown below:



- 5.1 The relative emphasis on audit coverage relates to the Health of the Organisation, in particular around contract management and spend. This is 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, and providing assurance through testing that the control environment to support the implementation of a new finance system is sound.
- 5.2 The next largest audit resource relates to Housing to ensure that the systems of control in respect of Council House Rent Setting is operating adequately and being consistently applied and that the allocation of housing accommodation is only given to persons who are qualified to receive housing from the Councils.
- 5.3 Work around customers focusses on quality and management of data and ensuring appropriate safeguards are in place to in still customer confidence in the Councils' actions.
- 5.4 The Community work focusses with focus on helping to create the right conditions for communities to work, live and thrive together in a safe environment through funding sources.
- 5.5 Assets and Investment work concentrates largely on the adequacy of the governance arrangements in place with each Council's Growth Company and partner and that robust arrangements are in place for the effective oversight on management of the Councils' assets.

5.6 Work on the Environment priority focusses on ensuring that the Councils' Licensing function is operating satisfactorily with adequate controls in place.

## **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'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 is satisfied that the level and mix of resources, together with the areas covered in the audit plan will enable him to provide an annual internal audit opinion.

### **Circulation:**

Presented to Senior Leadership Team, including the S151 Officer;

Joint Chairs of the Joint Audit and Standards Committee;



<b>Prioritised Internal Audit Plan for 2022/23</b> All audits to include control environment, good practice and transformational aspects			
Audit	Days	Key areas	Intended benefits to the Council
<b>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</b>			
Contract Spend	25	A review of expenditure on suppliers to determine that appropriate contracts or service agreements were in place, relevant to the level of spend incurred.	R To improve strategic procurement and spend control by providing improved visibility and control of contracts throughout the contract lifecycle.
Contract Management	15	Oversight and management of contracts that supports and builds on the work undertaken by the East of England Local Government Association.	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.
Implementation of a new Financial Management System	20	Support the Finance Team during the implementation phase by undertaking an independent focussed review of: a) User Acceptance Testing (UAT) b) Data Migration testing c) Setup of approval flows and roles d) Risk log	R To provide management with assurance that the systems of control are present within the new Financial Management System and operate as designed.
General Ledger	10	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	20	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
Fees and Charges	15	The audit to undertake the following: a) Review Policy and Procedures b) Carry out walkthrough testing on a sample of fees and charges from agreed Council schedule through to charging c) Review key factors considered when setting fees and charges	R To provide assurance to management that procedures and controls within the system will ensure that: a) Fees and Charges are correctly calculated on a regular basis. b) The principals behind the Fees and Charges are understood and can be explained when necessary.
Register of Interests, Gifts and Hospitality	12	To review the adequacy and effectiveness of the Council's 'Acceptance by Employees of offers of Gifts and Hospitality Policy' and Declaration of Interests.	R This work supports the governance and effective operation of the organisation and can aid with the security of assets.
Election Costs	10	Following each election period, the Council is required to complete an election expenses return for the Election Claims Unit at the Cabinet Office. The election expenses return includes all allowable expenditure incurred by the Council in relation to the running of an election. Focus will be on: a) Ensuring that all associated procurement was reasonable, providing effective use of public funding, and that it was within the funding limits available. This will be achieved through the review and authorisation of all purchases and monitoring of expenditure actual against budget figures. b) Ensuring adequate controls are in place for the payment of election related expenses.	R To provide assurance to the Councils' Returning Officer that the expenses claim forms for the 2021 Suffolk County election, which was held on 6th May 2021 were in accordance with the election expenses guidance from the Cabinet Office.
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	15	Part 1 - 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). Part 2 - Support the HR Team during the implementation phase by undertaking an independent focussed review of: a) User Acceptance Testing (UAT) b) Data Migration testing c) Setup of approval flows and roles d) Risk log	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.
	172	Health of the Organisation	

Environment - promoting and actioning a more sustainable approach to the way live and operate			
Licensing	15	The review to focus on: a) All relevant policies and procedures are in place, up to date and have regular updates planned in b) All Roles and responsibilities clearly defined, leaving no ambiguity where responsibility sits and decision-making takes place c) Officers are adequately trained and qualified to perform their duties d) Any adverse reports are followed up on a timely basis and enforcement action is monitored to ensure compliance e) All associated fees are collected promptly	R To provide assurance to Management that the Councils' Licensing function is operating satisfactorily with adequate controls in place.
	15	Environment planned days	
Community - creating the right conditions for communities to work and live together in the most sustainable way			
External Funding	12	Part 1 - The mechanisms in place for identifying and bidding for external funding. Part 2 - Through sample testing ensure that the Councils' policies and procedures as well as the funding terms & conditions are being adhered to when managing external funding received by the Councils.	R To provide management with assurance that the Councils' policies and procedures as well as the funding terms & conditions are being adhered to when managing external funding received by the Councils.
Community Grant Funding	12	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 people feel more connected
Planning Enforcement (Follow Up)	10	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.
	34	Community capacity building and engagement planned days	
Housing delivery – More of the right type of homes, of the right tenure in the right place			
Council House Rent Setting	20	To ensure the Councils have set their rents in line with the government's Policy Statement on Rents for Social Housing as set out in the Rent Standard.	R To provide management with assurance that the systems of control in respect of Council House Rent Setting is operating adequately and being consistently applied.
Council House Lettings	15	To ensure that the current systems and processes in place for tenancy lettings, allocations and assessments are robust, and operating effectively in line with regulatory standards The Housing Act 2006 provides very specific guidance on the allocation process, for example paragraph 161 states that, "A local housing authority shall allocate housing accommodation only to persons who are qualified to be allocated housing accommodation by that authority". Furthermore, paragraph 167 states that, "Every local housing authority shall have a scheme (their "allocation scheme") for determining priorities, and as to the procedure to be followed, in allocating housing accommodation".	R To provide management with assurance that the allocation of housing accommodation is only given to persons who are qualified to receive housing from the Councils.
Disabled Facilities Grant	10	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.
	45	Housing delivery planned days	
Customers - further develop and improve customer access and experience through customer insight and intelligence			
Data Quality/Management	25	To review the Councils' arrangements to have data management governance mechanisms in place with defined accountabilities to effectively support data infrastructure planning, data collection, storage, and usage to meet the Councils' current and future needs.	R Establishing a governance structure at the right level will facilitate the provision of effective oversight for the development and implementation of the data strategy across the Councils and enhance decision making.
PCIDSS (payment card industry data security standards)	15	To provide assurance that the systems of control in respect of the latest Payment Credit Industry Data Security Standard is effective and consistently applied.	R PCI DSS compliance builds trust with our customers and helps to prevent data breaches.
	40	Customers planned days	

Assets and Investments - improved achievement of strategic priorities and greater income generation through use of new and existing assets				
Babergh Growth and Mid Suffolk Growth Company's (partnership with NORSE Group)	15	To seek assurances from the Norse Group that their governance arrangements are robust and that our respective Business Plans have been shared with one another and subjected to due diligence checks before formal sign-off.	R	To provide management with assurance that the Councils' property portfolio governance arrangements are sound.
Acquisitions	14	A review of processes and procedures within the Council for land and building acquisitions.	R	To provide management with assurances that robust arrangements are in place for the effective oversight on management of assets regarding the recording, reporting, use and maintenance to ensure that they adhered to good practices.
	29	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	Covering statutory work in conjunction with External Audit. The beneficial outcomes can include an improved control environment, enhanced management information and streamlined processes thereby improving organisational efficiency. In addition these reviews provide governance assurance to the S151 Officer and Senior
Follow Ups	12	Implementation of audit recommendations deemed as high risk.	R	
Requests for support from management	20	Unplanned investigations assessing the impact on controls and processes through specific events.	R	
Deputy Monitoring Role	40	Work to be undertaken by the Corporate Manager - Internal Audit.	MO	
RIPA	10	Work to be undertaken by the Corporate Manager - Internal Audit.	A	
Annual Governance Statement	12	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. Review of fraud risks within the Housing Service Reactive: investigations	A	
Audit Management and service delivery	35	Service delivery - (Cttee reports, audit planning and control risk assessment).	Q	Supports the governance and effective operation of the organisation and can aid with the security of assets. It will further provide information and feedback to Members and Officers, as well as ensuring the Councils meet the reporting requirements of statutory and Local Government bodies.
Risk Management	20	Committee report cycle – 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	
	199	Other Audit Activity planned days		
<b>Total days</b>	<b>534</b>			

