

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

COMMITTEE: Joint Audit and Standards Committee	REPORT NUMBER: JAC/21/47
FROM: Corporate Manager – Internal Audit	DATE OF MEETING: July 2023
OFFICER: Corporate Manager – Internal Audit & Data Protection	KEY DECISION REF NO.

INTERNAL AUDIT PLAN 2023/24

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 2023/24 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 2023/24.

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 2023/24 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 The key operational risk is set out below:

Key Risk Description	Likelihood 1- 4	Impact 1- 4	Key Mitigation Measures	Risk Register
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.	Internal Audit Operational Risk Register

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.

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 2023/24 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 2023/24

- 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.

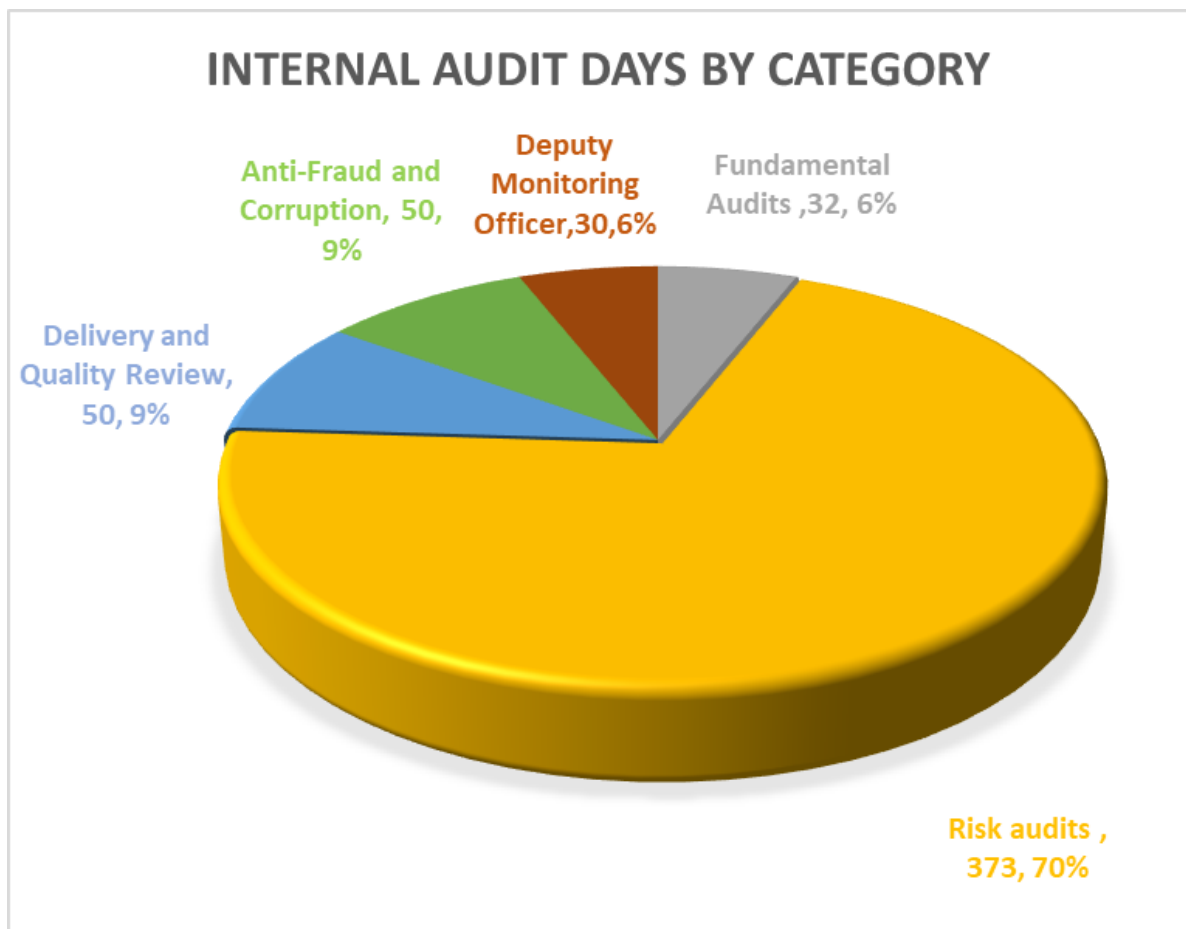
3 Development of the Internal Audit Plan 2023/24

- 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 2023/24 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.

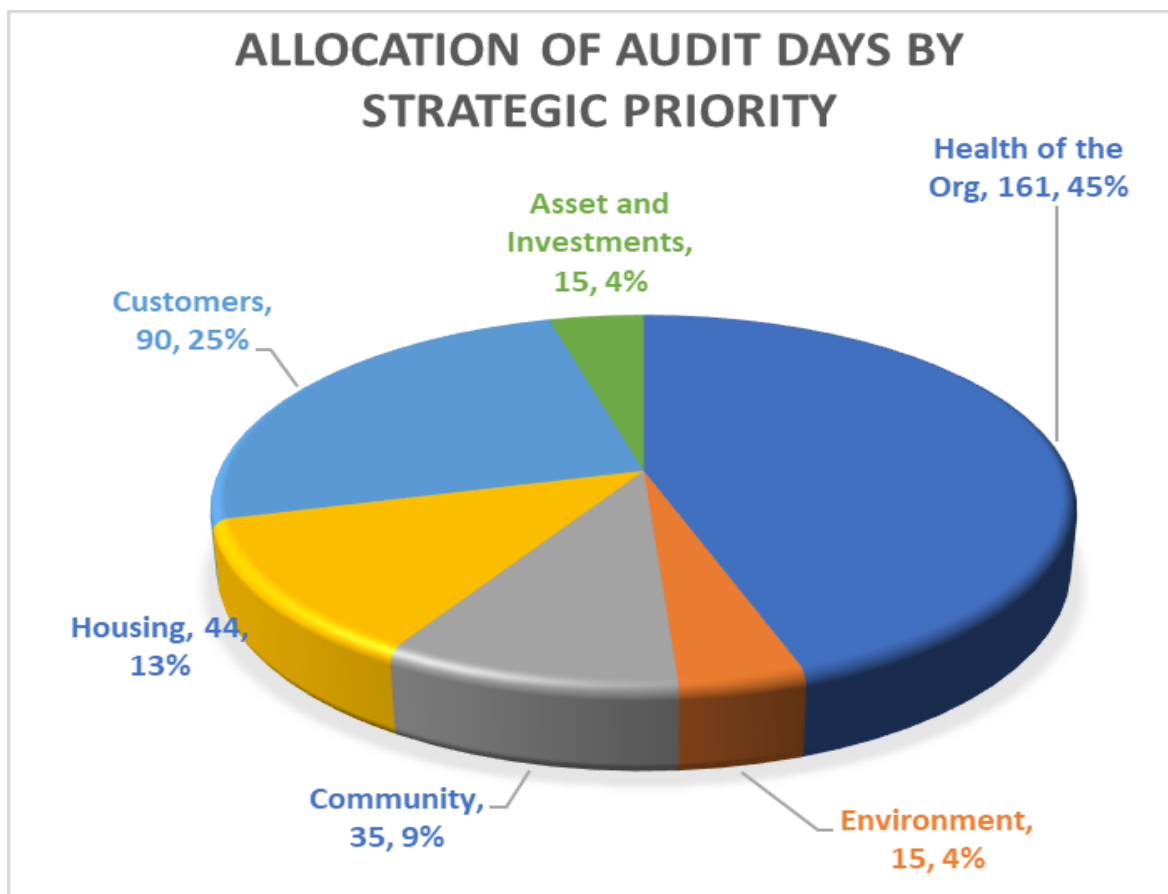
- Engagement with senior management to identify management’s view of the coming year’s risks linked to the Corporate Plan and Delivery Programmes about which assurance is required.
- Consideration of 2023/24 Budget to evaluate levels of income and expenditure, value of assets, volume of transactions.
- Interest to Internal Audit – e.g., the level of past audit opinions; recommendations made and implemented; fraud risks; values and complexities of transactions etc.
- 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 535 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) (32 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 (373 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.
- 4.3 **Additional audit activity**
- 4.3.1 **Deputy Monitoring Role (30 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 **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 50 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 2023/24 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 360 days as shown below:



- 5.1 The relative emphasis on audit coverage relates to the Health of the Organisation, in particular focus on fundamental audits to provide management with assurance that the systems of financial control are present and operate as designed.
- 5.2 The next largest audit resource relates to Customers focussing on the quality and management of data; ensuring effective management of complaints to enable to Councils to provide better services to our residents; and evaluating the effectiveness of the Councils' Performance Management Framework and Performance Boards to measure performance against agreed key priorities and objectives to make informed decisions.
- 5.3 Work around Housing will focus on the findings produced by the Regulator with regard to work carried out by Building Services; HRA estate insurance claims to ensure appropriate actions and mitigations are put in place to reduce future risks and insurance premiums. Review of quality and management of data to ensure appropriate safeguards are in place to instil customer confidence in the Councils' actions.
- 5.4 The Community work focusses on anti-social behaviour to ensure a consistent approach is applied to understanding and addressing ASB in local communities to create the right conditions for communities to work, live and thrive together in a safe environment. Work will also include contract management within the service area to improve procurement and spend control by providing improved visibility and control of contracts throughout the contract lifecycle.
- 5.5 Assets and Investment work concentrates on disposals to ensure that the Councils comply with Section 123 of the Local Government Act 1972 – the statutory duty on local authorities to achieve best value in context of land disposals.

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.

Prioritised Internal Audit Plan for 2023/24 All audits to include control environment, good practice and transformational aspects				
Audit	Days	Key areas	Intended benefits to the Council	Priority Rating
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				
Implementation of a new Financial Management System	25	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.	1
General Ledger	10	Focus on reconciliations and management oversight	F	1
Treasury Management	12	To examine the systems and procedures in operation within the Treasury Management function to ensure they are operating to the required standard. Review the arrangements in place and consider whether these facilitate a safe control environment in which Treasury Management activities are conducted.	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. In addition these reviews provide governance assurance to the S151 Officer and Senior Management	1
Payroll	10	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).	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.	1
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.	2
Finance Resilience Indicators	10	Using the online tool released by CIPFA, determine the levels of financial resilience of the Councils against similar types of authorities across England.	R Section 151 officers may also use the index in their annual report to the council setting out the proposed budget for the year and medium-term financial strategy, in particular in preparing their statements of the robustness of the budget and the adequacy of reserves.	2
Register of Interests, Gifts and Hospitality	14	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.	2
Car Parking Income	20	The main objective of the audit was to review the key systems and controls in relation to the management of Council maintained off street car parking.	R Enhance decision making, reporting and evaluation in support of the business achieving profitable and cost effective delivery. Support 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.	2
Support Central Government various Grant Funding Schemes	45	To ensure that the prescribed criteria in terms of eligibility is met.	R Provide assurance in administrating the various grant funding received.	2
	161	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.	2
	15	Environment planned days		
Community - creating the right conditions for communities to work and live together in the most sustainable way				
Anti-Social Behaviour	15	To provide assurance over the effective management of this risk for the Council, including monitoring, partnership working and initiatives.	R Ensuring a consistent approach to understanding and addressing ASB in local communities. For learning outcomes from the review to be fed back to the relevant areas of the organisation.	2
Contract Management	20	Oversight and management of contracts that supports and builds on the work undertaken by the East of England Local Government Association.	R To improve strategic procurement and spend control by providing improved visibility and control of contracts throughout the contract lifecycle.	2
	35	Community capacity building and engagement planned days		
Housing delivery – More of the right type of homes, of the right tenure in the right place				
Building Services - Compliance	20	Following up on the report from the Regulator to assess the adequacy of the following arrangements: • 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. • Systems and processes the councils have in place to ensure compliance and provide assurance that these are designed and operating effectively.	R Gain assurance that the Councils' arrangements for providing assurance of compliance with health and safety requirements are fully met.	1
HRA Estate Insurance Claims	15	The overall objective of this audit is to consider the main risks in relation to HRA estate insurance and to review the key systems and controls in place to address these.	R Appropriate actions and mitigations are put in place to reduce future risks and insurance premiums.	2
Disabled Facilities Grant	9	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.	2
	44	Housing delivery planned days		
Customers - further develop and improve customer access and experience through customer insight and intelligence				
Data Quality/Management	20	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.	1
Health and Safety training	15	To ensure that proper training programmes, with supporting evidence, are in place that protect its staff from anything that may cause harm and effectively controlling any risks to injury or health that could arise in the workplace.	R To avoid risk of potential reputational damage and possible fines from the Health and Safety Executive should an accident/incident occur involving one of the Councils' employees.	1
Dealing with Complaints	20	To establish whether all queries or complaints from residents are dealt with promptly and effectively. Any areas for improvement arising from complaints are identified and addressed.	R The effective management of complaints enables the organisation to provide a better service to its residents.	2
Performance Management Framework	20	Undertake an audit review of the Councils' system of internal control and governance in relation to Performance Management. In summary, the scope will cover the following areas: organisational and management requirements, performance of projects and programmes, performance target setting, performance monitoring and performance reporting.	R Effective performance reporting ensures that the Councils have appropriate information to enable them to effectively scrutinise performance against agreed key priorities and objectives and make informed decisions.	2
Performance Boards	15	To evaluate the effectiveness of the Programme Boards against their terms of reference and governance arrangements.	R Effectively run Programme Boards will provide the Councils with an interface through which Members will at a programme level hold officers to account for delivery of the Councils' priorities.	2
	90	Customers planned days		

	15	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.	1
Follow Ups	15	Implementation of audit recommendations deemed as high risk.	R	In addition these reviews provide governance assurance to the S151 Officer and Senior Management.	1
Requests for support from management	20	Unplanned investigations assessing the impact on controls and processes through specific events.	R	Provide assurance to Management that the Councils' are fulfilling their legislative and fiduciary duties, and determine each Council's resilience of and compliance with legislation.	2
Deputy Monitoring Role	30	Work to be undertaken by the Corporate Manager - Internal Audit.	MO		2
RIPA	10	Work to be undertaken by the Corporate Manager - Internal Audit.	A		2
Annual Governance Statement	10	Collation, interpretation, challenge and presentation of management opinion of control assurance and governance across the Councils.	Q		1
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. Support the Business cell re emergency and discretionary payments. Reactive: investigations	A		1
Audit Management and service delivery	40	Service delivery - (Ctee 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.	2
	175	Other Audit Activity planned days			
Total days	535				
	535				
Priority Rating - Key			F	Fundamental Audit	
1	High		R	Risk audits	
2	Medium		Q	Delivery and Quality Review	
3	Low		A	Anti-Fraud and Corruption	
			MO	Deputy Monitoring Officer	

