

## BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

<b>COMMITTEE:</b> Joint Audit and Standards Committee	<b>REPORT NUMBER:</b> JAC/23/25
<b>FROM:</b> Head of Internal Audit	<b>DATE OF MEETING:</b> 25 March 2024
<b>OFFICER:</b> Head of Internal Audit	<b>KEY DECISION REF NO.</b> N/A

### INTERNAL AUDIT PLAN 2024/25

#### 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 2024/25 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 2024/25.

#### 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 THE 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, which will contribute to the 2024/25 Internal Audit opinion on the Councils' control environment provided by the Head of 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 Interim S151 Officer as part of the audit planning process.
- 9.2 As part of the preparation for this Plan, the Head of 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 2024/25 Internal Audit Plan	Attached

## 13. BACKGROUND DOCUMENTS

13.1 There are no further documents.

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### 1. Purpose of Report

- 1.1 The purpose of this report is to present the proposed Internal Audit Plan for 2024/25 to the Joint Audit and Standards Committee for review and approval. This report also includes a summary of the basis for the plan. The plan had been developed in consultation with the Senior Leadership Team.

### 2. The Planning Process

- 2.1 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit *'must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.'* The standards state that the risk-based plan should take into account the requirement to produce an Annual Internal Audit Opinion and Report that is used by the organisation to inform its governance statement. The Annual Internal Audit Opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. There also needs to be a balance between breadth (taking a broad look at governance and risk management) and depth (drilling down into specific areas where internal audit can provide valuable insight).

- 2.2 In line with the PSIAS the proposed audit plan has been devised adopting a risk-based approach using the following sources:

- 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 2024/25 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.

- 2.3 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.

- 2.4 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.

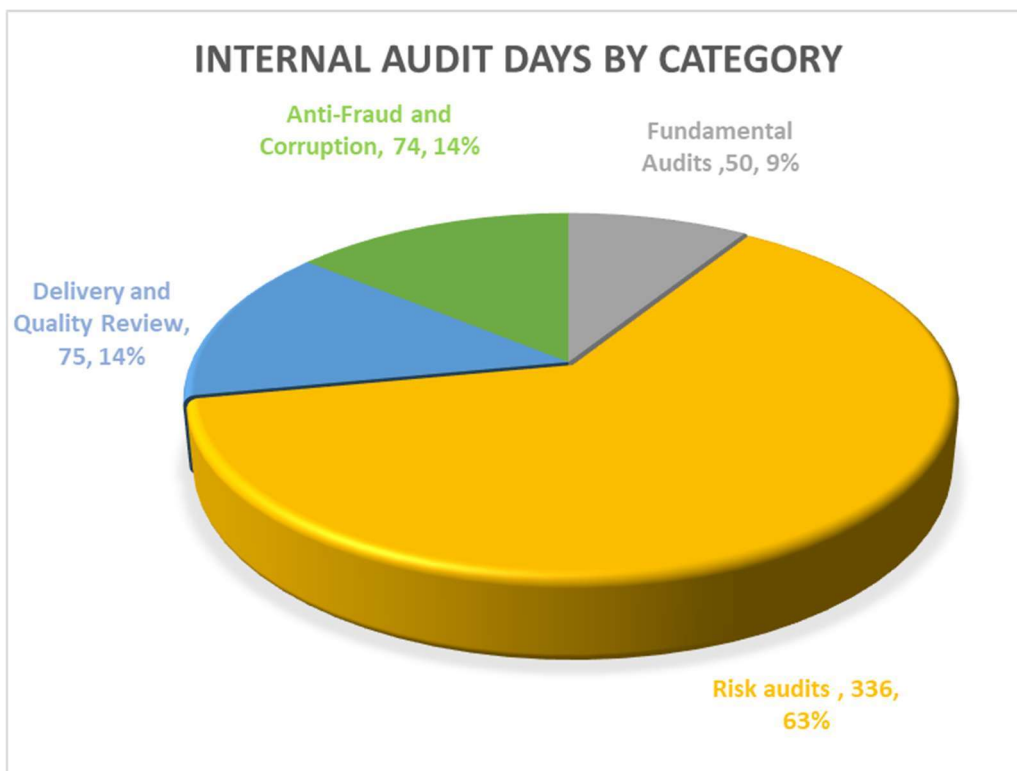
- 2.5 There is due consideration in planning this work to ensure that Internal Audit maintains its objectivity and independence. The prioritisation of unplanned work will also take account of the requirements of the approved audit plan.
- 2.6 In line with the Councils' Internal Audit Charter the plan 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
- 2.7 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.
- 2.8 The outputs from the planning process have been prioritised to produce a plan that balances the following:
- The requirement to give an objective and evidenced based opinion on aspects of governance, risk management and internal control.
  - The time required for anti-fraud and corruption activity.
  - The requirement for Internal Audit to add value through improving controls, streamlining processes and supporting corporate priorities.
  - The resources and skills available to undertake the work.

### **3. Internal Audit Resources 2024/25**

- 3.1 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.

### **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) (50 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 (336 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 2023/24.

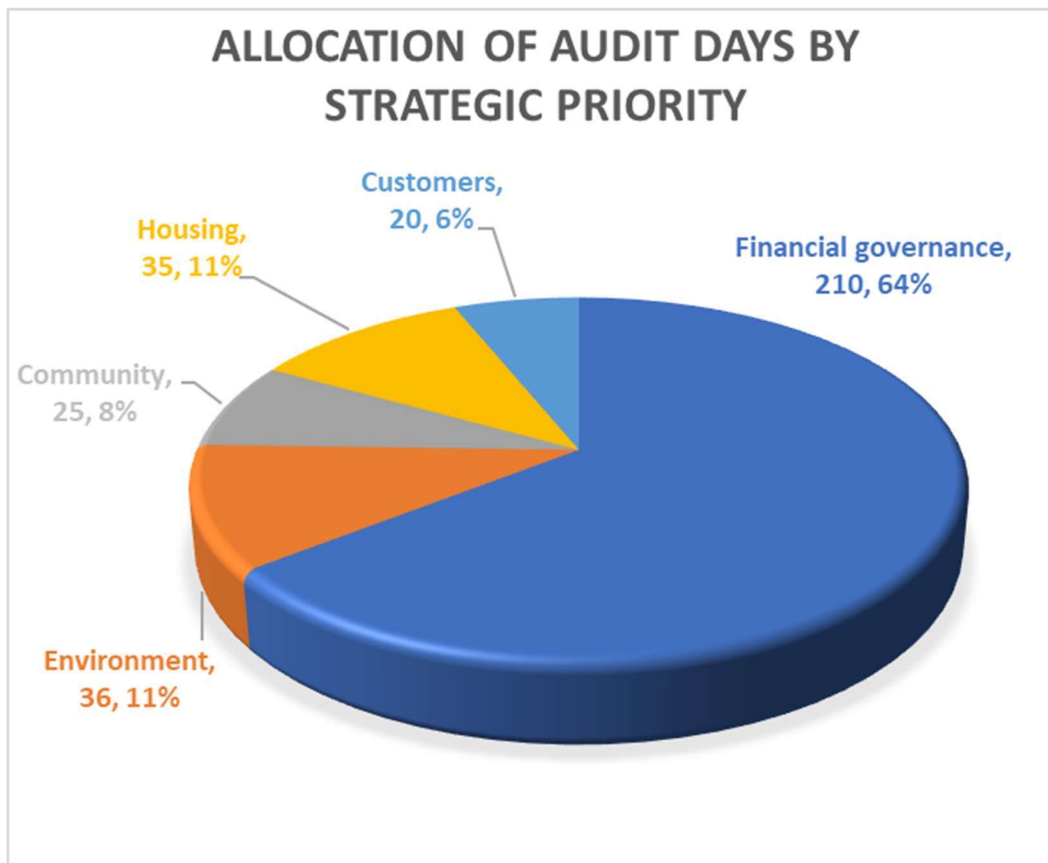
#### 4.3 **Additional audit activity**

4.3.1 **Counter fraud and corruption work (74 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 75 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 2024/25 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 326 days as shown below:



- 5.1 The relative emphasis on audit coverage relates to the Financial Governance 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 the Environment focussing on carrying out a 'healthcheck' against the Carbon Reduction Management Plan and to provide assurance that the Councils are fore filling their statutory duty to enforce food safety provisions on premises within the districts under the Food Safety and Hygiene (England) Regulations 2013.
- 5.3 Work around Housing will focus on the findings and recommendations produced by the Regulator with regard to work carried out by Building Services and is likely to include the appropriateness of policies and procedures to ensure actual compliance (in terms of completion of the statutory checks) with both statutory and regulatory health and safety requirements/best practice and operating effectively.

5.4 Work around Community will focus on the Public Real service to provide management with assurance that the recent wholesale operational and procedural changes are operating effectively and efficiently.

5.5 Work around Customers will concentrate on Health and Safety measures 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.

## **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 Head of 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 In the opinion of the Head of Internal Audit, the resources that are currently available are sufficient to perform the work necessary to deliver the Annual Internal Audit Opinion and Report that is used by the organisation to inform its governance statement. Sufficient time has also been set aside for the management, development and training of the audit team and to support their health and wellbeing.

### **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 2024/25</b> All audits to include control environment, good practice and transformational aspects				
Audit	Days	Key areas	Intended benefits to the Council	Priority Rating
<b>Financial governance</b>				
Sundry income controls	20	To provide assurance over management of income collection for sundry charges raised within the Councils, including recovery procedures and write offs.	F	1
Bank reconciliations	15	The audit assesses the accuracy and timeliness of the reconciliations performed on the cashbook and the Councils' main accounts.	F	1
Payroll	15	Part 1 - Identify and test the design and operating effectiveness of key controls in relation to the Councils' payroll processes (Inc. starters, leavers, overtime, acting up, and changes to payroll standing data). Part 2 - Provide assurance to HR & OD team during their review of the payroll processes.	F	1
Contract Management and Spend	35	Oversight and management of contracts that supports and builds on the transformation work within the Contract and Procurement service area.	R	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	2
Finance Resilience Indicators	15	Using the online tool released by CIPFA, determine the levels of financial resilience of the Councils against similar types of authorities across England.	R	2
Register of Interests, Gifts and Hospitality	15	To review the adequacy and effectiveness of the Councils' 'Acceptance by Employees of offers of Gifts and Hospitality Policy' and Declaration of Interests.	R	2
Risk Management	15	The broad objective of the audit is to evaluate whether there is a Risk Management Framework (RMF) in place which can enable the risk management process to be carried out and developed in a comprehensive manner, whereby all significant risks are identified, evaluated, controlled, monitored, and reported in accordance with best practice.	R	2
Scheme of Delegation	15	To review the design and operating effectiveness of the Councils' Schemes of Delegation, in line with the agreed Terms of Reference	R	2
Support Central Government various Grant Funding Schemes	50	Independent examination of accounts and/or assurance that the grant claim has been spent in accordance with the grant determination.	R	2
	210	Financial governance planned days		

Environment					
Climate Change	25	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.	1
Food Safety	11	To provide objective assurance that under the Food Safety and Hygiene (England) Regulations 2013, the Councils are fulfilling their statutory duty to enforce food safety provisions on premises within the districts.	R	To provide public confidence and to the wider economy that food safety measures are robust and operating in line with standards.	2
	36	Environment planned days			
Community					
Public Realm	25	To review the operational practises, processes and systems within the depot, which will also include the security of the yard & equipment.	R	To provide management with assurance that the recent wholesale operational and procedural changes are operating effectively and efficiently .	1
	25	Community planned days			
Housing					
Building Services - Compliance	35	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
	35	Housing planned days			
Customers					
Health and Safety training	20	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
	20	Customers planned days			
Other Audit Activity					
Work in progress from previous year	15	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	30	Unplanned investigations assessing the impact on controls and processes through specific events.	R		2
RIPA	19	Work to be undertaken by the Head of Internal Audit	A	Provide assurance to Management that the Councils' are fulfilling their legislative and fiduciary duties, and determine each Councils' resilience of and compliance with legislation.	2
Annual Governance Statement	20	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)	55	Whistleblowing Hotline and reactive work - risk assessment and investigation of allegations and referrals. Proactive work - risk-based work to prevent and detect fraud. Update of the Prevention of Financial Crime Policy. NFI - co-ordinating bi-annual exercises and oversight. Implications of the proposed 'Failure to Prevent Fraud' offence Support the Business cell re emergency and discretionary payments. Reactive: investigations	A	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.	1
Audit Management and service delivery	55	Service delivery - (Ctee reports, audit planning, control risk assessment and review of Global Standards).	Q		1
	209	Other Audit Activity planned days			
<b>Total days</b>	<b>535</b>				
			F	Fundamental Audit	
			R	Risk audits	
<b>Priority Rating - Key</b>			Q	Delivery and Quality Review	
1	High		A	Anti-Fraud and Corruption	
2	Medium				
3	Low				