

Internal Audit Plan 2022/23

Corporate Priority:	All
Relevant Ward Member(s):	All
Date of consultation with Ward Member(s):	Not applicable
Exempt Information:	No

1 Summary

- 1.1 The report provides Members with a copy of the draft Internal Audit Plan for 2022/23 and the Internal Audit Charter for review and formal approval, in line with the requirements of the Public Sector Internal Audit Standards.

2 RECOMMENDATIONS

That Committee:

- 2.1 Review and approve the Internal Audit Plan for 2022/23 (Appendix A);
- 2.2 Approve delegated authority for the Director for Corporate Services, in consultation with the Chair of the Audit and Standards Committee, to agree amendments to the Plan during the financial year, if required;
- 2.3 Approve the Internal Audit Charter and Strategy (Appendix B).

2 Reason for Recommendations

- 2.1 To approve the Internal Audit plan and charter, in line with the Public Sector Internal Audit Standards.

3 Background

- 3.1 The Audit and Standards Committee is responsible for overseeing the delivery of the Internal Audit service.

4 Main Considerations

Basis for the plan

- 4.1 The PSIAS (section 2000) state that the Chief Internal Auditor must “establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals” and “must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management (Senior Management Team) and the board (Audit Committee) for review and approval”.
- 4.2 In setting the annual Internal Audit Plan, the PSIAS require:
- a) The audit plan should be developed taking into account the organisation’s risk management framework and based upon a risk assessment process undertaken with input from senior management and the Audit Committee;
 - b) The audit plan should be reviewed and approved by an effective and engaged Audit Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
 - c) The Head of Internal Audit should consider accepting proposed consulting engagements based on the engagement’s potential to improve management of risks, add value and improve the organisation’s operations.
- 4.3 In order to ensure that the Audit Plan for 2022/23 addresses the Council’s key risks and adds value, the Chief Internal Auditor has identified and prioritised the areas for coverage by:
- Reviewing the Council’s Risk Registers and Corporate Strategy;
 - Analysing coverage of Internal Audit reviews over the last four years and the assurance opinions provided following each review, to identify any assurance gaps or areas where follow up work would be of value;
 - Identifying any other sources of assurance for each of the Council’s key risks, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
 - Identifying any areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last four years;
 - Discussion and consultation at the Audit and Standards Committee and Portfolio Holders on the planning process and areas where Members require assurances from Internal Audit during 2022/23. Members were invited to refer potential risk areas for coverage to the Chief Internal Auditor or Chair of the Audit & Standards Committee; and

- Meetings with members of Senior Leadership Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.
- 4.4 All potential audit coverage identified has then been risk assessed and prioritised for inclusion in the Audit Plan, in consultation with the Chair of the Audit & Standards Committee and Senior Leadership Team. This has been based on risk, other sources of assurance available and potential value added from a review during this period.
- 4.5 Following this consultation and review, a Draft Internal Audit Plan has been compiled and is provided in Table 1 of Appendix A. This list has been consulted upon with the Chair of the Audit and Standards Committee. If the risk environment changes during 2022/23 the Audit Plan can be amended and these assignments can be re-assessed for possible coverage.
- 4.6 To ensure that the Internal Audit activities are consistently focused upon the Council's key risks, the plan will remain subject to ongoing review by the Head of Internal Audit throughout the year and will be subject to regular consultation with senior management. To enable the Internal Audit team to be responsive and amend the planned activities to address any new or emerging risk areas as required, it is recommended that a mechanism be agreed to allow for changes to the Audit Plan between Audit and Standards Committee meetings. Any such amendments would be agreed by the Director for Corporate Services, in consultation with the Chair, and reported at the subsequent meeting of the committee.

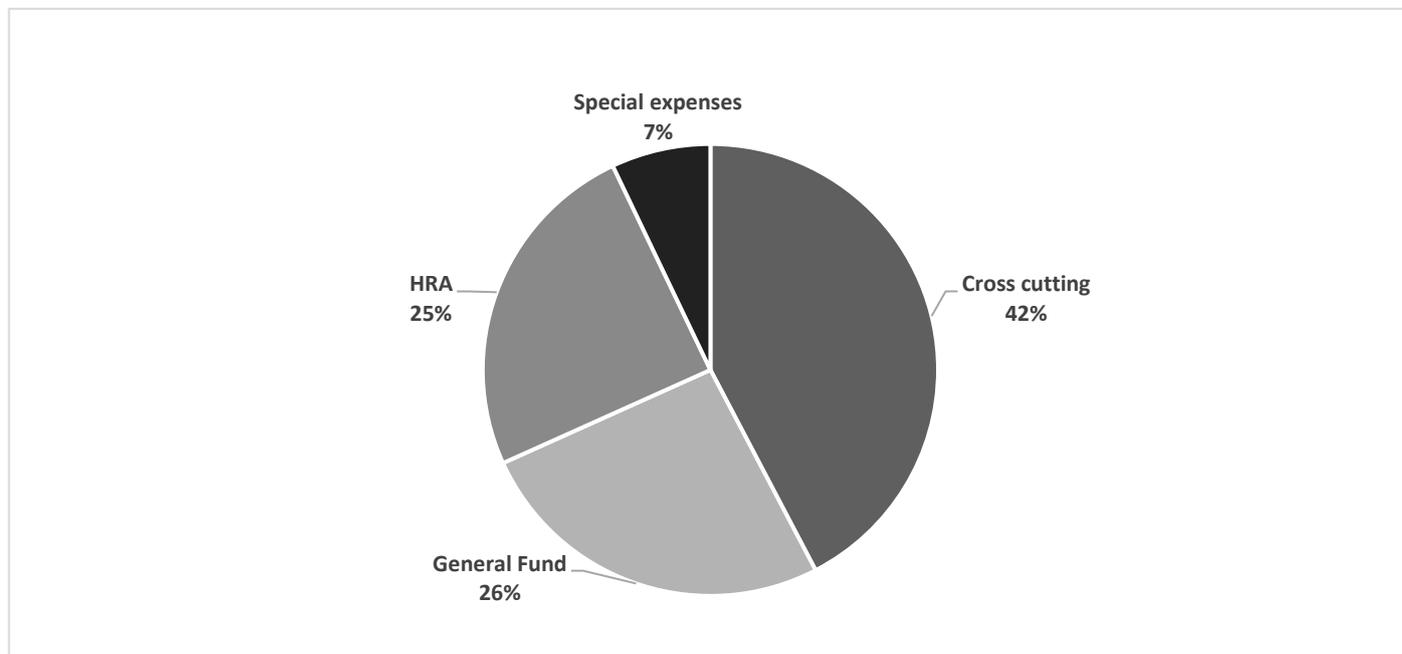
Plan coverage

- 4.7 The plan includes a range of audit assignments which seek to add value and provide assurance. There is a requirement to conduct the fundamental coverage of key financial controls, governance and policy compliance on an annual basis as these must inform the annual Audit Opinion and provide the necessary assurances to the Council's s151 Officer.
- 4.8 In providing risk based assurances over the Council's processes and controls, a range of audits have been proposed which relate to key risk areas identified through consultation and review of risk registers. These will provide targeted reviews of areas where assurance over the design and effectiveness of controls is a priority.
- 4.9 To maximise the value added by Internal Audit's engagements, there is an increasing move towards providing "real time assurances". This reflects a need for Internal Audit to be engaged at the outset of key projects and emerging risks, rather than conduct retrospective audits of compliance. The Audit Plan for 2022/23 seeks to deliver this, where possible, and also provides flexibility to respond to such requests and ensure ongoing engagement with service areas. Some specific assignments within the plan, such as the Health and Leisure project, directly seek to adopt this approach of engagement in early stages to provide real time support and assurance.
- 4.10 In assessing priority areas for audit coverage, consideration is given to key risks where other sources of assurance are already available. An example would be budgetary control – this is a key financial system and relates to the Council's top strategic risks, but specific coverage in the 2022/23 audit plan has not been included. This is based on the assurances available from the established processes in place, the 2020/21 audit of budgetary control which received an opinion of Substantial Assurance and s151

Officer/senior management assurances as part of the Annual Governance Statement completion.

- 4.11 The coverage includes audits of areas funded by both the General Fund (general and special expenses) and the Housing Revenue Account (HRA). A number of the audits are cross cutting in this regard as they will cover activity relating to both areas. A breakdown of the proposed audit coverage (by days) across the areas is provided in Chart 1.

Chart 1: Audit plan coverage (days) per funding stream



- 4.12 In order to provide some flexibility and the opportunity to actively engage with, and support, the development of robust controls, governance mechanisms and risk management, an allocation of days for ad hoc advice has been included within the support days. This time can be used for ad-hoc queries and advice, in addition to providing some contingency and flexibility where emerging risks require prompt audit engagement. This will also provide the opportunity for regular dialogue between Internal Audit and the service leads, highlighting potential changes in risk profiles and raising the profile of the service with officers.
- 4.13 The Internal Audit service provides support and advice to the Council on counter fraud activity. The audit team do not deliver against a set counter fraud plan but are available to provide specialised support and guidance as needed. The Audit & Standards Committee receive six monthly reports on counter fraud activity and it is proposed that this will be expanded in 2022 to include a counter fraud plan for the Council, which will incorporate pro-active awareness work, internal audit coverage and steps taken by officers to address key fraud risks. The management and delivery of the plan will remain with the Council but Internal Audit can provide advice, as required.
- 4.14 Liaison with senior officers will continue throughout the year to ensure that the risks identified are consistent with their understanding and assessment of assurance and support needs and that this is reflective of the first and second lines of assurance within business areas. Any changes required to the plan based on a reassessment of risk or

alternative sources of assurance will be agreed with the s151 Officer, in consultation with the Chair of the Audit and Standards Committee and reported at the subsequent Committee meeting.

Internal Audit Charter and Strategy

- 4.15 **Appendix B** to this report provide a copy of the Internal Audit Charter and Strategy. The Public Sector Internal Audit Standards define the internal audit charter as ‘a formal document that defines the internal audit activity’s purpose, authority and responsibility. The internal audit charter establishes the internal audit activity’s position within the organisation, including the nature of the chief audit executive’s functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities’.
- 4.16 No material amendments to the Charter and Strategy are proposed for 2022/23. The only administrative amendments made are to change all references to the Head of Internal Audit to the Chief Internal Auditor, to reflect the amended structure from 1st April 2022, and to reflect that the Chair of the Audit and Standards Committee receives copies of all finalised audit reports.

5 Consultation

- 5.1 Not applicable.

6 Next Steps – Implementation and Communication

- 6.1 The Internal Audit plan will form the schedule of work for the Internal Audit service for 2022/23 and regular progress reports will be brought to the Audit and Standards Committee throughout the financial year.

7 Financial Implications

- 7.1 There are no financial or other resource implications arising directly from this report.

Financial Implications reviewed by: Director for Corporate Services

8 Legal and Governance Implications

- 8.1 Internal Audit is a statutory requirement as required under the Accounts and Audit Regulations 2015 which state “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”

Legal Implications reviewed by: Monitoring Officer

9 Equality and Safeguarding Implications

9.1 There are no equalities or safeguarding implications arising directly from this report.

10 Community Safety Implications

10.1 There are no community safety implications arising directly from this report.

11 Environmental and Climate Change Implications

11.1 There are no environmental and climate change implications arising directly from this report.

12 Other Implications (where significant)

12.1 There are no other implications arising directly from this report.

13 Risk & Mitigation

13.1 The annual Internal Audit report forms part of the evidence that supports the Council's Annual Governance Statement and provides assurance over the adequacy and effectiveness of the Council's internal controls to manage the key risks and inform risk management arrangements.

14 Background Papers

14.1 Not applicable

15 Appendices

15.1 Appendix A: Internal Audit Plan 2022/23

15.2 Appendix B: Internal Audit Charter and Strategy

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