

Report of the Chief Audit and Control Officer

INTERNAL AUDIT PLAN 2023/241. Purpose of Report

To approve the Internal Audit Plan for 2023/24.

2. Recommendation

The Committee is asked to RESOLVE that the Internal Audit Plan for 2023/24 be approved.

3. Detail

The Public Sector Internal Audit Standards (the 'Standards') requires the Chief Audit and Control Officer, as the Council's designated 'chief audit executive', to prepare an annual risk-based audit plan.

The Internal Audit Plan governs the activity for the year. An audit report is produced at the completion of each assignment with recommendations for improvement. Regular progress reports covering all internal audit activities are submitted to this Committee for scrutiny. The Committee can request further audit reviews to be undertaken and can request other Committees to investigate matters arising from any activities within their remit.

The proposed Internal Audit Plan for 2023/24 is included in the appendix for consideration. The plan has been prepared in accordance with the principles of the Internal Audit Charter. The plan has recognised the Council's priorities as outlined in the Corporate Plan and links closely to the corporate risk management and business planning processes having been prepared with due consideration to the identified strategic risks. The Chief Audit and Control Officer has also considered the valuable input from individual members of the General Management Team and Heads of Service regarding key risks and sources of assurance.

4. Financial Implications

The comments from the Head of Finance Services were as follows:

The work of the Internal Audit section continues to provide crucial and independent assurance to Management and Members over the key aspects of the Council's governance, risk management and internal control arrangements. The cost of Internal Audit is included within the established Finance Services budgets.

5. Legal Implications

The comments from the Head of Legal Services were as follows:

This report already sets out the legal framework for Internal Audit to provide a summary of internal audit work. It addresses the statutory obligations for local audit processes. The Local Government Act 1972 and subsequent legislation sets out a duty for the Council to make arrangements for the proper administration of its financial affairs. This report also complies with the requirements of the following:

- Local Government Act 1972
- Accounts and Audit Regulations 2015
- CIPFA/IIA: Public Sector Internal Audit Standards (PSIAS)
- CIPFA/IIA: Local Government Application Note for the UK PSIAS 33.

The provision of an Internal Audit service is integral to financial management at the Council and assists in the discharge of its duties.

6. Human Resources Implications

N/A

7. Union Comments

N/A

8. Data Protection Compliance Implications

N/A

9. Equality Impact Assessment

N/A

10. Background Papers

Nil.

APPENDIX

INTERNAL AUDIT PLAN 2023/24

1. INTRODUCTION

1.1 Background

The Internal Audit Plan sets out the proposed coverage for Internal Audit work in 2023/24. The mandate for the plan is derived from the Public Sector Internal Audit Standards ('the Standards') produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in collaboration with the Chartered Institute of Internal Auditors (IIA).

The Standards require the periodic preparation of a risk-based plan, which must be linked to a strategic high-level statement of how the service will be delivered and developed in accordance with the Internal Audit Charter and how this links to the Council's objectives and priorities.

The core work of Internal Audit is derived from the statutory responsibility in the Accounts and Audit Regulations 2015 that requires the Council to "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'. The Standards and the Local Government Application Note constitute proper practices so as to satisfy the requirements for larger relevant bodies as set out in the Regulations.

The Governance, Audit and Standards Committee (the designated 'audit board') should review and assess the annual internal audit work plan, although the development of the risk-based plan remains the responsibility of the Chief Audit and Control Officer after consultation with senior management and the Committee.

1.2 Internal Audit Charter

The Standards require the purpose, authority and responsibility of internal audit activity to be formally documented in a charter document. The current Internal Audit Charter was approved by the Governance, Audit and Standards Committee on 29 November 2017.

Internal Audit will govern itself by adhering to the Standards, which are based upon the Institute of Internal Auditors' mandatory guidance including the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing*. Supplementary guidance issued and endorsed by the relevant internal audit standard setters as applicable to local government will also be adhered to along with the Council's relevant policies and procedures and the internal audit manual. Non-conformance with the Standards shall be reported to the Deputy Chief Executive and the Governance, Audit and Standards Committee.

1.3 Aims of the Plan

Internal Audit activity is planned at all levels of operation in order to establish priorities, achieve objectives and ensure the efficient and effective use of audit resources. The Internal Audit Plan will support an opinion based on an assessment of the design and operation of the internal control environment and the adequacy and effectiveness of controls noted from risk-based audit assignments carried out during the year. The aim of the plan is to:

- Deliver a risk-based audit programme through a detailed risk assessment of systems and services across the Council
- Be proactive in looking at what risks the Council is facing and trying to minimise the impact of these risks through audit work
- Add value by providing practical, value-added recommendations in areas of significant risk and by working with senior management in attempting to save resources and enhance controls wherever possible
- Provide assurance to senior management and the Governance, Audit and Standards Committee.

1.4 Developing the Plan

The Internal Audit Plan is designed to support the Chief Audit and Control Officer's annual opinion on the overall adequacy and effectiveness of the control environment. The required basis for forming this opinion is:

- An assessment of the design and operation of the overall internal control environment, governance and risk management arrangements
- An assessment of the adequacy and effectiveness of controls, based upon the results of the risk-based audit assignments that are reported during the course of year.

It follows that an effective risk-based audit plan should focus resources into areas of principal risk. The plan has been prepared in accordance with the requirements of the Internal Audit Charter and has been informed by:

- A review of the risks contained within the Strategic Risk Register, Horizon Scanning Documents and Business Plans;
- Consideration of progress made with the action generated by the Annual Governance Statement process;
- Consultation with Chief Officers and other senior managers to identify key auditable areas based on an assessment of corporate priorities and current and anticipated future issues and risks; and
- An understanding of the challenges to the Council to deliver its objectives within legislation and the current environment.

Based on the foregoing, the Chief Audit and Control Officer prioritises audit work for inclusion within the Internal Audit Plan as follows:

- High Priority – audits of areas where there exists significant current or ongoing risk to the Council and/or a satisfactory audit review has not been completed in the previous 12-18 months.
- Medium Priority – audits of areas where there exists moderate current or ongoing risk to the Council and/or a satisfactory audit review has not been recently (approximately 3 years) completed.
- Low Priority – audits of areas where there exists low current or ongoing risk to the Council and/or a satisfactory audit review has been recently completed.

The allocations set out in the plan for each review will include time spent on researching and preparing the audit programme, terms of reference, completing site work, testing and the drafting and reviewing of the audit report. The timings assume that the expected key controls are in place and working effectively. Further substantive testing may be required should an assessment of key controls provide limited assurance and additional time may be required to carry out such testing.

The Internal Audit Plan will be regularly reviewed. If additional risks are identified and/or there are changes to priorities during the year, the plan will be reconsidered in conjunction with the Deputy Chief Executive. Any significant changes to the plan will be reported back to the Governance, Audit and Standards Committee for approval.

1.5 Resourcing the Plan

The net resources available in 2023/24 are 344 audit days.

The amount of assurance work proposed is set at 254 days. This is at a similar level to the planned assurance work that was expected to be delivered in the current year (prior to revisions required due to an extended vacancy period), with a full establishment being anticipated in 2023/24. The coverage in terms of the number of high risk assurance audits proposed to be delivered will be similar.

Following on from work commenced in the current financial year, in 2023/24 it is intended to continue the review of procurement arrangements within individual departments across the Council. A provision of 15 days has been made within the Audit Plan for this to be incorporated alongside regular planned audits.

A further 10 days will be provided to support the Council and its wholly owned leisure company, Liberty Leisure Limited, with assurance work primarily relating to the implementation of a new Leisure Management System and key operations at Chilwell Olympia.

In addition, the plan includes 40 days for corporate fraud and corruption prevention activity. The Governance, Audit and Standards Committee approved the latest Fraud and Corruption Policy in March 2017. The Council's approach to fraud and corruption proposes that Internal Audit will take a prominent role in leading and co-ordinating anti-fraud and corruption activities. Internal Audit will be supported in this by engaging specialist fraud investigation services as necessary from local authority partners.

Finally, 50 days are allocated towards other audit-related work including follow-up activity, financial appraisals of potential contractors, tenants and similar entities, consultancy work and provision for special investigations as they arise.

1.6 Reporting and Relationships

The Internal Audit Charter establishes the reporting and relationships, including the reporting arrangements for individual assignments and for the periodic reporting of activities to the Governance, Audit and Standards Committee. The relationships with elected Members; Chief Officers and Senior Management Team; the external auditors; and other assurance providers are also determined in the Charter.

In accordance with the Standards, the Chief Audit and Control Officer will deliver a formal assessment of the design and operation of the overall internal control environment, governance and risk management arrangements and an opinion on the adequacy and effectiveness of controls, based upon the results of the risk-based audit assignments reported during the year. This opinion will be formally recorded in the Internal Audit Annual Review Report to be presented to the Governance, Audit and Standards Committee.

Internal Audit will bring to the attention of the Deputy Chief Executive and the Committee any significant internal control issues that it feels should be declared in the Council's Annual Governance Statement.

1.7 Performance Monitoring

The work of Internal Audit is regularly reviewed to provide assurance that it complies with the Standards, conforms to other relevant professional standards and meets the requirements of the Internal Audit Charter.

Service delivery will be monitored as part of a quality assurance and improvement programme. This will include the regular reporting of progress to the Governance, Audit and Standards Committee, self-assessment and external quality assessment against the Standards, assessment of client feedback and production of performance indicators.

2. SUMMARY OF AUDIT DAY ALLOCATIONS

The following table summarises the allocation of days to each department.

	<u>Audit Days</u>
Chief Executive's Department	
- Housing	48
- Planning and Economic Development	21
- Human Resources	8
Deputy Chief Executive's Department	
- Revenues, Benefits and Customer Services	34
- Finance Services	30
- Liberty Leisure Limited	8
- Asset Management and Development	25
Executive Director's Department	
- Civic and Corporate Communications	8
- Health and Safety	5
- Payroll	8
- Administrative Services	13
- Environmental Services	8
Monitoring Officer's Department	
- Legal Services	8
- Democratic Services	5
Procurement Reviews	15
Assurance Work	244
Liberty Leisure Limited	10
Corporate Counter Fraud Activities	40
Other (including follow-up work, financial appraisals, consultancy and provision for special investigations)	50
Net Audit Days	344

3. DETAILED INTERNAL AUDIT PLAN

The following tables provide a detailed breakdown of the audits planned for 2023/24.

CHIEF EXECUTIVE'S DEPARTMENT	Priority	Days
Housing		
Choice Based Lettings	High	10
Damp and Mould	High	10
Housing Repairs - Reactive (including Voids Management)	High	10
Tenancy Management	High	10
Rents	High	8
Planning and Economic Development		
Kimberley 'Levelling Up'	High	8
Section 106 Agreements	Medium	5
Shared Prosperity Fund	High	8
Human Resources		
Human Resources	High	8
Total Chief Executive's Department		77

DEPUTY CHIEF EXECUTIVE'S DEPARTMENT	Priority	Days
Revenues, Benefits and Customer Services		
Benefits	High	10
NNDR (Business Rates)	High	8
Council Tax	High	8
Sundry Debtors	Medium	8
Finance Services		
Treasury Management	Medium	5
Bank and other Key Reconciliations	Medium	4
Creditors and Purchasing	High	8
Procurement	High	8
Financial Resilience	High	5
Liberty Leisure Limited		
Liberty Leisure Limited (Governance)	High	8
Asset Management and Development		
Asset Management Strategy	High	5
Housing Delivery Plan	High	10
Commercial Property Management	High	10
Total Deputy Chief Executive's Department		97

EXECUTIVE DIRECTOR'S DEPARTMENT	Priority	Days
Civic and Corporate Communications		
Corporate Communications	High	8
Health and Safety		
Emergency Planning	High	5
Payroll		
Payroll	High	8
Administrative Services		
Local Elections	High	5
Business Support	Medium	8
Environmental Services		
Operational Risk Management – Environment	Medium	8
Total Executive Director's Department		42
MONITORING OFFICER'S DEPARTMENT	Priority	Days
Legal Services		
Legal Services	Medium	8
Democratic Services		
Compliments and Complaints	Medium	5
Total Monitoring Officer's Department		13
LIBERTY LEISURE LIMITED	Priority	Days
Chilwell Olympia	High	6
Leisure Management System	High	4
Total Liberty Leisure Limited		10