

<b>Report of:</b>	Head of Internal Audit, Veritau
<b>Submitted to:</b>	Corporate Affairs and Audit Committee, 31 March 2022
<b>Subject:</b>	Internal Audit consultation report

**Summary**

<b>Proposed decision(s)</b>
<p>That the Committee:</p> <ul style="list-style-type: none"> <li>Provides comments on risk areas that they consider a priority for audit in 2022/23 to help inform the preparation of the annual internal work programme</li> </ul>

<b>Report for:</b>	<b>Key decision:</b>	<b>Confidential:</b>
Information	No	No

<b>Contribution to delivery of the 2020-23 Strategic Plan</b>		
<b>People</b>	<b>Place</b>	<b>Business</b>
<p>Agreement to note the audit findings or identify where additional assurance is required will help the Committee perform its role. Internal audit work contributes towards achieving the Council's priorities by identifying any potential control issues which may obstruct that achievement.</p>	<p>Internal Audit assists management in delivering their priorities by working to an annual programme of work that includes assignments linked to corporate risks and priorities, and which seeks to add value by assessing the quality of controls, ensure value for money and achieve better outcomes for local people.</p>	<p>Internal Audit assists management in delivering their priorities by working to an annual programme of work that includes assignments linked to corporate risks and priorities, and which seeks to add value by assessing the quality of controls, ensure value for money and achieve better outcomes for local people.</p>

<b>Ward(s) affected</b>
None.

## **What is the purpose of this report?**

1. To seek the views of Members on risk areas that should be considered a priority for audit in 2022/23, to help inform the preparation of the annual internal audit work programme.

## **Why does this report require a Member decision?**

2. Internal audit professional standards require internal auditors to establish risk based plans to determine the priorities for audit work. When determining these priorities, the standards require that the auditors consult with the committee.

## **Report Background**

3. Internal audit provides independent and objective assurance and advice on the Council's operations. It helps the organisation to achieve overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
4. The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit.
5. The purpose of this report is to seek the committee's views on risk areas that may be a priority for audit during 2022/23.

## **Consultation on 2022/23 internal audit work programme**

6. A new, flexible, approach to audit planning was introduced in 2020/21. Under the new approach, an indicative long list is developed at the start of the year. The long-list includes all areas that are likely to be important for audit in the year. However, it is over-programmed (it includes more work than it is possible to complete). Actual work to be undertaken is selected from the long list throughout the year based on an ongoing assessment of risks and priorities. This approach allows us to keep upcoming work under review, to ensure we are targeting audit resources to those areas most needed. It also builds in flexibility, by enabling us to respond quickly to emerging issues or to commence work on other areas of importance when risks and priorities change. The long list is also kept under review during the year. Potential audits are added or removed as required
7. The indicative programme is informed by a number of factors such as the Council's risk registers, relevant national issues and our wider audit knowledge, including the results of recent audit work. The Council's external auditors (EY) are also consulted to avoid possible duplication of work programmes and to maximise the overall benefit of audit activity. The draft work programme will be presented to the Corporate Affairs & Audit Committee in April 2022, for approval
8. Internal audit work programmes cover a range of risk areas to ensure that overall, the work undertaken will enable the service to meet the requirements of the standards to provide an overall opinion on the framework of governance, risk management, and control operating at the Council. We have defined 11 key areas where we require assurance during the course of the year in order to provide that opinion, as follows:

- Strategic planning
- Organisational governance
- Financial governance
- Risk management
- Information governance
- Performance management and data quality
- Procurement and contract management
- People management
- Asset management
- Programme and project management
- ICT governance

9. In practice, the indicative programme will be structured into a number of sections, as set out below. In assessing what work is included in each area, consideration is given to the priorities listed at paragraph 8.

- **Strategic / corporate & cross cutting** – to provide assurance on areas which, by virtue of their importance to good governance and stewardship, are fundamental to the ongoing success of the Council.
- **Technical / projects** – to provide assurance on those areas of a technical nature and where project management is involved. These areas are key to the Council as the risks involved could detrimentally affect the delivery of services.
- **Financial systems** – to provide assurance on the key areas of financial risk. This helps provide assurance to the council that risks of loss or error are minimised.
- **Service areas** – to provide assurance on key systems and processes within individual service areas. These areas face risks which are individually significant but which could also have the potential to impact more widely on the operations or reputation of the Council if they were to materialise.
- **Other assurance areas** – an allocation of time to allow for continuous audit planning and information gathering, unexpected work, and the follow up of work we have already carried out, ensuring that agreed actions have been implemented by management.
- **Client support, advice & liaison** – work we carry out to support the Council in its functions. This includes the time spent providing support and advice, and liaising with staff.

10. The table at figure 1 below includes some initial ideas on areas for consideration for audit in 2022/23. These are included to prompt discussion and are not intended to be a definitive or complete list of areas that could be reviewed. Planning will also take into account risks arising from current external factors and emerging issues. For example the Covid-19 pandemic which has had a significant and sustained effect, and the developing energy crisis.

11. The committee's views are sought about areas they consider a priority for audit in 2022/23. This may include particular areas listed in figure 1 that they think should be a high priority (or that may be less important) or any other areas which should be considered for audit.

Figure 1: possible areas for audit in 2022/23

Area	Possible Work
Strategic / corporate & cross-cutting	<ul style="list-style-type: none"> <li>• Medium term financial planning and budgeting, budget management, savings plans, commercialisation and investment strategy, commercial property management, financial resilience;</li> <li>• Areas of the Council’s corporate governance framework (e.g. schemes of delegation, constitution, complaints process, standards);</li> <li>• Strategic Planning (e.g. policies and procedures, the Council Plan, Covid-19 recovery);</li> <li>• Risk management, disaster recovery plans and insurance arrangements;</li> <li>• Performance management and data quality;</li> <li>• Partnership working;</li> <li>• Procurement and contract management (including supply chain resilience third party risk, due diligence, Modern Slavery Act compliance);</li> <li>• Ethics and organisational culture;</li> <li>• Training and development;</li> <li>• HR and organisational development / workforce planning (e.g., homeworking arrangements, management and supervision of remote teams, staff wellbeing, succession planning);</li> <li>• Information governance and data protection – compliance, management of information assets, data breach management, data sharing agreements, data storage arrangements, training;</li> <li>• Environment, climate change and waste – air pollution, carbon footprint, energy reduction, recycling, electric vehicle usage;</li> <li>• High street recovery including the use of the Future High Street Fund;</li> <li>• Health and safety.</li> </ul>
Technical / projects	<ul style="list-style-type: none"> <li>• Overall corporate arrangements;</li> <li>• Review of specific key projects;</li> <li>• IT Strategy &amp; Governance (such as information security policies, IT risk management, supporting service development and roles and responsibilities);</li> <li>• IT Information security (such as server configuration, patch management and operating system configuration);</li> <li>• IT Services (such as help desk, incident management and network availability);</li> <li>• Cyber security;</li> <li>• Digitalisation / automation.</li> </ul>
Financial systems	<ul style="list-style-type: none"> <li>• Payroll/personnel;</li> <li>• General ledger, debtors (including debt recovery and enforcement practice), creditors, cash income;</li> <li>• Capital accounting and assets;</li> <li>• Council Tax/ NNDR &amp; benefits (including review of Covid-</li> </ul>

	<p>19 related grants);</p> <ul style="list-style-type: none"> <li>• Treasury management.</li> </ul>
Service areas	<ul style="list-style-type: none"> <li>• Adult and children’s social care – budget management, workforce planning, case management, placements, referrals and assessments, recruitment &amp; retention, procurement, quality assurance, capacity, contract monitoring, deprivation of liberties, direct payments;</li> <li>• Special Education Needs and Disability (SEND) – EHC plans (processes), planning, working with partners, funding;</li> <li>• Public health including management of contracts and management of Covid-19 schemes;</li> <li>• Housing strategy, use of temporary accommodation and homelessness;</li> <li>• Other risks relating to specific service areas (such as schools, planning, local plan strategy, estates, leisure services, waste collection and recycling, licensing, community safety, environmental health, economic development, domestic violence strategies).</li> </ul>

**What decision(s) are being asked for?**

12. That the committee:
- Provides comments on risk areas that they consider a priority for audit in 2022/23 to help inform the preparation of the annual internal audit work programme.

**Why is this being recommended?**

13. Internal audit professional standards require internal audit to consult with the committee when developing work programmes.

**Other potential decisions and why these have not been recommended**

14. This report is for information. There are no other options available.

**Impact(s) of recommended decision(s)**

15. There are no implications to this report in relation to:
- **Legal**
  - **Financial**

- ***Policy Framework***
- ***Equality and Diversity***
- ***Risk***

16. The Council will fail to comply with proper practice for internal audit if Members are not consulted on the content of audit plans.

**Actions to be taken to implement the decision(s)**

17. Any views expressed by Committee members will be considered when preparing the 2022/23 internal audit work programme.

**Appendices**

None

**Background papers**

No background papers were used in the preparation of this report

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