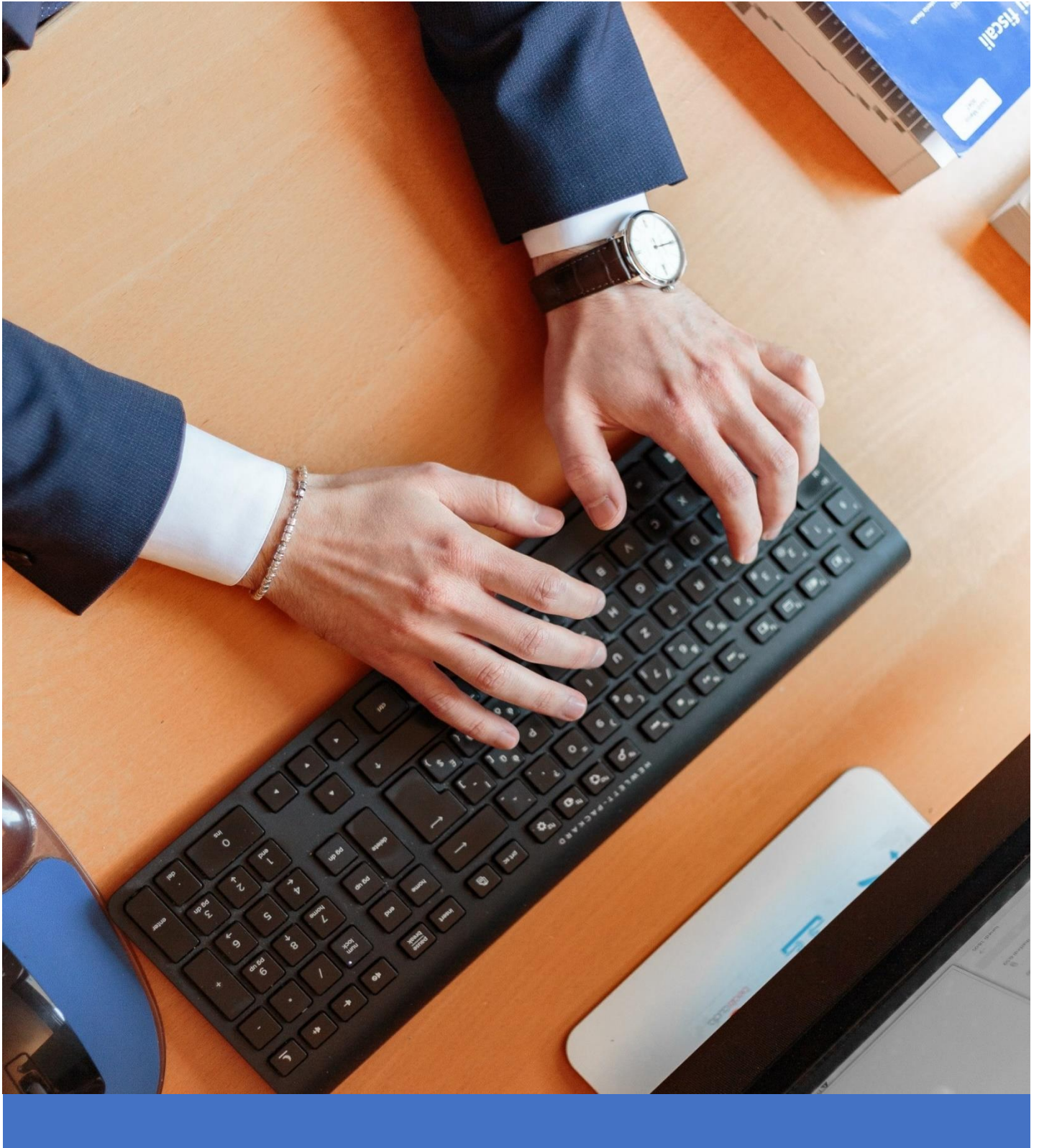# INTERNAL AUDIT WORK PROGRAMME CONSULTATION 2024/25

Date: 1 February 2024

Appendix 1

💼 INTRODUCTION

1   The Public Sector Internal Audit Standards (PSIAS), and the Council's audit charter, require internal audit to draw up an indicative programme of work based on an assessment of risk. The standards require internal audit to independently form a view on the risks facing the Council. However, they also require the opinions of the Audit Committee and senior Council officers to be considered when forming that view.

2   A specific public sector requirement for internal audit is that the risk-based plan (or programme) must take into account the requirement to produce an annual internal audit opinion. Internal audit work programmes cover a range of risk areas to ensure that the work undertaken enables Veritau to meet the requirement to provide an overall opinion on the framework of governance, risk management, and control operating at the Council.

3   In relation to these requirements, the Committee's views are sought on areas it considers a priority for internal audit coverage during 2024/25. This report represents the first stage in consultation on the annual programme of work. A full draft programme is expected to be brought to the Committee in April or May 2024.

📦 APPROACH: THE OPINION FRAMEWORK

Background

4   In addition to the requirements referred to above, the PSIAS also expect that the risk-based programme of work is linked to, and contributes to:

- the management of strategic risks, and

- the achievement of organisational objectives and priorities.

5   The annual opinion is the most important output from internal audit and a key source of objective assurance that the Council's leadership team and Councillors can use to inform the annual governance statement. The annual opinion must therefore be well founded if it is to give proper assurance to the organisation.

The opinion framework

6   Veritau has established an opinion framework. This considers the requirements of the PSIAS and the Council's internal audit charter for producing an annual opinion.

7   The opinion framework sets out the principles that will be used to develop and manage the audit work programme. It ensures that assurance coverage is targeted towards priority areas to allow us to arrive at a properly informed annual opinion. We continuously revisit priorities during the year so that the work programme remains up to date.

8   The opinion framework is comprised of three main parts. The first and core component of the framework is recognition of 11 key assurance

areas. These areas represent the systems of internal control that need to be in good health and functioning correctly to maximise the likelihood that the Council's objectives are achieved without undue exposure to risk.

9   The 11 areas we have identified make the most significant contribution to achievement of organisational objectives or give rise to the greatest risks, based on our internal audit experience in local government and good practice guidance. The 11 areas cover both corporate arrangements, and the management of risks and controls in individual service areas that collectively contribute to the Council's wider objectives.

10 Overlaid on these 11 key assurance areas are two further components of the framework:

- Organisational risks
- Organisational objectives

11 The risks considered for audit planning are those set out in the Council's Strategic Risk Register (SRR). There are many other risks associated with the wide range of services the Council delivers. However, the risks on the SRR are those considered most significant to the achievement of the Council's objectives. There are currently 12 risks on the SRR. Where appropriate, service risks are considered as part of individual audit assignments.

12 The Council's organisational objectives are expressed in its 2024-27 Council Plan as ambitions. There are four ambitions covering economic growth, health and wellbeing, communities and delivering best value. Each of these ambitions have a number of priorities which reflect how the Council expects to meet the ambitions.

13 The audit workplan will be developed by looking to have appropriate coverage across all 11 of the key assurance areas where we require information to enable us to provide the annual opinion. In deciding what work is a priority in each area, we also consider which audits will also provide coverage of strategic risks and corporate ambitions and priorities.

KEY ASSURANCE AREAS

14 Details of the 11 key assurance areas are set out below. We have provided a definition of the areas as well as some examples of areas we could audit within each assurance area. The example audits are for illustrative purposes and are not exhaustive. Some audits we will consider are likely to cut across a number of the key assurance areas.

Strategic planning

15 Strategic planning covers the arrangements the Council has to define and develops its strategy, or direction, and make decisions on resource allocation to successfully pursue this strategy. It also encompasses the control measures in place to guide strategy implementation. This area is

Veritau

of importance to internal audit as effective strategic planning is a prerequisite for delivering long term, sustainable success.

Example audits

• Delivering social care	• Regeneration projects
• Housing development	• Local planning

Organisational governance

16 Governance is the combination of processes and structures implemented to inform, direct, manage and monitor the activities of the Council toward the achievement of its objectives. At its most visible, governance involves the set of policies put in place for the direction and control of the organisation and the establishment of rules and procedures for making decisions. Governance also encompasses business ethics, leadership, strategic management, and control activities. In a local authority context, the principles of effective governance are set out in Cipfa/Solace's 2016 Delivering Good Governance in Local Government: Framework.

Example audits

•Adherence to Constitution	•Declarations of interests & gifts and hospitality
•Policy framework	•Democratic governance

Financial governance

17 Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "*... make arrangements for the proper administration of their financial affairs...*". Financial governance involves arrangements for giving a reliable account of the money spent and income received, stewardship of public resources and compliance with legal and regulatory requirements, ensuring value for money, supporting effective decision-making, and facilitating planning and resource allocation.

Example audits

•Income collection & debt management	•General ledger / accounting records
•Treasury management	•Ordering and creditor payments

Given the Council's current financial position, financial governance will be a key consideration for audit work in 2024/25. Areas of interest are likely to include financial planning and plans to achieve savings targets.

Risk management

18 Risk management encompasses the Council's arrangements for identifying, assessing, managing, and controlling potential events or situations to provide reasonable assurance that its objectives will be achieved. It involves being aware of risk exposures, selecting appropriate risk responses that align risks with the Council's risk appetite, and communicating relevant information in a timely manner across the organisation. As the Council's internal audit provider, the PSIAS expect

that we evaluate the effectiveness of risk management processes and contribute to their improvement.

Example audits

•Risk management processes	•Health and safety
•Insurance	•Disaster recovery

Information governance

19 Information governance is the set of multi-disciplinary structures, policies, procedures, processes, and controls implemented to manage information across the Council. These governance arrangements should support the Council's immediate and future regulatory, legal, risk, environmental and operational requirements.

Example audits

•Policies and procedures	•Training
•Freedom of Information Act	•Subject Access Requests

Performance management and data quality

20 Performance management refers to a systematic process of planning, monitoring, and improving the performance of the Council in order to achieve its objectives and deliver effective services to the public. To achieve this, the Council must set clear, achievable targets which can be accurately reported and monitored with corrective action being taken promptly and appropriately.

Example audits

•Performance monitoring	•Data quality reviews
•Action planning	•Follow-up processes

Procurement and contract management

21 Effective procurement is vital for any local authority to minimise unnecessarily wasteful expenditure and to ensure that it maximises value for money in its service delivery. Public sector operating costs/expenditure is dominated by the procurement of services and goods, staffing costs and capital finance costs. Every procurement process undertaken by the Council or on its behalf needs to comply with the provisions of its own constitution and the strategic objectives and policies set out in its commissioning and procurement strategy or equivalent. Public sector procurement also needs to ensure it complies with the Public Contracts Regulations and any changes introduced by the new Procurement Act 2023.

Example audits

•Purchasing cards	•Contract management
•Individual procurement exercises	•Compliance with legislative changes

▲Veritau▲

People management

22   People management includes arrangements such as recruitment and selection, remuneration, attendance management, training / talent development, individual performance management, equal opportunities, welfare and industrial relations, working arrangements, and discipline.

Example audits

•Training	•Performance management
•Equalities	•Agency staff and recruitment

Asset management

23   Asset management involves the proper safeguarding and recording of assets. It seeks to align the asset base with the Council's corporate ambitions and objectives. The elements of a good asset management process include the maintenance of accurate records an asset register or inventory, an awareness of the physical location of assets and their custodian, and periodic and systematic physical verification of the existence and condition of assets to protect against theft and detect the unauthorised use of property. Several risks exist for the Council when managing their assets including financial loss, replacement of assets, misappropriation and failure to align the asset base with corporate objectives.

Example audits

•Verification of assets	•Asset maintenance
•Strategies, policies and procedures	•Replacement of assets

Programmes and project management

24   Programmes are a collection of related projects managed in a coordinated fashion in order to obtain benefits and control that would otherwise not be available from managing those projects individually. By contrast, projects are discrete, clearly defined, shorter-term engagements, involving the application of processes, methodologies, and specific/cross-functional skills and methodologies to achieve specific and measurable outcomes.

Effective project management is important for the Council in order for it to utilise the resources it has available in an efficient manner and to ensure value for money, particularly with large and high-profile projects.

Example audits

•Framework review	•Individual review of projects
•Performance management	•Contract management

IT governance

25   Information technology (IT) governance is a sub-discipline of organisational governance consisting of the leadership, organisational structures, policies, and processes that ensure that the Council's information technology supports its strategies and objectives.

IT governance should guide the management and oversight of the Council's business as usual activities and so help to establish an effective

control environment that is able to support both the operational and strategic objectives of the organisation. Key risks to achievement to effective IT governance include hardware and/or software failure, cyber-attacks and physical risks including natural disasters.

Example audits

•Cyber security	•IT asset management
•Access controls	•Disaster recovery

✏ QUESTIONS FOR THIS COMMITTEE TO CONSIDER

26   As part of our preparations for the audit work programme for 2024/25, the Committee is invited to express a view on any areas it feels should be considered a priority for internal audit work. In considering this, relevant questions may include the following:

- For any of the Council's strategic risks, are there any which the Committee would like internal audit to look at, to provide additional assurance about arrangements for the management of the risk?

- What are the biggest threats to the achievement of the Council's priorities?

- Are there any of the 11 key assurance areas where the Committee feels internal audit should pay particular attention, to provide it additional comfort that arrangements are operating effectively?

- Are there any specific elements within the 11 key assurance areas that the Committee would like internal audit to look at during 2024/25?

- Irrespective of the assurance areas, risks and Council priorities, does the Committee have any specific suggestions for internal audit assignments we should consider in 2024/25?

⚙ NEXT STEPS

27   Following consultation with the Committee we will hold further discussions with officers to understand their view of priorities for internal audit work over the next year. These meetings will take place during February and March 2024.

28   Alongside this we will continue to keep abreast of emerging issues relevant to the public sector as well as any specific sectoral risks or developments including any relevant changes to legislation. We will also continue to review Committee papers and other relevant background information to ensure we have an up-to-date picture of the challenges and issues facing the Council.

29   Information collected will be used to develop the indicative long list of audits to be included in the 2024/25 internal audit work programme. This will be brought to the Committee for approval in April or May 2024.

30   Our risk assessment and the programme of work will continue be updated and revisited throughout the year to ensure audit work continues to target priority areas.