

## AUDIT COMMITTEE

31 MARCH 2022

### REPORT OF THE INTERNAL AUDIT MANAGER

#### A.1 INTERNAL AUDIT PLAN 2022/23 (Report prepared by Craig Clawson)

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To seek the approval of the Audit Committee for the 2022/23 Internal Audit Plan.

##### EXECUTIVE SUMMARY

- The 2022/23 Audit Plan has been developed using a risk based approach, taking account of the Council's Corporate Objectives, Corporate Risks and Emerging Risks. The plan has been collated based on the information gained from liaising with Directors, Heads of Service and entire departments to target areas that may benefit from an independent review of processes and procedures to determine potential efficiency gains, improved technology / software requirements or if the function has not been audited for a substantial period of time due to it being considered of lower risk historically.
- The establishment for the Internal Audit function is currently four full time equivalents (fte). A recent restructure now means we have four full time members of staff with the part time Audit Technician being changed to full time. This post is to be advertised and appointed to.
- The level and range of coverage is considered sufficient for the Internal Audit Manager to be able to provide an annual opinion on the Council's assurance framework.

##### RECOMMENDATION(S)

- (a) That the Internal Audit Plan for 2022/23 be considered and approved; and
- (b) That the existing arrangements for updating the plan during the year, where necessary to reflect changing Authority activity and operational needs and to provide flexibility of service delivery, be continued, with significant amendments reported to this committee as part of the periodic Internal Audit reporting arrangements.

## PART 2 – IMPLICATIONS OF THE DECISION

| <b>DELIVERING PRIORITIES</b>   |
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| Provision of adequate and effective internal audit helps demonstrate the Council's commitment to corporate governance matters.   |
| <b>FINANCE, OTHER RESOURCES AND RISK</b>   |
| <b>Finance and other resources</b><br>The total direct budget for Internal Audit is £178,930 (excluding recharges) for 2022/23. The Internal Audit Team has a full time equivalent (fte) establishment of four staff members. The Internal Audit Team are currently holding a vacancy for a full time Audit Technician |
| <b>Risk</b><br>Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.   |
| <b>LEGAL</b>   |
| The Council has a statutory responsibility to undertake an effective internal audit.   |
| <b>OTHER IMPLICATIONS</b>  |
| <b>Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.</b><br><b>Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.</b>                       |
| Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.   |
| During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.  |
| There is no specific effect on any particular ward.  |

## PART 3 – SUPPORTING INFORMATION

| <b>BACKGROUND</b>   |
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| The Accounts and Audit Regulations 2015 require that “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”. |
| In respect of the Internal Audit Plan the Public Sector Internal Audit Standards require the Internal Audit Manager to: -   |
| <ul style="list-style-type: none"><li>• Establish a risk based Internal Audit Plan, at least annually, to determine the priorities of the Internal Audit function, consistent with the Council's goals.</li></ul>   |

- Has in place a mechanism to review and adjust the plan, as necessary, in response to changes to the Council's business, risks, operations, programmes, systems and controls.
- Produces a plan that takes into account the need to produce an annual Internal Audit opinion.
- Considers the input of senior management and the Audit Committee in producing the plan.
- Assesses the Internal Audit resource requirements.

## **DEVELOPMENT OF THE AUDIT PLAN**

The Internal Audit Plan is produced taking into account the requirements as set out in the Public Sector Internal Audit Standards, the current Internal Audit Charter and with an emphasis on continuing to use different audit techniques and reporting styles. The Internal Audit Team continue to aspire to add value by targeting particular areas of the Council that may benefit from an independent review of processes and procedures to determine potential efficiency gains, improved technology / software requirements or change through new innovative ways of working.

The 2022/23 Audit Plan has been developed using a risk based approach, taking account of the Councils Corporate Objectives, Corporate Risks and Emerging Risks. Risk is defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives'. Therefore risk can be a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk). All audits will look at adverse impact and potential opportunities and all significant areas are reported to the Audit Committee periodically.

Every audit within the plan will include a section on the impact of COVID-19 on the service area rather than have a separate audit covering the entire organisation. This way we can continually monitor the impact throughout the year and provide a more detailed level of assurance overall.

Discussions have been held with Management Team members individually and collectively. The feedback from Management Team has been taken into account and incorporated within the plan presented to the Committee. The Committee now has the opportunity to input into the draft plan provided.

Other factors also considered when developing the plan are;

- The risk maturity of the organisation;
- The need to use specialists e.g. IT Auditors
- Contingency time to undertake ad-hoc reviews and fraud investigations
- Having the right balance of different reviews e.g Systems and risk based vs added value and consultative assessments

## **INTERNAL AUDIT RESOURCE REQUIREMENTS**

The establishment for the Internal Audit function is currently four full time equivalents (fte). A recent restructure now means we have four full time members of staff with the part time Audit Technician being changed to full time. This post is to be advertised and appointed to.

The proposed plan has been developed based on the current resource available and the teams' adaptation to innovative and leaner ways of working. The number of audit days proposed is 450 which remains unchanged from the 2021/22 audit plan. The plan has been created with the following in mind;

- A leaner more practical audit plan has been developed using a risk based approach, knowledge of all operational processes within service areas, historical assurance opinions and an understanding of where procedural changes have occurred around the Council.
- A hybrid structure of both internal and external resource will provide additional resilience within the team as well as provide different experience, skills transfer for more junior staff and access to a hub of audit resource.
- The impact of COVID-19 will be assessed within all auditable areas identified to ensure a consistent level of assurance can be provided.

#### **INTERNAL AUDIT PLAN DETAIL**

The plan provides an outline of the work currently proposed to be undertaken during the 2022/23 financial year. In order to continue to provide a proactive and flexible approach, the plan should be considered indicative of the work currently intended. The Internal Audit Plan needs to be flexible to ensure that Internal Audit resources are directed where they are most needed, and add as much value as possible to the organisation.

The plan will be kept under review during the year, in consultation with the Council's senior management, and taking account of changes to the Council's priorities, operations and risk. Changes to the plan will be brought to the attention of the Committee for approval.

The plan is considered to be in effect a rolling programme of work, rather than being specific to one year, and audits scheduled, but incomplete at the end of any financial year roll forwards and are completed in the new financial year.

A detailed breakdown of the Audit Plan is included in Appendix A.

The Committee's attention is drawn to the following: -

- **The comments section** of the plan provides additional detail on the audit techniques to be used to deliver the reviews, a brief summary of what is included within the audit and in some instances why it is included in the plan
- **Emerging key projects** – Key projects such as Freeport East, Jaywick Sands Market, External Health Funding and the new Cremator Installation have been allocated audit days. It is still unknown at this point the level of audit coverage required and what it may involve. Time has been allocated to support the Council and further detail will be provided to the Audit Committee when the level of involvement becomes clear.
- **Emerging Risks from Legislation Changes** – This review has been included in the plan due to the impact from the pandemic and changes to legislation that we have no control over that have had a significant impact on Council resources. An example would be the rollout of Business Grants. Therefore it is felt that value could be added

by identifying all legislation that has a direct effect on Council services, collate, record and assess potential risks. This information can then influence the Council Risk Management processes. This will also provide assurance to the Audit Committee that all departments are fully aware of amendments to legislation and the impact it has on their service areas.

- **Development** – Some days have been allocated within the plan to ensure that there is enough time available for the Audit Team to incorporate all of the new processes, procedures, techniques and reporting arrangements into all areas of their work.

As referred to above mechanisms exist to allow amendment to the plan and if any issues arise regarding the risks in the current Corporate Risk Register, or new risks emerge including any identified by the Council's external auditors, then plan adjustments will be considered.

***The level and range of coverage is considered sufficient for the Internal Audit Manager to be able to provide an annual opinion on the Council's assurance framework.***

## **BACKGROUND PAPERS FOR THE DECISION**

Audit Plan Working Papers

## **APPENDICES**

Appendix A - Draft Internal Audit Plan 2022/23