

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Assurance Framework and Internal Audit Planning Consultation
Meeting date	23 January 2020
Status	Public Report
Executive summary	<p>This report sets out the BCP Assurance Framework which identifies the different sources of assurance received across the Council.</p> <p>The report also provides details of the proposed 2020/21 Internal Audit Plan approach.</p>
Recommendations	<p>It is RECOMMENDED that Audit & Governance Committee:</p> <ol style="list-style-type: none"> 1. Agree the BCP Assurance Framework 2. Provide any comments or feedback on the proposed draft 2020/21 Internal Audit Plan (high level allocation of resource and delivery approach). 3. Provide an opinion on the preferred options of the external assessment of Internal Audit. <p>Note the full Internal Audit Plan and the final option agreed for the external assessment of Internal Audit will be approved by this committee at its' April meeting</p>
Reason for recommendations	<p>To comply with Public Sector Internal Audit Standards.</p> <p>To set out the Council's Assurance Framework.</p> <p>To ensure Audit & Governance Committee are informed of the proposed 2020/21 Internal Audit Plan approach.</p>

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Corporate Director	Julian Osgathorpe – Corporate Director Resources
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Wards	Council-wide
Classification	For Information

Background

1. With effect from 1 April 2013, the Public Sector Internal Audit Standards (PSIAS) were set. The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA Global) International Professional Practices Framework (IPPF), including the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.
2. The Local Government Application Note (LGAN) has been developed to detail the sector-specific requirements for the provision of internal audit services within a local government organisation within the UK Public Sector Internal Audit Framework.
3. The Audit and Governance Committee approves the Internal Audit Plan and budget as required under the PSIAS.

Assurance Framework

4. The Council's Assurance Framework identifies the key components that enable the Council to satisfy itself that the risks to its objectives and the risks inherent in undertaking its work have been properly identified and are being managed by controls that are adequately designed and effective in operation.
5. The BCP Assurance Framework (Appendix A) identifies all the sources of assurance, internal and external, received across the Council. This assists Audit & Governance Committee with their role of providing independent assurance to the Council on the effectiveness of the Council's governance arrangements, risk management framework and internal control environment.
6. The Public Sector Internal Audit Standards state that the Head of Internal Audit must provide an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and internal controls (ie the control environment). The Assurance Framework identifies the scope of the Council's control environment.
7. The Assurance Framework also informs the Council's Annual Governance Statement (AGS), which reports on the effectiveness of the governance framework
8. Audit & Governance Committee are asked to agree the Council's Assurance Framework.

Proposed Audit Plan 2020/21 – High level allocation of resource

Best Practice Compliance

9. The Public Sector Internal Audit Standards (PSIAS) require Internal Audit to produce a risk based Audit Plan which should take into account the assurance framework, the requirement to produce an annual internal audit opinion and the relative risk maturity of the organisation
10. The Internal Audit planning process is informed by the Council's Assurance Framework to avoid duplication and identify potential assurance gaps.
11. The proposed work in the draft 2020/21 Audit Plan has been designed to enable the Head of Internal Audit to provide an annual opinion on the adequacy and effectiveness of the Council's control environment (as identified in the Assurance Framework).
12. The risk maturity of the Council has been considered as part of the audit planning process. The draft 2020/21 Audit Plan includes independent and objective assurance on the risks identified by management on Corporate and Directorate Risk Registers (which will include national and local issues).
13. The table below outlines the Audit Plan days for 2020/21, with comparison to the 2019/20 Audit Plan (see Appendix B for more details of Audit Activity).

AUDIT ACTIVITY	2019/20 PLAN DAYS	2020/21 PLAN DAYS BCP	Difference (Days)	Difference %
CORE AUDIT & ASSURANCE WORK				
KEY ASSURANCE FUNCTIONS	190	200		
HIGH LEVEL RISKS	665	700		
COUNTER FRAUD RISKS	160	160		
KEY FINANCIAL SYSTEMS	255	235		
SCHOOLS	75	60		
ADVICE & FOLLOW UP & C/FWD	270	260		
TOTAL	1,615	1,615	0	-
OTHER AUDIT WORK				
INVESTIGATIONS	120	120		
CONTINGENCY AUDITS	75	75		
FINANCIAL REGULATIONS COMPLIANCE	25	20		
TOTAL	220	215	-5	-2%
CORPORATE ASSURANCE WORK				
CORPORATE FRAUD	125	125		
FREE EARLY EDUCATION FUNDING AUDITS	60	70		
TOTAL	185	195	+10	+5%
VFM/BCP WORK				
VFM/EFFICIENCY/MTFP	45	30		
BCP IMPLEMENTATION	65	30		
TOTAL	110	60	-50	-45%
GOVERNANCE WORK				
CORPORATE MANAGEMENT & LIAISON	28	25		
MEMBER LIAISON	52	60		
AGS (Annual Governance Statement)	75	75		
TOTAL	155	160	+5	+3%

SERVICE MANAGEMENT WORK				
MANAGEMENT/MEETINGS/SERVICE MAINT.	215	240		
AUDIT DEVELOPMENT	77	80		
AUDIT PLANNING	58	60		
PERFORMANCE MANAGEMENT	61	60		
TOTAL	411	440	+29	+7%
NON PRODUCTIVE TIME				
LEAVE	491	493		
SICK/DOWNTIME	70	80		
TRAINING & CPD	171	170		
VACANCY CONTINGENCY	50	50		
TOTAL	782	793	-18	-2%
TOTAL DAYS	3,478	3,478	0	-

Audit Plan Delivery

14. The Core Audit & Assurance Plan audits will generally be completed on a Directorate basis covering a selection of *Key Assurance Function* areas, any appropriate *Financial Systems*, *High Level Risks* and relevant *Counter Fraud* work. This approach will enable Internal Audit to prioritise work within each Directorate and be able to respond to any changes in the Council's business, risks, operations, programmes, systems and controls.
15. During 2020/21 there will be continued change as the new BCP organisation completes restructures and considers the most effective and efficient service delivery requirements. Internal Audit will act as an enabler for change, working with management to help identify emerging risks, advising on changes to processes and associated controls and also to help support improvement whilst ensuring a robust governance framework is maintained. Retrospective reporting on the success or failure of change is in not in the Council's interest, real-time on-going assurance is instead required.

Audit Plan Consultation/Agreement

16. As part of the compilation of the 2020/21 plan, early consultation is being undertaken with Audit & Governance Committee, followed by Corporate Directors & Directors to capture any emerging risks\pertinent issues.
17. Following the consultation process the final 2020/21 Audit Plan will be brought back to this Committee for formal approval in April 2020.
18. A detailed breakdown of audit days required in each Directorate will be included in the final 2020/21 Audit Plan however it should be noted that a great deal of flexibility will be needed on this and work on other activity in order to respond to the continued organisational change.
19. Audit & Governance Committee are asked to consider and comment on the proposed 2020/21 Audit Plan approach.

Compliance with Professional Standards

20. The way in which Internal Audit should operate is contained in the Public Sector Internal Audit Standards (PSIAS). A self assessment has been carried out in previous years for the legacy Council Internal Audit teams which demonstrated full compliance. In order to remain compliant an external review of the Internal Audit service (required under the quality assurance attribute standards) is required to be undertaken once every 5 years.

21. Potential options for carrying out the external assessment include –

- External Audit - Grant Thornton (*update Grant Thornton have advised that under their ethical standards they are unable to carry out this work*).
- Chartered Institute of Public Finance Accounts (CIPFA)
- Institute for Internal Auditors (IIA)
- Peer Review (involving at least 3 organisations).
- Another Local Authority Chief Internal Auditor.
- Another professional external organisation

Whilst the cost of such a review varies greatly depending on the provider the current cheapest option is one provided by CIPFA and the cost would be approximately £3,000 plus travel and expenses for one person over 3 days.

22. There are a number of alternatives to an external assessment but this would result in a technical non (full) compliance with the Standards. Alternatives are:

- Review of self assessment by Audit & Governance Committee or a dedicated working group
- Review of self assessment by other professional officers (e.g. Accountants)
- No assessment carried out

23. Audit & Governance Committee are asked to consider and offer an opinion on the potential options for the external assessment process part of the Public Sector Internal Audit Standards. The Head of Internal Audit will then use the opinion to further investigate and firm up costs. The April meeting of this Committee will then be asked to approve the final preferred option.

Options Appraisal

24. See options in the section above.

Summary of financial implications

25. The Audit Plan is delivered within the Finance base budget approved as part of the wider Council's budget setting process.

26. For 2019/20, forecast year end spend is expected to be in line with the original budget.

Summary of legal implications

27. There are no direct legal implications from this report.

Summary of human resources implications

28. There are no direct human resources implications from this report.

Summary of sustainability impact

29. There are no direct sustainability impact implications from this report.

Summary of public health implications

30. There are no public health implications from this report.

Summary of equality implications

31. There are no direct risk management implications from this report.

Summary of risk assessment

32. The BCP Assurance Framework at Appendix A assists Audit & Governance Committee with their role of providing independent assurance to the Council on the effectiveness of the control environment which includes the risk management framework.

Background papers

None

Appendices

Appendix A – BCP Assurance Framework

Appendix B – Audit Plan Activity Details