

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Assurance Framework & Internal Audit Planning Consultation
Meeting date	13 January 2022
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. An additional key assurance area, Sustainable Environment, has been added to the Assurance Framework.</p> <p>The report also provides details of the proposed 2022/23 Internal Audit Plan approach. Following the PSIAS assessment this year the audit planning process has been enhanced to ensure links to corporate priorities and risks are clearly articulated.</p>
Recommendations	<p>It is RECOMMENDED that Audit & Governance Committee:</p> <ul style="list-style-type: none">• Agree the BCP Assurance Framework• Provide any comments or feedback on the proposed draft 2022/23 Internal Audit Plan – high level allocation of resource and delivery approach
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 2022/23 Internal Audit Plan approach.</p>
Portfolio Holder(s):	Cllr Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
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Wards	Council-wide
Classification	For Information

Background

1. The Public Sector Internal Audit Standards (PSIAS) set the principles for carrying out UK public sector internal audit and provide a framework for internal audit services to add value to the organisation, evaluate and improve performance. The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA Global) International Professional Practices Framework (IPPF). They also include additional requirements and interpretations for the UK public sector, which have been inserted in such a way as to preserve the integrity of the text of the mandatory elements of the IPPF.
2. First introduced in 2013, the PSIAS are updated periodically, most recently in 2017, to reflect changes made to the IPPF while having regard to any additional requirements or interpretations needed for the UK public sector.
3. 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.
4. The Internal Audit service at BCP Council is planned and delivered to meet requirements of the PSIAS and LGAN as set out in the Audit Charter, which is agreed annually by Audit & Governance Committee. The Charter includes a Quality Assurance & Improvement Programme in the Charter through which Internal Audit strives to improve and develop its service.
5. The PSIAS include a requirement for a risk-based audit plan to be developed whilst considering other sources of assurance and for the 'board' (Audit & Governance Committee) to approve the plan.

Assurance Framework

6. The BCP Council's Assurance Framework (Appendix A) 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.
7. It identifies the sources of assurance, internal and external, received across the Council. This assists the 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.
8. The PSIAS 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 (i.e. the control environment). The Assurance Framework identifies the scope of the Council's control environment.
9. The Assurance Framework also informs the Council's Annual Governance Statement (AGS), which reports on the effectiveness of the governance framework.
10. The range of key assurance functions is reviewed at least annually by Internal Audit to ensure that it reflects the Council's governance and priorities. This year, an additional key assurance area, Sustainable Environment, has been added to the Assurance Framework. This is to reflect the responsibilities of all service areas to comply and manage risks in this area, both in internal processes and external delivery.
11. Audit & Governance Committee are asked to agree the Council's Assurance Framework.

Audit Plan 2022/23 – High level allocation of resource

Best Practice Compliance

12. The 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.
13. The Internal Audit planning process is informed by the Council's Assurance Framework to avoid duplication and identify potential assurance gaps.
14. The proposed work in the draft 2022/23 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).
15. Following the PSIAS assessment this year, audit planning has been enhanced to ensure the links to corporate priorities and risks are clearly articulated (as shown in a. and b. below). Internal Audit identify and risk assess the audit universe (i.e. the auditable areas of the Council), which includes the following:
 - a. Risks to achieving the Council's Priorities and Objectives as stated in the Corporate Strategy, including the "We wills..." which underpin the objectives
 - b. Risks to delivering key Council projects, including those on the Big Plan, and the Transformation Programme
 - c. Risks identified in the Corporate Risk Register and in Service / Directorate Risk Registers, including consideration of risk maturity of the organisation
 - d. Risks to achieving Service / Directorate Priorities and Objectives as stated in business plans and other service documentation
 - e. Other sources of data, for example, financial information, performance monitoring, assets held, when last audited and previous audit findings
16. The relative priority of planned audit work, based on the audit risk assessment, helps to determine which High Level Risk audits will be undertaken during the year.
17. The resource required to deliver the audit plan is determined to ensure that adequate assurance can be given against the assurance framework and high-risk areas identified to support the Chief Auditor's annual audit opinion. This includes ensuring that assurance is available across a range of high-risk corporate, directorate and service areas, as well as Key Assurance Functions, Key Financial Systems, Counter Fraud and other areas.
18. The table below outlines the Audit Plan days for 2022/23, with comparison to the 2021/22 Audit Plan.

AUDIT ACTIVITY	DETAIL	2021/22 PLAN DAYS	2022/23 PLAN DAYS	Difference (Days)	Reason for Difference
CORE AUDIT & ASSURANCE WORK					
HIGH LEVEL RISKS	As per audit risk assessment using Corporate Strategy, Big Plan, Corporate & Directorate Risk Registers and other sources	700	700		Less days required for financial systems following alignment of some financial systems (e.g. Debtors)
KEY FINANCIAL SYSTEMS	Financial systems with significant value / materiality	230	200	-30	
KEY ASSURANCE FUNCTIONS	As identified on Assurance Framework (Appendix A)	195	195		
COUNTER FRAUD RISKS	As per Internal Audit's Counter Fraud Risk Register	160	160		
SCHOOLS	As per Internal Audit's Schools Risk Assessment	60	60		
OTHER	Including audit planning, advice and follow ups	270	270		
TOTAL		1,615	1,585	-30	
OTHER AUDIT WORK					
INVESTIGATIONS	Fraud/management investigations	100	275		Less overall days allowed for contingency reviews based on 21/22 actuals
CONTINGENCY WORK	Other audit reviews as requested and carry forwards	70			
GRANT CERTIFICATION WORK	Chief Internal Auditor certification as required per grant conditions	45			
FINANCIAL REGULATIONS COMPLIANCE	Responding to requests for waivers and instances of breaches	20			
BCP TRANSFORMATION & EFFICIENCY	Supporting Transformation, and income generation (including commercial) & business opportunities in support of the MTFP	60			
TOTAL		295	275	-20	
CORPORATE ASSURANCE WORK					
CORPORATE FRAUD	Includes service specific support on housing and right to buy applications verification and fraud referrals	125	215		
FREE EARLY EDUCATION FUNDING AUDITS	Assurance on funds allocated to providers	70			
OTHER CORPORATE ASSURANCE WORK	Includes two Charter Trustees audits and verification of expenditure on the 'Aspire' European grant	20			
TOTAL		215	215	0	

GOVERNANCE WORK					
CORPORATE MANAGEMENT & LIAISON	Work with External Audit and Senior Management	25	} 170		Additional days to allow for support of support of corporate groups including equalities
MEMBER LIAISON	Audit & Governance Committee work	65			
AGS (Annual Governance Statement)	Preparation & monitoring of the Council's Annual Governance Statement and local code of governance	75			
TOTAL		165	170	+5	
IA SERVICE MANAGEMENT WORK					
MANAGEMENT & MEETINGS	Staff management and meetings, including 1-2-1s and recruitment	250	} 430		Temporary increase in development days to ensure IA service aligns with and supports corporate transformation and new organisational design
AUDIT DEVELOPMENT	Development of computerised audit management system, audit techniques (e.g. data analytics) and associated processes	80			
PERFORMANCE MANAGEMENT	Monitoring/reporting on team performance and quality assurance processes	60			
TOTAL		390	430	+40	
NON-PRODUCTIVE TIME					
LEAVE		505*	} 775		*Note 21/22 figure for leave rounded up Net increase in days to reflect additional bank holidays and other minor changes
SICK/DOWNTIME		55			
TRAINING & CPD		160			
VACANCY CONTINGENCY		50			
TOTAL		770	775	+5	
TOTAL DAYS		3,450	3,450		

Audit Plan Delivery

19. 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 determined by the relative priority of the audits determined during the annual planning process. This approach enables Internal Audit to prioritise work within and between each Directorate and be able to respond to any changes in the Council's business, risks, operations, programmes, systems and controls.
20. During 2022/23 there will continue to be much organisational change as the Council transforms its services through 'Smarter Structures' and new organisational design. It is also anticipated that there will also be continued impact from the Covid-19 pandemic. Both of these will require a flexible audit approach to address the changing environment.
21. Internal Audit will act as an enabler for this 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. Real-time assurance will be provided throughout the year.

Audit Plan Consultation/Agreement

22. As part of the compilation of the 2022/23 plan, following this consultation with Audit & Governance Committee, the Corporate Directors and Service Directors will also be consulted to capture any emerging risks/pertinent issues.
23. Following the consultation process the final 2022/23 Audit Plan will be brought back to this Committee for formal approval in April 2022.
24. A detailed breakdown of audit days required in each Directorate will be included in the final 2022/23 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.
25. Audit & Governance Committee are asked to consider and comment on the proposed 2022/23 Audit Plan approach.

Options Appraisal

26. See audit plan approach option above.

Summary of financial implications

27. The Audit Plan is delivered within the Finance base budget approved as part of the wider Council's budget setting process. The Plan outlined above at paragraph 18, assumes the 2022/23 Internal Audit budget will be approved broadly on the same basis as 2021/22 and allowing for inflationary growth only. This level of resource is considered sufficient to provide the CIA annual audit opinion.

Summary of legal implications

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

Summary of human resources implications

29. There are 13.42 full-time equivalent (FTE) Internal Audit staff members planned to be employed as part of the 2022/23 audit plan inclusive of the Head of Audit & Management Assurance who manages several other teams and an Auditor who specialises in corporate fraud prevention, detection and investigation. It is the opinion of the Chief Internal Auditor that these resources are considered sufficient to provide Audit & Governance Committee and the Council's Corporate Management Board with the assurances required.

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

32. There are no direct equality implications from this report.

Summary of risk assessment

33. This report ensures compliance with the Public Sector Internal Audit Standards.

Background papers

None

Appendices

Appendix A – BCP Assurance Framework

BCP COUNCIL ASSURANCE FRAMEWORK – APRIL 2022



		ASSURANCE SOURCE / FUNCTIONS	RESPONSIBLE DIRECTORATE / BODY	
AUDIT & GOVERNANCE COMMITTEE	AGS - REVIEW OF EFFECTIVENESS OF GOVERNANCE FRAMEWORK	HEAD OF INTERNAL AUDIT ANNUAL OPINION	Asset Management	Customer & Business Delivery and Development
			Business Continuity	Finance
			Business Planning/Performance Management	Policy & Research
			Counter Fraud	Finance
			Financial Management	Finance
			Health & Safety	Finance
			Human Resources	HR & Organisational Development
			ICT	IT & IS
			Information Governance	Law & Governance
			Internal Audit	Finance
			Management Assurance Statements	BCP Corporate Management Team, Service Directors and Statutory Officers
			Procurement	Finance
			Project & Programme Management	Project Management Office & Major Change
			Risk Management	Finance
			Safeguarding	Policy & Research
			Partnerships	Finance and Law & Governance
			Sustainable Environment	Various
			EXTERNAL ASSURANCES	External Audit
	Assessment of Internal Audit	CIPFA (full compliance with PSIAS)		
	External Reviews & Inspections	e.g. Care Quality Commission, OFSTED		
Regularity Bodies	e.g. Information Commissioner			
External Benchmarking	e.g. CFO Insights			
Peer Reviews	e.g. Corporate Peer Challenge			