

AUDIT AND GOVERNANCE COMMITTEE



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| Report subject | Assurance Framework & Internal Audit Planning Consultation 2023/24 |
| Meeting date | 12 January 2023 |
| Status | Public Report |
| Executive summary | <p>To aid compliance with the Public Sector Internal Audit Standards and to ensure early consultation with the Audit & Governance Committee, this report outlines the BCP Assurance Framework and the proposed approach for the 2023/24 Internal Audit Plan.</p> <p>The Assurance Framework has been updated in line with the best practice 'Three Line' model which explains how key organisational roles work together to facilitate, and provide assurance upon, strong governance and risk management. Sixteen key assurance functions have been identified (such as Risk Management and Information Governance). For each of these, it shows the 'first line' (those with management responsibility for implementing risk management and governance processes), the 'second line' (corporate and management oversight, including advice, expertise and compliance), and the 'third line', Internal Audit. It also shows where some external assurance sources exist. The Assurance Framework is also used to help develop the Internal Audit Plan.</p> <p>The proposed 2023/24 Internal Audit Plan approach shows the amount of resource to provide core audit work (including high risk, key assurance and key financial audits) and fraud work and subject to budget approval will remain materially the same as 2022/23. This resource is considered sufficient resource to be able to deliver the Chief Internal Auditor's Annual Opinion. There will be a minor decrease in overall level of resource, mainly due to the reduction in use of agency staff, and some minor variances in resource allocation, for example, to support the Council's equality work.</p> |
| Recommendations | <p>It is RECOMMENDED that Audit & Governance Committee:</p> <p>(a) Agree the BCP Assurance Framework</p> <p>(b) Provide any comments or feedback on the proposed draft 2023/24 Internal Audit Plan – high level allocation of resource and delivery approach</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 2023/24 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 and include additional requirements and interpretations for the UK public sector.
2. The Local Government Application Note (LGAN) details 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 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 through which Internal Audit strives to improve and develop its service.
4. 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

5. BCP Council's Assurance Framework (Appendix A) has been updated this year in line with the 'Three Lines' model, which is widely recognised as a best practice approach to implementing risk management and corporate governance, as shown in the Council's Local Code of Governance.
6. For each of the key assurance functions identified, it shows the 'first line' (those with management responsibility for implementing risk management and governance processes), the 'second line' (corporate and management oversight, including advice, expertise and compliance), and the 'third line', Internal Audit. It also shows where some external assurance sources exist.
7. The Framework 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. It also informs the Council's Annual Governance Statement (AGS) which reports on the effectiveness of the governance framework and which is a further source of assurance to the Audit & Governance Committee.
9. The PSIAS state that the Head of Internal Audit must provide an annual 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 sources of assurance that will be used to form the basis of the opinion.
10. Audit & Governance Committee are asked to agree the Council's Assurance Framework.

Proposed Audit Plan 2023/24 – High level allocation of resource

Best Practice Compliance

11. 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.
12. The Internal Audit planning process is informed by the Council's Assurance Framework to avoid duplication and identify potential assurance gaps.
13. The proposed work in the draft 2023/24 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).
14. 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
 - 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
15. 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.
16. 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.
17. The table below outlines the Audit Plan days for 2023/24, with comparison to the 2022/23 Audit Plan.

| AUDIT ACTIVITY | DETAIL | 2022/23 PLAN DAYS | 2023/24 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 | | |
| KEY FINANCIAL SYSTEMS | Financial systems with significant value / materiality | 200 | 200 | | |
| 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 | | 1,585 | 1,585 | 0 | |
| OTHER AUDIT WORK | | | | | |
| INVESTIGATIONS | Fraud/management investigations | 100 | 100 | | |
| CONTINGENCY WORK | Other audit reviews as requested and carry forwards | 50 | 20 | -30 | Less days allowed for contingency reviews based on 22/23 actuals |
| GRANT CERTIFICATION WORK | Chief Internal Auditor certification as required per grant conditions | 45 | 45 | | |
| FINANCIAL REGULATIONS COMPLIANCE | Responding to requests for waivers and instances of breaches | 20 | 20 | | Less days allowed for vfm/efficiency work based on 22/23 actuals and corporate budget/transformation work |
| BCP TRANSFORMATION & EFFICIENCY | Supporting Transformation, and income generation (including commercial) & business opportunities in support of the MTFP | 60 | 35 | -25 | |
| TOTAL | | 275 | 220 | -55 | |
| CORPORATE ASSURANCE WORK | | | | | |
| CORPORATE FRAUD | Includes service specific support on housing and right to buy applications verification and fraud referrals | 125 | 125 | | |
| FREE EARLY EDUCATION FUNDING AUDITS | Assurance on funds allocated to providers | 70 | 70 | | |
| OTHER CORPORATE ASSURANCE WORK | Includes Charter Trustees audits and ill health pension review role | 20 | 30 | +10 | Additional days to support new ill health |

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|-----------------------------------|--|--------------|--------------|------------|--|
| TOTAL | | 215 | 225 | +10 | pension review role |
| GOVERNANCE WORK | | | | | |
| CORPORATE MANAGEMENT & LIAISON | Work with External Audit and Senior Management | 30 | 70 | +40 | Additional days to allow for support of corporate groups including equalities |
| MEMBER LIAISON | Audit & Governance Committee work | 65 | 65 | | |
| AGS (Annual Governance Statement) | Preparation & monitoring of the Council's Annual Governance Statement and local code of governance | 75 | 75 | | |
| TOTAL | | 170 | 210 | +40 | |
| IA SERVICE MANAGEMENT WORK | | | | | |
| MANAGEMENT & MEETINGS | Staff management and meetings, including 1-2-1s and recruitment | 250 | 250 | | Reduction in temporary 22/23 increase in development days for IA service technology transformation |
| AUDIT DEVELOPMENT | Development of computerised audit management system, audit techniques (e.g. data analytics) and associated processes | 120 | 100 | -20 | |
| PERFORMANCE MANAGEMENT | Monitoring/reporting on team performance and quality assurance processes | 60 | 60 | | |
| TOTAL | | 430 | 410 | -20 | |
| NON-PRODUCTIVE TIME | | | | | |
| LEAVE | | 525 | 550 | +25 | Increase to reflect additional bank holidays and leave |
| SICK/DOWNTIME | | 55 | 55 | | |
| TRAINING & CPD | | 155 | 135 | -20 | No formal qualification training planned 23/24 |
| VACANCY CONTINGENCY | | 40 | 0 | -40 | |
| TOTAL | | 775 | 740 | -35 | Vacancy contingency removed to cover planned work |
| TOTAL DAYS | | 3,450 | 3,390 | -60 | Reduction in planned use of external resource (i.e. via agency) and less overall working days |

Audit Plan Delivery

18. 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 identified 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.
19. During 2023/24 there will continue to be much organisational change in the Council, particularly the transformation programme. Therefore, a flexible audit approach is required to address the changing environment. The audit approach will also be mindful of the likely creation of more 'Centres of Excellence' which may bring together the work of similar staff and functions across multiple directorates into single centres – such as Commissioning and Procurement.
20. 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

21. As part of the compilation of the 2023/24 plan, following this consultation with Audit & Governance Committee, the Corporate Directors & Service Directors will be consulted to capture any emerging risks/pertinent issues.
22. Following the consultation process the final 2023/24 Audit Plan will be brought back to this Committee for formal approval in March 2023.
23. A detailed breakdown of audit days required in each Directorate will be included in the final 2023/24 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.
24. Audit & Governance Committee are asked to consider and comment on the proposed 2023/24 Audit Plan approach.

Options Appraisal

25. See audit plan approach option above.

Summary of financial implications

26. 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 17 assumes the 2023/24 Internal Audit budget will be approved broadly on the same basis as 2022/23 (£717,100) and allowing for inflationary growth only. This level of resource is considered sufficient to provide the Chief Internal Auditor's Annual Opinion.
27. The Chief Internal Auditor has considered, particularly in the light of the current financial challenges, whether it is possible to reduce the size and therefore cost of the team and still deliver the Chief Internal Auditor's Annual Opinion. Currently, it is considered that reducing the size of the team would compromise the ability to produce the Annual Opinion and thus for individual officers and the Council to fulfil statutory requirements. However, this will be kept under on-going review and it is anticipated that the new working practices and consolidation of legacy working practices and

systems following delivery of the Council's transformation programme will enable the Chief Internal Auditor to reconsider savings opportunities.

Summary of legal implications

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

Summary of human resources implications

29. There are 13.35 full-time equivalent (FTE) Internal Audit staff members planned to be employed as part of the 2023/24 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 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 1 – BCP Assurance Framework