

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Internal Audit - Audit Charter & Audit Plan 2023/24
Meeting date	9 March 2023
Status	Public Report
Executive summary	<p>This report sets out the Internal Audit Charter, approval of which by the Audit & Governance Committee is a requirement of the Public Sector Internal Audit Standards (PSIAS). A new Internal Audit Data Analytics Strategy, which sets out how Internal Audit will increase its use of data analytics to provide a greater level of assurance, to increase testing coverage and improve efficiency, has been added, together with a number of minor changes.</p> <p>The Core Audit Plan, Anti-Fraud and Corruption Audit Plan, and detailed Quarter 1&2 plans will be brought to the next scheduled (main) Audit & Governance Committee in July 2023. This is later than normal due to the rearranging of the Committee calendar caused by the May 2023 local elections. As an interim measure, for this year only, the Head of Internal Audit & Management Assurance will circulate the Core Audit Plan, Anti-Fraud and Corruption Audit Plan, and detailed Quarter 1 plan to the members of the Audit & Governance Committee in April for awareness.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <p>Audit & Governance Committee are asked to:</p> <ul style="list-style-type: none">• approve the Internal Audit Charter, including the Internal Audit Data Analytics Strategy, and agree that the Chair signs the document to record this approval (this may be a virtual sign off using email)• note that the 2023/24 detailed Core Internal Audit Plan will be presented at the July 2023 Audit & Governance Committee• note the 2023/24 budget for the Internal Audit service which was approved by Council as part of the 2023/24 Council Budget setting and Medium Term Financial Plan update in February 2023
Reason for recommendations	To comply with Public Sector Internal Audit Standards

Portfolio Holder(s):	Cllr Phil Broadhead, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Nigel Stannard, Head of Audit & Management Assurance ☎01202 128784 ✉ nigel.stannard@bcpcouncil.gov.uk Ruth Hodges, Audit Manager (Deputy Chief Internal Auditor) ✉ ruth.hodges@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Decision and Information

Background

1. The Public Sector Internal Audit Standards (PSIAS) provide a consistent framework for Internal Audit Services operating across public sector. The Public Sector Internal Audit Standards require Internal Audit to:
 - a. periodically review its Charter;
 - b. produce a risk based Audit Plan; and to
 - c. obtain approval for the Internal Audit service budget.
2. To comply with the PSIAS, the Audit & Governance Committee should approve the Internal Audit Charter and Audit Plan annually (in this case for 2023-24), and also note the Internal Audit service budget (as previously approved by Council).

Internal Audit Charter 2023/24

3. The Internal Audit Charter (Appendix A) describes the purpose, authority, responsibilities and scope of the Council's Internal Audit Section.
4. An annual review has been undertaken of the Charter as required by the PSIAS.
5. The review considered whether production of a separate Internal Audit Strategy would be beneficial. This was following recommendations in the CIPFA – Internal Audit: Untapped Potential report (as brought to Audit & Governance Committee in October 2022) and from Internal Audit's own annual self-assessment against the PSIAS (which will be reported to this Committee in July 2023).
6. Whilst there is no specific requirement to produce an audit strategy, it can be useful to reflect on and communicate what internal audit do and the value they add to the organisation. However, the majority of expected content of such a strategy, including objectives, resourcing, standards and performance measures, is already included in the BCP Council Internal Audit Charter and Audit & Governance Committee report.
7. Therefore, the Chief Internal Auditor (the Head of Audit & Management Assurance) does not consider that a separate strategy is required as it would result in unnecessary duplication and potential confusion. However, a potential gap was identified, and as a result, an additional section has been added to the Charter

entitled “Strategy for an Insightful, Proactive, and Future-focused Service” (see Section 14). This shows how the Internal Audit Service will plan and respond to internal and external challenges and opportunities.

8. A newly developed Internal Audit Data Analytics Strategy 2022-25 has been added to the Charter (see Annexe 6). Data analytics is the process of examining data sets in order to find trends and draw conclusions about the information they contain. The purpose of the strategy is to detail how Internal Audit will increase its use of Data Analytics over the next 3 years to support the effective and efficient delivery of assurance.
9. The section on Acceptance of Risk has been amended to clarify that where management does not intend to address risks mitigated by High and Medium priority audit recommendations, there must be a request in writing to the Chief Internal Auditor and the Statutory Officer Group to approve this. All accepted risks will be reported to Audit & Governance Committee (see Section 20).
10. The target customer satisfaction score has been increased from 3 (satisfactory) to 4 (good) (out of 5) to demonstrate the commitment to high professional standards by the Internal Audit Team.
11. The Audit & Governance Committee are asked to approve the amended Charter, including the Internal Audit Data Analytics Strategy.

Interim Internal Audit Plan 2023/24 Update

12. The Internal Audit Planning Consultation 2023/24 (high level allocation of resource and delivery approach) was presented to the Audit & Governance Committee on the 12 January 2023 for comments and feedback. A summary is reproduced below, with comparison to the 2022/23 original Audit Plan:

AUDIT ACTIVITY	2022/23 PLAN DAYS	2023/24 PLAN DAYS	Difference (Days)
CORE AUDIT & ASSURANCE WORK			
HIGH LEVEL RISKS	700	700	
KEY FINANCIAL SYSTEMS	200	200	
KEY ASSURANCE FUNCTIONS	195	195	
COUNTER FRAUD RISKS	160	160	
SCHOOLS	60	60	
PLANNING, ADVICE, FOLLOW UP	270	270	
TOTAL	1,585	1,585	0
OTHER AUDIT WORK			
INVESTIGATIONS	100	100	
CONTINGENCY WORK	50	20	-30
GRANT CERTIFICATION WORK	45	45	
FINANCIAL REGULATIONS COMPLIANCE	20	20	
BCP TRANSFORMATION & EFFICIENCY	60	35	-25
TOTAL	275	220	-55

CORPORATE ASSURANCE WORK			
CORPORATE FRAUD	125	125	
FREE EARLY EDUCATION FUNDING AUDITS	70	70	
OTHER CORPORATE ASSURANCE WORK	20	30	+10
TOTAL	215	225	+10
GOVERNANCE WORK			
CORPORATE MANAGEMENT & LIAISON	30	70	+40
MEMBER LIAISON	65	65	
AGS (Annual Governance Statement)	75	75	
TOTAL	170	210	+40
IA SERVICE MANAGEMENT WORK			
MANAGEMENT & MEETINGS	250	250	
AUDIT DEVELOPMENT	120	100	-20
PERFORMANCE MANAGEMENT	60	60	
TOTAL	430	410	-20
NON-PRODUCTIVE TIME			
LEAVE	525	550	+25
SICK/DOWNTIME	55	55	
TRAINING & CPD	155	135	-20
VACANCY CONTINGENCY	40	0	-40
TOTAL	775	740	-35
TOTAL DAYS	3,450	3,390	-60

13. Work to finalise the detailed operational plan, the Core Internal Audit Plan, is well underway. As detailed in the earlier Internal Audit Planning Consultation report, this includes the identifying and assessing of risks, identified through a range of sources, and consultation with Corporate and Service Directors and External Audit. The final detailed plan will be available for the start of the financial year and will reflect changes to the organisation through transformation and restructure.
14. The Core Audit Plan, Anti-Fraud and Corruption Audit Plan, and detailed Quarter 1&2 plans will be brought to the next scheduled (main) Audit & Governance Committee in July 2023, this is later than normal due to the rearranging of the Committee calendar caused by the May 2023 local elections.
15. As an interim measure, the Head of Internal Audit & Management Assurance will circulate the Core Audit Plan, Anti-Fraud and Corruption Audit Plan, and detailed Quarter 1 plan to the members of the Audit & Governance Committee in April for awareness and to give assurance they are in place.

Options Appraisal

16. An options appraisal is not applicable for this report.

Summary of financial implications

17. The BCP Internal Audit Team budgeted cost for 2023/24 is estimated to be £746,000 (this excludes 2023/24 pay award for which a central budget contingency has been made corporately and will be applied later to services). This budget is inclusive of all direct costs including supplies and services but does not include the apportionment of central support costs (which are budgeted in aggregate and apportioned to services as a separate exercise). These numbers are also inclusive of the Head of Audit & Management Assurance who manages other teams.
18. The allocated budget resource for 2023/24 is considered adequate to deliver the Internal Audit Charter 2023 and 2023/24 Audit Plan. Audit & Governance Committee are asked to note the budget for the Internal Audit service which has been previously approved by Council as part of the 2023/24 Budget setting and Medium Term Financial Plan update in February 2023.

Summary of legal implications

19. This report gives an opinion on the adequacy and effectiveness of the risk, control and governance systems in place.

Summary of human resources implications

20. 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. 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.
21. This represents a slight decrease of 0.18 FTE down from 13.53 in 2022/23 which has resulted from staff turnover and minor restructuring of the team.

Summary of sustainability impact

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

Summary of public health implications

23. There are no direct public health implications from this report.

Summary of equality implications

24. An Equality Impact Assessment using the agreed screening tool has been carried out by the Finance Deputy Service Equality Champion.

Summary of risk assessment

25. The risk implications are set out in the content of this report.

Background papers

None

Appendices

Appendix A – Internal Audit Charter 2023/24