

# Audit Committee

24 March 2022



<b>Title</b>	Internal Audit Plan 2022/23
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Punita Talwar, Internal Audit Manager
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	Not Applicable
<b>Corporate Priority</b>	Community Affordable housing Recovery Environment Service delivery
<b>Recommendations</b>	<b>Committee is asked to:</b>  <b>Note and approve the Internal Audit Plan for 2022/23.</b>
<b>Reason for Recommendation</b>	Not applicable

## 1. Summary of the report

- 1.1 This report seeks to inform the Audit Committee of the risk-based Internal Audit Plan for 2022/23 to fulfil statutory and professional requirements. We are proposing to review higher risk areas that align with Spelthorne's corporate priorities and objectives, whilst also ensuring due focus is given to emerging and evolving risks, new projects, systems and processes, and key legislative changes.
- 1.2 The wider implications arising from the geopolitical and macroeconomic environment will continue to be a key consideration in the Council's risk exposure with impact across Council Services and local communities. It remains important therefore as part of our work to ascertain how the Council is adapting to these external pressures and managing associated risks.

## 2. Key issues

- 2.1 A copy of the Internal Audit Annual Plan (2022/23) based on the 'prioritised audit need' is attached at Appendix 1. This includes key categories relating to:
  - audit assurance assignments

- audit support and advisory work
- Audit Committee - statutory requirements/ processes to meet Public Sector Internal Audit Standards (PSIAS) and reporting
- audit follow up (recommendations)
- continuous improvement for Internal Audit
- corporate roles and responsibilities (corporate risk management and corporate counter fraud)

There are other additional tasks that support the delivery of a professional audit service and some of these are likely to be unforeseen/reactive by nature, whilst adding value.

- 2.2 Independent assurance provided by Internal Audit (representing the third line of defence in the overall assurance framework) will continue to focus on the effectiveness of the control environment in managing risk at all levels, supported by appropriate verification processes. Audit findings during 2022/23 will be raised with senior management, and recommendations aimed at enhancing control processes and reducing risk will be reported to the Audit Committee.
- 2.3 Internal Audit findings will form the basis of the annual audit opinion for 2022/2023 on the adequacy of the authority's control environment which feeds into and underpins the Annual Governance Statement. To enable the Internal Audit Manager to provide an independent evidence based annual audit opinion, ***there needs to be a sufficient quantity and breadth of audits undertaken to ensure reasonable coverage of auditable areas on which to form an effective opinion.*** This is therefore an important factor for consideration in the Audit Planning process.
- 2.4 There is an overall net gain in terms of additional audit resource from 2022/23. This is elaborated on as follows. Firstly, an Audit Apprenticeship Officer post has been approved from July 2022 to support the team and provide an opportunity to grow and apply talent, as well as build service resilience. There will inevitably be a commitment of resource time for training and supporting the new individual in the short to medium term (subject to successful recruitment) with a view to achieving greater benefit over the longer term. Secondly, a contribution to Council savings has reduced the Audit Contractor budget by 10k (the budget from 2022/23 is £12,500). This equates to a reduction of around 23 audit days, with a revised lesser allocation of approx.30 contractor days included for 2022/23. In supporting workplan delivery, Audit contractor resource is deployed primarily to seek specialist knowledge and subject matter expertise in providing insight, differing perspectives, and added value. The mandatory Public Sector Internal Audit Standards (PSIAS) around proficiency state: "The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities".
- 2.5 It is envisaged that the proposed workstreams as detailed in the Annual Audit Plan at Appendix 1 can be undertaken based on estimated resource levels for 2022/23 operating at 2.3 FTE (current 1.75 + 0.6) plus 30 contractor days. It is appropriate to highlight that this is an estimate at this stage, dependant on successful recruitment of an Apprenticeship Officer and when an appointed resource may be available to commence.

- 2.6 It is acknowledged that there is 20 days of work planned to complete this year's Audit Plan in the first quarter of 2022/23. This carry over of work has materialised due to auditee requests to defer audits to commence in the latter part of Quarter 4 as well as additional time required on other work areas. The ongoing impact of pandemic recovery and other intense work pressures being reported by officers have required resources being prioritised.
- 2.7 A priority rating (A or B) for undertaking proposed assurance assignments, advisory support, and other work categories has been recommended in the plan at Appendix 1. There is also reference to key risk considerations and outline objectives for each assignment.
- 2.8 The pandemic has highlighted the rapid pace of change and uncertainty which is likely to continue to define the years ahead. In considering this the audit plan is intended to be flexible and agile to consider changing priorities according to perceived risks.
- 2.9 Should the readers of this report require further background regarding the audit planning process, this is set out below:
- (a) All auditable areas are identified (known as the 'Audit Universe', consisting of around 85 discrete areas). These broad categories include:
- Significant risks included in the Corporate Risk Register
  - Corporate systems and processes
  - Financial and fraud risks
  - Fundamental financial systems
  - Functions operating within service areas
  - Information governance and security
  - Assets and Investments
  - Key Council projects
  - Preparedness for significant legislative changes/government led initiatives
- (b) The Internal Audit Manager has consulted Group Heads and Managers during the audit planning process (January and February 2022) with several meetings having taken place to ascertain and discuss emerging risks across services as well as at a corporate level and consider review areas for inclusion in the plan.
- (c) An audit needs assessment is undertaken, and audit work is prioritised which is related to factors such as high-level risk evaluations, budgetary implications, value/volume of transactions, known system weaknesses and vulnerabilities, fraud risk or previous irregularities, changes in personnel, time elapsed since last audit, alternative sources of assurance, management requests for Internal Audit input and audit resource available.
- (d) Best practice guidance from professional auditing bodies regarding topical organisational risk areas for 2022 (based on extensive research) has also been reviewed, ensuring the inclusion of recruitment and retention linked with talent management are included in Spelthorne's audit plan. Cybersecurity risks are still viewed across all sectors as being very high (in top five risks) and an audit of this area has just commenced as part of the 2021/22 plan.

- (e) Some areas identified during the audit plan consultation process have not been incorporated within the 2022/23 audit plan. These will be subject to consideration in future years and form part of the longer-term audit plan/strategy.

### **3. Options analysis and proposal**

- 3.1 Audit Committee are requested to note and approve the risk based Internal Audit Plan for 2022/23. This ensures a structured approach (in line with PSIAS) to support the provision of independent assurance to the authority on the adequacy of internal control, governance and risk management arrangements.

### **4. Financial implications**

- 4.1 The Internal Audit Annual Plan includes reviews of functions and systems that are financially material and therefore represent greater risk to the authority. Issues presenting adverse financial consequences or threats to the Council's financial position apply to a range of workstreams on the plan.
- 4.2 Externally commissioned resource to support delivery of the 2022/23 audit plan is approx. 30 Days and will be funded from the audit contractor budget of £12,500.
- 4.3 To support special investigations (relating to suspected internal fraud or irregularity) there may be a requirement to bring in subject matter experts and Investigators. There is insufficient capacity within the Internal Audit team to undertake these investigations, given that they are often by their nature very resource intensive. Where deemed appropriate, in the first instance support will be sought from Reigate and Banstead Council's team of Investigators. This may however need to be supplemented with subject matter counter fraud expertise depending upon the nature of the suspected fraud or irregularity, at additional cost (unforeseen works).

### **5. Other considerations**

- 5.1 The Internal Audit Annual Plan has focussed on the areas of higher priority that align with corporate priorities and objectives and given due consideration to current and emerging risk (and opportunities) facing the Council during 2022/23.

### **6. Equality and Diversity**

- 6.1 There are no implications to report. A cross cutting review of Equality and Diversity is not part of the proposed audit plan for 2022/23 but will be considered at some future point.

### **7. Sustainability/Climate Change Implications**

- 7.1 Climate Change risks and mitigation measures are periodically monitored by the Internal Audit Manager as part of reporting on the Corporate Risk Register.

### **8. Timetable for implementation**

- 8.1 The Internal Audit Annual Plan sets out work to be undertaken by the Internal Audit team during the 2022/23 financial year. Proposed timings at Appendix 1

incorporate early indication of preferences from colleagues. These will be confirmed shortly.

**9. Contact**

9.1 Punita Talwar, Internal Audit Manager. [P.Talwar@spelthorne.gov.uk](mailto:P.Talwar@spelthorne.gov.uk)

**Background papers:** There are none.

**Appendices:** Appendix 1 Annual Internal Audit Plan 2022/23