

# Audit Committee

23<sup>rd</sup> March 2023



<b>Title</b>	Internal Audit Plan 2023/24
<b>Purpose of the report</b>	To note and approve
<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 2023/24.</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 2023/24 to fulfil statutory and professional requirements. We are proposing to include several higher risk areas that align with Spelthorne's current corporate priorities and objectives, whilst also ensuring due focus is given to emerging and evolving risks, core systems and processes, some projects/change initiatives, and topical risk areas as part of our coverage.
- 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. This theme inevitably cuts across many of the workstreams on the Internal Audit Plan for 2023/24.

## 2. Key issues

- 2.1 A copy of the Internal Audit Annual Plan (2023/24) 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/ several 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)
  - Other additional tasks that support the delivery of a professional audit service including a vast spectrum of reactive and unforeseen work, in the provision of added value to the Council.
- 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 2023/24 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 2023/2024 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 Estimated resource levels for 2023/24 are 1.75 FTE (establishment) plus 31 contractor days. A total of 410 days are available to deliver the proposed workstreams detailed in the Annual Audit Plan at Appendix 1.
- 2.5 A priority rating (A or B) for undertaking proposed assurance assignments, advisory support, corporate risk management, counter fraud oversight and other work categories has been recommended in the plan at Appendix 1, in line with best practice. There is also reference to key risk considerations and outline objectives/broad coverage for each audit assurance assignment or other work area.
- 2.6 It is acknowledged that there is 20 days of work estimated to complete this year's Audit Plan in the first quarter of 2023/24. This carry over of work has materialised due to auditee requests to defer audits to commence in the latter part of Quarter 4 or where we are awaiting information to enable progression of audits, as well as additional time required on other work areas.
- 2.7 The post pandemic environment has highlighted the rapid pace of change and uncertainty, amidst an evolving political landscape. Risks facing the Council have become more diverse and dynamic and in considering this the audit plan is intended to be flexible and agile to consider changing priorities according to perceived risks. In addition the new administration from May 2023 presents some uncertainty in terms of future direction which may also impact corporate priorities going forward.

2.8 Further background regarding the audit planning process is set out below:

- (a) All auditable areas are identified (known as the 'Audit Universe', consisting of around 90 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 Technology, governance and security
  - Assets and Investments
  - Key Council projects or change initiatives.
  - Preparedness for significant legislative changes/government led initiatives
  
- (b) The Internal Audit Manager has consulted senior management during the audit planning process (January and February 2023) with twelve 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, reliance on alternative sources of assurance, management requests for Internal Audit input and audit resource available.
  
- (d) Best practice guidance from professional internal audit bodies regarding topical organisational risk areas for 2023 (based on extensive research) has also been reviewed, ensuring the inclusion of Sustainability and Climate Change and financial challenges/pressures in Spelthorne's audit plan.

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

- 3.1 Audit Committee are requested to note and approve the risk based Internal Audit Plan for 2023/24 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 2023/24 audit plan is approx. 31 Days and will be funded from the audit contractor budget.
- 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 and complexity of the suspected fraud or irregularity and the level of perceived financial losses/risk impact, at additional cost (unforeseen works).

## **5. Risk considerations**

- 5.1 In producing the Internal Audit Annual Plan for 2023/24 the Internal Audit Manager has ensured that a risk-based approach has been applied in line with audit standards (PSIAS) and focussed on areas of higher priority that align with corporate priorities and objectives. Due consideration has been given to current and emerging risk (and opportunities) facing the Council during 2023/24.
- 5.2 During times of ongoing change and uncertainty, it is not possible to foresee or define every critical area where internal audit could add value around risk and control matters, and therefore reference is made at paragraph 2.7 to having some flexibility and agility in delivering the planned programme of work during 2023/24 (taking account of risk significance).

## **6. Procurement considerations**

- 6.1 Internal Audit will consult with the Procurement team in the future regarding commissioning audit contractor resource for 2023/24. This is not envisaged to take place until later in the year ahead of scheduled assignments in quarter four.

## **7. Legal considerations**

- 7.1 Internal Audit will consider regulatory and statutory requirements where deemed necessary in assessing risks and delivering the work programme for 2023/24. Some audit work areas may have a greater regulatory focus than others.

## **8. Other considerations**

- 8.1 There are none.

## **9. Equality and Diversity**

- 9.1 Equality, Diversity and Inclusivity risks and mitigation measures are periodically monitored and reported in the Corporate Risk Register. Given the significance of this risk category, some time for advice and insight forms part of the proposed audit plan for 2023/24.

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

- 10.1 Climate Change risks and mitigation measures are periodically monitored and reported in the Corporate Risk Register. Given the significance of this risk category, an internal audit review forms part of the proposed audit plan for 2023/24.

## **11. Timetable for implementation**

- 11.1 The Internal Audit Annual Plan sets out work to be undertaken by the Internal Audit team during the 2023/24 financial year. Proposed timings at Appendix 1

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

## **12. Contact**

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

**Background papers:** There are none.

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