

APPENDIX A . Internal Audit Annual Plan 2023/24. Prepared by Internal Audit Manager

<u>Audit Area (Identified as part of Audit Needs Assessment),</u>	<u>Time Budget (Days)</u>	<u>Service Lead Area</u>	<u>Comments</u>	<u>Key Risk Considerations</u>	<u>Key Objectives & Broad Scope (An evaluation of risks and controls will form part of the audit process)</u>	<u>Allocation</u>	<u>Planned Timing</u>
<p>1. Climate Change and Environmental Sustainability PRIORITY A Corporate Priority Area - Environment .</p>	12	Commissioning and Transformation	<p>This is a thematic high impact risk area. Refer also to Corporate Risk Register risk category 6. If the Council is not pursuing measures or seeking positive opportunities to mitigate and adapt to climate change, it could result in criticism / bad press / public demonstration (high reputational risk area)</p>	<p>Deregulation in the planning and construction industry could result in emerging environmental, social and governance risks (ESG), with the potential for harmful environmental and social impact on communities. If overall direction of Climate Change is unclear at County level this may affect coordinated delivery of the 'Greener Futures' document. Inadequate mechanisms for monitoring and reporting on status provides limited insight regarding keeping on track in pursuing net zero carbon emissions.. Where integration into wider Council decision making is not evident this reduces the effectiveness of holistic approaches in delivering the strategy .</p>	<p>Review progress with implementation of previous internal audit recommendations raised in 2021. Assess progress with adoption of the strategy document(Greener Futures Delivery Plan produced by County), addressing action plans and meeting targets in working towards net zero carbon emissions. Consider robustness of integration of the Climate Change and Sustainability strategy into Council wide decision making in targeting local climate change related issues/risks.</p>	In-House	TBC. PROPOSE QUARTER 2
<p>2. Financial Challenges and the Council's financial sustainability PRIORITY A Corporate Priority Area - Underpins effective delivery of all corporate priorities and objectives</p>	11	Finance	<p>Significant strategic risk facing local government sector relates to continued financial pressures during challenging climate. This is a thematic high impact risk area . See Corporate Risk Register- theme runs across several risk categories.</p>	<p>Macroeconomic and Geopolitical uncertainty risks . The continued volatility of the global economy - sustained high rates of inflation and accelerated borrowing rates (PWLB) which have (along with other factors) led to the Cost of Living Crisis present increased pressure on the Council's budget and financial position/ sustainability. This requires robust decisions that could further impact the direction of the Council's financial standing/position.</p>	<p>Review the mechanisms, plans and strategies in place to monitor and enhance the Council's financial standing and sustainability during extremely challenging times of interlocking high impact risks . Consider whether cashable efficiency savings forecast (£800k over next 4 years) are being realised/on track and robustness of approaches in place to monitor and report outcomes. Consider exploration of opportunities and innovative approaches for addressing medium term budget gaps (to help reduce expenditure/generate revenue/deliver efficiencies). Ascertain mitigation and control measures to manage specific risks identified and highlight residual risks.</p>	In-House	TBC PROPOSE QUARTER 2

<p>3. IT Audit (Disaster Recovery) (INFORMATION TECHNOLOGY) (PRIORITY A) Corporate Priority - 'Service Delivery' and 'Supporting Communities'</p>	12	Commissioning and Transformation (ICT)	<p>The ability to recover data and systems at speed remains pivotal and the robustness of underpinning processes will impact consistent/reliable backup of systems and data.</p>	<p>Downtime or disaster can be presented in several ways and halt business operations resulting in lost productivity. If the Council's data back-up arrangements are incomplete or unreliable, this could present data loss and adversely impact service delivery. If there is reduction in quality of service from the external Provider this could impact the efficiency, effectiveness and outcomes of testing and maintenance regimes.</p>	<p>To enable efficient and consistent restoration and recovery of data and systems in the resumption of business operations, ensure the Council has robust back up arrangements, policies and plans that are regularly tested and prioritised in accordance with system criticality. To ensure actions identified from the annual Disaster Recovery tests are prioritised, rectified, communicated and reported. Consider monitoring mechanisms for external support provision in undertaking disaster recovery testing. Follow up any prior related audit recommendations issued in this area.</p>	Audit Contractor	Quarter 4
<p>4. Communications (PRIORITY B) Corporate Priority area - All. Underpins effective delivery of all corporate priorities and objectives</p>	5	Communications	<p>An audit of this area is overdue.</p>	<p>If the corporate communications protocol/strategy is not adhered to this could lead to confidentiality breaches or other ramifications. Reputational damage arising from adverse media attention and negative press/publicity. Accessibility and inclusivity to services may be reduced where individuals are not digitally connected. Mis-information to the public or delayed communications/press releases could lead to a lack of public confidence. A lack of cohesive community engagement can impact effectiveness of communications strategy.</p>	<p>A light touch audit review to consider further the risks and control/mitigation measures recently identified and discussed with the Communications Manager. Provide advice and insight where appropriate.</p>	In-House	TBC PROPOSE QUARTER 1
<p>5. Commercial Assets & Investments (Income Generation) - (PRIORITY A) Corporate Priority Areas - 'Recovery', 'Service Delivery'</p>	14	Assets	<p>Annual Cycle. Significant financial value re commercial property portfolio and associated risks. Corporate Risk Register - risk category 3.</p>	<p>Evolving externalities arising since the aftermath of the pandemic (referred to elsewhere) continue to increase the Council's exposure to financial risk with implications for the investment portfolio, including loss of anticipated rental income from commercial assets and poor investment returns. This may impact the Council's financial position/sustainability. Shortfall in achieving overall income target could prevail where major tenancies have ended reducing occupancy levels. This risk could increase if customer relationship management (long term) with tenants is not robust.</p>	<p>To ensure robust control processes and effective governance arrangements are operating regarding the Council's commercial property assets and investments. Review and test mechanisms for managing rental income due. Confirm continued performance monitoring arrangements/reporting and ongoing assessment of sinking fund (budget modelling highlights a significant dip in investment asset income in 2023-24 which will be offset by use of £6m of sinking funds reserves). Consider measures and strategies for enhancing long term customer relationship management with existing tenants as well as attracting new tenants, to reduce void risks and safeguard vital revenue streams.</p>	Audit Contractor	Quarter 4

6. Property Development (Housing Delivery Programme) (PRIORITY A) <i>Corporate Priority Areas - Communities and Affordable Housing</i>	11	Assets	Annual Cycle. Significant financial value and adverse impact from non-development costs and wider externalities. Corporate Risk Register - risk category 1A	Non-development costs continue to be exacerbated by wider externalities such as elevated construction inflation and increased borrowing costs, resulting in significant adverse financial impact for the Council. These factors have continued to affect the financial viability of schemes. Delays in completing property development schemes and project interruptions present significant repercussions for delivery of housing and targets.	Review progress with the housing delivery programme, taking account ongoing adverse impact of wider externalities. Consider progress with new strategic approach intended to ensure housing delivery pipeline remains viable for the Council and Knowle Green Estates. Assess outcomes of external financial support such as grant funding to accelerate schemes in delivering corporate priorities and confirm visibility across portfolio of projects in terms of funding and financing sources and pathway to delivery.	In- House	Quarter 4
7. Housing Condition Enforcement (PRIORITY B) <i>Corporate Priority Areas - 'Communities' and 'Service Delivery'</i>	6	Place, Protection and Prosperity (Environmental Health)	Damp and mould issues in relation to Housing have attracted significant national media attention.	Poor housing conditions have an adverse impact on community health and wellbeing. Adverse media attention leading to reputational damage. Where statutory obligations in delivering service needs are not met this could lead to poor community outcomes.	Carry out a light touch audit review to ascertain the core control processes operating in managing envisaged risks. Ascertain mechanisms in monitoring compliance with statutory duties and related policies, and any repercussions of non-compliance.	In- House	TBC. PROPOSE QUARTER 2
8. Housing Register & Allocation Process (PRIORITY A) <i>Corporate Priorities - Communities, affordable housing and service delivery</i>	8	Community Wellbeing (Housing)	Revisions have been made to the Housing allocation process over the last year.	The Cost of Living Crisis presents increased demand for social housing with significant numbers on the Council's Housing Register; if the allocation of social housing is not correctly prioritised or does not comply with the revised Housing Allocations Policy, this could lead to complaints and reputational damage. If fundamental housing needs are not prioritised, met or maintained this impacts health and wellbeing of individuals.	Assess implementation of revised housing allocations policy intended to promote greater efficiencies and improved processes. Consider reregistration process scheduled to take place. Ascertain systems of internal control in managing associated risks and test how these are operating.	In-House	Quarter 1
9. Core Financial System - Housing Benefit Overpayments (FINANCIAL) (PRIORITY A) <i>Corporate Priority - Communities and Service Delivery</i>	8	Community Wellbeing (Benefits)	Element of the Housing Benefits system reviewed every 2 to 3 years.		Key expected controls will be prioritised, reviewed and tested for Payroll, Creditors, Treasury Management and Housing Benefit Overpayments. Across these audits assess emerging and evolving risk and control implications such as increased levels of expenditure arising from government led schemes in supporting Communities during the continued Cost of Living Crisis	In -House	
10. Core Financial System - Creditors (FINANCIAL) (PRIORITY A) <i>Corporate Priority - Service Delivery (Robust financial management supports effective delivery of all corporate priorities)</i>	8	Accountancy (Finance)	Annual Cycle (Significant value/volume of transactions)	Core Financial Systems - Financial losses and reputational damage due to fraud, collusion, theft, error, data manipulation or inefficient processes. System integrity issues and inadequate		In-House	

11. Core Financial System Treasury Management (FINANCIAL) (PRIORITY A) <i>Corporate Priority - Service Delivery (Robust financial management supports effective delivery of all corporate priorities)</i>	12	Accountancy (Finance)	Annual/Biennial Cycle (Significant value/volume of transactions). Corporate Risk Register category 5.	vendor support may result in erroneous transactions or delayed activity, unsatisfactory customer experience and loss of confidence. Recovery of housing benefit overpayments could be adversely impacted due to the Cost of Living Crisis, further increasing the significant overpayment debt level. Increased borrowing costs in the context of high interest rates (Treasury Management)	(Creditors), accumulation of significant cash due to the capital programme not progressing and the adequacy of control processes in safeguarding assets (Treasury Management), robustness of recovery measures for benefit overpayments in the face of the Cost of Living Crisis (HB) and statutory limitations in terms of recovery efforts , and the impact of increased turnover and wider amendments on the administration of the Payroll system payroll). Monitoring mechanisms for key management information reported will form an important consideration across all these audits.	In-House	Quarter 3 and 4.
12. Core Financial System - Payroll (FINANCIAL) (PRIORITY A) <i>Corporate Priority - Service Delivery (Robust financial management supports effective delivery of all corporate priorities)</i>	10	Commissioning and Transformation (Human Resources)	Biennial Cycle. (Significant value/volume of transactions)			In-House	
13. Core Financial System - Main Accounting Systems/Budget Management /Centros development (FINANCIAL) (PRIORITY A) <i>Corporate Priority - Service Delivery (Robust financial management supports effective delivery of all corporate priorities)</i>	11	Accountancy (Finance)	A review of Main Accounting Systems is considered timely in view of the continued embedding of a major software upgrade (Centros) that took place in 2022.	Fraud, collusion and error, leading to financial losses and reputational damage. Where discrepancies between feeder systems and the main accounting system/general ledger are not identified/resolved, this could impact integrity of the financial accounts . Where there is a lack of budget ownership, financial acumen, or knowledge, this may lead to sub-standard approaches in budget management, monitoring or reporting leading to poor organisational outcomes (financial and service delivery).	The review will focus on identifying any emerging risks, as well as consider the robustness of systems of internal control established and operating, in particular around financial reconciliation processes. It will also consider the planned shift towards a greater level of active management input (at service level) in forecasting/managing budgets and associated controls to monitor this implementation/change. The audit will incorporate a light touch review only of transitional developments to Centros.	Contractor	Quarter 3 or 4
14. Gifts and Hospitality (PRIORITY B) <i>All corporate priorities</i>	4	Corporate Governance and all Service Areas	Audit overdue. This area is associated with reputational risk	Allegations of impropriety may increase where there is a lack of understanding and awareness of the policy; failure to comply with policy requirements could be perceived as compromising professional judgement, impartiality, integrity and decisions, resulting in reputational damage and adverse media attention	Ascertain routine monitoring in place to ensure compliance with the policy. Review a sample of entries in the register to assess compliance with the Council's Gifts and Hospitality policy (applicable to all staff and Councillors). Consider arrangements to raise awareness and understanding of the policy and its underpinning principles.	In- House	Quarter 2
15. Completion, finalisation and oversight of prioritised audit assignments from 2022/23 (PRIORITY A)	20	Various Service Areas				In-House	Quarter 1

<p>16. Audit Support - Advisory (PRIORITY A & B - dependant on advisory area) Corporate change programmes, major projects, regulatory areas, new approaches</p>	27	Corporate areas as well as Service Areas	<p>(A) Equality, Diversity and Inclusion - provide advice and insight as appropriate - note Corporate Risk Register category 8. (B) Periodical oversight of Digital Transformation change programme . (C) Planned advisory work on Off-street parking scheme/future service model/options analysis (D)Planned advisory work on the Business Incubator (Economic Development) (E) Continuous auditing - keep abreast of corporate project reporting to identify major projects underway</p>	Risk considerations are vast. Some examples are financial/regulatory/service provision/digitalisation and technological driven change/ project delivery/customer experience and needs).	Identify specific risks further as part of advisory and monitoring work undertaken. Advise where appropriate on risk and control implications. Provide insight with a view to highlighting any matters deemed relevant.	In-House	Across the year. Quarter 1 to 4
<p>17. Statutory Reporting - Audit Committee and related requirements (PRIORITY A)</p>	43	Internal Audit	Mandatory Public Sector Internal Audit Standards (PSIAS).	If Internal Audit do not report periodically to the Audit Committee, this will reduce the effectiveness of the Authority's governance arrangements, reduce visibility of the Council's risks and outcomes from Internal Audit's independent assurance work	In accordance with the Audit Committee work programme including annual planning process and preparation, progress reports on activity, annual effectiveness review of Internal Audit, annual audit report and opinion, governance reporting etc and several associated meetings .	In-House	To coincide with Audit Committee work programme and cycle of meetings . July, November and March
<p>18. Audit Follow Up (PRIORITY A)</p>	6	Internal Audit with Service leads	Periodical follow up of audit recommendations forms part of audit standards and key monitoring processes (PSIAS). It contributes to demonstrating value added in mitigating / managing Council risks.	If medium to high-risk audit recommendations are not implemented this will impact the robustness of internal control systems, risk management and governance arrangements.	To ensure that where audit recommendations have been agreed by Management, they are being implemented. Reporting to the Corporate Management Team and Audit Committee on the status of audit recommendations.	In-House	Once a year and where appropriate raise during planned audit assignments
<p>19. Continuous Improvement Initiatives for Internal Audit (PRIORITY A)</p>	15	Internal Audit	Adherence to Professional Internal Auditing Standards (PSIAS) and best practice	If opportunities to enhance the service are not considered this could lessen continuous improvement . Adherence to Professional Internal Auditing Standards (PSIAS).	External Quality Assessment (EQA) is a requirement under PSIAS once every five years. Reciprocal reviews planned to be undertaken.	In-House	TBC. Quarter 3 & 4
<p>Total Audit Days - Assignments, Audit Support & planned advisory areas , Statutory Reporting, PSIAS & Continuous Improvement work</p>	243						
<p>Corporate Roles: (i)Corporate Counter Fraud (Priority A) (ii)Corporate Risk Management (Priority A)</p>	46						

All other work across the team to support the authority and delivery of the Internal Audit Service (See below)	121	
Consultation with Internal Audit on reports going to various Committees to advise on risk considerations (process introduced from late 2022) /Contingency & unforeseen work (Confidential Investigations; ad hoc advice to Management on emerging risks and issues/ new schemes and developing processes/Trusted Advisor); Dotted line reporting/ staff briefings/ Working groups / External Audit liaison/ /Plan monitoring and reprioritisation/ Team & Service Management/ Commissioning contractor resource and monitoring/Legal matters/ corporate tasks / CPD training/ miscellaneous tasks		
Total Audit plan Days	410	
Resource available in Days 2022/23 (ESTIMATED)	410	
Days Available After Deduction for Annual Leave & Bank Holidays & small provision for Sickness Absence (Estimate)		
PT - Part Time 0.75 FTE	161	
PP - Full Time 1 FTE	218	
Contractor - budget days	31	
Total	410	

