

# Audit Committee

30<sup>th</sup> November 2023



<b>Title</b>	Reprioritisation of Internal Audit Plan 2023/24
<b>Purpose of the report</b>	Punita Talwar, Internal Audit Manager
<b>Report Author</b>	All Wards
<b>Ward(s) Affected</b>	No
<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 the reprioritisation of the Internal Audit Plan for 2023/24.</b>
<b>Reason for Recommendation</b>	Not applicable

## 1. Summary of the report

- 1.1 The risk-based Internal Audit Annual Plan (2023/24) based on the 'prioritised audit need' has previously been approved by the Audit Committee at the meeting of March 2023 where the detailed version of the plan was presented at that time based on an operating resource of 1.75 FTE plus 31 contractor days, equating to approx. 410 days.
- 1.2 This report seeks to inform the Audit Committee of some reprioritisation of the risk-based Internal Audit Plan for 2023/24. This is further to the departure of the Senior Auditor (1 FTE) from September 2023 which presents a reduced level of available operating resource for the remainder of 2023/24. Given the recruitment challenges being faced across the audit market and the local government sector in general, discussions between the Internal Audit Manager, Group Head of Corporate Governance and Chief Finance Officer have concluded that for the remainder of 2023/24 the focus should be on delivering prioritised audit assignments from the workplan along with several

other important work areas which continue to represent a wide remit of responsibilities for the Internal Audit Service. Given the adverse market conditions, initiating a recruitment process in seeking establishment resource is not deemed to represent an efficient use of Officer time and therefore interim resourcing arrangements are being put in place for the remainder of the current financial year to keep the 2023/24 audit programme on track. To support the delivery of priority 'A' audit assignments an additional 43 audit contractor days are being procured (in addition to the estimated 31 contractor days set out in the original audit plan) thereby totalling approx. 74 contractor days which will support delivery of eight internal audit assignments. This approach has also been previously communicated to the Chair and Vice-Chair of the Audit Committee, highlighting that an initial Options Paper will be presented to the Audit Committee at a future meeting in planning for future service delivery from the 2024/25 financial year. The separate Options Paper explores ways to resource the audit team going forward and has been presented at an Extraordinary Audit Committee meeting in November by the Chief Finance Officer and Group Head Corporate Governance.

- 1.3 The Internal Audit Manager continues to take account of professional requirements in ensuring that the plan focuses on areas of greater risk for the authority, whilst also necessarily incorporating wider work areas that fulfil mandatory requirements or meet business need.

## **2. Key issues**

- 2.1 The Internal Audit Annual Plan (2023/24) based on the 'prioritised audit need' has previously been approved by the Audit Committee at the meeting of March 2023 where the detailed plan was presented at that time. This included 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
  - corporate roles and responsibilities -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 A priority rating (A or B) for undertaking proposed assurance assignments, advisory support, corporate risk management, counter fraud oversight and other work categories has already been referenced in the approved plan presented to Audit Committee on 23<sup>rd</sup> March 2023.
- 2.3 Given the departure of a full-time team member from September 2023, it has become necessary for the Internal Audit Manager to reprioritise the Audit Plan to assess which audit assignments as well as several other work categories in meeting business need can be delivered with the reduced available resource of 0.75 FTE plus approx. 74 contractor days for the remainder of 2023/24.

The revised operating resource available for the 2023/24 plan year as a whole is approx. 325 days based on the following breakdown:

Resource	FTE	Days Available
Internal Audit Manager	0.75	161
Senior Auditor (April to August 2023)	0.4	90
Contractor	0.33	74
Total	1.48	325

2.4 In determining inclusion of assurance assignments for the audit plan and in undertaking prioritisation/reprioritisation exercises the following factors are important considerations and explain the rationale and approach:

- High level risk evaluation of area (Low/Medium/High/Very High)
- Continued importance of having an audit plan with several higher risk areas that align with Spelthorne's current corporate priorities and objectives
- Whether the auditable area is included on the Corporate Risk Register which represents the authority's most significant risk areas
- Time since the area has been last audited, previous assurance opinions and nature of recommendations.
- Budgetary Implications
- Value and volume of transactions associated with a functional area.
- Topical organisational risk areas and Best Practice guidance in the audit profession

2.5 In terms of the audit assignments for 2023/24, some priority B audit work areas (one assignment and four advisory/continuous auditing pieces of work) that have not yet commenced are being halted and cannot be delivered during 2023/24. They may be considered again as part of the 2024/25 audit planning process, however that will depend on the emerging and evolving risks drawn out at the planning stage. The status and progress of all category B and category A audit assignments and wider work categories on the work programme, along with any relevant next steps and considerations are referred to in the table at Appendix A to this report.

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

3.1 Audit Committee are requested to note the reprioritisation of the risk based Internal Audit Plan for 2023/24 and removal of some work areas from the original plan presented in March 2023 (as highlighted under section 2 above as well as at Appendix A). The interim arrangements to support service delivery for 2023/24 are discussed and explained.

3.2 The Chief Finance Officer and Group Head Corporate Governance have presented to the Audit Committee an options analysis paper for future service

provision from 2024/25, further to their initial assessment and evaluation exercise.

#### **4. Financial implications**

- 4.1 The additional contractor days will be procured from the existing audit budget (any overspend against the contractor budget will be offset by the anticipated underspend from the vacant Senior Auditor post) and the Finance team have been advised for budgetary purposes. No requests for additional funding for 2023/24 are being raised at this stage.
- 4.2 Service delivery is being maximised within the resources available for 2023/24. In procuring 74 audit contractor days, optimal use of existing audit budget is being made. There is no residual budget available to fund delivery of the 'Priority B' audit work referred to at paragraph 2.5 above (i.e. one assignment and four advisory/continuous auditing pieces of work) with the possibility that these work areas could be carried forward into 2024/25 depending on ongoing risk significance.

#### **5. Risk considerations**

- 5.1 Risk: If the priority 'A' audit assignments are not undertaken this will result in inadequate provision of independent assurance to the authority on the adequacy of internal control, governance and risk management arrangements. Consequently, the Internal Audit Manager will not be in a position to provide an annual audit opinion for the Council relating to 2023/24.

Mitigation: Internal Audit Support is being procured from existing budget to support delivery of the remaining priority A audit assignments on the audit plan.

Mitigation: The workplan has been reprioritised and some priority B audit assignments or advisory pieces of work have been removed to ensure finite audit resource is targeted to areas of greater risk in the provision of assurance to the authority.

Risk: Capacity levels remain tight for the Audit service with a wide remit of responsibilities, and reduced level of operating resource.

Mitigation: This will continue to be monitored with capacity and resilience being an important consideration for future service planning.

#### **6. Procurement considerations**

- 6.1 A procurement exercise has been undertaken for the provision of Internal Audit Support for 2023/24 to demonstrate value for money which invited three Service Providers to submit a quotation, and a preferred supplier has been selected. The Procurement Manager has been consulted at the outset of the procurement process to discuss the approach and anticipated contract value. Consultation with the Legal team is underway.

#### **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. Please refer to comments under the Procurement section.

#### **8. Other considerations**

9. There are none.

**10. Equality and Diversity**

10.1 The original planned work area relating to equality, diversity and inclusivity has been removed from the audit plan for 2023/24 due to capacity limitations. This work was intended to be of an advisory nature rather than an audit assignment given that this initiative continues to be developed. The Corporate Risk Register will continue to provide a mechanism for higher level oversight of this area including progress on the risk action plan based on updates from the lead contact officer (Corporate Risk Register – risk category 8).

**11. Sustainability/Climate Change Implications**

11.1 Climate Change and sustainability 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 has been completed forming part of the audit plan for 2023/24.

**12. Timetable for implementation**

12.1 Appendix A sets out scheduling for the work programme for 2023/24 and there are only minor changes to the timing originally reported to the Audit Committee in March 2023.

**13. Contact**

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**Background papers: There are none.**

**Appendices: Appendix A –Reprioritisation and status of annual audit work programme for 2023/24**