

**Decision Maker:**       **AUDIT SUB-COMMITTEE**

**Date:**                   **Tuesday 9<sup>th</sup> March 2021**

**Decision Type:**       Non-Urgent                               Non-Executive                               Non-Key

**Title:**                   **ANNUAL INTERNAL AUDIT PLAN 2021/22 AND INTERNAL  
AUDIT CHARTER**

**Contact Officer:**     David Hogan, Head of Audit and Assurance  
Tel: 020 8313 4886   E-mail: [David.hogan@bromley.gov.uk](mailto:David.hogan@bromley.gov.uk)

**Chief Officer:**        Director of Finance

**Ward:**                   (All Wards);

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1.    Reason for report

The Public Sector Internal Audit Standards (PSIAS) refer to the need to produce a risk based Internal Audit Plan. This should take into account the requirement to produce an annual audit opinion and report that can be used by the Council to inform the Annual Governance Statement. The annual audit opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. To support this, the risk based plan needs to include an appropriate and comprehensive range of work. Over the last year, in common with internal auditors of any organisation in countries significantly affected by COVID-19 Internal Audit have been constantly reassessing their work plans and staff priorities. For public sector internal auditors there is an additional responsibility. All staff in a public service body have a responsibility to work in the public interest. At a time of national crisis there is a need to act in the best interests of the health, safety and livelihoods of the public as well as supporting the operational needs of the organisation. This report sets out the approach to producing the draft audit plan in this context and invites comments from Members.

It also includes Internal Audit's Charter which has been reviewed and updated in compliance with PSIAS. The IASAB (Internal Audit Standards Advisory Board) has developed guidance to support heads of internal audit and individual internal auditors in the UK public sector in order that they can conform during the coronavirus pandemic and the Charter reflects this.

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2.    **RECOMMENDATION(S)**

- 2.1   That the 2021/22 Audit Plan is approved.
- 2.2   That the Internal Audit Charter is also approved.

## Impact on Vulnerable Adults and Children

1. Summary of Impact: None
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## Corporate Policy

1. Policy Status: Not Applicable:
  2. BBB Priority: Excellent Council:
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## Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: Internal Audit
  4. Total current budget for this head: £541k including Internal and External Audit, Fraud Partnership, Insurance Management and Claims handling.
  5. Source of funding: General Fund, Admin Penalties, Legal cost recoveries
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## Personnel

1. Number of staff (current and additional): 7.5 including 1 FTE Insurance and Risk Manager
  2. If from existing staff resources, number of staff hours: 2021/22 881 audit days are proposed to be spent on the audit plan, fraud and investigations, excludes RB Greenwich time.
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## Legal

1. Legal Requirement: Statutory Requirement:
  2. Call-in: Not Applicable:
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## Procurement

1. Summary of Procurement Implications: Some planned audits will have procurement implications.
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## Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approximately 100, including Chief Officers, Head Teachers and Governors.
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## Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

### 3. COMMENTARY

3.1 The Public Sector Internal Audit Standards 2017 define Internal Audit as follows:

‘Internal auditing is an independent, objective assurance and consultancy activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.’

3.2 The UK Public Sector Internal Audit Standards (PSIAS) that apply to central government, local government and the national health service in the UK states: ‘The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control’. Heads of internal audit throughout the public sector provide an annual report with an overall opinion to help the organisation prepare a governance statement. To inform an overall annual opinion means the Annual Internal Audit Plan must strike a balance between breadth, taking a broad look at governance and risk management, and depth, drilling down into specific areas where internal audit can provide valuable insight. The process for producing and implementing the plan has of course been affected by the pandemic and the uncertainty as to when business as usual will return and indeed what that will actually look like.

3.3 At the last meeting a revised Internal Audit plan for the, now short lived, recovery period, was presented to the Committee. This was designed to be flexible and had been approved by the Corporate Leadership Team. The plan was presented with the caveats that this could be affected further by the impact of Covid 19 and indeed it was with periods of National Lockdown and the Tier system, bringing challenges of further audit staff secondment and new urgent Covid workstreams directing the use of our resources.

3.4 It is important to note that the IASAB has developed this guidance to support heads of internal audit and individual internal auditors in the UK public sector during the pandemic. It has the backing of all of the UK Relevant Internal Audit Standard Setters. All internal auditors of any organisation in countries significantly affected by COVID-19 will be reassessing their work plans and staff priorities. For public sector internal auditors there is an additional responsibility. All staff in a public service body have a responsibility to work in the public interest. At a time of national crisis there is a need to act in the best interests of the health, safety and livelihoods of the public as well as supporting the operational needs of the organisation. The IASAB recognised that as a result very few internal auditors will be operating under ‘business as usual’ conditions and staff in many teams are likely to be taking on different roles to support their organisation and the public interest.

3.5 The guidance aims to reassure heads of internal audit and the audit committee that diversion from planned audit work will not automatically mean that they do not conform. The Mission of Internal Audit is ‘To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.’ In the current circumstances internal auditors will be fulfilling their Mission in different ways than usual. However, the critical point is that they should still fulfil that Mission. Ideally, this will provide enough assurance to support audit opinions, and for the Governance Statement, although it will certainly be appropriate to draw attention to the context within which this assurance was gained and potential limitations.

3.6 It has always been the case that the Council should agree an annual Internal Audit Plan that suits its specific and unique requirements. No formula exists that can be applied to determine the minimum level of coverage. To make an impact, the Internal Audit Plan needs to focus upon the most important objectives, which invariably means the most significant or highest priority risks. Where risk management is applied effectively and comprehensively by

management, the key risks that have been identified become the focus of attention for annual internal audit planning. Up to date Risk Registers provide a useful starting point for planning comparing risks against Audit Coverage in recent year.

3.7 The purpose of the Internal Audit Plan is to:-

- Optimise the use of limited resources
- Identify the key risks facing the Council to achieving its objectives and determine the corresponding level of resources.
- Ensure effective audit coverage of high risk areas and a mechanism to provide Members, governors, head teachers and senior managers with an overall opinion on the auditable areas and the overall control environment.
- Add value and support senior management in providing effective control and identifying opportunities for improvement.
- Supporting the Council's nominated Section 151 Officer
- Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2015.
- Allow flexibility to take on fraud and investigation work and areas of emerging risk.

3.8 The Audit Plan coverage is largely aimed at:

- The Chief Executive and Corporate Leadership Team
- Members and in particular those of the Audit Sub Committee
- Other managers throughout the Council
- Governors and head teachers of maintained schools still under LB Bromley control

3.9 The Corporate Leadership Team was advised that given the unique circumstance that for the audit plan covering 2021/22, the methodology adopted was to roll forward any uncompleted audits from the Internal Audit recovery plan. The vast majority of items already rephased for 2021/22 as agreed at the November Audit Sub Committee would be included in the plan. The Corporate Leadership Team were given further opportunity to add to the plan. Some new areas of risk have been identified, and a number of tasks removed where it is not practical to complete them this year. These are predominately services areas that are not working as business as usual and where interaction with the public that they serve has been affected by the pandemic. These need time to adapt to a more normal operation before being reviewed. The aim is for the outstanding work scheduled for the 2020/21 recovery plan to be prioritised in the first quarter of the year, depending on the recovery of the economy and crucially resources being able to return to business as usual. The work which was already rolled forward to 2021/22 will then be carried out along with any new risks identified by CLT or Internal Audit's own assessment of risk. This was confirmed and approved by CLT at its meeting held on 23 February 2021. Items within the plan were originally identified by:

- Consultation with Chief Officers, the Director of Finance and other senior officers
- Review of the refreshed Corporate and Directorate risk registers.
- Review of Chartered Institute of Internal Auditor's Risk in Focus publication

- Review of Horizon Scanning completed by Mazars on national challenges and opportunities facing local government.
- Assurance requirements from Government departments.
- Review of reports and guidance from the National Cyber Security Centre, Cabinet Office and discussions with managers from ICT and Information Assurance.
- Identifying any areas that would require audit input as a result of legislation changes, government funding requirements or new areas for coverage where councils are now responsible.
- Issues arising from audits and audit investigations and specific management requests.
- Recognition of the changing structure of this organisation and the drive towards commissioning and transforming services.

3.10 The plan is attached in the document as Appendix A. In common with other departments there is uncertainty around planning. Therefore, a provision of 145 days has been included to allow us to manage staff availability for example, assuming that staff may still be seconded to or are recalled to Covid related workstreams during the year and/or additional work related to the Covid Support Grants. This will allow the plan to be reviewed on a rolling basis, providing flexibility to meet the Council's needs.

3.11 In comparison to last year we are now proposing that the audit coverage for 2021/22 will be 881 days compared to a planned 940 last year. This is clearly dependent on business as usual with staffing resources back to full capacity. If this is not the case the plan will be adjusted on a regular basis reporting regularly to the Committee.

### **3.12 Internal Audit Charter**

The attached document Appendix B details Internal Audit's Charter. This defines Internal Audit's purpose, authority and responsibility. It establishes its position and clarifies its reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of Internal Audit activities. It covers the roles of audit staff and identifies the nature of professionalism, skills and experience required. It must be regularly reviewed and considered by the Audit Sub-Committee. This has been reviewed and updated in compliance with PSIAS in the main to reflect the IASAB guidance to support heads of internal audit and individual internal auditors in the UK public sector during the pandemic.

## **4. IMPACT ON VULNERABLE ADULTS AND CHILDREN**

4.1 The content of this report will have implications for both adults and children in respect of audits that will be undertaken in both Children's and Adult Services.

## **5. POLICY IMPLICATIONS**

None

## **6. FINANCIAL IMPLICATIONS**

6.1 Some of the findings identified in the audit reports will have financial implications.

## **7. PERSONNEL IMPLICATIONS**

7.1 Staff in breach of financial rules or procedures or acting inappropriately against the Council's legal and financial interests may be subject to disciplinary or/and criminal investigation.

**8. LEGAL IMPLICATIONS**

8.1 Under Section 1 of the Local Government Act 1972, the authority is required to make proper arrangements in respect of the administration of its financial affairs.

**9. PROCUREMENT IMPLICATIONS**

9.1 The contents of this report include planned audits that will have implications for procurement relating to contracting procedure rules, financial regulations and Value for Money issues.

<b>Non-Applicable Sections:</b>	Policy
Background Documents: (Access via Contact Officer)	None