

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Wednesday 2nd March 2022**

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

Title: **ANNUAL INTERNAL AUDIT PLAN 2022/23 AND INTERNAL
AUDIT CHARTER**

Contact Officer: Francesca Chivers, Head of Audit and Assurance
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Chief Officer: Director of Finance

Ward: (All Wards);

1. Reason for report

This paper presents the Internal Audit Plan April – October 2022 for approval. It explains the risk-based planning process and the underlying assumptions behind the resource assessment used to produce the Plan.

It also includes Internal Audit’s Charter which has been comprehensively reviewed and updated for 2022/23 in compliance with the Public Sector Internal Audit Standards (PSIAS).

2. **RECOMMENDATION(S)**

2.1 That the April – October 2022/23 Audit Plan is approved.

2.2 That the Internal Audit Charter is 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: 2022/23 1121 audit days are proposed to be spent on direct audit work, including counter fraud and risk management activity, 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 (PSIAS) are mandatory for internal audit practice in the public sector. Under these Standards, Internal Audit is required to produce a risk-based plan of work which sets out how its resources will be utilised in the forthcoming period. The draft Plan for April – October 2022 is included at **Appendix A** for approval.
- 3.2 The overall aims of the Plan are to:
- Ensure that Internal Audit coverage is aligned with the strategic objectives and risks of the Authority
 - Meet the assurance needs of key stakeholders
 - Provide assurance on a sufficiently broad range of risks to ensure that an opinion on overall systems of risk management, governance and control can be provided
 - Provide an appropriate balance of assurance and consultancy work – consultancy work is usually particularly valuable in times of change
 - Ensure optimal and effective use of Internal Audit resource.
- 3.3 At the London Borough of Bromley, Internal Audit has traditionally produced an annual plan of work. This practice is in line with many public sector organisations due to the specific public sector requirement to produce an annual opinion at the end of the year on overall systems of risk management, governance and control. However, there is no professional requirement to produce an annual plan and many organisations (particularly in the private sector) have produced more frequent or rolling plans for some time.
- 3.4 At the time of writing this report, both the organisation and the wider sector are experiencing a period of significant change. As such, it is increasingly difficult to produce a long-term plan that will remain fully relevant and aligned to the needs of the organisation for the duration of that term. Consequently, for 2022-23, we are trialling two Plans of approximately six months each (with the second Plan approved by Audit Sub-Committee at its November meeting). This should allow greater flexibility and ability to respond to changing or emerging risks and priorities.
- 3.5 It is important that the planning process is rigorous so that the proposed work supports a robust overall opinion. In order to produce the draft Plan, we have undertaken a risk-based assessment which has included:
- Review of the Authority's strategies, Corporate Risk Register and Departmental Risk Registers
 - Consultation with individual members of the Chief Officer Executive and their Senior Leadership Teams
 - Consideration of external reports on emerging risks
 - Review of previous audit coverage, to identify potential gaps in assurance with some areas not reviewed for some time.
- 3.6 Crucially, the Internal Audit Plan must link to London Borough of Bromley's strategies and key risks and to this end, the draft Plan in **Appendix A** is mapped against the five key Ambitions set out in 'Making Bromley Even Better' and against the Council's key strategic risks as stated in the Corporate Risk Register. Currently, there are more audits proposed against Ambition 5 (Manage our resources well) than any other; in my opinion this is likely to be appropriate as

Ambition 5 underpins all of the Council’s work. There is one strategic risk with no coverage (Health and Social Care Integration) but this is currently rated Low.

- 3.7 We have assessed the resources required to deliver the Plan and concluded that current resources are sufficient. A key underpinning assumption is that Internal Audit resource will not be redeployed to Covid-related activity in the 2022-23 financial year and that our involvement in Covid-related grants is nearing its conclusion. Should this assumption not be correct, we will revisit the Plan and the resource assessment and report accordingly to this Committee.
- 3.8 Within the whole audit year, there are approximately 1121 available days, after allowances for indirect work such as 121s, training and other administrative tasks. We have then made provision for other work, broken down as follows, leaving 721 days available for specified audit reviews. These provisions are broadly in line with previous years, although we have increased the provisional days for follow up to allow for Priority 2 / 3 follow up work and the days available for Counter Fraud to allow for review of the Strategy, including an assessment against best practice, and provision of fraud awareness. The provisional days below will be revisited for the second six-monthly Plan in light of actual activity between April – October.

Days available for direct work	1121
Risk Management	60
Counter Fraud including NFI, contract management, review of Strategy and Framework and provision of fraud awareness	70
Provision for investigations	60
External Quality Assessment	15
Committee work	30
Follow up work	60
Annual Audit Planning	15
Annual Governance Statement	10
Provision for Advice including attendance at ad-hoc or Corporate working groups	60
Provision for completion of 2021/22 work	20
Total Other Direct	400
Total available for audit plan	721

3.9 Internal Audit Charter

Under the PSIAS, the Internal Audit service is required to have a Charter which delineates various aspects of how the service will be delivered with the organisation. These aspects include Internal Audit’s adherence to professional standards, together with its purpose, authority, responsibility, scope and arrangements for maintaining independence. The Charter is agreed by COE but final approval of the Charter rests with the Audit Sub-Committee as the body charged with oversight of the quality and effectiveness of Internal Audit. The Charter is reviewed periodically; generally, this is best done alongside the Internal Audit Plan so that expectations of all parties and governance arrangements are clear from the outset of service delivery. The Charter has been reviewed and updated for 2022-23 in line with professional standards and best practice and is attached at **Appendix B** for approval.

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.

Non-Applicable Sections:	Policy
Background Documents: (Access via Contact Officer)	None