
Decision Maker: **AUDIT AND RISK MANAGEMENT COMMITTEE**

Date: **Wednesday 8 March 2023**

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

Title: **INTERNAL AUDIT PLAN APRIL - OCTOBER 2023**

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Chief Officer: Director of Finance

Ward: (All Wards);

1. Reason for decision/report and options

This paper presents the Internal Audit Plan April - October 2023 and the Internal Audit Charter 2023-24 for approval. It explains the risk-based planning process and the underlying assumptions behind the resource assessment used to produce the Plan.

Alongside the Plan and the Charter it also presents a draft suite of Key Performance Indicators for 2023-24 for approval.

2. **RECOMMENDATIONS**

Subject to any amends as a result of discussion, Members are asked to:

2.1 Approve the April – October 2023 Audit Plan (**Appendix A**)

2.2 Approve the Internal Audit Charter (**Appendix B**)

2.3 Approve the proposed suite of Key Performance Indicators for 2023-24 (**Table 3, paragraph 3.14**)

Impact on Vulnerable Adults and Children

1. Summary of Impact: Some audits will provide assurance on services for vulnerable adults and children.
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Transformation Policy

1. Policy Status: Not Applicable
 2. Making Bromley Even Better Priority:
(5) To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.
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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): 5.7 FTE
 2. If from existing staff resources, number of staff hours: 499 days are available for direct audit work.
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Legal

1. Legal Requirement: Statutory Requirement: Under the Accounts and Audit Regulations 2015, the Council must maintain an adequate and effective system of Internal Audit.
 2. Call-in: Not Applicable
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Procurement

1. Summary of Procurement Implications: Some audits are designed to provide assurance on procurement risks and controls.
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Property

1. Summary of Property Implications: None
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Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: None
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Customer Impact

1. Estimated number of users or customers (current and projected): Not Applicable
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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

Internal Audit Plan April – October 2023

- 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.
- 3.2. As with the 2022-23 Internal Audit Plan, the 2023-24 Internal Audit Plan is being developed in two halves: April – October and November – March. This split approach is intended to provide greater flexibility than an annual plan and allow us to respond to changing priorities and risks as needed. This flexibility is particularly important in light of volatility in the external environment, and feedback from officers on this approach has been positive. The draft Plan for April – October 2023 is included at **Appendix A** for approval. The November – March iteration will be presented to the November Audit and Risk Management Committee.
- 3.3. The overall aims of the Plan are to:
- Align to the strategic objectives and risks of the Authority
 - Meet the needs of key stakeholders including Members, Chief Officers and senior managers
 - 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 at the end of the financial year
 - Provide an appropriate balance of assurance and consultancy work – consultancy work is usually particularly valuable in times of change.
- 3.4. 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:
- Reviewing the Council's strategies, including portfolio plans, to identify key objectives for assurance
 - Reviewing the Council's Corporate and divisional risk registers to highlight where internal audit can provide assurance on the management of identified risks and controls
 - Considering external reports on emerging risks that may impact on the Council and on which assurance is likely to be useful
 - Reviewing previous audit coverage against possible audit areas to identify where there may be gaps in assurance
 - Consultation with Senior Managers on possible areas for audit, largely via divisional Senior Management Team meetings or via individual discussions with the relevant Director where this has not been possible
 - Prioritisation of the outcomes of the above exercises on a risk basis, taking into account the inherent risk, previous or alternative forms of assurance, the need to provide assurance across the Council as a whole and the requirement for an opinion at the end of the financial year on overall systems of risk management, governance and control
 - Presentation of the final draft Plan to Chief Officer Executive as a collective for review and comment.
- 3.5. **Appendix A** shows the draft Plan in three different ways; as a whole, mapped against the Corporate Risk Register and mapped against the five ambitions of 'Making Bromley Even Better'. The Plan also contains links to Departmental risks where relevant. Some reviews, such as grants and contract reviews, appear under multiple ambitions where they have cross-cutting relevance.

- 3.6. We have included contract management reviews across Departments; this reflects the Council's strategy of being a Commissioning Authority. All contract management reviews in 2023-24 will also include management of inflation pressures where relevant.
- 3.7. Alongside the Plan, I have updated the internal audit resource assessment (as per **Table 1** below). The audit days available for direct work are the estimated available days once allowances have been made for sickness, training and administrative tasks. We have then made provision for non-audit tasks, including risk management, co-ordination of the Annual Governance Statement and counter fraud work. Estimated resource for these tasks is shown in the table below under the header of Direct Work – Non-Audit. This leaves a total of 339 available days for individual audits.
- 3.8. This financial year, we will have less internal resource than for previous years as three members of staff (out of a team of six) have recently elected to reduce their contracted hours under the Council's flexible working policy. We will be engaging some resource from Mazars, our contractors, to partially compensate for this loss of resource and on current projections, there are sufficient resources to deliver the planned coverage. However, as using contractors to replace internal staffing days can be a more expensive model of delivery, we will need to review skills, resourcing and costs as the year progresses, to ensure that we can continue to deliver the necessary level of assurance, commensurate with the Council's risks.

Table 1 – Resource Assessment

Audit days available for direct work		499
Direct Work – Non Audit:		
Risk Management	15	
National Fraud Initiative	5	
Counter Fraud including development of training and fraud awareness	10	
Provision for investigations	20	
Follow up work	20	
Annual Audit Planning	5	
AGS	5	
Provision for Advice including attendance at ad-hoc or Corporate working groups	15	
Provision for completion of 2022-23 work	45	
Contingency	20	
Total Direct Work – Non Audit	160	
Total Available for Audit Plan April - October 2023		339

Internal Audit Charter

- 3.9. Public Sector Internal Audit Standards stipulate that the internal audit service must have a Charter which sets out how internal audit will be delivered within the organisation. This includes key aspects such as Internal Audit's purpose and authority, the responsibilities of various parties, how internal audit independence will be safeguarded, the scope of internal audit work and its ability to access all records and personnel. The Head of Audit and Assurance reviews the Charter annually and then presents it to Chief Officer Executive and Audit and Risk Management Committee for approval.
- 3.10. The Charter was reviewed comprehensively in 2022-23 to ensure compliance with professional standards. For the 2023-24 financial year, I have made some further proposed amends to clarify the role of Audit and Risk Management Committee (in line with the revised Committee Terms of

Reference). I have also set out the role of the s151 Officer in ensuring that there is adequate assurance over operational areas for which the Head of Audit and Assurance is responsible. There are other minor amends throughout. All changes are shown as ‘tracked’ for ease.

Key Performance Indicators

3.11 As referenced in Appendix D of the Internal Audit and Fraud Progress Report (a separate item on this agenda), our Quality Improvement Action Plan included reviewing and revising the section’s Key Performance Indicators (KPIs) for 2023-24. This is to ensure that the KPIs can more holistically assess the delivery of Internal Audit’s mission, as set out in the Charter, to: “enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

3.12 Internal Audit’s current KPIs are set out in **Table 2** below.

Table 2 – Current KPIs

Description	Target
Percentage of audit plan delivered	90%
Percentage of P1/P2 & P3 recommendations accepted at final report stage	95%
Percentage of P1 recommendations followed up	100%
Completion of Internal Audit Annual Report and Opinion	By June Audit and Risk Management Committee
Completion of Internal Audit Plan for Audit Sub Committee Approval	By March Audit Sub Committee

3.13 The final three KPIs in particular are simply task based and represent the minimal acceptable level of service delivery. They do not allow a qualitative judgement as to how effectively these tasks have been performed. They do not also allow for any aspiration.

3.14 The proposed new suite of Key Performance Indicators for 2023-24 are set out in **Table 3** below. This proposed suite adopts a ‘balanced scorecard’ approach, with various indicators against four key areas: management actions, efficiency, value to organisation and developing people. The proposed scorecard provides a mixture of qualitative and quantitative measures.

Table 3 – Proposed KPIs for 2023-24

	Description	Target / Measure
Management Actions	Percentage of recommendations accepted by management	90%
	Percentage of agreed management actions implemented by agreed date	80%
Efficiency	% of audit plan delivered for Annual Report	90%
	Target draft report dates achieved (from date on final Terms of Reference)	75%
Value to organisation	% client satisfaction	90%
	Coverage of high and significant corporate risks	Provided via assurance map
	Coverage of strategic objectives	Provided via assurance map
	Compliance with PSIAS (provided via internal self assessment and External Quality Assessment)	Generally Conforms (to PSIAS)
People Development	Completion of core training and development plan by financial year end (Priority 1 and 2 training as defined by L&D).	90%

3.15 Audit and Risk Management Committee are asked to approve the KPIs set out in **Table 3** above as those to be reported for the 2023-24 financial year.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

Some audits are designed to provide assurance on services for vulnerable adults and children.

5. FINANCIAL IMPLICATIONS

Some audits are designed to provide assurance on financial risks and controls.

6. PERSONNEL IMPLICATIONS

Some audits are designed to provide assurance on personnel risks.

7. LEGAL IMPLICATIONS

Under the Accounts and Audit Regulations 2015, the Council must maintain an adequate and effective system of internal audit.

8. PROCUREMENT IMPLICATIONS

Some audits will provide assurance on procurement risks and controls.

Non-Applicable Headings:	Transformation / policy implications Property Implications Carbon Reduction / Social value implications Customer impact Ward Councillor views
Background Documents: (Access via Contact Officer)	None