
INTERNAL AUDIT ANNUAL AUDIT PLAN 2022/23

1 PURPOSE OF REPORT

- 1.1 To present the proposed 2022/23 Annual Audit Plan to the Audit Committee for consideration and approval. The Internal Audit Plan for 2022/23 (**Appendix A**) builds on the previous year's work and is based on the corporate risks facing the Council and links to the Business Plan 2020-2023.

2 INTRODUCTION

- 2.1 The Accounts and Audit Regulations 2015 (section 5) require the Council to undertake an effective programme of internal auditing to evaluate the effectiveness of its risk management, control, and governance processes, taking into account relevant Public Sector Internal Auditing Standards (PSIAS) or guidance.
- 2.2 The Public Sector Internal Auditing Standards (PSIAS) requires the Chief Audit Executive (CAE) to prepare an annual audit plan that takes into account the requirement to produce an annual internal audit opinion. In providing an overall annual opinion, internal audit plans 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.
- 2.3 The PSIAS also require the Audit Committee to approve, but not direct, the audit plan. This means the Committee can and should challenge whether the plan is sufficient and adequately focused; particularly given the plan's purpose to provide the Committee, as part of those charged with governance, with a key source of assurance to be considered when it decides whether to recommend the Annual Governance Statement for signing by the Managing Director and Leader of the Council. This report allows the Audit Committee to fulfil its requirements to approve the audit plan.

3 ANNUAL AUDIT PLAN

- 3.1 The Audit Plan is structured in relation to the Council's key issues, obligations, outcomes objectives, critical business processes and corporate risks. This approach ensures coverage of both strategic and key operational issues.
- 3.2 In order to retain flexibility in the internal audit plan and to ensure Internal Audit has the ability to respond to any changes in environment at the Council, further planning discussions will be held with Senior Managers prior to September 2022. These discussions will allow Internal Audit and Senior Managers to undertake a further risk assessment on the planned projects during the final two quarters of the year as well as discussing any changes in risk exposure, emerging or new areas of risk or project work and any amendments to governance arrangements.

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- 3.3 Any significant internal audit plan changes agreed between Management and Internal Audit will be brought before this committee for noting through the usual plan update reporting cycle.
- 3.4 The draft plan for 2022/23 is included at **Appendix A** and contains a high-level proposed outline scope for each audit.
- 3.5 Specific audit engagements are identified on the basis of:
- data obtained from risk registers;
 - the Council’s priorities (to ensure that audit work is attuned to the overall organisational objectives and required outcomes);
 - detailed discussions held with key officers representing all areas of the Council (this is critical to ensuring the audit work is aligned to the management of the key risks in the Council and focussed on the key control processes that support the mitigation of those risks).
 - horizon scanning (e.g., changes to / new legislation); and
 - information taken from other assurance processes within, and external to, the Council.
- 3.6 The work of Internal Audit for 2022/23 will complement a programme of assurance work across the Council and will seek to underpin the four corporate objectives:
- 1) Being Financially Sustainable
 - 2) Early Intervention
 - 3) Maximise Our Assets
 - 4) Enable Communities
- 3.7 The growing list of risks faced by the Council poses challenges to ensure audit resources are utilised in the most efficient way. The challenge is to adapt quickly and efficiently based on the best information available at the time and this is where the planning process in place meets that challenge.
- 3.8 Included in the draft Annual Audit Plan is reference to an External Quality Assessment. There is a requirement for local authority internal audit services to be independently assessed for compliance with the PSIAS at least every five years, the next review is due in 2023. The assessment in 2018 was that Rochford’s internal audit service “Generally Conforms to the Standards”.

Follow-ups

- 3.9 To ensure agreed actions from audit work carried out are being implemented by the officers responsible, follow-up audit work will be carried out on all actions agreed as a result of internal audit work undertaken.

Counter-Fraud

- 3.10 Internal Audit plays a vital preventative role in ensuring that systems and procedures are in place to proactively prevent and detect fraud and corruption. In addition, some proactive counter fraud exercises will be carried out by the Compliance Officer, Revenues & Benefits as appropriate, and reported to the Audit Committee.
- 3.11 The Compliance Officer will also lead on, and deal with, the output from the 2020/21 National Fraud Initiative exercise (including enquiries from other public-sector bodies).

Advice & Consultancy Engagements

- 3.12 Where appropriate, audit resources will also be utilised in a governance role in assisting/advising on the control frameworks for corporate programmes and new business processes. Involvement at the development stage will enable Internal Audit to provide an informed opinion on the adequacy of the controls designed as assurance to the various project boards prior to the processes being signed off for live implementation.

Other Assurance Providers

- 3.13 The focus and responsibility on professional leads and other assurance providers to ensure standards are maintained will be monitored through regular communication.
- 3.14 Other assurance providers will contribute to the CAE's annual opinion, as demonstrated through the "Three Lines of Defence" model. Through close liaison, self-assessment and analysis of existing data, opinions on the operation of certain services can be obtained through the work of others. The inclusion of this information will enable a wider opinion to be formed on all aspects of the Council's operation.

Reporting to the Audit Committee

- 3.15 In addition to the year-end report there will be progress reports presented to the Committee. These will provide Members with information about internal audit work outcomes. Any significant issues that may jeopardise the delivery of audit work will be identified and addressed and reported to the Audit Committee. The Committee should note that assurance cannot be absolute.

Audit Charter

- 3.16 The Council's Audit Charter was presented to the July 2020 meeting of this Committee. No changes were required for 2021/22, the current version was deemed fit for purpose. An updated version to reflect the creation of a Shared Internal Audit Service will be brought to a future meeting of this Committee for

Member Approval. The Charter shows how the Council and SIAS work together to provide a modern and effective internal audit service.

- 3.17 For 2022/23 the Internal Audit Service for Rochford District Council (RDC) is planned to be provided as part of a Shared Internal Audit Service with Basildon Borough Council (BBC), providing the opportunity to deliver a more resilient and responsive service across the two authorities. This will be subject to a Portfolio Holder decision, and agreement of a Memorandum of Understanding with BBC.

4 RISK IMPLICATIONS

- 4.1 Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that weaknesses in the Council's governance, risk management and internal control framework may not be promptly identified and remedied. Failure to do so may mean the Council does not achieve its vision and objectives.
- 4.2 Should there be insufficient resources to substantially complete the 2022/23 Audit Plan, there is a risk the CAE will not be able to provide an annual opinion for 2022/23 (refer to 5.1).

5 RESOURCE IMPLICATIONS

- 5.1 The planned delivery of a SIAS will provide a pool of auditors available to work across the two organisations, providing additional resilience to cover holidays, training, and any sickness. Through working across more than one authority, the options for auditors to develop and use specialist skills will increase. Initiatives can be developed at one authority and then rolled out across the other.
- 5.2 The Assistant Director, Resources (Section 151 Officer) considers that the provision of c.350 audit days is required to provide sufficient coverage. Audit days include days for actual delivery of audit reviews and time allocated to support delivery of the audit function (identified as other audit activity in the plan).
- 5.3 No formula exists that can be applied to determine the minimum level of coverage, instead individual factors, such as size, risk profile, transformation programmes within each organisation will determine priorities and a production of a plan that suits its specific and unique requirements.

6 LEGAL IMPLICATIONS

- 6.1 The Accounts and Audit Regulations 2015 (section 5) require the Council to undertake an effective programme of internal auditing to evaluate the effectiveness of its risk management, control, and governance processes, taking into account relevant Public Sector Internal Auditing Standards or guidance.

7 EQUALITY AND DIVERSITY IMPLICATIONS

- 7.1 An Equality Impact Assessment has been completed and found there to be no impacts (either positive or negative) on protected groups, as defined under the Equality Act 2010.

8 RECOMMENDATION

- 8.1 It is proposed that the Committee **RESOLVES**

That the proposed Audit Plan and Charter for 2022/23 be approved.



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Background Papers:

None.

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Internal Audit Plan and Charter 2022/23

Internal Audit work needed in 2022/23 to provide an annual opinion.

Activity to be audited	Objective of work	Business Plan priority
Corporate Risk 1: We fail to deliver the objectives of the Council's Business Plan in terms of measurable outcomes		
Home Working Arrangements / Agile Working	Examination of arrangements in place (guidance / training provided)	All Priorities
Performance Management	To assess the arrangements for measuring and reporting performance and development of measures against which progress of the Business Plan 2020/2023 can be assessed.	All Priorities
Corporate Risk 2: There is a failure of safeguarding arrangements		
None Planned for 2022/23	Safeguarding was reviewed in 2020/21 – Good Assessment	Early Intervention
Corporate Risk 3a: There is a serious Food, Environmental or other incident for which the Council is culpable		
None Planned for 2022/23	Food Inspections was reviewed in 2019/20 – Assessed as Adequate	Early Intervention
Corporate Risk 3b: There is a serious Health and Safety incident for which the Council is culpable		
None Planned for 2022/23	Health & Safety was reviewed in 2021/22 – Assessed as Adequate	All Priorities
Corporate Risk 4: We fail to respond to, or provide, relevant services in the event of an incident or disaster		
None Planned for 2022/23	Emergency Planning / Business Continuity was reviewed in 2021/22 – Assessed as Adequate	All Priorities

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<i>Corporate Risk 5: Council held data is lost, disclosed, or misused to detriment of individuals or organisations as result of inadequate protection</i>		
Investigation of critical information breaches	Independent investigation by Internal Audit in the event of a critical information security breach. (Contingent)	Being financially sustainable
Electoral Registration	Examination of arrangements for the maintenance of Electoral Register	Enable Communities
<i>Corporate Risk 7: Failure to engage with stakeholders to understand and communicate what the Council should be trying to achieve</i>		
None Planned for 2022/23	Engagement with Residents was reviewed in 2021/22 – Assessed as Adequate	Enable Communities
<i>Corporate Risk 8: We fail to innovate and develop new ways of meeting customer needs and expectations</i>		
Supporting key projects and policies	To act as a critical friend in providing advice / guidance on risks and controls as projects and policies reach relevant milestones (Connect Project)	Being financially sustainable
Climate Change	A review of the Council's plans and policies.	Maximise Our Assets
Equality & Diversity	To consider the adequacy and accessibility of the Council's E&D policies / procedures and the extent to which the Council complies with them. The provision of E&D training and appropriate performance reporting.	Enable Communities
<i>Corporate Risk 9: Failure to produce and meet a balanced budget and MTFs that allow for the successful delivery of the Business Plan priorities or the Capital Programme</i>		

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Activity to be audited	Objective of work	Business Plan priority
None Planned for 2022/23	Budget Setting & Monitoring was reviewed in 2021/22 – Assessed as Good	Being financially sustainable
Corporate Risk 10: The inability to recruit, retain, develop, and manage appropriately skilled staff to deliver the Council's priorities		
Staff performance management and development	To assess whether there is a robust and consistently applied framework to manage staff performance and ensure staff receive required training	Being Financially Sustainable
Corporate Risk 11: Failure to enter into and manage effective partnerships for the delivery of services and outcomes		
Partnerships and Alternative Delivery Models	To assess arrangements for governance and oversight of Community Safety partnership to include ensuring delivery of agreed outcomes.	Enable communities
Corporate risk 12: The Council could fail to provide consistent Value for Money (VFM) across all services or obtain VFM in its procurement		
Vehicle fleet management	To assess whether the Council effectively manages its fleet of vehicles in respect of maintenance and replacement management (Suggested by Management)	Being Financially Sustainable
Corporate risk 13: Failure to ensure good governance of the Council's activities and delivery of priority outcomes		
Annual Governance Statement (AGS) 2022/23	Ensure the AGS covers all elements set out in best practice guidelines.	All Priorities

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	<p>Ensure relevant assurances have been obtained to support the elements of the AGS.</p> <p>Review evaluations of systems, processes and documentation supporting development of the AGS.</p> <p>Confirm areas for improvement identified in the AGS have been adequately identified and have action plans in place with arrangements for monitoring progress</p>	
Counter Fraud Arrangements	<p>To carry out an overview of the Council's counter-fraud arrangements</p> <p>Where necessary, investigate any fraud referrals</p>	All Priorities
Counter Fraud Work of Compliance Officer and Revenues & Benefits Team	<p>To provide an overview of the level of counter-fraud activity and the results achieved. This will include the NFI data matching exercise of 2020/21.</p> <p>This will be reported periodically in the Audit Progress Report and will not be a free-standing audit report.</p>	Being Financially Sustainable
Housing Benefit Subsidy	<p>Review benefit cases selected by the external auditor to feed into the external audit grants certification work and report to the Department for Work & Pensions.</p>	Being Financially Sustainable
Transparency Code	<p>Confirm compliance with the local government transparency code (the minimum data that local authorities should be publishing).</p>	Being Financially Sustainable
Key Financial Systems	<p>AIM Cash Receipting (critical friend- advice/guidance on controls for new system)</p>	Being financially sustainable

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Key Financial Systems	Council Tax Support Scheme (new scheme to be launched April 2022)	Being Financially Sustainable
Key Financial Systems	Debtors (recovery element follow-up)	Being Financially Sustainable
Key Financial Systems	Housing Benefit overpayments – revisit process for management of overpayments.	Being Financially Sustainable
Key Financial Systems	Review of process for provision of Payroll instructions to Braintree Council; accuracy of data submission.	Being Financially Sustainable
Risk Management	To review the existence and effectiveness of contract risk registers.	All Priorities
Licensing	Service review.	Being Financially Sustainable
Waste & Street Scene	LATCo – critical friend re. establishment of governance arrangements.	Being Financially Sustainable
Corporate Risk 14: Failure to ensure the ICT Estate supports achievement of the Business Plan		
Cyber Security	Health check review by third party assurance provider (e.g. Zurich Resilience Solutions) / Non-technical overview to assess actions to raise awareness of risks and preparedness to withstand cyber-attacks of varying natures.	Being Financially Sustainable

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<i>Corporate Risk 15: Failure to ensure compliance with the General Data Protection Regulations (GDPR) and unable to demonstrate consistent application of information standards, controls, and statutory compliance</i>		
GDPR	Overview of adequacy and effectiveness of data breach and data subject requests.	All Priorities
Freedom of Information	Review of arrangements for handling requests.	All Priorities
<i>Other audit activity chargeable to the audit plan</i>		
External Quality Assessment (EQA)	External assessment of Internal Audit function's compliance with Public Sector Internal Audit Standards.	
Audit Management	To undertake required management activity including quality assurance and continuous improvement processes. To review and, where necessary, update the Audit Charter and Strategy.	
Audit planning	To develop the 2023/24 audit plan	
Following up recommendations	Where not included in Plan above, we will follow up High and Moderate recommendations to assess whether recommendations have been effectively implemented	
Governance Group	To attend the Governance Group meetings and contribute to the development / improvement of governance processes	

Internal Audit Plan and Charter 2022/23

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Activity to be audited	Objective of work	Business Plan priority
Reporting to Audit Committee	To prepare and present the required reports to Audit Committee throughout 2022/23	
Investigations	To carry out investigations in conjunction with Human Resources as directed by the Leadership Team.	