
AUDIT PLAN AND CHARTER 2021/22

1 PURPOSE OF REPORT

- 1.1 To present the proposed 2021/22 Audit Plan and Charter to the Audit Committee for consideration and approval. The Internal Audit Plan for 2021/22 (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.
- 1.2 This report also provides an update in respect of the Internal Audit Charter, which sets out the way in which Internal Audit will approach its remit.

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 CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations states that internal audit planning must be well focused and in accordance with professional standards.
- 2.3 The PSIAS in turn require Internal Audit to produce a risk-based Audit Plan that:
 - Gives the Chief Audit Executive (CAE) sufficient evidence to provide an annual audit opinion on the Council's framework of governance, risk management and internal control based on the outcome of the Plan's work.
 - Uses existing sources of assurance where possible; and
 - Demonstrates how internal audit work is linked to the Council's objectives and significant risks and, therefore, provide relevant assurance.
- 2.4 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.
- 2.5 This report allows the Audit Committee to fulfil its requirements to approve the audit plan.

3 ANNUAL AUDIT PLAN AND CHARTER

- 3.1 Internal audit work for 2021/22 will seek to underpin the Council's corporate priorities and considers corporate governance and risk management issues and the Council's assurance framework.
- 3.2 There needs to be a flexible approach to ensuring audit work meets the needs of the Council. In this ever-changing risk and control environment having a set annual plan of work, or even quarterly plans, is proving to be restrictive on the internal audit service.
- 3.3 The Audit Plan is structured in relation to the Council's corporate risks, demonstrating the assurance the Audit Committee will receive in regard to these risks. The Chief Audit Executive (CAE) will aim to ensure audit coverage is comprehensive in order to be able to provide a year-end opinion on the following key control areas:
- Risk Management
 - Financial Management
 - Information Governance
 - People Management
 - Commissioning, Procurement & Contract Management
 - Asset Management
 - Programme & Project Management
 - Performance Management
 - Safeguarding
 - Health and Safety
 - Business Continuity and Emergency Planning.
- 3.4 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).
 - the skills, knowledge, and experience of audit staff.
 - 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.

- 3.5 The work of Internal Audit for 2021/22 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
- 3.6 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.
- 3.7 The planning process means it is not possible to stipulate how the full allocation of resources will be utilised at the outset. However, **Appendix A** provides the Audit Committee with information on the audits, which are already expected to be carried out during 2021/22 and those which are currently featuring as 'higher priority' pieces of work.

Follow-ups

- 3.8 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

- 3.9 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.
- 3.10 This 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

- 3.11 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

- 3.12 The focus and responsibility on professional leads and other assurance providers to ensure standards are maintained will be monitored through regular communication.
- 3.13 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

- 3.14 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

- 3.15 The Audit Charter has been reviewed to ensure it is fit for purpose. There are no required changes for 2021/22 from that for 2020/21 approved by this Committee 28th July 2020.

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 2021/22 Audit Plan, there is a risk the CAE will not be able to provide an annual opinion for 2021/22.

5 RESOURCE IMPLICATIONS

- 5.1 It is inevitable that demand for audit resources will exceed the number of available days. The risk-based planning approach used identifies and matches audit work to the available audit resources. If there is an imbalance between identified priority work and the amount of resource available, the Committee will be informed of proposed solutions to deliver any shortfall in work or resources.
- 5.2 Excluding the CAE (provided by Basildon Borough Council) the audit resource at the commencement of 2020/21 was 2 Full Time Equivalent (FTE) staff.

From June 2020 onwards this was reduced to 1 FTE as a member of the team commenced maternity leave.

- 5.3 The Annual Audit Plan for 2021/22 takes into the account a reduction in FTE to 1.6 and the possibility of potential resource being made available from Basildon Borough Council in the latter part of the financial year.

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 PARISH IMPLICATIONS

- 7.1 None.

8 EQUALITY AND DIVERSITY IMPLICATIONS

- 8.1 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.

9 RECOMMENDATION

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

That the proposed Audit Plan and Charter for 2021/22 be approved.



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Background Papers:

None. For further information please contact Jim Kevany on: -

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Activity to be audited	Objective of work	Business Plan priority
<i>Corporate Risk 1: We fail to deliver the objectives of the Council's Business Plan in terms of measurable outcomes</i>		
Business Resilience	To assess the risk associated with reliance on key individuals to achieve key priorities, including succession planning, training, and span of control.	Being financially sustainable
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
Policies & Procedures	Consider measures in place to ensure that policies and procedures are effectively managed for updates, and visibility	All priorities
<i>Corporate Risk 2: There is a failure of safeguarding arrangements</i>		
None Planned	Reviewed 2020/21 – “Good Assessment	Early Intervention
<i>Corporate Risk 3a: There is a serious Food, Environmental or other incident for which the Council is culpable</i>		
None Planned	Environmental Health had a follow-up review 2019/20.	Early Intervention
<i>Corporate Risk 3b: There is a serious Health and Safety incident for which the Council is culpable</i>		
Asset Management	Follow-up of Asset Management Audit of 2019/20	Being financially sustainable
Health and Safety	Follow-up of Health & Safety Audit of 2019/20, in particular training and awareness to develop a health and safety culture	Being financially sustainable
<i>Corporate Risk 4: We fail to respond to, or provide, relevant services in the event of an incident or disaster</i>		

Activity to be audited	Objective of work	Business Plan priority
Emergency Planning	Examination of arrangements in place for dealing with a disaster / major security incident impacting residents.	All priorities
Business Continuity	To examine effectiveness of arrangements to maintain services in the event of an incident or other external circumstances	All priorities
<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
<i>Corporate Risk 7: Failure to engage with stakeholders to understand and communicate what the Council should be trying to achieve</i>		
Engagement with Residents and Other Stakeholders	To review arrangements for engaging and communicating with residents and stakeholders.	Enable Communities
Complaint Handling	To review the effectiveness the complaints procedures in dealing with issues raised by residents.	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	Being financially sustainable
<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>		
Budget Setting & Monitoring	To assess whether there are effective processes to determine the budget for 2022/23 and its linkage to the Business Plan and identify deliverable savings, and to monitor the budget.	Being financially sustainable

Activity to be audited	Objective of work	Business Plan priority
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 partnerships 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		
Procuring goods & services	To assess whether the requirements of Financial Regulations and Contract Procedure Rules are complied with for a sample of purchased goods and services across a range of values and service areas.	Being financially sustainable
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) 2021/22	<p>Ensure the AGS covers all elements set out in best practice guidelines.</p> <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>	All Priorities

Activity to be audited	Objective of work	Business Plan priority
	Confirm areas for improvement identified in the AGS have been adequately identified and have action plans in place with arrangements for monitoring progress	
Building Control	To carry out a review of workflow of PBC Technicians. Requested by Management	Being financially sustainable
Car-Parking Enforcement (Off Street)	To carry out a review of the arrangements for enforcing parking in the Council's off-street car parking sites. This excludes cash arrangements for car parking	Being financially sustainable
Cemetery Management	To carry out a review of cemetery processing / recording to ensure it is accurate. Request by Management	Being financially sustainable
Counter Fraud Arrangements	To carry out an overview of the Council's counter-fraud arrangements Where necessary, investigate any fraud referrals	Being financially sustainable
Counter Fraud; Work of Compliance Officer and Revenues & Benefits Team	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. This will be reported periodically in the Audit Progress Report and will not be a free-standing audit report.	Being financially sustainable
Housing Benefit Subsidy	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	Being financially sustainable
Grant Work	To provide assurance of the Council's procedures for processing and distributing grants arising from central government funding schemes Included in Plan in case required	Being financially sustainable

Activity to be audited	Objective of work	Business Plan priority
Key financial systems	<p>To assess whether the key controls in the key financial systems are adequately designed and effectively applied.</p> <ul style="list-style-type: none"> • Housing Benefits administration (areas not covered by the Housing Benefit Subsidy work) (Last 2017/18) • Sundry Debt Management follow up of “limited assurance” audit of 2019/20 • Treasury Management (Last 2018/19) • Main Accounting (Last 2018/19) <p>Testing will focus on key controls relating to significant income, expenditure, or changes in underlying risks; personnel, systems etc.</p>	Being financially sustainable
Planning & Regeneration – Services – Development Management	<p>To assess whether there are effective processes and procedures to ensure planning applications processed in required timescales.</p> <p>Brought forward from 2019/20. Requested by AD (Low Priority)</p>	Early intervention
Risk Management	<p>To review the existence and effectiveness of a sample of mitigating actions for key risks.</p>	Being financially sustainable
Corporate Risk 14: Failure to ensure the ICT Estate supports achievement of the Business Plan		
Cyber Security	<p>Non-technical overview to assess actions to raise awareness of risks and preparedness to withstand attacks of varying nature.</p>	Being financially sustainable
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		
GDPR	<p>Overview of adequacy and effectiveness of data breach and data subject requests</p>	Being financially sustainable
Other audit activity chargeable to the audit plan		

Activity to be audited	Objective of work	Business Plan priority
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 2022/23 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	
Reporting to Audit Committee	To prepare and present the required reports to Audit Committee throughout 2021/22	
Investigations	To carry out investigations in conjunction with Human Resources as directed by the Leadership Team.	