

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	7 th February 2024	AGENDA ITEM NUMBER
TITLE:	Internal Audit Plan 2023/24 Update and Consultation on the Development of the Internal Audit Plan 2024/2025	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - Audit Reviews Position Statement (Internal Audit Plan 2023/24)		
Appendix 2 - Reasonable Assurance Methodology Themes / Areas of Assessment		
Appendix 3 – Long List of potential Internal Audit reviews 2024/25		

1 THE ISSUE

1.1 This report:

- 1) provides an update on progress in completing the Internal Audit Plan 2023/24 audit reviews (following the Update Report presented to Committee on 1st November 2023).
- 2) informs the Audit Committee on the methodology to be used to compile and maintain the Internal Audit Plan 2024/25.
- 3) asks for Committee Member input on Council activities, areas or themes they would like to be considered for inclusion in the Internal Audit Plan 2024/25.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee notes the progress in delivery of the 'core' audit reviews in 2023/24 Annual Audit Assurance Plan and approves the additional amendments to the Audit Plan 2023/24.
- 2.2 The Corporate Audit Committee is asked to agree to the proposal that the Internal Audit Core Work Plan (list of internal audit reviews) to be presented to the 1st May 2024 Audit Committee; will be subject to ongoing review and updating by the Head of Audit & Assurance; and, reports on the maintenance of the Core Work Plan and audit reviews carried out will be presented at least every six months to the Committee.
- 2.3 The Corporate Audit Committee notes any activity areas or themes that members of the Committee would like to be considered for inclusion in the list of audit

reviews which will form the core work of the Internal Audit function for the financial year 2024/25 onwards.

3 THE REPORT

3.1 Internal Audit Plan 2023/24 Update

3.1.1 An update on the work of the Internal Audit Team was provided to the Committee on the 1st November 2023. Based on a reported reduction of auditor productive days (as a result of staff changes and difficulties in recruiting suitable candidates) the Committee agreed to proposed amendments to the Audit Plan 2023/24, including the postponement of 5 Audit Reviews as listed:

- i. Climate & Ecological Emergency Response - Performance Monitoring / Reporting.
- ii. Corporate Estate - Planned Maintenance
- iii. Corporate Estate - Energy Management
- iv. Housing Services - Management of Housing Rent & Charges
- v. Payroll (Variations - including mileage & expenses)

3.1.2 Since reporting to Committee in November, there has been a need to further reassess audit reviews to be carried out. Six Audit Reviews have been postponed and four subject areas merged into two audit reviews. **Appendix 1 {Audit Reviews Position Statement (Internal Audit Plan 2023/24)}** records the current position on all audit reviews in the 2023/24 Audit Plan. To summarise the key changes are:

- 1) 23-006B City Regions Sustainable Transport Schemes review has been merged with 23-004B WECA Funded Schemes – Use of Funding within Timescales.
- 2) 23-007B Debt Management – Corporate Policy - postponed to 2024/25
- 3) 23-013B Brokerage Service - postponed to 2024/25
- 4) 23-015B Business Change Hub - postponed to 2024/25
- 5) 23-022B Corporate Estate Energy Management - postponed to 2024/25
- 6) 23-026B Payroll (Variations) - postponed to 2024/25
- 7) 23-027B Climate & Ecological Emergency Response - Performance Monitoring / Reporting - postponed to 2024/25
- 8) 23-035B Corporate Estate - Planned Maintenance merged with 23-033B Property - Corporate & Commercial Estate Property Maintenance

3.1.3 The need to make the changes, summarised in 3.1.2, was not just related to a reduction of Internal Audit resources available, it was also linked to the need to be responsive to carry out ‘other’ (unplanned) work, this included:

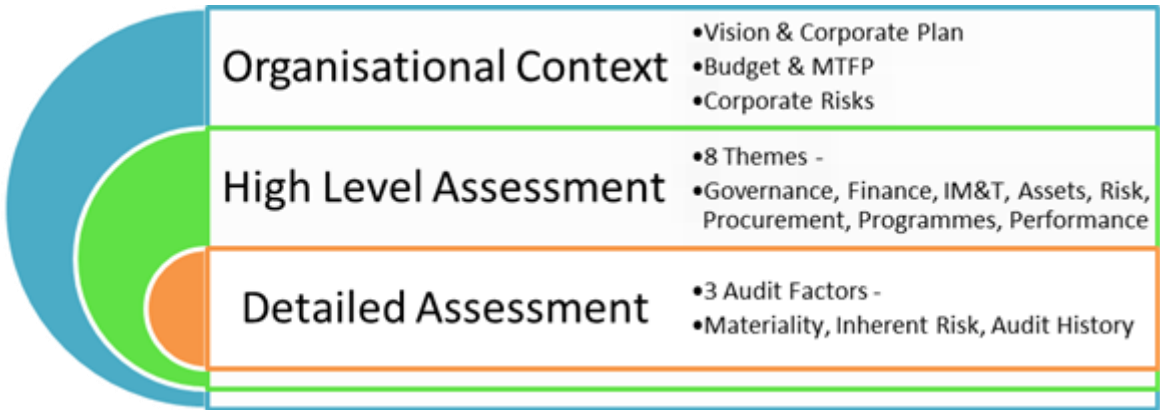
- 1) Assist in an investigation of a fraud case related to Homes for Ukraine.
- 2) Carry out at the request of management audit reviews of:
 - i. Public Health Grant Budget Management.
 - ii. Cash Handling – Adult Social Care Community Resource Centres

3.1.4 The significant changes to planned Internal Audit work over the last 11 months is evidence of the need for the Audit Plan to be flexible and responsive, we are therefore proposing to introduce a more flexible approach to planned audit reviews (see 3.3.1 below).

3.2 Internal Audit Planning Methodology - Reasonable Assurance Model

3.2.1 The planning process is based on the fundamental requirement that the Audit Plan proposed will deliver sufficient work to enable the Chief Internal Auditor to independently assess the internal control framework of the Council and provide a ‘reasonable assurance’ opinion at the end of each year. The model we have adopted, and use is the ‘Reasonable Assurance Model’.

3.2.2 The model is outlined in the following diagram with the key element being the high-level assessment of 8 ‘good governance’ themes.



3.2.3 The Principles of the Reasonable Assurance Model are:

- 1) It’s a strategic top-down assessment and the themes cover all Council activity not just finance.

2) Level of assurance should be continually compared to the level of risk and resources should be focussed firstly on areas of activity where assurance is low and risk is high.

3) Risk assessment should be simplified around a small number of key factors.

4) As stated in 3.2.1, the Audit Plan should result in sufficient audit reviews to reach a 'reasonable assurance' opinion.

3.2.4 The Audit Plan will then be developed in 3 key stages:

1) High Level Risk Assessment of Reasonable Assurance Model (RAM) – **8 Themes**



2) Detailed Risk Assessment of auditable areas

3) Consultation & Approval

3.2.5 Stage 1 - Risk Assessment of RAM - The 8 Themes

- Each theme has a set of questions to help assess the level of assurance & risk. Examples of areas of assessment within each theme are recorded in

Appendix 2 - Reasonable Assurance Methodology Themes / Areas of Assessment.

- When assurance (internal / external) and risk has been assessed the results should enable attention to be focussed on the low assurance and / or high-risk areas.
- The assessment of the 8 RAM themes will also be informed through consultation with Council Senior Management, key corporate officers and others (including Corporate Audit Committee members). Individual areas for internal audit review may be identified during the consultation process. The Head of Audit & Assurance will also have a view on areas to be included within the next stage of detailed risk assessment.

3.2.6 Stage 2 – Detailed Risk Assessment of Auditable Areas of Activity

The risk assessment of individual discrete areas for audit review uses the following factors:

- 1) Materiality – a score is assigned based on measurables including – annual income, annual expenditure, or significant agreed budgeted savings (linked to budget setting process).
- 2) Inherent Risk – a score based on assessing separate categories of risk:
 - a) Operational Risk (Cash, Stock, dependency on third party)
 - b) Service Continuity / Reputational Risk (impact on reputation if service provision interrupted)
 - c) Technical Risk (Technological reliance - IT Systems)
- 3) Audit History (Time since when last review / Assurance Level assigned at last review / Results of 'Follow-Up' activity)

This assessment process will provide a long list of audit activity which can be placed in order of scored risk.

3.2.7 Stage 3 – Consultation & Approval – Audit Plan (*Timetable for 2024/25 Plan*)

- 1) Consultation with S151 Officer – (*January & March 2024*)
- 2) Consultation with Audit Committee – (*February 2024*)
- 3) Consultation with Chief Executive & Chief Operating Officer – (*March 2024*)
- 4) Consultation with Executive Leadership Team – (*April 2024*)
- 5) Formal approval by Audit Committee – (*May 2024*)

3.3 A Flexible Internal Audit Plan and reporting to Committee on performance and changes to the approved Plan

3.3.1 As stated in 3.1.4, it has been necessary to make amendments to the planned work as approved by the Audit Committee at the beginning of the financial year. Corporate Audit Committee members (current and previous members) have agreed that a flexible Internal Audit Plan of audit reviews was necessary to respond as appropriate to risks and issues.

3.3.2. It is the intention of the Internal Audit Service to continue to present and agree an Internal Audit Plan (list of audit reviews in risk assessed order) at the beginning of each financial year using the reasonable assurance model. However, we will continually risk assess 'areas for review' and monitor available Internal Audit resources / capacity to decide on audit reviews to be prioritised. The Head of Audit and Assurance will report back to the Committee to provide updates on performance and any changes to the approved Internal Audit Plan.

3.4 Internal Audit Plan 2024/25 Consultation & Input – Audit Committee

3.4.1 The Audit Committee is a key stakeholder and have responsibility for approving the Internal Audit Plan. The purpose of this report is to obtain Committee Member views and feedback on areas which should be considered during the planning process for potential inclusion in the Internal Audit Plan to be submitted to this Committee at its next meeting (1st May 2024).

3.4.2 The Chartered Institute of Internal Auditors has published a report ('Risk in Focus 2024') which highlights organisational significant risks for 2024 which should be considered when preparing audit plans. Areas particularly relevant to the public sector are detailed below:

- Cybersecurity and data security
- Human capital, diversity and talent management
- Macroeconomic and geopolitical uncertainty
- Climate change and environmental sustainability
- Business continuity, crisis management and disasters response
- Financial risk
- Organisational governance and corporate reporting
- Fraud and bribery

3.4.3 Based on the consultation to-date with Statutory Officers, Directors, Heads of Service and 'Key' Corporate Officers a 'long list' of potential areas for review is being compiled. Once the consultation has been completed the long list of audit reviews will be subject to a risk assessment and sorted so a short list can then be reconciled to audit resources. Appendix 3 records a developing long list of potential audit reviews for 2024/25. Key areas for consideration specific to B&NES Council would include:

- Financial Resilience – continuing financial pressures.

- HCRG – Transfer of Services back to the Council.
- Designated Schools Grant – Safety Valve Delivery Plan.
- Combined Authority Funding
- Partnership Working – relationship with Integrated Care Board
- Being Our Best Programme
- Climate & Ecological Emergency Action Plan – Development / Monitoring
- Cyber Security

3.4.4 It should be noted that in addition to compiling a list of ‘core audit reviews’, Internal Audit will continue to:

- Provide support to the corporate governance framework within the Council including completing the Annual Governance review work required to publish the Council’s Annual Governance Statement;
- Provide support to assess the Council’s risk management framework;
- Carry out the Co-ordination and Investigation roles to complete the work required through the Cabinet Office Data Matching ‘National Fraud Initiative’;
- Provide advice on systems of internal control including Council policies and procedures. This is particularly important when systems and processes are being developed or changed;
- Provide ‘independent’ examination of financial records to provide assurance to external funding bodies, e.g. West of England Combined Authority, that grants are being used in compliance with Terms and Conditions;
- Provide support to Services on carrying out investigations in relation to financial irregularities. This may require Audit staff to take on the Investigating Officer role in compliance with the Council’s disciplinary procedures.

4 STATUTORY CONSIDERATIONS

4.1 There are no specific statutory considerations related to this report. Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIFPA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 There are no direct resource implications relevant to this report.

6 RISK MANAGEMENT

- 6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. Significant risks to the council arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management..
- 6.2 The Corporate Audit Committee has specific responsibility for ensuring the Council’s Risk Management and Financial Governance framework is robust and effective.

7 EQUALITIES

- 7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 CLIMATE CHANGE

- 8.1 There are no direct climate change implications related to this report.

9 OTHER OPTIONS CONSIDERED

- 9.1 No other options to consider related to this report.

10 CONSULTATION

- 10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

Contact person	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Audit Reviews Position Statement (as at 31st January 2024)

Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
23-001B	Adult Community Services - Governance - Programme Management	Final	4	4	4
23-002B	Children Services - Implementation of Management Plan	Final	3	8	8
23-003B	Workforce - Recruitment & Retention	Final	3	5	5
23-004B	WECA Funded Schemes (CRSTS) - Use of Funding within timescales	WIP			
23-005B	Dedicated Schools Grant Safety Valve Agreement - Delivery Plan	WIP			
23-006B	City Regions Sustainable Transport - Use of funds & performance management (Liveable Neighbourhood Strategy)	Merged with 23-004B			
23-007B	Debt Management - Corporate Policy	Postponed			
23-008B	Home to School Transport - Current and Future Management & Delivery	Final	3	13	8
23-009B	School Theme Review - Schools Financial Value Standard (Maintained Schools)	Final	4	N/A	N/A
23-010B	Planning Enforcement	Final	3	10	10
23-011B	Financial Accounting - Public Health Budget Management	Briefing Report (Draft)	N/A	5	
23-012B	Procurement - Modern Slavery	Final	3	5	5
23-013B	Brokerage Service - Adult Social Care - Scheme of Delegation and Approval of Package of Care / Placements	Replaced by Community Resource Centres Cash Review			
23-014B	Care Leavers - Extended Duties (Statutory Responsibilities)	Final	3	7	7
23-015B	Business Change Hub - Programme & Project Management	Postponed			
23-016B	Procurement - Purchase Card expenditure	Final	3	4	4
23-017B	Avon Pension Fund --Pension Investments Reporting	Final	4	4	4
23-018B	Avon Pension Fund - Scheme of Delegation	WIP			
23-019B	Avon Pension Fund - Pensions Payroll	WIP			
23-020B	Avon Pension Fund - Year End Procedures	WIP			
23-021B	Housing Services - Management of Housing Rent & Charges	To Start			
23-022B	Corporate Estate - Energy Management	Postponed			
23-023B	Deputyship Service	Final	3	10	10
23-024B	GLL Contract Management - Governance	Draft	3	8	8
23-025B	Treasury Management - Funding and Investment Transactions (Bankline)	Draft			
23-026B	Payroll (Variations - including mileage & expenses)	Postponed			
23-027B	Climate & Ecological Emergency Response - Performance Monitoring / Reporting	Postponed			
23-028B	User Access Management - Starters, Leavers (Council) and Post Changes	WIP			
23-029B	Firewalls	WIP			
23-030B	Malware and Ransomware	WIP			
23-031B	IT Services Recovery Management	To Start			
23-032B	Corporate Wi-Fi Networks and Smart Devices.	WIP			
23-033B	Corporate & Commercial Estate Property Maintenance	WIP			
23-034B	Foster Care Placement Payments (Unaccompanied asylum-seeking children)	WIP			
23-035B	Corporate Estate - Planned Maintenance	Postponed			

Reasonable Assurance Methodology Themes / Areas of Assessment

<p>Theme 1 – Corporate Governance</p> <ul style="list-style-type: none"> • Overall Governance Framework • Ethical Framework • Counter-Fraud Arrangements • Vision & High Level Priorities • Constitution, Structure & Decision Making • Codes of Conduct • Statutory Policy & Budget Framework 	<p>Theme 5 – Procurement & Commissioning</p> <ul style="list-style-type: none"> • Procurement & Commissioning Framework • Delivery/Category Plans • Contract Standing Orders & Rules • Contact & Commercial Management • Governance & Gateways • Knowledge & Skills • Benefits Realisation & Savings
<p>Theme 2 – Financial Management</p> <ul style="list-style-type: none"> • Medium Term Finance & Resource Planning • Annual Budget Setting • Financial Performance – Revenue & Capital • Financial Performance – VFM • Financial Resilience – Reserves • Key Financial Management Systems • Financial Regulations & Rules 	<p>Theme 6 – Programme & Project Management</p> <ul style="list-style-type: none"> • Transformational Change Programmes • Links to Corporate Vision & Objectives • Major Project Governance • Change Control • Project Reporting • Financial & Risk Management • Benefit Realisation
<p>Theme 3 – Risk Management</p> <ul style="list-style-type: none"> • Risk Management Strategy & Framework • Risk Maturity & Appetite • Decision Making • Corporate/Strategic Risks • Major Project Risks • Transformation Risks • HR Risks • Fraud Risks • Safety Risks 	<p>Theme 7 – Information Management</p> <ul style="list-style-type: none"> • Information Management & Technology Strategy • Standards & Security Requirements • Information Security • Information Compliance • Data Quality, Classification & Integrity • Business Continuity & Disaster Recovery • Transparency
<p>Theme 4 – Performance Management</p> <ul style="list-style-type: none"> • Corporate Plan & Corporate Performance • Service Planning & Service Performance • Internal & External Benchmarking • Strategic Performance Reviews & Business Intelligence • Target Setting & Reporting • Customer Feedback & Complaints • Integrated Reporting • Transparency 	<p>Theme 8 – Asset Management</p> <ul style="list-style-type: none"> • Asset Management Strategy (& Plans) • Safeguarding & Security • Asset Utilisation (& Realisation) • Workforce Planning • HR Framework • Skills & Training Development Programme • Organisational Development & Change

Long List of potential Internal Audit reviews 2024/25 (under development)

	DIRECTOR	AUDIT SUBJECT	REASONABLE ASSURANCE THEME
1	Director of Adult Social Care (DASS)	Learning Disabilities Pooled Budget - Governance	Financial Management
2	Director of Adult Social Care (DASS)	Community Sub contracted Services - Governance (ICB Lead)	Risk Management / Corporate Governance
3	Director of Adult Social Care / Children Services & Education	Brokerage (Adults & Children)	Financial Management
4	Director Children Services & Education	Childrens Delivery Plan	Financial Management
5	Director Place Management	Pixash Household Waste Recycling Centre - Reuse Shop	Financial Management / Asset Management
6	Director Place Management	Fleet Management - Workshop Activity / Trading	Financial Management / Risk Management /
7	Director Place Management	Car Parking - Park & Ride Contract	Financial Management / Procurement & Commissioning
8	Director Place Management	Car Parking - Emissions income charging	Financial Management
9	Director Sustainable Communities	Climate & Ecological Emergency Response - Performance Monitoring / Reporting	Risk Management
10	Director Sustainable Communities	Corporate Estate - Energy Management	Financial Management / Procurement & Commissioning
11	Director Sustainable Communities	WECA Funding – Fashion Museum (Project Initiation / Resourcing & Funding)	Financial Management
12	Director Sustainable Communities	Homes for Ukraine – LA Housing Fund Grant (Dept of LUHC)	Financial Management
13	Director Sustainable Communities	Bath Christmas Market	Financial Management
14	Director Sustainable Communities	Temporary Accommodation	Financial Management / Performance Management
15	Director of People & Policy	Being Our Best Programme - Organisational Change Management	Financial Management / Asset Management
16	Chief Finance Officer (S151)	Payroll (Variations - salary award / increment increases / mileage & expenses)	Financial Management
17	Chief Finance Officer (S151)	Business Change Hub	Programme & Project Management
18	Chief Finance Officer (S151)	Debt Management - Corporate Policy	Financial Management
19	Chief Finance Officer (S151)	Payments - Supplier Set-Up & Duplicate Payments	Financial Management
20	Chief Finance Officer (S151)	IT Audits	Information Technology / Governance