

<b>Bath &amp; North East Somerset Council</b>			
MEETING:	Corporate Audit Committee		
MEETING DATE:	1 <sup>st</sup> May 2024	<b>AGENDA ITEM NUMBER</b>	
TITLE:	<b>Internal Audit Plan - 2024/2025</b>		
WARD:	ALL		
<b>AN OPEN PUBLIC ITEM</b>			
<b>List of attachments to this report:</b>			
Appendix 1 – Internal Audit Plan 2024/25			

## **1 THE ISSUE**

1.1 This is a report detailing the proposed Internal Audit Plan for 2024/25.

## **2 RECOMMENDATION**

2.1 The Corporate Audit Committee is asked to:

- Approve the Internal Audit Plan 2024/25 (Appendix 1)

## **3 THE REPORT**

### **Internal Audit Plan 2024/25**

3.1 The Public Sector Internal Audit Standards require Internal Audit to prepare a risk-based plan and this is attached at Appendix 1.

3.2 The list of internal audit reviews recorded in Section 5 of the Internal Audit Plan has resulted from an audit needs assessment using our reasonable assurance model which includes wide consultation with Statutory Officers, Directors and other senior managers. The Corporate Audit Committee was also consulted at its last meeting in February 2024 and during the presentation of the report item and discussion, Committee Members highlighted the importance of monitoring performance related to the Climate & Ecological Emergency Response and also funding to the Third Sector. These areas of interest are included in the list of core Internal Audit Reviews (either directly or indirectly):

- 1) Climate & Ecological Emergency Response - Performance Monitoring / Reporting
- 2) Financial Saving Plan - Monitoring & Delivery Review.

3.3 The Audit Committee has previously fully endorsed the need to have a responsive and flexible Internal Plan. The Audit Committee is being asked to approve the list of audit reviews with the understanding that the list is subject to amendment (addition or change in risk score ranking / priority) based on changes in the risk environment and assurance work requested by management or prioritised by the Head of Audit & Assurance (acting in the role of Chief Audit Executive). Any amendments to the listing (additions or a change in risk score and priority) will be reported to the Committee. A half year position and end of financial year reports will be presented to Committee on the performance against the Internal Audit Plan. Statutory Officers including the Chief Finance Officer will be consulted on any significant changes to the Committee approved listing of internal audit reviews (Internal Audit Plan).

3.4 The list of Audit Reviews includes audits of areas of Council activity highlighted by the Council's Annual Governance Statement (AGS) or the External Auditor's Annual Letter (reported to Committee on 1<sup>st</sup> November 2023 - BRIEFING PRESENTATION - ACCOUNTS 2022/23 and EXTERNAL AUDIT UPDATE) which through this reporting are considered 'significant issues' and / or high risk for the Council. These include:

- Financial Saving Plan - Monitoring & Delivery Review (GT VFM)
- DSG -Safety Valve - Programme Management
- Aequus Group - Financial Governance
- Contract Management - Reporting clause waiver (loss of legal rights)
- Risk Management - Decision Making

The plan also includes other high-risk areas such as core financial systems (payroll & payments) and IT cyber security & Recovery (Penetration Testing & Recovery management).

3.5 Section 6 of the Audit Plan document highlights the other key components of the work carried out by the Internal Audit Team:

- 1) Fraud – Prevention & Detection. Further details of this work will be presented as a separate presentation / report to the Committee.
- 2) Corporate Governance – compile the Council's AGS.
- 3) Independent Certification of Grant Funding – currently 41 grants will require examination to provide required assurance to grant funding bodies.

3.6. The proposed Internal Audit Plan for 2024/25 will provide sufficient evidence for the Chief Audit Executive to be able to report and provide an

opinion to the Audit Committee on the Council's Internal Control Environment at the end of the financial year 2024/25.

#### **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 CIPFA 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. Specific risks include supplementary External Audit Fees, undetected fraud and inadequate coverage of risks arising from COVID-19. Internal Audit assists the council in identifying risks, improvement areas and recommending good practice.
- 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 An equalities impact assessment has been considered 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.

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<b>Background papers</b>	Corporate Audit Committee - 1st November 2023 - BRIEFING PRESENTATION - ACCOUNTS 2022/23 and EXTERNAL AUDIT UPDATE
<b>Please contact the report author if you need to access this report in an alternative format</b>	

# Internal Audit Plan 2024/25

## Delivering Independent Assurance



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# 1. Internal Audit Assurance – A Component of the Council’s Governance Framework

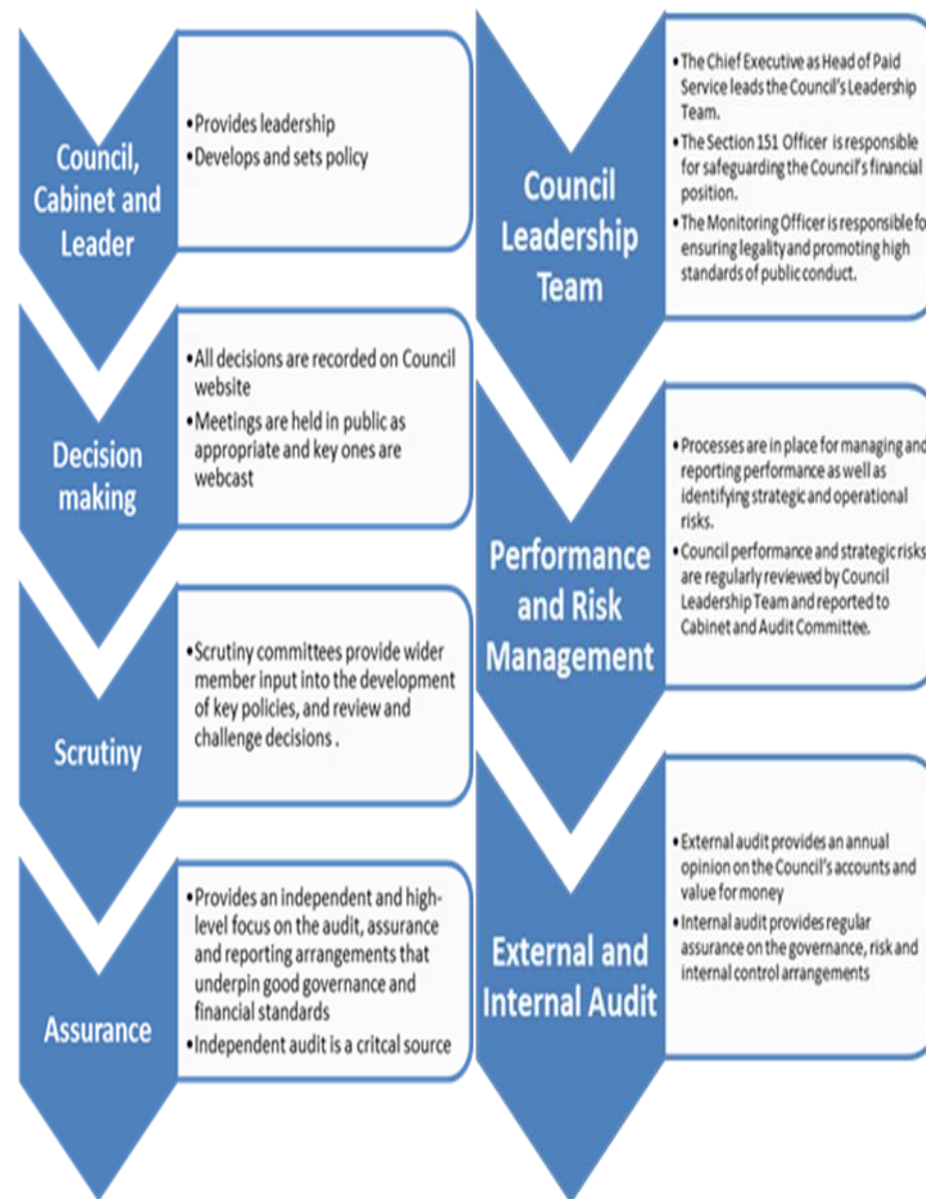
Good governance enables Bath & North East Somerset Council to effectively achieve its intended outcomes linked to stated priorities.



The Council’s purpose, two core policies and three principles is communicated through its Corporate Strategy (2023 – 2027) which was adopted by Council on 20<sup>th</sup> July 2023. The Strategy has a single overriding purpose – to improve people’s lives.



Internal Audit is one of the wider elements of the framework of our governance arrangements at the Council.



One West and the Internal Audit function fully recognize it has a role to play in achieving the objectives of the Council. We need to be flexible and agile. Independent assurance can provide a helpful and positive role not just to services but to elected Members and the Community at large by demonstrating that the Council is operating effectively and protecting its assets and resources for the benefit of all its stakeholders.

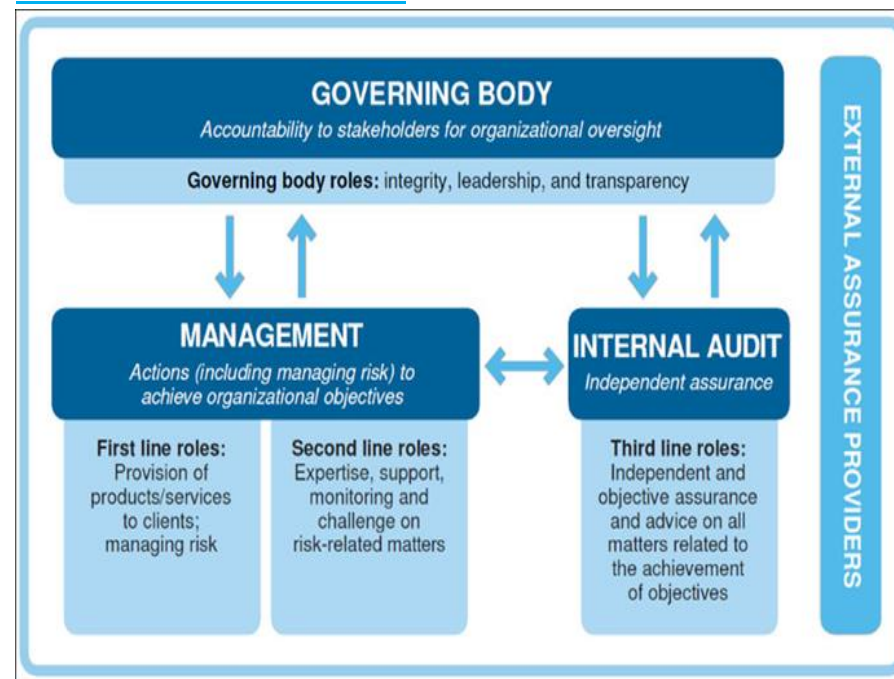
The overriding purpose of the Council is to improve people’s lives and good corporate governance is key to being able to deliver on the Council’s core policies and principles of:

- Tackling the climate & ecological emergency
- Giving people a bigger say
- Focusing on Prevention
- Delivering for Local Residents
- Preparing for the future

The importance of excellence in resource management and sound governance is fundamental to achieving its purpose and the stated commitments.

The three lines of defence model is a framework that outline’s internal audit’s role in assuring the effective management of risk and maintaining sound corporate governance.

### Three Lines of Defence Model



By being independent of management the Internal Audit function maintain the third line of defence and we work with stakeholders - including Corporate Audit Committee, Statutory Officers and Senior Management.

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a ‘Board’ and of ‘senior management’. For the purposes of the internal audit activity within the Council, the role of the Board within the Standards is taken by the Council’s Corporate Audit Committee under its Terms of Reference contained in the Council’s Constitution and senior management is the Council’s Executive Leadership Teams & Corporate Management Team.



## 2. Introduction – Internal Audit & the Objective of the Audit Plan

The Accounts & Audit Regulations 2015 (Local Government England & Wales) states that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Section 151 of the Local Government Act 1972 requires the Council to designate an Officer to be responsible for “making arrangements for the proper administration” of the Council’s financial affairs. One of the ways by which this duty is discharged is by maintaining an adequate and effective Internal Audit Service.

The Council’s Internal Audit Charter approved by the Corporate Audit Committee clearly records the purpose, authority and principal responsibilities of the Internal Audit Service for Bath & North East Somerset Council. The Charter explains that Internal Audit is responsible for carrying out an appraisal of all the Council’s activities, financial or otherwise by carrying out audit reviews and other assurance work. Based on this work the Head of Audit & Assurance acting as the ‘Chief Audit Executive’ (a role defined in the Public Sector Internal Audit Standards) will provide an annual opinion to the Council (Corporate Audit Committee).

One of the key service objectives of Internal Audit linked to the annual audit opinion is the production of a risk based

Annual Audit Assurance Plan. The PSIA Standards require that the Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals (as set out in the Council’s Corporate Strategy and Service Plans).

### 3. How the Internal Audit Plan is compiled – Reasonable Assurance Model

A key component of the audit needs assessment is using the adopted ‘Reasonable Assurance Model’ to assess the level of Assurance in place over eight themes.

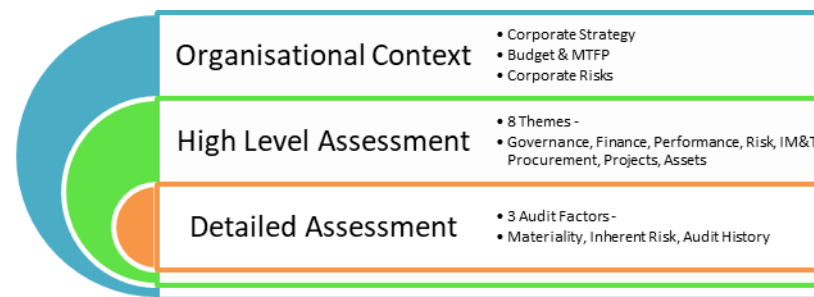


Each Theme has a set of questions and the answers to these questions help assess the level of assurance and the level of risk for each theme. The Reasonable Assurance Model informs the Internal Audit Annual Plan and enables an

assessment of compliance with the seven principles of good governance as recorded in the Council’s Local Code of Corporate Governance.

In addition to the Reasonable Assurance Model assessment the annual plan is created by:

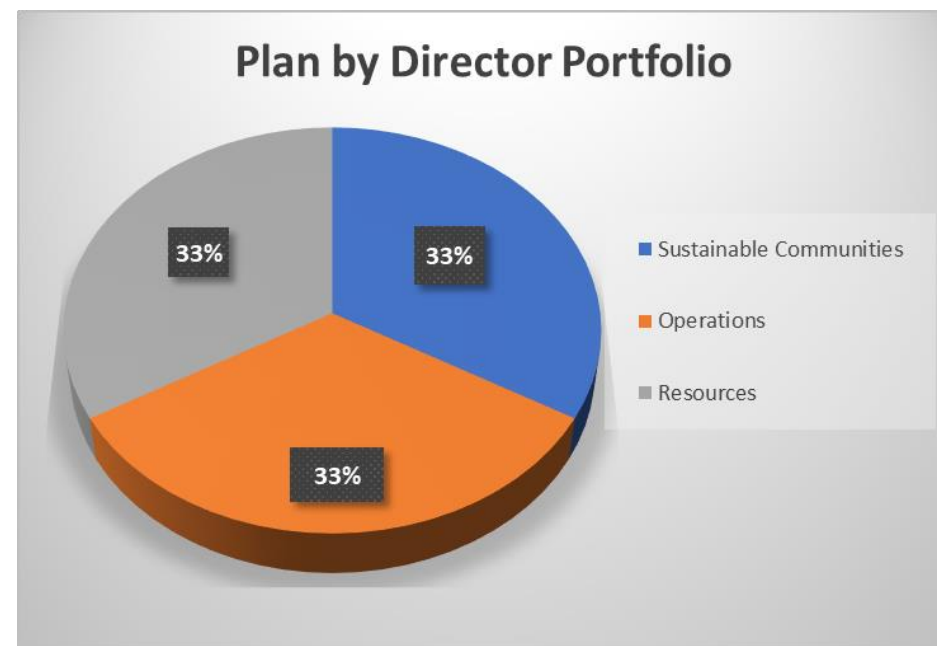
1. Consideration of risks recorded in the Council’s Corporate Risk Register and operational risk registers.
2. Horizon scanning – external publications and networking groups e.g. West of England Chief Auditors.
3. Consultation with Directors, key Corporate Officers and Statutory Officers – discussions cover any issues, and new / heightened risks based on new or changes in responsibilities.
4. External Review Body findings or planned reviews.
5. Risk scoring long list of potential areas of audit activity based on factors such as: Internal Audit History (previous assurance opinions, time since last review), Inherent Risk (operational, technical, reputational & people), Materiality (income, expenditure, planned savings), and Audit Management knowledge experience.



In accordance with the PSIA Standards, the plan needs to be flexible to respond to the changing risks and priorities of the Council and, to this end, audit planned activity will be regularly reviewed and changes reported to management and the Corporate Audit Committee.

## 4. Internal Audit Plan – High Level Service Area/Corporate Assurance

The 2024/25 B&NES Internal Audit Plan consists of a list of audit reviews which has been placed into risk score order. The list which has been capped at 30 audit reviews are presented in the following two pie charts – by Reasonable Assurance Theme and by Director Portfolio.



- In addition to the core audit reviews the Internal Audit Team will:
- 1) Lead on the Annual Governance Review (see Section 6 below)
  - 2) Provide support to maintain a risk management strategy, processes & systems.
  - 3) Co-ordinate and lead on fraud prevention / detection including the Cabinet Office 'National Fraud Initiative' (see Section 6 below).
  - 4) Provide advice on systems of internal control including Council Policies & Procedures (e.g., Financial Regulations & Anti-fraud & corruption policies).
  - 5) Lead and support financial irregularity investigations.
  - 6) Complete grant funding reviews to provide independent assurance to funding bodies of compliance with 'Terms & Conditions'.


## 5. Long List of Core Internal Audit Reviews

This 'long' listing is recorded in risk order and is subject to on-going review and updating. The number of audit reviews to be carried out over the financial year will be dependent on resource capacity. The current estimate is available capacity will enable 26 Audit Reviews to be completed in the financial year 2024/25.

Management and Corporate Audit Committee will be consulted on changes to the list and work being carried out or completed by the Internal Audit Team. Internal Audit Team Performance Reports will record internal audit reviews started, in progress and completed.

<b>Audit Review</b>	<b>Director Portfolio</b>
Climate & Ecological Emergency Response - Performance Monitoring / Reporting	Sustainable Communities
Learning Disabilities Pooled Budget - Governance	Operations
Financial Saving Plan - Monitoring & Delivery Review <b>(GT VFM)</b>	Resources
Community Sub Contracted Services - Governance (ICB Lead)	Operations
DSG -Safety Valve - Programme Management (Mechanisms & Framework)	Operations
IT - IT Services Recovery Management	Resources
IT - Liquidlogic EYES - Data Integrity Audits	Resources
IT - ITSM - Customer Service Standards	Resources
IT - Penetration Testing - IT Healthcheck Remediation Plan	Resources
Car Parking - Emissions income charging	Operations
Supported Lodgings (Family Placement Team)	Operations
WECA Funding – Fashion Museum (Project Initiation / Resourcing & Funding)	Sustainable Communities
Corporate Estate - Energy Management	Sustainable Communities
Debt Management - Corporate Policy (Development of new policy)	Resources
Aequus Group - Financial Governance <b>(GT VFM)</b>	<b>Sustainable Communities / Resources</b>

<b>Audit Review</b>	<b>Director Portfolio</b>
Homes for Ukraine – LA Housing Fund Grant (Dept of LUHC)	Sustainable Communities
Payments - Supplier Set-Up & Duplicate Payments	Resources
Brokerage (Adults & Children)	Operations
Corporate Parent - Child Protection Independent Reviewing Officers	Operations
Car Parking - Park & Ride Contract	Operations / <b>Sustainable Communities</b>
Fleet Management - Workshop Activity / Trading	Operations
Payroll (Variations - salary award / increment increases / mileage & expenses)	Resources
Contract Management - Reporting clause waiver (loss of legal rights) <b>(GT VFM)</b>	Resources
Temporary Accommodation	Sustainable Communities
Risk Management - Decision Making -adequacy of report risk management assessment <b>(GT VFM)</b>	<b>Sustainable Communities</b> / Resources
WECA bidding - Regeneration Schemes programme management	Sustainable Communities
IT - Public Website Security	Resources
Management of Heritage Collections / Exhibits	Sustainable Communities
Youth Justice - Performance Management	Operations
Bath Christmas Market	Operations

 Indicates audit reviews below the line of available capacity

**(GT VFM)** – Grant Thornton External Auditors Annual Report 2021/22 & 2022/23

## 6. Other Key Components of Internal Audit Planned Work

### 1) Fraud – Prevention & Detection

Counter-fraud and corruption arrangements are a high priority for the Council and assist in the protection of public funds and transparency & accountability. Under the Council's Financial Regulations, the Internal Audit Team must be informed of any 'financial irregularities' and we are committed to responding timely to any reported or identified cases through carrying out our proactive work. Our proactive anti-fraud and corruption testing is focussed on those areas / systems considered to be most at risk to fraud.

The CIPFA guidance ('Code of practice on managing the risk of fraud and corruption') and the CIPFA Fraud and Corruption Tracker (CFaCT) survey assist in assessing fraud and corruption risks and planning the work of the Internal Audit Team. Nationally, the notable areas of fraud include Housing Benefit, Council Tax, Housing and Tenancy, Procurement, Insurance, Blue Badges, and Direct Payments (Social Care). These areas and the risks are considered as part of the audit planning process.

In terms of other proactive work the Cabinet Office runs a national data matching exercise (National Fraud Initiative - NFI) every two years. Information must be extracted from several Council databases and uploaded to the NFI database run. The next extraction and matching of data is to be carried out in 2024/25, with the matched data reports being made available to participating bodies in January / February 2025. The Internal Audit Team will provide support to service areas

that are required to examine data matching reports and investigate matches flagged.

The Council adopted revised Anti-Fraud and Corruption Policies in 2023 and these will be subject to on-going review and updating as necessary.

Staff awareness of fraud and scams is very important, and the Internal Audit Team provide periodical bulletins to ensure that staff are reminded of the risks and the need for continued diligence.

### 2) Corporate Governance

The Accounts and Audit Regulations require the Council to carry out an annual review of its governance arrangements, and to produce an annual statement detailing the results of that review.

The AGS must be seen as a Council wide document and it is reviewed and approved by the Corporate Audit Committee. The Leader of the Council and the Chief Executive are required to sign the document which is then published with the Council's Statement of Accounts.

The Internal Audit Team provide support by using an adopted methodology to carry out an Annual Governance Review.

### 3) Independent Certification of Grant Funding

Significant funding is provided to the Council by funding bodies such as the West of England Combined Authority and Government Departments. The Internal Audit Team are required to independently verify expenditure and provide opinion on whether expenditure is in compliance with Grant Terms & Conditions.



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