Bath & North East Somerset Council		
MEETING:	Audit Committee	
MEETING DATE:	5th February 2025	**AGENDA ITEM NUMBER**
TITLE:	Internal Audit Plan 2024/25 Update and Consultation on the Development of the Internal Audit Plan 2025/2026	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: **Appendix 1 - Audit Reviews Position Statement (Internal Audit Plan 2024/25)** **Appendix 2 - Reasonable Assurance Methodology Themes / Areas of Assessment**		

1 THE ISSUE

1.1 This report:

1) provides an update on progress in completing the Internal Audit Plan 2024/25 audit reviews (following the Update Report presented to Committee on 25th September 2024).

2) informs the Audit Committee on the methodology to be used to compile and maintain the Internal Audit Plan 2025/26.

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 2025/26.

2 RECOMMENDATION

2.1 The Audit Committee notes the progress in delivery of the 'core' audit reviews in 2024/25 Annual Audit Assurance Plan.

2.2 The 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 2025/26.

3   THE REPORT

3.1 Internal Audit Plan 2024/25 Update

3.1.1 An update on the work of the Internal Audit Team was provided to the Committee on the 25th September 2024.

3.1.2 The report recorded 6 audit reviews carried forward from the previous financial year (2023/24). In September 2024, 5 were recorded as being at 'Final Report' stage and assigned an assurance rating level. The Wi-Fi Networks audit review report was at 'draft' stage. I can inform you that the report was finalised in November, and it was assigned a Level 4 'Substantial Assurance' rating. Management agreed to implement the 4 recorded recommendations by the end of January 2025.

3.1.3 **Appendix 1** records progress on completing the Internal Audit Plan 2024/25 core audit reviews.

- 8 Final 'Assurance' Reports or 'Briefing' Reports Issued

- 4 Draft Reports Issued

- 9 Audits Work-In-Progress / Audit Brief Agreed

- 5 Audits to start – linked to the agreed operation of a 'flexible' Audit Plan (see section 3.3 below), the Head of Audit & Assurance has liaised with the Director of Children's Services & Education to replace the Brokerage audit with a review of Adult Care Adaptations as concerns have been highlighted in terms of delays in provision of necessary adaptations (reliant on effective co-ordination between Council Occupational Therapy and Housing Teams and also property landlords e.g. Curo).

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.
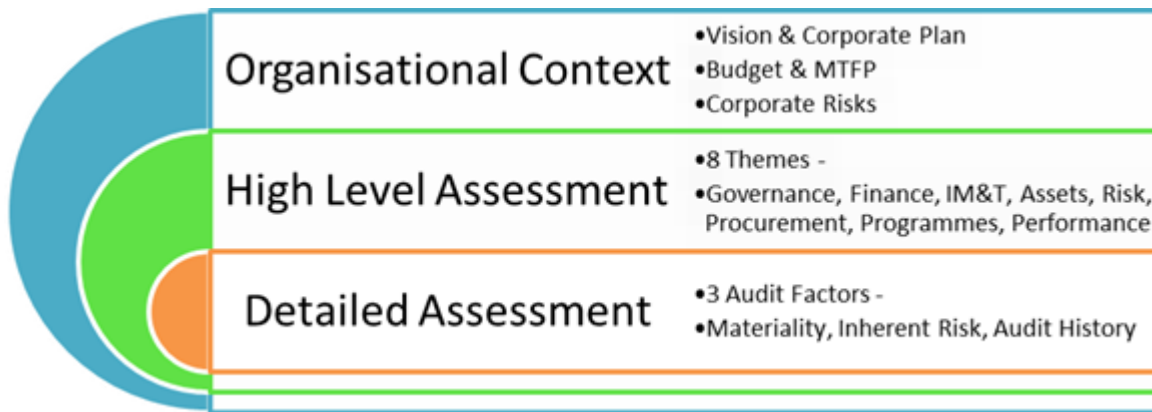
3.2.3 The Principles of the Reasonable Assurance Model are:

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 2025/26 Plan)*

1) Consultation with S151 Officer – *(December 2024 & March 2025)*
2) Consultation with Audit Committee – *(5th February 2025)*
3) Consultation with Chief Executive & Chief Operating Officer – *(13th March 2025)*
4) Consultation with Executive Leadership Team – *(April 2025)*
5) Formal approval by Audit Committee – *(30th April 2025)*

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

3.3.1 Audit Committee has agreed that a flexible Internal Audit Plan of audit reviews is 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 2025/26 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 / themes 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 on 30th April 2025).

3.4.2 The European Institutes of Internal Auditors has published a report ('Risk in Focus 2025') which highlights organisational significant risks for 2025 which should be considered when preparing audit plans. Areas particularly relevant to the public sector are detailed below:

- Digital disruption, new technology and artificial intelligence
- Cyber security and data security
- Human capital, diversity and talent management
- Macroeconomic and geopolitical uncertainty
- Climate change, biodiversity 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.

3.4.4 From the planning work carried out to date, the following 'themes' are emerging which need to be considered further to scope Internal Audit core audit reviews:

- Children's Services - Special Educational Needs / Designated Schools Grant – Safety Valve Delivery Plan; provision of services in compliance with statutory responsibilities.

- Adult Services – Safeguarding, fulfilling statutory responsibilities and responding to CQC findings and recommendations.

- External funding and delivery of projects

- Debt Management – effective management of Council income / debt.

- IT – Cyber Security and Artificial Intelligence

- Contract Management

3.4.5 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 2024'.

- 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 global 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 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	*Andy Cox (01225 477316) Jeff Wring (01225 477323)*
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 2025)

Ref	Topic	Status	Assurance Level	Recommendations Made	Recommendations Agreed
B24-001	Climate & Ecological Emergency Response - Performance Monitoring / Reporting	Final	3	5	5
B24-002	Learning Disabilities Pooled Budget - Governance	Final	4	2	2
B24-003	Financial Saving Plan - Monitoring & Delivery Review	Briefing Report	N/A	N/A	N/A
B24-004	Community Sub Contracted Services - Governance	Final	4	4	4
B24-005	DSG -Safety Valve - Programme Management (Mechanisms & Framework)	Final	4	3	3
B24-006	IT - IT Services Recovery Management	Draft	2		
B24-007	IT - Liquidlogic EYES - Data Integrity Audits	WIP			
B24-008	IT - Penetration Testing - IT Healthcheck	Draft	3		
B24-009	IT - Public Website Security	To start			
B24-010	Car Parking - Emissions income charging	WIP			
B24-011	Supported Lodgings (Family Placement Team)	Draft	4	6	
B24-012	Fashion Museum Project - Governance	WIP			
B24-013	Corporate Estate - Energy Management	WIP			
B24-014	Debt Management - Corporate Policy	Briefing Report	N/A	N/A	N/A
B24-015	Aequus Group - Financial Governance	Brief Agreed			
B24-016	Homes for Ukraine – LA Housing Fund Grant (Dept	WIP			
B24-017	Creditor Payments - Supplier Set-Up & Duplicate	Final	4	3	3
B24-018	~~Brokerage (Adults & Children)~~ Adult Care Adaptions - Use of Disabled Facilities Grants Stage 1 (current system workflow review - inform improvement plan)	To start			
B24-019	Corporate Parent - Child Protection Independent Reviewing Officers	To start			
B24-020	Car Parking - Park & Ride Contract	To start			
B24-021	Fleet Management - Workshop Activity / Trading	WIP			
B24-022	Payroll Variations	Draft	4	3	
B24-023	Contract Standing Order Exemptions	Final	3	6	6
B24-024	Temporary Accommodation	WIP			
B24-025	Risk Management - Decision Making -adequacy of report risk management assessment	WIP			
B24-026	WECA bidding - Regeneration Schemes programme management	To start			

Reasonable Assurance Methodology Themes / Areas of Assessment

Theme 1 – Corporate Governance	**Theme 5 – Procurement & Commissioning**
• Overall Governance Framework • Ethical Framework • Counter-Fraud Arrangements • Vision & High-Level Priorities • Constitution, Structure & Decision Making • Codes of Conduct • Statutory Policy & Budget Framework	• Procurement & Commissioning Framework • Delivery/Category Plans • Contract Standing Orders & Rules • Contact & Commercial Management • Governance & Gateways • Knowledge & Skills • Benefits Realisation & Savings
Theme 2 – Financial Management	**Theme 6 – Programme & Project Management**
• 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	• Transformational Change Programmes • Links to Corporate Vision & Objectives • Major Project Governance • Change Control • Project Reporting • Financial & Risk Management • Benefit Realisation
Theme 3 – Risk Management	**Theme 7 – Information Management**
• Risk Management Strategy & Framework • Risk Maturity & Appetite • Decision Making • Corporate/Strategic Risks • Major Project Risks • Transformation Risks • HR Risks • Fraud Risks • Safety Risks	• Information Management & Technology Strategy • Standards & Security Requirements • Information Security • Information Compliance • Data Quality, Classification & Integrity • Business Continuity & Disaster Recovery • Transparency
Theme 4 – Performance Management	**Theme 8 – Asset Management**
• 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	• Asset Management Strategy (& Plans) • Safeguarding & Security • Asset Utilisation (& Realisation) • Workforce Planning • HR Framework • Skills & Training Development Programme • Organisational Development & Change