

28 MARCH 2022

INTERNAL AUDIT – AUDIT PLAN

SUMMARY:

This report is to set out the annual Audit Plan for 2022/23.

RECOMMENDATIONS:

Members are required to:

- Agree to the annual Audit Plan, which will be monitored and updated on a rolling quarterly basis.

1 Introduction

- 1.1 The Audit Plan is produced annually to provide a framework for the use of Audit resources. To ensure that resources are focused on activities that will enable the (Interim) Audit Manager to provide the Council with an overall assurance of the governance, risk management and internal control (“GRC”) environment.

2 Purpose of Internal Audit

- 2.1 The role of internal audit is defined within the Public Sector Internal Audit Standards (PSIAS), as an:

‘independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

- 2.2 Internal Audit provides the Council with assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working with consulting activities available to help to improve those systems and processes where necessary.

3 Methodology for compiling audit coverage

Audit Risk Universe and Criteria

- 3.1 The Audit Risk Universe (ARU) has been updated to show auditable areas as at January 2022. This will be reviewed as appropriate.
- 3.2 The Audit risk criteria have been developed to ensure it captures all relevant areas to be considered in determining the level of risk exposure within an auditable area. The Council Plan 2022-23, the Corporate Risk Register (CRR)

and the details within the Annual Governance Statement (AGS) are also taken into account when reviewing the ARU and developing the Audit Plan.

3.3 The Audit risk criteria includes the following areas:

- **Corporate Priority**

This looks at the Council's Plan and assesses to what level the auditable area contributes to the Plan. This is included so that areas of high corporate priority are considered more highly than areas of low corporate importance, which are not deemed to risk the Council achieving its overall objectives.
- **Impact on reputation**

This looks at the potential impact on the Council's reputation if a risk within the auditable area was to transpire. This is included so that areas of high reputational impact are considered more highly for a review to ensure that the reputation of the Council is maintained.
- **Assurance from others**

This considers whether another body either externally, e.g., External Audit, or internally have reviewed the area. This is included so that if assurance can be provided by others, then Internal Audit would not need to also review the same area.
- **Concerns raised**

This looks at any concerns, raised by Senior Management or employees, any previous frauds identified and any previous poor controls identified by Internal Audit. This is included as if concerns are raised then this could highlight control weaknesses impacting on the Council in various ways.
- **Laws or Regulations**

This looks at if the auditable area is enshrined by Laws or Regulations or not. A requirement for high levels of compliance with Laws and Regulations will result in a higher risk to the Council if these are not adhered to.
- **Financial transactions total**

This looks at the financial value of transactions in the auditable area, as the higher the value of the transactions the more risk of financial loss to the Council. This also looks at the number of transactions, as a small financial value but high frequency of transactions opens the auditable area up to a bigger risk of fraud and error.
- **Vulnerability**

This looks at whether the area is completely new to the Council or not or if it's a constantly evolving area, e.g., IT. New and evolving areas will present a higher vulnerability than an area that has not changed. This

should also be reflected in the Service Risk Registers (SRR) and, if significant, then the CRR.

Input from ELT and Heads of Service

3.4 The Executive Leadership Team was consulted in respect of the alignment of the Council Plan with the Audit Plan. Also, Heads of Service were consulted on the areas, which were high risk on their SRR, the CRR and the ARU, to ensure that these were appropriate to be reviewed within the financial year and highlight any areas of concern within their service.

Developing the Audit Plan

3.5 Internal Audit reviews key financial systems on a 3-year rolling basis adjusted for any significant system developments or identified weaknesses. Additionally, all other areas of coverage are based on various risk factors developed by Internal Audit described in section 3.3 of this report and input from ELT and Heads of Service.

3.6 The first six months of work will be established based on the auditable areas with a view to risk, suitability of timing and availability of audit resource. This will be agreed with ELT and the Corporate Governance, Audit and Standards (CGAS) Committee. The work for the following quarters will be established at subsequent ELT and CGAS Committee meetings, as laid out in Table 1 below. This will allow Internal Audit to react more effectively to the needs of the Council when required throughout the year.

Communication and monitoring of the Plan

Table 1

Date	Meeting	Details
15 March 2022	ELT	<ul style="list-style-type: none"> • Present the audit plan for 2022/23 • Set the work for quarter 1 & quarter 2 (subject to change if required for the needs of the organisation.) • Report on the work carried out to date for quarter 4 and outstanding work for quarter 3. • Report on the work carried out to date towards the actions defined within the AGS.
28 March 2022	CGAS Committee	
10 May 2022	ELT	<ul style="list-style-type: none"> • Present the audit opinion for 2021/22 • Present compliance towards the PSIAS and plan of work towards the standards in 2022/23 • Present the AGS and update to the Local Code of Corporate Governance • Give an overview of the work completed in 2021/22
26 May 2022	CGAS Committee	

5 July 2022	ELT	<ul style="list-style-type: none"> • Report on the work carried out to date for quarter 1. • Report any changes required for quarter 2 deliverables and the reason for these changes. • Set the work for quarter 3.
26 July 2022	CGAS Committee	
13 September 2022	ELT	<ul style="list-style-type: none"> • Report on the work carried out to date for quarters 1 & 2 • Report on the work carried out to date towards the actions defined within the AGS
26 September 2022	CGAS Committee	
8 November 2022	ELT	<ul style="list-style-type: none"> • Report on the work carried out for quarter 2 and outstanding work for quarter 1. • Report any changes required for the deliverables for the rest of quarter 3 and the reason for these changes. • Set the work for quarter 4.
28 November 2022	CGAS Committee	
17 January 2023	ELT	<ul style="list-style-type: none"> • Report on the work carried out for quarter 3 and outstanding work for quarter 2. • Report any changes required for the deliverables for the rest of quarter 4 and the reason for these changes.
30 January 2023	CGAS Committee	
14 March 2023	ELT	<ul style="list-style-type: none"> • Present the audit plan for 2023/24 • Set the work for quarter 1 & quarter 2 (subject to change if required for the needs of the organisation.) • Report on the work carried out to date for quarter 4 and outstanding work for quarter 3. • Report on the work carried out to date towards the actions defined within the AGS
27 March 2023	CGAS Committee	

3.6 A rolling programme means that the plan can be set for each quarter allowing greater flexibility of audit coverage to meet the changing environments faced by the Council.

4 Resources

4.1 The Internal Audit budget for 2022/23, as approved by Council in February 2022, included a budget increase of £52,780 for the year to ensure a smooth transition of the audit function following the return to work of the Audit Manager from maternity leave.

- 4.2 The Audit Plan, as set out in this report and detailed in Appendix A will require a further increase in the budget for 2022/23 of £37,835 as a result of the increased number of audits in the plan (including 5 audits postponed from 2021/22). Therefore, the level of additional resources required for 2022/23 should be seen in this context and represents an element of catch-up and investment in the service in response to CIPFA's advice on the 2020/21 Audit Opinion.
- 4.3 A proposal for additional budget will be prepared by the Executive Head of Finance for consideration by Cabinet and will include a review of other options that will reduce this budget pressure over the medium-term.
- 4.4 In order to deliver the Audit Plan, as detailed within Appendix A, which additionally includes the five postponed audits from 2021/22, the Interim Audit Manager will assist the Audit Manager. Also, contract auditors will continue to be utilised during 2022/23.

5 2022/23 Audit Plan

- 5.1 The first six months' work, as set out in Appendix A, has been selected from the higher risk areas and five audits that were postponed from 2021/22. The list of audits is subject to review due to the changing needs of the organisation or resource availability. An update will be provided at the Committee meeting in July.

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References:

- *Public Sector Internal Audit Standards (2017)*
<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

Table of Audit expected deliverables for Quarters 1 & 2

NB: Timing of audits may differ once confirmed with services and contract auditor availability.

Service	Audit	Scope indication*
Finance	Capital Receipting (Income Management System)	Key financial system reviewed on a 3-year cycle. Review over RBC income sources – completeness and timeliness
Operations	Crematorium	Review over the operations and administration of the facility
Finance	Council Tax – Billing, Collection & Recovery	Key financial system reviewed on a 3-year cycle. Review over CT process including debts and write offs
Economy & Planning and Finance	Covid-19 Business Grants	New financial risk to RBC under current economic situation
Finance	Treasury Management	Key financial system reviewed on a 3-year cycle. Review over allocation of monies – completeness, accuracy and timeliness
ACE	Procurement	Postponed audit from 2021/22. Review over RBC internal processes and interaction & support from PCC.
Property	Concerto Property System	Postponed audit from 2021/22. Post-implementation review
IT, Facilities & Customer Services	Cyber Security	Key risk to RBC. Scope to include the supply chain and disaster recovery plan (DRP)
HR&OD	Staff recruitment and retention	To review processes over recruitment and retention.

Follow Up of Previous Audits

Service	Audit	Scope indication*
Operations	Taxi Licencing	Follow up audit, as given Limited assurance opinion in 2019/20
Democracy	Alderwood Leisure Centre	Follow up audit, as given no assurance opinion in 2020/21. Only audit if ALC still under RBC on 1st April
Economy & Planning	S106 SANGS	Follow up audit, as given Limited assurance opinion in 2019/20

Provisional forward programme of audit work

Service	Audit	Scope indication*
Democracy	Financial Grants to Organisations	Postponed audit from 2021/22. Review of 27 grants including RVS & CA (main recipients)
Operations	CCTV	Postponed audit from 2021/22. Review post-transfer of control room to Runnymede and also isolated systems, e.g., Princes Hall.
IT, Facilities & Customer Services	IT Development	Review over policies, processes and methodology of IT Development team
ELT	CREP – Value for Money	Value for Money audit. Review of costs of CREP compared to actual and forecast savings.
ACE	Performance Management	Full review, as 2020/21 report was advisory to assist in its establishment.
Legal	Information Governance - Framework	Review of the structure and efficiency of IG across RBC
IT, Facilities & Customer Services	Applications Patch Management	Follow up audit, as given Limited assurance opinion in 2020/21.

* This is just the potential scope of the audit which can be subject to change as the scope is agreed with the auditee prior to the audit commencing.