

# Audit and Risk Committee

08 February 2022

Agenda item number 8

## Internal Audit Strategic and Annual Plans 2022/23

Report by Internal Audit Manager

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### Summary

This report provides an overview of the stages followed prior to the formulation of the Internal Audit Plan for 2022/23.

The Annual Internal Audit Plan serves as the work programme and initial terms of reference for the Authority's Internal Audit Services Contractor, TIAA Ltd, and provides the basis upon which the Head of Internal Audit will subsequently give an Annual Audit Opinion for 2022/23.

### Recommendation

The Committee is requested to approve:

- i. The Internal Audit Strategy for 2022/23;
  - ii. The Annual Internal Audit Plan for 2022/23.
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## 1. Introduction

- 1.1. The Authority is required by the Accounts and Audit Regulations 2015 to ensure “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”.
- 1.2. Those standards are set out in the Public Sector Internal Audit Standards (PSIAS) which came into effect in April 2013.
- 1.3. The formulation of the Annual Internal Audit Plans for 2022/23 is described in the attached report, and the resulting plan contained therein.

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Date of report: 20 January 2022

Appendix 1 – Internal Audit Plans 2022/23

# Eastern Internal Audit Services



## BROADS AUTHORITY

### Internal Audit Plans 2022/23

Responsible Officer: Head of Internal Audit

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## 1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require 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”.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) mandate a periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high-level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities, this is set out in the Internal Audit Strategy.
- 1.3 Risk is defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives'. Risk can be a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk).
- 1.4 The development of a risk-based plan considers the organisation's risk management framework. The process identifies the assurance (and consulting) assignments for a specific period, by identifying and prioritising all those areas on which objective assurance is required. This is then also applied when carrying out individual risk-based assignments to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.
- 1.5 The following factors are also considered when developing the internal audit plan:
  - Any declarations of interest to avoid conflicts of interest;
  - The requirements of the use of specialists e.g. IT auditors;
  - Striking the right balance over the range of reviews needing to be delivered, for example systems and risk-based reviews, specific key controls testing, value for money and added value reviews;
  - The relative risk maturity of the Authority;
  - Allowing contingency time to undertake ad-hoc reviews or fraud investigations as necessary;
  - The time required to carry out the audit planning process effectively as well as regular reporting to and attendance at Audit and Risk Committee, the development of the annual report and opinion and the Quality Assurance and Improvement Programme.
- 1.6 In accordance with best practice the Audit and Risk Committee should ‘*review and assess the annual internal audit work plan*’.

## 2. AUDIT CHARTER

- 2.1 There is an obligation under the PSIAS for the Charter to be periodically reviewed and presented. This Charter is therefore reviewed annually by the Head of Internal Audit to confirm its ongoing validity and completeness, and presented to the Section 17 Officer, Senior Management and the Audit and Risk Committee every two years, or as required for review. The Charter was last approved by the Committee in 2021 and will therefore not need to be reviewed and approved by the Committee this year.
- 2.3 As part of the review of the Audit Charter the Code of Ethics are also reviewed by the Head of Internal Audit, and it is ensured that the Internal Audit Services contractor staff, as well as the Head of Internal Audit adhere to these, specifically with regard to; integrity, objectivity,

confidentiality and competency. Formal sign off to acceptance of the Code of Ethics is retained by the Head of Internal Audit.

### **3. INTERNAL AUDIT STRATEGY**

3.1 The purpose of the Internal Audit Strategy (**see Appendix 1**) is to confirm:

- How internal audit services will be delivered;
- How internal audit services will be developed in accordance with the internal audit charter;
- How internal audit services links to organisational objectives and priorities; and
- How the internal audit resource requirements have been assessed.

### **4. ANNUAL INTERNAL AUDIT PLAN**

4.1 As agreed in prior years, the Broads Authority internal audit plan is revisited on an annual basis to ensure that this is both responsive and reflective of the developments, new risks, emerging issues and any other changes.

4.2 The annual internal audit plan is attached at **Appendix 2**, the first section highlights the areas being reviewed in the forthcoming financial year, with the number of days identified for each review, the quarter during which the audit will take place and a brief summary / purpose of the review.

4.3 The second section of the plan confirms the audits that have been undertaken in previous years and the assurance opinion awarded on conclusion of the review, alongside areas for consideration in future financial years, thus ensuring that awareness is maintained of the services provided by the Authority. This approach will also continue to ensure that sufficient coverage is provided to enable the Head of Internal Audit to provide an opinion at financial year end.

4.4 It is also worth noting that IT audit coverage is reviewed every two years as due to the size of the audit plan this enables other service areas to be regularly reviewed. IT will be considered in 2023/24 internal audit coverage.

4.5 The key controls & assurance audit and the corporate governance & risk management audits will continue to be undertaken on an annual basis due to the importance of these areas in determining the adequacy and effectiveness of the Authority's framework of governance, risk management and control, which informs the Head of Internal Audit Annual Opinion.

4.6 The annual internal audit plan for 2022/23 totals 36 days, encompassing four assignments, with audit verification work concerning audit recommendations implemented to improve the Authority's internal control environment carried out at year end.

4.7 In addition the Head of Internal Audit role will continue to be provided by South Norfolk Council, the key role include; developing the annual internal audit plan, quality reviewing the outcomes of the work undertaken by the contractor (TIAA Ltd) & ensuring that this meets the contract requirements, providing an annual report and opinion to the Authority, ensuring that the Committee continues to follow best practice through the self-assessment exercise and providing training as requested to new members of the Committee.

## APPENDIX 1 – INTERNAL AUDIT STRATEGY



### EASTERN INTERNAL AUDIT SERVICES

#### INTERNAL AUDIT STRATEGY FOR 2022/23

## 1. Introduction

- 1.1 The Internal Audit Strategy is a high-level statement of;
- how the internal audit service will be delivered;
  - how internal audit services will be developed in accordance with the internal audit charter;
  - how internal audit services links to the organisational objectives and priorities; and
  - how the internal audit resource requirements have been assessed.

The provision of such a strategy is set out in the Public Sector Internal Audit Standards (the standards).

- 1.2 The purpose of the strategy is to define the objectives, function, the approach, resources and processes needed to achieve Internal audit service, providing a clear link between the Charter and the annual plan.
- 1.3 Throughout this strategy the term 'The Authority' or 'Authority' references any member of the Eastern Internal Audit Services Consortium. The term 'Audit Committee' is used throughout to refer to each Authorities Audit Committee or equivalent.

## 2. How the internal audit service will be delivered

- 2.1 The Role of the Head of Internal Audit and contract management is provided by South Norfolk Council to; Breckland, Broadland, North Norfolk, South Holland and South Norfolk District Councils, Great Yarmouth Borough Council and the Broads Authority. All Authorities are bound by a Partnership Agreement.
- 2.2 The delivery of the internal audit plans for each Authority is provided by an external audit contractor, who reports directly to the Head of Internal Audit at South Norfolk Council. The current contract is with TIAA Ltd, ending 31 March 2022. A procurement exercise is currently ongoing to determine the provider for the next contract term. The procurement exercise has taken the requirements of consortium members into account and has involved finance, legal and procurement professionals.
- 2.3 The above mentioned Procurement exercise represents an opportunity to build on an already well established delivery method, and enhance contract management processes.

## 3. How internal audit services will be developed in accordance with the internal audit charter

- 3.1 Internal Audit objective and outcomes

- 3.1.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 3.1.2 The outcomes of the internal audit service are detailed in the Internal Audit Charter and can be summarised as; delivering a risk-based audit plan in a professional, independent manner, to provide the Authority with an opinion on the level of assurance it can place upon the internal control environment, systems of risk management and corporate governance arrangements, and to make recommendations to improve these provisions, where further development would be beneficial.
- 3.1.3 The reporting of the outcomes from internal audit is through direct reports to senior management in respect of the areas reviewed under their remit, in the form of an audit report. The Audit and Risk Committee and the Section 17 Officer also receive:
- The Audit Plans Report, which is risk based and forms the next financial year's plan of work; and
  - The Annual Report and Opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.
- 3.2 Internal Audit Planning
- 3.2.1 A risk-based internal audit plan (RBIA) is established in consultation with senior management that identifies where assurance and consultancy is required.
- 3.2.2 The audit plan establishes a link between the proposed audit areas and the priorities and risks of the Authority considering:
- Stakeholder expectations, and feedback from senior and operational managers;
  - Objectives set in the strategic plan and business plans;
  - Risk maturity in the organisation to provide an indication of the reliability of risk registers;
  - Management's identification and response to risk, including risk mitigation strategies and levels of residual risk;
  - Legal and regulatory requirements;
  - The audit universe – all the audits that could be performed; and
  - Previous Internal Audit plans and the results of audit engagements.
- 3.2.3 In order to ensure that the internal audit service adds value to the Authority, assurance should be provided that major business risks are being managed appropriately, along with providing assurance over the system of internal control, risk management and governance processes.
- 3.2.4 Risk based internal audit planning starts with the Authority's Business Plan, linking through to the priority areas and the related high-level objectives. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of the objectives. The approach also focuses on the upcoming projects and developments for the Authority.
- 3.2.5 The approach ensures; better and earlier identification of risks and increased ability to control them; greater coherence with the Authority's priorities; an opportunity to engage with stakeholders; the Committee and Senior Management better understand how the internal audit service helps to accomplish its objectives; and this ensures that best practice is followed.

- 3.2.6 The key distinction with establishing plans derived from a risk based internal audit approach is that the focus should be to understand and analyse management's assessment of risk and to base audit plans and efforts around that process.
- 3.2.7 Consultation with the Section 17 Officer and Senior Management takes place through discussion during which current and future developments, changes, risks and areas of concern are considered and the plan amended accordingly to take these into account.
- 3.2.8 The outcome of this populates the annual internal audit plan, which is discussed with and approved by senior management prior to these being approved by the Audit Committee. In addition, External Audit is also provided with details of the plans.
- 3.3 Internal Audit Annual Opinion
- 3.3.1 The annual opinion provides Senior Management and the Audit Committee with an assessment of the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.
- 3.3.2 The opinion is based upon:
- The summary of the internal audit work carried out;
  - The follow up of management action taken to ensure implementation of agreed action as at financial year end;
  - Any reliance placed upon third party assurances;
  - Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
  - The Annual Review of the Effectiveness of Internal Audit, which includes;
    - A statement on conformance with the Public Sector Internal Audit standards and the results of any quality assurance and improvement programme,
    - the outcomes of the performance indicators and
    - the degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.
- 3.3.3 In order to achieve the above, Internal Audit operates within the standards and uses a risk based approach to audit planning and to each audit assignment undertaken. The control environment for each audit area reviewed is assessed for its adequacy and effectiveness of the controls and an assurance rating applied.

#### **4. How internal audit services links to the organisational objectives and priorities**

- 4.1 In addition to the approach taken as outlined in section 3.2 (Internal Audit Planning), which ensures that the service links to each Authorities objectives and priorities and thereby through the risk based approach adds value, internal audit also ensure an awareness is maintained of local and national issues and risks.
- 4.2 The annual audit planning process ensures that new or emerging risks are identified and considered at a local level. This strategy ensures that the planning process is all encompassing and reviews the records held by the Authority in respect of risks and issue logs and registers, reports that are taken through the Authority Committee meetings, and through extensive discussions with senior management.
- 4.3 Awareness of national issues is maintained through the contract in place with the external internal audit provider through regular "horizon scanning" updates, and annually a particular focus provided on issues to be considered during the planning process. Membership and subscription to professional bodies such as the Institute of Internal Auditors and the CIPFA

on-line query service, liaison with External Audit, and networking, all help to ensure developments are noted and incorporated where appropriate.

- 4.4 Each Authorities risk profile will be evaluated throughout each year, and if required, amendments to the Internal Audit Plan will suggested for approval to ensure that Internal Audit coverage continues to focus on providing assurance over the Authorities key risks.

## **5. How internal audit resource requirements have been assessed**

- 5.1 The in-house Internal Audit team at South Norfolk Council consists of the Head of Internal Audit who is a Chartered professional and an Internal Audit Trainee, currently training to become part qualified with the Chartered Institute of Internal Auditors.
- 5.2 These resources are used to contract manage the outsourced provider effectively, ensuring that the key performance measures of the service are met on behalf of consortium members. The team also provides Internal Audit Management support to one other Council outside of the Consortium.
- 5.3 The Internal Audit Trainee has been appointed into the service to enhance continuity arrangements and contribute towards building succession opportunities within the Consortium.
- 5.4 Through utilising a contractor, the risk based internal audit plan can be developed without having to take into account the existing resources, as you would with an in-house team, thus ensuring that audit coverage for the year is appropriate to the Authority's needs and not tied to a particular resource.
- 5.5 A core team of staff is provided by the contractor to deliver the audit plan, and these staff bring with them considerable public sector knowledge and experience. These core staff can be supplemented with additional staff should the audit plan require it, and in addition specialists, e.g. information technology auditors, contract auditor, fraud specialists, can be drafted in to assist in completing the internal audit plan and focusing on particular areas of specialism.
- 5.6 All audit professionals are encouraged to continually develop their skills and knowledge through various training routes; formal courses of study, in-house training, seminars and webinars. As part of the contract with TIAA Ltd the contractor needs to ensure that each member of staff completes a day's training per quarter.
- 5.7 The above-mentioned arrangements ensure that the Internal Audit Service is able to respond effectively to the assurance needs of each Authority whilst ensuring that the core team used are sufficiently qualified and experienced.



**APPENDIX 2 – ANNUAL INTERNAL AUDIT PLAN 2022/23**

Audit Area	No. of days	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Summary / purpose of audit
<b>Annual Opinion audits</b>						
Corporate Governance and Risk Management	5				5	<p>Our annual review of governance and risk management will be carried out to support the Head of Internal Audit Opinion. This audit will provide assurance that the systems in place to control and manage the Broads Authority are operating effectively and that significant risks are being identified and managed.</p> <p>During our review we will consider governance arrangements for decision making and the accountability and monitoring of performance during the Covid Pandemic. Our review will also provide assurance over the Risk Management framework to give a view as to whether it has supported the achievement of strategic priorities.</p>
Key Controls and Assurance Framework	15			15		<p>This audit looks at the fundamental systems that feed into the statement of accounts to provide assurance on the key financial controls. The areas reviewed as part of this audit are; Treasury Management/Investments, General Ledger, Asset Management, Budgetary Control, Accounts Receivable, Accounts Payable, Toll Income, Control Accounts, and Follow Up of Internal Audit Recommendations.</p>

Audit Area	No. of days	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Summary / purpose of audit
<b>Service Area audits</b>						
Corporate Health and Safety	8	8				The strategic risk register contains two high scoring risks in relation to serious health and safety related incidents in operational works and boating. We will provide assurance over Health and Safety framework controls including a review of the Authorities policy, H&S reporting, and support provided by the Authority to Hire Boat operators.
Partnership Working	8			8		This area was last audited in 2009/10, and received Limited assurance. During this audit, the area will be reviewed to ensure that all recommendations are still in place and being followed. Additionally, compliance with terms of the Nature for Climate Peatland Grant Scheme NCPGS: Discovery Grant agreement will be reviewed. We will provide assurance that the requirements of the agreement are being met and the project is being managed in line with expectations.
<b>Total number of days</b>	<b>36</b>	<b>8</b>	<b>0</b>	<b>23</b>	<b>5</b>	

<b>Audits Previously undertaken</b>		
<b>Service area audits</b>		
Partnership Working	2009/10	Limited
Fens Ecological Project	2009/10	Reasonable
Procurement	2019/20	Reasonable
Consultation Activities and partnership provisions	2014/15	Reasonable
Planning	2020/21	Reasonable
HR and Payroll	2021/22	Reasonable
External Funding - HLF Bid and National Parks Partnership	2019/20	Reasonable
Port Marine Safety Code*	2020/21	Reasonable
Asset Management	2017/18	Reasonable
Branding	2018/19	Reasonable
<b>IT Audits</b>		
Disaster Recovery	2018/19	Reasonable
IT Governance and Strategy	2010/11	Reasonable
Cyber Security	2021/22	Audit due
Toll Income Application Review	2011/12	Limited
Network Security	2013/14	Limited
End User Controls	2014/15	Reasonable
Anti-Virus, Malware, Backups & Firewall Administration	2016/17	Reasonable

<b>Future areas for consideration for audit review</b>
Asset Management
IT Audit Area - To be determined.
Procurement

\* this is a 3 yearly review and is next due in 2023/24