

Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Internal Audit Plan and Charter 2024/25

Meeting/Date: Corporate Governance Committee – 29th May 2024

Executive Portfolio: Executive Councillor for Customer Services, Councillor Stephen Ferguson

Report by: Karen Sutton, Director of Finance and Corporate Resources

Ward(s) affected: All Wards

Executive Summary:

The Committee has responsibility under its terms of reference for ensuring the Council undertakes effective internal audits to evaluate the effectiveness of its risk management, control and governance processes alongside the Public Sector Internal Audit Standards (PSIAS).

The plan, based on a list of assurance activities, has been prepared showing areas where audit activity is planned. This considers services where internal audit activities were either deferred from last year's plan or were unable to be completed, areas of risk highlighted in the organisation's risk registers and the mitigating actions put in place to control these, and areas of statutory review. In addition, the plan fully links back to the organisation's Corporate Plan and the respective declared risk in the risk register and their associated risk scores. This means, should new areas of risk emerge, their respective scores can be assessed against the plan and the plan adjusted to allow for higher-priority reviews to be included.

A capacity review of the Internal Audit team was undertaken, and the plan linked to the outputs of this. This is based upon the current team establishment and the use of BDO LLP for ICT audits.

The Internal Audit Charter establishes the framework within which Huntingdonshire District Council's (HDC) Internal Audit Service operates to best serve the Council and to meet its professional obligations under applicable professional standards. It defines the purpose, authority and responsibility of internal audit activity, establishes the Internal Audit Service's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Following the recommendations from the LGA Peer Challenge review, the Charter has been reviewed in line with the recommendations of CIPFA and PSIAA and is attached at Appendix 2 for approval.

RECOMMENDED

It is recommended the Corporate Governance Committee:

- Reviews and approves the Internal Audit Plan.
- Review and approves the Internal audit Charter.
- Agrees that changes can be made to the Internal Audit Plan following consultation between the Internal Audit Manager, S.151 officer and the Chairman of Corporate Governance Committee.

1. PURPOSE OF THE REPORT

- 1.1 To recommend to the Committee that the Internal Audit (IA) Plan for 2024/25 be approved.

2. BACKGROUND

- 2.1 The Accounts and Audit Regulations 2015 require that the Council ‘...must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Audit Standards (PSIAS) or guidance’
- 2.2 The Public Sector Internal Audit Standards (PSIAS) require Internal Audit to “establish risk-based plans to determine the priorities of internal audit activity, consistent with the organisations goals”. The risk-based plan must also:
- take into account the requirement to produce an annual internal audit opinion.
 - incorporate a strategic high-level statement of how the internal audit service will be delivered and developed and how it links to the Council’s objectives and priorities.
 - explain how internal audit’s resource requirements have been assessed; and
 - include the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 2.3 The development of a risk-based plan takes into account 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. Once the Risk Register update has been completed, it will be used to influence and feed the Audit Plan to ensure that the reviews are both risk-based and support corporate objectives.
- 2.4 Furthermore, Internal Audit must review and recommend adjustments to the plan as necessary, in responses to changes in risks, operations, programs, systems, and controls.

Internal Audit Plan

- 2.5 The audit plan should not be a static document, produced only once a year. It needs to be able to reflect the changing risk and control environment. There has always been a need to advance, defer, add or remove audit reviews throughout the year. It is proposed that a more flexible planning approach is used.
- 2.6 A flexible risk-based Audit plan allows for audit reviews to be moved up or down based on a revised assessment of risk and importance to the Council.
- 2.7 Changes to the internal audit plan will be agreed by the Head of Internal Audit after consultation with the S151 Officer and the Chair of the Corporate Governance Committee. They will also be reported to Committee.
- 2.8 The Audit Plan for 2024/25 is attached at Appendix 1. The plan, based on a list of assurance activities, has been prepared showing areas where audit activity is planned. This considers services where internal audit activities were either deferred

from last year's plan or were unable to be completed, areas of risk highlighted in the organisation's risk registers and the mitigating actions put in place to control these, and areas of statutory review.

- 2.9 In order to ensure that the internal audit service adds value to the Authority, assurance should be provided that its major business risks are being managed appropriately, along with providing assurance over the system of internal control, governance and risk management processes. It considers governance measures already in place and seeks to complement and duplicate these.
- 2.10 Risk-based internal audit planning starts with the Council's Corporate Plan, linking through to the priority areas and related high-level objectives. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of those objectives. The approach also focuses on the upcoming projects and developments for the Council.
- 2.11 The approach ensures better and earlier identification of risks and increased ability to control them. 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.
- 2.12 The plan has been prepared after considering the aims and priorities of the Corporate Plan, the risks identified through the risk register and their respective scores and the concerns highlighted through the Annual Governance statement.

Internal Audit staffing/resourcing

- 2.13 The internal audit provision is through a small team of directly employed staff, supported by external resources where specific technical expertise and knowledge is required, e.g., ICT reviews.

The current ICT expertise is provided by BDO LLP (BDO). The contractual arrangement allows for BDO to also provide general internal audit services to the Council where needed.

An internal capacity review was undertaken for the current internal audit team and the proposed plan aligned to the outputs of this.

Internal Audit Charter

- 2.14 The Internal Audit Charter establishes the framework within which Huntingdonshire District Council's (HDC) Internal Audit Service operates to best serve the Council and to meet its professional obligations under applicable professional standards. It defines the purpose, authority and responsibility of internal audit activity, establishes the Internal Audit Service's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.
- 2.15 It is usual practice for the Internal Audit Charter to be presented for review and approval alongside the new Internal Audit Plan. Following the LGA Peer review of Internal Audit, the Charter has been redrafted in line with the recommendations of CIPFA and PSIAS and is attached at Appendix 2 for approval.

Other sources of assurance

- 2.16 The PSIAS requires that the audit plan planning process takes into account other sources of assurance that will be available during the year. Managers have been requested to provide details of any independent reviews from which assurance could be obtained to avoid/minimise duplication of effort. These external or third-party assurances are captured and used to support the audit opinion. It is intended that internal sources of assurance will also be used, for example, where the service has undertaken a self-assessment. Whilst this does not allow for the same level of independence as an external source it is still considered valuable source of assurance that can be used to assist the audit process.

3. RISKS

- 3.1 Non-delivery of the internal audit plan, or not undertaking sufficient work across the Council's control environment (the framework of governance, risk management and internal control) may affect the ability of the Internal Audit Manager to provide the Committee with a robust annual internal audit opinion.

4. LINK TO THE CORPORATE PLAN

- 4.1 The Internal Audit Service through the audit plan contributes Priority 3 of the Corporate plan:

Delivering good quality, high value-for-money services with good control and compliance with statutory obligations.

Specifically, it supports the organisation by undertaking reviews providing assurance that:

- significant risks identified in the risk register are managed effectively,
- laws and regulations are being met,
- business and financial processes and systems are managed effectively and
- assets are safeguarded.

It also improves the performance of the Council by assessing current risks, considering emerging risks, identifying efficiency gains and process improvements.

5. CONSULTATION

Members of Internal Audit, Senior Leadership Team and the wider governance team have been given the opportunity to input to the proposed plan.

6. LEGAL

The Accounts and Audit Regulations 2015 require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account PSIAS.

7. RESOURCE IMPLICATIONS

- 7.1 The audit plan has been assessed against the Internal Audit capacity plan which is based upon the approved establishment for 2024/25.

7.2 It is essential that the Internal Audit Plan is duly flexible to address changes in the risk horizon for the organisation. Therefore, it is there should be appropriate delegation to the Internal Audit Manager to permit such changes, in consultation with the S.151 Officer and Chairman of Corporate Governance Committee, and these changes reported to the Committee.

8. REASONS FOR THE RECOMMENDED DECISIONS

8.1 The Committee's terms of reference require it to consider and approve the Internal Audit Plan and Internal Audit Charter.

9. LIST OF APPENDICES INCLUDED

Appendix 1 - Internal Audit Plan 2024/25.

Appendix 2 – Internal Audit Charter

BACKGROUND PAPERS

Public Sector Internal Audit Standards

HDC Risk Register

Record of other assurances

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