

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM No. 9</b>
<b>18 MARCH 2024</b>	<b>PUBLIC REPORT</b>

Report of:	Cecilie Booth – Executive Director of Corporate Services	
Cabinet Member(s) responsible:	Councillor Howard – Deputy Leader and Cabinet Member for Corporate Governance and Finance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384557

**INTERNAL AUDIT: STRATEGY AND ANNUAL PLAN 2024 - 25**

<b>RECOMMENDATIONS</b>	
<b>FROM:</b> Steve Crabtree, Chief Internal Auditor	<b>Deadline date:</b> N/A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Consider and approve the Internal Audit Charter for 2024 / 2025 included at Appendix A.</li> <li>2. Consider and approve the Internal Audit Code of Ethics 2024 / 2025 included at Appendix B.</li> <li>3. Consider and approve the Internal Audit Strategy and Plans for 2024 / 2025 included at Appendices C and D).</li> <li>4. Note the information about Internal Audit work over the previous 3 years included at Appendix E.</li> </ol>	

**1. ORIGIN OF REPORT**

1.1 This report is submitted to the Audit Committee as a routine planned report within the 2024 / 2025 work programme of the Committee.

**2. PURPOSE AND REASON FOR REPORT**

2.1 The purpose of this report is to ensure that the Audit Committee reviews and agrees the audit activity for the next audit year.

2.2 This report is for the Audit Committee to consider under its Terms of Reference:

2.2.2.1 To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.

2.2.2.3 To consider reports dealing with the management and performance of the providers of internal audit services.

2.2.2.18 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	N/A
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### 4. BACKGROUND AND KEY ISSUES

#### 4.1 INTRODUCTION.

4.1.1 In accordance with the mandatory Public Sector Internal Audit Standards (PSIAS), the Chief Internal Auditor must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. This report explains the strategic approach and the detailed plan for Internal Audit to meet that aim.

4.1.2 The role purpose and authority of Internal Audit is documented in the Internal Audit Charter. The Charter is subject to an annual review by the Committee and is compiled in accordance with the Public Sector Internal Audit Standards and the CIPFA Code of Practice for Managing the Risk of Fraud and Corruption.

#### 4.2 INTERNAL AUDIT CHARTER 2023 / 2024 (Appendix A)

4.2.1 The Charter sets out the purpose, objectives and scope of the activities of the service and has been developed to take account of the following requirements, which have previously been reported to the Audit Committee:

- The Public Sector Internal Audit Standards (PSIAS) 2017 (revised Global Internal Auditing Standards, on which PSIAS is based, have been published and come into effect in 2025); and
- The governance requirements set out in CIPFA Statement on the Role of the Head of Internal Audit in Local Government (2019 Edition).

4.2.2 The Charter has been compiled to ensure compliance with the Public Sector Internal Audit Standards (PSIAS). In summary, the PSIAS, which were agreed by a range of bodies including IIA and CIPFA, place the following requirements on public sector organisations’ internal audit arrangements:

- (i) Compliance with the IIA Code of Ethics (and those of other professional bodies of which an auditor is a member, e.g. CIPFA). The IIA Code of Ethics sets out key principles and rules of conduct covering the following: Integrity; Objectivity; Confidentiality; and Competency.
- (ii) Purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter which should:
  - define the terms “board” and “senior management” for the purposes of internal audit activity;
  - cover arrangements for appropriate resourcing;
  - define the role of internal audit in any fraud-related work; and
  - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
- (iii) Independence and objectivity: the Chief Internal Auditor must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The Chief Internal Auditor must report functionally to the board. In practice this means that Audit Committee (as the Board) will be involved in:
  - approving the internal audit charter;

- approving the risk based internal audit plan; and
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations.

(iv) Proficiency and due professional care: audit engagements must be performed with proficiency and due professional care. Internal auditors must possess the knowledge skills and other competencies needed to perform their individual responsibilities. The Chief Internal Auditor must hold a professional qualification (CMAA, CCAB or equivalent) and be suitably experienced.

(v) Quality assurance and improvement programme: the Chief Internal Auditor should develop an improvement programme that covers all aspects of the internal audit activity. An external assessment should be conducted at least once every five years and progress against any improvement plans, agreed following external assessment, must be reported to senior management and to Audit Committee.

4.2.3 A sharing protocol with Cambridgeshire County Council has been developed to support the delivery of the plan where there is a vested interest in obtaining assurance where a shared service is in operation. Its aim is to avoid duplication and have the potential to use third party assurance where appropriate. The protocol forms part of the Audit Charter and further details can be found at Appendix 1 within the document.

#### 4.3 **INTERNAL AUDIT CODE OF ETHICS (Appendix B)**

4.3.1 The Code of Ethics sets out the expected behaviours of Internal Audit staff in relation to service delivery. The basis of standards of conduct has been reviewed and remains unchanged with reference to those followed by Internal Audit in previous years. The Code of Ethics has been developed to mirror the obligations in this area as per the Public Sector Internal Audit Standards and is therefore considered to be in keeping with professional standards.

4.3.2 Aside from the Code of Ethics, the Chief Internal Auditor in the role of the Chief Audit Executive will also be cognisant of and comply with requirements laid down in CIPFA's Statement on the Role of the Head of Internal Audit. It is also further acknowledged that all Internal Audit staff will operate in accordance with their own professional bodies' Code of Ethics, as well as any organisational Codes of Ethics or Conduct relating to their employer.

#### 4.4 **INTERNAL AUDIT STRATEGY 2023 / 2024 (Appendix C)**

4.4.1 The Internal Audit function will:

- Provide the Section 151 Officer and Audit Committee with an overall annual opinion on the Council's governance, risk and control arrangements, which also supports the Annual Governance Statement;
- Review the Council's governance, risk management and control processes through a risk-based annual work plan which is aligned to the Council's objectives, giving assurance on the Council's wider risk profile, not just financial controls, and on key emerging risks;
- Support the organisation through changes in structure, culture and operating models;
- Demonstrate the value of audit by working proactively with those responsible for transformation and efficiency activities, to avoid duplication of audit and assurance effort and provide assurance across governance arrangements;
- Drive improvement in risk management, controls and governance by making effective recommendations to management arising from our work and monitoring and reporting on implementation;
- Assist management to optimise the control environment through a better understanding of risks which potentially enables fewer but better controls to be put in place;
- Co-operate effectively with external auditors and other review bodies functioning in the council;
- Use technology to improve the efficiency of audit testing, using data analytics to foster greater compliance with policies and procedures;

- Improve governance through strengthening of the challenge role of Audit Committee, promoting appropriate compliance and ethical behaviours, and extending assurance arrangements to partnerships.

4.4.2 The approach set out above is underpinned by the Internal Audit Strategy which is set out in Appendix C and is aligned with internal audit best practice.

#### 4.5 INTERNAL AUDIT PLAN 2024 / 2025 (Appendix D)

4.5.1 At the February 2024 Audit Committee, Members were provided with details of emerging issues which Internal Audit were using to shape its Internal Audit Plans. This was produced following consultation with Directors and Heads of Service, reviews of strategic and operational risk registers, committee papers, budget proposals, strategies and plans.

4.5.2 The Plan for 2024 - 2025 aims to give the Council the best audit coverage within the resources currently available, in order to provide an Annual Audit Opinion to feed into the Annual Governance Statement. Assurances from other providers will be utilised where appropriate. The number of deliverable days is estimated as 860, on the assumption that vacancies are filled by May 24 and any shortfall in resources during the year will be covered by our call-off contract with an Internal Audit Service provider. It should be noted that there are a number of audits that have been considered as part of this planning process to be high priority, but which are not achievable within resources.

Internal Audit Work Areas	Current Days Available	%
Corporate Governance	75	9
Financial Governance	85	10
Information Governance	35	4
Procurement and Contracts	100	11
Programmes and Projects	70	8
Service Delivery	80	9
External Organisations	40	5
Certification & Verification	75	9
Other Resource Provisions	300	35
<b>TOTAL RESOURCES</b>	<b>860</b>	<b>100</b>

4.5.3 We have included, at Appendix E, details of the audit reviews conducted over the past 3 years.

## 5. CONSULTATION

5.1 This report and accompanying appendices have been issued to the Executive Director of Corporate Services and the Director of Law and Governance and Monitoring Officer.

## 6. CORPORATE PRIORITIES

6.1 The annual audit plan is developed to consider and include the corporate priorities of the organisation to ensure that it adds value and assists in the business achieving positive outcomes. Audit activities undertaken will link to one or more of the priorities below depending on the individual scope and the associated risk profile.

### 1. *The Economy & Inclusive Growth*

- *Environment (including a summary of the outcome of a completed Carbon Impact Assessment, to be submitted in full to the Transport and Environment Team)*
- *Homes and Workplaces*
- *Jobs and Money*

### 2. *Our Places & Communities*

- *Places and Safety (including any rural implications)*

- *Lives and Work*
- *Health and Wellbeing*
- 3. *Prevention, Independence & Resilience*
  - *Educations and Skills for All*
  - *Adults*
  - *Children*
- 4. *Sustainable Future City Council*
  - *How we Work*
  - *How we Serve*
  - *How we Enable*

## **7. ANTICIPATED OUTCOMES OR IMPACT**

7.1 Internal Audit planned work and resources will be set out for the 2023 / 2024 year.

## **8. REASON FOR THE RECOMMENDATION**

8.1 The Council is subject to the Accounts and Audit Regulations and as such must make provision for Internal Audit in accordance with the CIPFA Code of Practice and the Public Sector Internal Audit Standards.

8.2 Audit Committee have a role to oversee the effective delivery of audit resources to ensure that corporate governance arrangements across the Council are monitored, reviewed and are effective in delivering the Council agenda.

## **9. ALTERNATIVE OPTIONS CONSIDERED**

9.1 None.

## **10. IMPLICATIONS**

### **Financial Implications**

10.1 During the year, Internal Audit reports will generate a series of recommendations. While implementing these may have resource implications for the various areas under review, Internal Audit discuss and agree recommendations with the auditee prior to the issue of the final audit report. Therefore, it is assumed that their implementation can and will be undertaken either with existing resources or with additional resources that they can readily call upon.

### **Legal Implications**

10.2 The Internal Audit service is undertaken in accordance with the requirements of section 151 of the Local Government Act and the requirements of the Accounts and Audit Regulations. There would be a legal implication if an Internal Audit service was not provided for, and if mechanisms were not in place to carry out a review of internal control, governance and risk management as a basis for the Annual Governance Statement.

### **Equalities Implications**

10.3 Not applicable.

## **11. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

Council Risk Registers

Audit Committee Report: Internal audit Approach to Planning (February 24)

Medium Term Financial Strategy

Corporate Strategy

11.1 None

**12. APPENDICES**

- 12.1 A: Internal Audit Charter  
B: Internal Audit Code of Ethics  
C: Internal Audit Strategy  
D: Internal Audit Plan  
E: Audit Reviews over 3 years