

Joint Audit and Governance Committee



Listening Learning Leading



Report of Internal Audit and Risk Manager

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To: Joint Audit and Governance Committee

DATE: 26 March 2024

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To: Joint Audit and Governance Committee

DATE: 26 March 2024

Internal Audit Plan 2024/25

Recommendation(s)

(a) That members approve the internal audit plan 2024/25

Implications (further detail within the report)	Financial	Legal	Climate and Ecological	Equality and diversity
	No	No	No	No
Signing off officer	Simon Hewings	Pat Connell	Kim Hall	Abi Witting

Purpose of Report

1. The purpose of this report is:

- to explain the process for setting the internal audit plan and for calculating the resources available; and
- to set out the internal audit plan for 2024/25.

2. The contact officer for this report is Victoria Dorman-Smith, Internal Audit and Risk Manager for South Oxfordshire District Council (South) and Vale of White Horse District Council (Vale), email victoria.dorman-smith@southandvale.gov.uk.

Strategic Objectives

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

Background

4. The definition of internal audit is set out in the Public Sector Internal Audit Standards (PSIAS):

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s 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.”

5. Internal audit may also undertake consulting services at the request of the councils, subject to there being no impact on the core assurance work and the availability of skills and resources:

“Consulting services are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.”

6. Internal audit supports the head of finance (section 151 officer) in discharging his/her statutory duties, particularly in relation to the following legislation:
 - The Local Government Act 1972 states that the section 151 officer is responsible for ensuring that there are arrangements in place for the proper administration of the authority’s financial affairs.
 - The Accounts and Audit Regulations state that ‘A relevant body must maintain an adequate and effective system of internal audit of the control environment and systems of internal control’.

7. The PSIAS states that the chief audit executive must prepare a risk-based internal audit plan to determine the priorities of the internal audit function, consistent with the organisation’s goals and for plans to receive input from management. It also states that the plan should outline the assignments to be carried out and the resource requirements to deliver the plan. The PSIAS also states that the audit committee should approve the internal audit plan and monitor progress against the plan. This document sets out the proposed internal audit plan for 2024/25.

Developing the Internal Audit Plan 2024/25

8. The PSIAS refer to the need for the risk-based plan to consider the requirement to produce an annual internal audit opinion and report that is used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

9. To support this, the risk-based plan needs to consider the risk priorities per the South and Vale corporate risk registers, review of large or significant income and budget spend and review of the corporate priorities and objectives.
10. The approach to the audit planning process was agreed by the head of finance. The following steps were undertaken:
 - Step 1:** The corporate risks are a key focus of our audit planning to ensure the plan meets the organisation's assurance needs and contributes to the achievement of objectives. The South and Vale corporate risk registers were reviewed as the starting point for the audit planning process as this represents management's assessment of the risks to the councils achieving their strategic objectives. The top ten corporate risks for South and Vale is attached in **appendix 1**, and the need for internal audit work was considered.
 - Step 2:** Areas of large or significant income and budget spend across each service area were included as possible audit areas in the audit universe.
 - Step 3:** The audit universe is attached in **appendix 2** and lists possible audit areas at both or either South or Vale. The audit areas were reviewed and updated to reflect the current organisational structure and division of responsibilities across each service area. Each audit was rated by the internal audit and risk manager and critically reviewed by the head of finance on several risk factors to give an overall risk score, and this assists in the assessment of what should be placed in the audit plan. Although scoring is subjective, and no two people would score alike the process attempts to introduce a degree of objectivity into the assessment process.
 - Step 4:** The internal audit and risk manager consulted with the deputy chief executives and heads of service in February 2024 to obtain insights into the level of risk exposure within each service area across both councils. Where required, heads of service requested either an audit or advisory review for specific areas within their service area in 2024/25 or future years.
 - Step 5:** The internal audit plan for 2024/25 was finalised with the head of finance and shared with the senior management team for their information on 13th March 2024.
11. Audit planning is a perpetual process throughout the course of the year to ensure we can react to new and emerging risks and the potential changes in the council risk profiles. Internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.
12. The audit universe and corporate risk registers will be reviewed regularly by the internal audit and risk manager throughout the year, and it is possible that changes to the plan may be required.
13. Any plan changes will be agreed with the head of finance and reported to the audit committee. In September 2024, the internal audit and risk manager will consult the deputy chief executives and heads of service to understand if there are any changes to the level of risk exposure within each service area across both councils, since the initial discussions in February 2024. Based on the outcome of these meetings, the internal audit and risk manager will assess whether audits need to be added, removed, or amended on the plan.

Allocation of Resources

14. The resources available to deliver the internal audit plan 2024/25 are arrived at by starting with the number of days available for all internal audit posts within the team. This is then reduced by the estimated numbers of days lost through annual leave, bank holidays (planned) and sickness and other absences (unplanned). The remaining days available are then allocated between the various elements of work which are expected to be carried out in the year to deliver an effective internal audit service.
15. The calculation of days available and the allocation of days between different categories of work is attached as **appendix 3**. The different categories of work are classed as either chargeable or non-chargeable. Chargeable means the work has an identifiable client or is directly linked to the delivery of internal audit services. Non-chargeable means any other work which is not directly linked to the delivery of internal audit services (for example: admin, corporate responsibilities, training, staff briefings).
16. An explanation of the individual variances against the previous year allocation is provided in **appendix 3**.

Internal Audit Plan

17. The outputs from the audit planning and allocation of resources process were prioritised to produce an internal audit plan that considers the following:
 - the requirement to give an objective and evidenced based opinion on aspects of governance, risk management and internal control.
 - the requirement for internal audit to add value through improving controls, streamlining processes, and supporting corporate priorities.
 - the need to allocate a suitable number of contingency days to respond to emerging risk, governance, and control matters, or investigations.
 - to support the head of finance's requirement for a cyclical review of key financial systems and processes throughout the councils.
18. The internal audit plan for 2024/25 is designed and constructed in such a way to enable the internal audit and risk manager to form an opinion on the adequacy of each council's control environment, taking into consideration available audit resources. This opinion forms an important independent view of each council's operations that feeds into and supports each council's annual governance statement.
19. The internal audit plan for 2024/25 is attached in **appendix 4** and has been agreed with the head of finance and has been considered by the senior management team (SMT).

Individual Audits

20. For each audit, not all aspects within a specific area are necessarily examined. Actual audit coverage is decided at the time of the audit in consultation with key management and officers. This ensures that current issues together with recent coverage by internal audit or external bodies determine the scope of the work.
21. Audit timings are included in the plan in **appendix 4**, which aim to ensure the availability of key management and officers.
22. Audit reports will provide an overall assurance rating, along with key findings and management actions.

Follow Up

23. Recommended actions are followed up and reported to the JAGC on a quarterly basis to provide assurance that the agreed actions within internal audit reports have been implemented correctly in the timescales originally offered by management, and that controls are managing risk more effectively.

Reporting to the Joint Audit and Governance Committee

24. Monitoring of internal audit's progress against the internal audit plan along with summarising the outcomes of recent audit and follow up work will be presented to the joint audit and governance committee.

25. Following completion of the internal audit plan for 2024/25 we will produce an annual internal audit report on the work of internal audit in the year ended 31 March 2025, and to advise the committee of the internal audit and risk manager's opinion on the overall adequacy and effectiveness of the internal control environments at South and Vale.

Financial Implications

26. The internal audit plan can be delivered from within the approved 2024/25 budget, therefore there are no financial implications attached to this report.

Legal Implications

27. There are no legal implications from this report.

Climate and ecological impact implications

28. There are no direct climate or ecological implications arising from this report.

Equalities implications

29. This report is for information only and therefore there are no equalities implications.

Risks

30. Identification of risk is an integral part of all our internal audit work.

Conclusion

31. This report provides details of the process for setting the internal audit plan 2024/25.

Appendices

- Appendix 1 South and Vale Corporate Risks
- Appendix 2 Audit Universe 2024/24
- Appendix 3 Internal Audit Allocation 2024/25
- Appendix 4 Internal Audit Plan 2024/25