

Meeting: Audit Committee
Date: 24 April 2024
Classification: Part 1
Key Decision: No
Title of Report: **Internal Audit: Charter, Strategy and Plan 2024/25**

Executive Director: Joe Chesterton: Executive Director (Finance & Resources)
Report Author: Andrew Barnes: Head of Internal Audit and Counter Fraud
Executive Councillor: Cllr Cox: Leader (Cabinet Member for Special Educational Needs & Disability)

1. Executive Summary

1.1 The purpose of this report is to present to the Audit Committee, the Internal Audit Charter with the supporting Strategy and Audit Plan for 2024/25.

2. Recommendations

2.1 **The Audit Committee approves the Charter, Strategy and Audit Plan for 2024/25.**

3. Background

3.1 The Accounts and Audit Regulations 2015 (Regulations) make it a requirement for internal audit to take into account public sector internal auditing standards or guidance in delivering the service.

3.2 The UK Public Sector Internal Audit Standards (the Standards) require the service to produce a:

- Charter
- a risk based plan that:
 - takes into account the:
 - requirement to produce an annual internal audit opinion
 - Council's assurance framework.
 - incorporates or is linked to a strategic or high level statement of how:
 - the service will be delivered and developed in accordance with the Charter

- it links to the Council's Corporate Plan.

3.3 New International Standards for Internal Auditing are being introduced during this year and will be in place for the 2025/26 financial year. CIPFA are currently determining what impact this will have on the UK Public Sector Internal Audit Standards.

4. **Charter, Strategy and Audit Plan**

4.1 In order to comply with the current Standards, the approach proposed for delivering the service, is set out in the:

- Charter, that defines the purpose, authority and responsibility of the service
- Strategy, that outlines how the service will be delivered in line with the Charter and includes the:
 - Internal Audit Plan for 2024/25
 - statement showing how audit work completed during the year will provide assurance regarding the mitigation of the Council's strategic risks
 - How We Will Work With You Statement.

4.2 The following paragraphs explain key amendments to the documents which were last presented to the Audit Committee in April 2023. These are also highlighted in **bold** within the documents themselves for ease of reference.

5. **Charter (Appendix 1)**

5.1 The minor amendments made to the Charter this year relate to:

- The new Global Internal Audit Standards that will be implemented from January 2025
- changes in officer roles
- changes to Council officer group names.

6. **Strategy (Appendix 2)**

6.1 The Strategy sets out:

- the ethical framework audit staff are expected to comply with
- the basis for the audit opinion and the audit approach to be adopted
- the approach to assessing risk and assurance as part of the audit planning process
- the Audit Plan, resource assessment and performance indicators
- how the service will work with key staff, members and groups within the Council
- how the team will operate on a day to day basis

- how it will assess its compliance with relevant professional standards and report upon this.
- 6.2 A few very minor amendments have been made to the Strategy this year. These are cosmetic and don't change the manner in which the audit service provided is delivered under the Collaborative Working Agreement. The Strategy also sets out the team's performance indicators for the year.
- 6.3 As outlined in the Strategy, activities are only considered for inclusion in the Audit Plan if:
- they are assessed as being significant enough to require periodic independent review
 - this independent assurance is not being provided elsewhere (eg. from Ofsted).
- 6.4 The coverage provided within the proposed Audit Plan for 2024/25 (Appendix 2a) is based upon the audit approach outlined in the Strategy which complies with the requirements of the Standards.
- 6.5 The Audit Plan looks to provide some assurance regarding the delivery of the Council's Corporate Plan and as many Corporate Risks as possible. Other factors that influence what is in this year's Audit Plan include, for example:
- when activities were last reviewed and the results of that work
 - whether there are any significant changes involving an activity eg. new IT software, loss of key staff etc.
 - the level of spend and corporate profile of the activity
 - emerging risks highlighted by senior management or other sources.
- 6.6 The ongoing challenges regarding the Council's financial sustainability and transformation work being undertaken to review the Council's operating model that will impact on the arrangements to deliver Council services moving forward, mean that it should be recognised that there will be a need for flexibility in both the things that internal audit focusses upon and the way that it undertakes it's work. Therefore the proposed plan will be kept under review and amendments made as necessary.
- 6.7 In addition the external auditors will be delivering their work on the 2024/25 financial year under the National Audit Office - Code of Audit Practice, that governs the work of external auditors of local public bodies under the Local Audit and Accountability Act 2014. The revised Code specifies the following value for money arrangements reporting criteria:
- financial sustainability
 - governance
 - improving economy, efficiency and effectiveness.

- 6.8 New external auditors have been appointed by Public Sector Audit Appointments (PSAA) for the 2023/24 financial year, and their work is beginning in earnest following the end of that year. Internal audit will liaise with the new external auditors from KPMG in respect of the work that they will be undertaking to meet the requirements of the Code of Audit Practice and seek to deliver internal audit work that supports those requirements.
- 6.9 As a result, the Audit Plan will be kept under review so that it can reflect any further changes in circumstances, risks and challenges that the Council is facing that may impact on the way the Council works, to re-assess whether there are any changes to the risk profile and therefore, the work planned for later in the year. As is usual practice, any proposed future amendments to the Audit Plan will be reported to the Audit Committee for approval.
- 6.10 Appendix 2b identifies where audit reviews contribute assurance regarding the management of the Council's corporate risks.
- 6.11 The How We Will Work With You Statement (Appendix 2c) outlines the consultation and engagement that internal audit undertakes with management for the different elements of internal audit work.

7. Reason for decision

- 7.1 **Internal audit is an assurance function providing assurance to assist the Audit Committee to effectively discharge its responsibilities as per its Terms of Reference. The delivery of the internal audit plan will assist the Audit Committee with obtaining assurance that the Annual Governance Statement appropriately reflects the conditions at the Council.**

8. Other options

- 8.1 The internal audit delivery model currently operated at the Council will be reviewed and challenged as part of the transformation programme. Other options identified as part of that work will be reported to the Committee for consideration.

9. Financial implications

- 9.1 The Audit Plan will be delivered within the approved budget.

10. Legal implications

- 10.1 The Accounts and Audit Regulations 2015 make it a requirement for the Council to 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.

10.2 The Standards require:

- the Audit Committee to approve (but not direct) the annual internal Audit Plan and this report discharges that duty
- the Audit Committee to then receive regular updates on its delivery, as provided by the quarterly performance report
- the Head of Internal Audit to provide an annual audit opinion on the Council's risk management, control and governance arrangements and report on this to the Audit Committee, which is usually delivered to its July meeting in line with the completion of the external audit.

11. Policy context

11.1 This report is made in the context of the following policies:

- UK Public Sector Internal Audit Standards
- Internal Audit Charter and Strategy
- Risk Management Policy Statement and Strategy
- Counter fraud and corruption policy and strategy
- Whistleblowing policy and procedure.

12. Carbon impact

12.1 The Internal Audit Team operates across all Council sites, as well as Castle Point Borough Council sites, and therefore some travel is necessary. This is usually performed in private vehicles due to the requirement to visit multiple sites over a geographic spread during a day.

12.2 However, the Team reduces its carbon footprint by:

- Operating electronic working paper and audit management arrangements, minimising the use of paper and printing. All documentary evidence is scanned electronically minimising physical storage requirements
- Travelling by public transport wherever possible
- Conducting meetings with external stakeholders remotely
- All internal audit officers have undergone Carbon Literacy training to enhance their understanding of the carbon challenge.

13. Equalities

13.1 The Team are committed to treating everyone equally and with respect.

13.2 All officers have undergone Equality and Diversity training. Our daily activities comply with the Equality Act 2010, the Human Rights Act 1998, and the European Convention on Human Rights.

14. Consultation

- 14.1 The audit risk assessment and the Audit Plan are periodically discussed with the Chief Executive and Executive Directors before being reported to the Audit Committee. All terms of reference and draft reports are discussed with the relevant Managers, Directors or Executive Directors before being finalised.

15. Contribution to the Council's aims and objectives

- 15.1 Audit work provides assurance and identifies opportunities for improvement that contribute to the delivery of all Corporate Plan objectives, as referenced at Appendix 1.

16. Risk assessment

- 16.1 Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact of the Council's ability to deliver the Corporate Plan objectives.

- 16.2 The main risks the team continues to manage are the:

- potential loss of in-house staff and the ability of the service to replace this resource in a timely manner
- lack of management capacity to support and develop the team, while processing work in a timely manner and providing strategic leadership to the team and support to the Council
- possibility that the external suppliers won't deliver contracted-in work within the required deadlines to the expected quality standards
- need to maintain relationships with clients / partners while the service is being rebuilt.

17. Value for money

- 17.1 Opportunities to improve value for money in the delivery of services are identified during some reviews and recommendations made as appropriate. Internal Audit also periodically considers whether it provides a value for money service, and this will be revisited as part of the transformation programme.

18. Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	12/4/2024
Monitoring Officer	Susan Zeiss	10/4/2024
Executive Director	Joe Chesterton	12/4/2024
Relevant Cabinet Member	Leader – Cllr Tony Cox	16/4/2024

19. Background papers

- 19.1
- The Accounts and Audit Regulations 2015
 - UK Public Sector Internal Audit Standards
 - CIPFA Local Governance Application Note for the UK Public Sector Internal Audit Standards
 - CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2019
 - CIPFA: Audit Committee Practical Guidance for Local Authorities and A Toolkit for Local Authority Audit Committees.

20. Appendices

- Appendix 1: Internal Audit Charter
- Appendix 2: Internal Audit Strategy:
 - Appendix 2a: Internal Audit Plan for 2024/25
 - Appendix 2b Audit assurance linked to the Council's corporate risks
 - Appendix 2c: How We Will Work With You Statement