



AUDIT & GOVERNANCE COMMITTEE

Monday, 12 December 2022

Subject	Revised Internal Audit Plan 2022/23
Report Champions	Councillor Maurice Cook, Cabinet Member with responsibility for Resources Councillor Edward Back, Assistant Cabinet Member for Resources
Supporting Officer	Siobhan Martin Head of Internal Audit siobhan.martin@eastsoffolk.gov.uk 01394 444254

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information.	N/A
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:

This report presents the proposed revised Internal Audit Plan for East Suffolk Council 2022/23. Each Head of Service has been informed of the amendment to the plan in their relevant area.

Options:

The use of consultants or agency staff to undertake some of the planned work has been considered, but at this stage is deemed as not a viable option. Utilising partner Council resources is not feasible since they are also facing staff vacancy issues.

Recommendation:

That having commented upon the revisions made the Audit and Governance Committee approve the Internal Audit Plan 2022/23.

Corporate Impact Assessment

Governance:

Internal Audit reports, advice, and recommendations all aim to create and foster a robust corporate governance foundation to support sustainable services for all stakeholders. As a consequence, the Internal Audit Service aims to mitigate the risk of losses arising from error, irregularity, and fraud. In addition, efficiency, effectiveness, and economy reviews form part of the work undertaken, and this represents a fundamental function in delivering the Council's corporate governance responsibilities.

ESC policies and strategies that directly apply to the proposal:

The Audit and Governance Committee is directly responsible for supporting good governance arrangements and practices at the Council, which underpin the Council's entire strategic and operational workings including the East Suffolk Strategic Plan. The Internal Audit Plan of work provides independent, fact-based evidence to senior management and the Audit and Governance Committee on the actual effectiveness of Council activities which support the East Suffolk Strategic Plan.

The implications and benefits of agreed recommendations produced by the Internal Audit Service contribute to the Council's overall objectives by improving controls and processes, which contribute towards efficient and effective management of services.

Environmental:

This report does not require a Sustainability Impact Assessment.

Equalities and Diversity:

This report does not require an Equality Impact Assessment.

Financial:

The Local Government Act 1972 and the Accounts and Audit Regulations 2015 require principal local authorities to '...undertake an adequate and effective internal audit of its

accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control’.

Human Resources:

There are no direct human resources implications to this report.

ICT:

There are no direct ICT implications to this report.

Legal:

The Local Government Act 1972 and the Accounts and Audit Regulations 2015 require a relevant authority 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’.

Risk:

A crucial element within the Council’s risk environment is the implementation of the recommendations put forward by Internal Audit and agreed by Management.

External Consultees:

No external parties were consulted in the preparation of this report.

Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: (Select only one primary and as many secondary as appropriate)		Primary priority	Secondary priorities
T01	Growing our Economy		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T02	Enabling our Communities		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
T03	Maintaining Financial Sustainability		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input checked="" type="checkbox"/>
T04	Delivering Digital Transformation		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T05	Caring for our Environment		
P20	Lead by example	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education, and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
How does this proposal support the priorities selected?			
Internal Audit supports a robust corporate governance framework. The work of Internal Audit Service via the Internal Audit Plan represents a fundamental function in delivering the Council's Corporate Governance responsibilities.			

Background and Justification for Recommendation

1 Background facts	
1.1	This report is being presented to the Audit & Governance Committee in accordance with the Committee's terms of reference which stipulate that the Committee is to 'approve, (but not direct) internal audit's work plan.' Also 'to promote the value of the audit process.'
1.2	The Audit and Governance Committee is responsible for overseeing the application of audit resources and monitoring performance of the audit function.
1.3	Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (2019). This report has been prepared in accordance with our Audit Charter.
1.4	The work of the Internal Audit Service is to provide independent assurance and report upon the effective and efficient application of internal controls, governance arrangements and value for money at the Council. All Internal Audit reports form part of the crucial evidence to enable the Chief Executive and Leader of the Council to sign the Annual Governance Statement (the obligatory statement along with the Annual Accounts.) External Audit may also consider Internal Audit work to ensure that system controls are adequate and effective.
1.5	Internal Audit work aims to ensure services comply with the Council's Constitution and Code of Corporate Governance. Internal Audit reports make recommendations to address any weaknesses identified and give direction on how to support continual improvement by providing professional advice and guidance.

2 Current position	
2.1	This report presents a revised risk-based Internal Audit Plan for 2022/23 as reviewed with the Chief Executive and relevant Senior Officers.
2.2	The risk based Internal Audit Plan is influenced by the resources made available by the Council for Internal Audit work. A careful balance must be achieved in terms of keeping audit costs at a realistic level, whilst recognising that there is a minimum level of coverage that must be undertaken to ensure good governance and internal controls are in operation. In this respect, the Internal Audit Plan for 2022/23 that was agreed by Audit & Governance Committee on 14 March 2022 was at that time considered to have been a realistic plan of action.
2.3	Since the Internal Audit Plan 2022/23 was approved a number of amendments have needed to be accommodated due to external factors impacting on service areas, new emerging risks, and changes to available resources.
2.4	Factors impacting on service areas The Internal Audit Plan 2022/23 is designed to engage with service areas at an appropriate time, aligning with their work plans and risks whilst ensuring that the audit process has minimal impact on their day-to-day operation. Where service area work plans are affected by factors that were not anticipated when the audit plan was developed and the timing of an audit would be detrimental to service delivery, the Head of Internal Audit will consider the assurance benefit of

	<p>the proposed audit and the need for assurance to support the Annual Audit Opinion. The following are recognised factors that may impact on a service area in-year:</p> <ul style="list-style-type: none"> • Impact on key staff or teams within a service area due to exceptional circumstances or increased workload, e.g. where staff are currently heavily involved in priority corporate projects such as the Local Authority Trading Company/s (LATCo) development and would be unable to support an audit in addition to their other commitments. • Absence of key staff within the service area, e.g. due to recruitment • Internal self-assessment quality and improvement reviews where internal audit assurance would be more beneficial later in the program. • Delays in project implementation • Changes in government or corporate policy, e.g. deregulation <p>Where possible internal audit will work with services areas to agree a timescale so that even if temporarily delayed the audit can be completed within the current year. Where this is not possible and the balance of risk and good governance allows, the Head of Internal Audit may recommend the deferral of an audit review.</p>
2.5	<p>Emerging risks and requirements</p> <p>The Internal Audit Plan 2022/23 is a dynamic plan, designed to recognise that changes in service delivery and risks occur. Where processes are introduced or changed Internal Audit will engage with service areas to ensure any impact on service risk is reassessed in the context of the Internal Audit Plan.</p> <p>Where service area experiences change in-year, e.g. by the introduction of new legislation or regulations, introduction of new government or corporate policy, or the introduction of new schemes or assurance requirements, the Head of Internal Audit will consider the assurance benefit of the proposed audit and the need for assurance to support the Annual Audit Opinion. Where appropriate and necessary the Head of Internal Audit may recommend the addition of an audit review.</p> <p>In order to support any essential new audits within the finite resources available to the internal audit team the Head of Internal Audit will consider the balance of risk and may recommend the deferral of an audit review previously included within the Internal Audit Plan. Deferrals made in order to release resources for a new audit on an emergent risk will generally only be recommended at year end once it is clear that no opportunities to retain a given audit in the Internal Audit Plan are available.</p>
2.6	<p>Staff resources</p> <p>IT auditing is provided as part of the contract arrangement between Ipswich Borough Council and East Suffolk Council. The role of IT Principal Auditor has been vacant since April 2020 due to unsuccessful recruitment.</p> <p>Internal audit successfully recruited two senior auditors in 2022/23 and once induction and training is completed will be fully resourced. However, resources are reducing from January 2023 due to a senior member of staff leaving the organisation. It is unlikely that this role will be filled until at least the new financial year and there will be a vacancy of a senior FTE for the remaining of the Internal Audit Plan 2022/23.</p>

2.7	The Head of Internal Audit, using a risk-based approach, has revised the 2022/23 Internal Audit Plan by deferring several assurance audits. These will all be proposed as potential audits for the 2023-24 risk-based audit plan. The revised Internal Audit Plan coverage detailed in the table below ensures that the Audit Plan addresses current risks and is sufficient for the Head of Internal Audit to issue an annual opinion upon the governance arrangements at the Council for 2022/23.
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Revisions to the Internal Audit Plan since April 2022 (Service Area Assurance and Consultancy Activity)

Service Area	Audit	Status	Comments
Corporate and Cross-Cutting	COVID-19 Business Grant counter-fraud support	In Progress	
	BEIS Post payment assurance (Round 1)	Completed	Non-opinion and no report required
	BEIS Post payment assurance (Round 2)	Addition (Completed)	Additional requirement received in August 2022 Non-opinion and no report required
	Payroll (system migration)	In Progress	
	Grant Funding	Pending	
	Strategic and Commercial Partnerships	Completed	Non-opinion and no report required
	Safeguarding	Pending	
	Use of Consultants	Deferred	Risk reassessed for the reasons given in sections 2.4-2.6
Economic Regeneration	Local Authority Trading Company (LATCO) Hothouse 2022/23	Addition (Completed)	Attendance at the Hothouse event Non-opinion and no report required
	Towns Fund Governance (Lowestoft)	Pending	
Environmental Services and Port Health	UK Shared Prosperity Scheme	Addition (In Progress)	New grant funding scheme launched in 2022/23 Audit will support the development of the scheme
	Port Health PRS Project due diligence	In Progress	
	Port Health Income Collection	In Progress	
	Port Health Fee Setting and Income Budget	Addition (In Progress)	Split from the original Port Health Income audit based on service area needs
	SCC COVID-19 Test and Trace Support COMF (Certification)	Completed	Assurance opinion: Effective
Financial Services	Port Health Cyber Essentials	Deferred	Awaiting recruitment of a qualified IT Auditor
	Key Financial Controls	Pending	
	Implementation of the CIFPA Code of Practice	Deferred	Risk reassessed for the reasons given in sections 2.4-2.6
	Budget Monitoring	Pending	

Service Area	Audit	Status	Comments
	Council Tax and Recovery of Benefits Overpayments	In Progress	
	Council Tax Billing and Housing Benefits	In Progress	
	Bailiff Services	In Progress	
	Business Rates (NNDR)	In Progress	
	COVID-19 Test and Trace Self-Isolation Grant Certification	Completed	Assurance opinion: Reasonable
	COVID-19 ad hoc sign off for grants across the Council	Pending	Time allocated to this audit has been drawn down and re-allocated where new certification audits have been identified as additions to the plan. This audit's budget will be held until the end of the year as contingency for any signoffs that may be required but have not yet been identified.
	COMF Certification (31/5518) Certification 2022/23	Addition (Completed)	Assurance opinion: Effective
Housing	Disabled Facilities Grant Certification	Completed	Assurance opinion: Effective
	Disabled Facilities Grant (Governance) Home Improvement Agency	In Progress	
	Housing Repair and Maintenance (Planned Compliance)	Pending	
	Housing Repair and Maintenance (Planned Building Work)	Pending	
	Housing Rents – Monitoring and Setting	Deferred	Risk reassessed for the reasons given in sections 2.4-2.6
	Housing Rents – Service Charges	Deferred	Risk reassessed for the reasons given in sections 2.4-2.6
	Housing Rents – CORE Lettings	Deferred	Risk reassessed for the reasons given in sections 2.4-2.6
	Homelessness Prevention Grant (Uplift) certification	Completed	Assurance opinion: Non-opinion
	Homelessness Prevention Grant Initial Funding Allocation for 2021/22 (31/5546) Certification 2022/23	Addition (Completed)	Assurance opinion: Effective

Service Area	Audit	Status	Comments
ICT	Remote Access and Security	Deferred	Awaiting recruitment of a qualified IT Auditor
	Service Desk Management (Starters and Leavers process)	Deferred	Awaiting recruitment of a qualified IT Auditor
	Users Access Management (Key Financial Systems)	Deferred	Awaiting recruitment of a qualified IT Auditor
	PSN Self-Assessment	Deferred	Awaiting recruitment of a qualified IT Auditor
	PCI DSS Follow-up	Deferred	Awaiting recruitment of a qualified IT Auditor
Legal and Democratic	Licensing (Taxi)	Pending	
	Gifts and Hospitality (Officers)	Pending	
	Declaration of Interests (Officers)	Pending	
Operations	Commercial Investment Strategy	Deferred	Risk reassessed for the reasons given in sections 2.4-2.6
	Contracts and Contract Management	Pending	
	Commercial Rents (Income)	Addition (In Progress)	
Planning and Coastal Management	Coastal Management Partnership	Deferred	Risk reassessed for the reasons given in sections 2.4-2.6

Glossary				
Pending	In Progress	Addition	Deferred	Completed
These audits were part of the original 2022/23 Audit Plan and will be started in Q3/Q4	These audits were part of the original 2022/23 Audit Plan and are being tested and/or reported	Addition to the 2022/23 Audit Plan due to emergent requirement and risk-based need	Risk reassessed for 2022/23 and audit will be considered (subject to risk analysis) for the 2023/24 Audit Plan	These audits were part of the original 2022/23 Audit Plan and have been completed

3 How to address current situation

3.1	The revised Internal Audit work plan is aligned to the East Suffolk Business Plan – ‘East Suffolk Means Business,’ where the vision is to maintain and sustainably improve the quality of life for everyone growing up in, living in, working in, and visiting East Suffolk. Planned and emerging Internal Audit exercises will directly support the good governance and risk management approach to the Council’s priorities: Enabling Communities; Economic Growth and Financial Self Sufficiency described in detail in the East Suffolk Business Plan.
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4 Reasons for recommendation

4.1	To support the Council’s overall governance arrangements and to ensure that the Audit and Governance Committee fulfils its terms of reference by reviewing the appropriateness of the refreshed risk based strategic Internal Audit Plan for 2022/23
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Appendices

Appendices

None

Background reference papers:

Date	Type	Available From
March 2022	Internal Audit Plan 2022/23 (Original)	Head of Internal Audit siobhan.martin@eastsoffolk.gov.uk
2020 - 2024	East Suffolk Strategic Plan	
March 2017	Public Sector Internal Audit Standards	
2019	Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards	