



AUDIT & GOVERNANCE COMMITTEE

Monday, 13 December 2021

Subject	Revised Internal Audit Plan 2021-22
Report by	Councillor Maurice Cook, Cabinet Member with responsibility for Resources Councillor Edward Back, Assistant Cabinet Member for Resources
Supporting Officer	Mrs Siobhan Martin Head of Internal Audit siobhan.martin@eastsuffolk.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.	Not applicable
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 2021-22. 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 the revisions made to the Internal Audit Plan 2021-22 be commented upon and approved.

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 type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input 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 type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input 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 type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input 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 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 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 (PSIA) and Local Government Application Note (2013). 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 2021-22 as agreed 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 2021-22 that was agreed by Audit & Governance Committee on 15 March 2021 was at that time considered to have been a realistic plan of action.
2.3	Since the Internal Audit Plan 2021-22 was approved a number of additional audits have been necessary to add to the Plan, and a number of changes affecting available resources have needed to be accommodated.
2.4	<p>Impact of continuous COVID-19</p> <p>The impact of the COVID-19 pandemic on all public services has been considerable and resulted in a significant level of strain being placed on normal procedures and control arrangements, and the level of impact continues to change as the situation develops. Demands on Internal Audit remain high, and a flexible approach is being taken to ensure coverage of emerging high-risk areas as the COVID- 19 pandemic continues.</p>

	<p>The Internal Audit Service has also contributed to specific COVID-19 pandemic grant award processes to ensure good governance and continues to provide ongoing support to the Service Areas.</p> <p>Internal Audit Services have undertaken risk assessments to identify and assess any changes to the Council's control environment given the Council's emergency response to the COVID-19 pandemic and this work continues.</p>
2.5	<p>Staff resources</p> <p>Internal Audit are reducing from January 2022 due to a senior member of staff leaving the organisation. This role will go out to advertisement in January 2022 but will probably not be filled until the new financial year. Therefore there will be a vacancy of a senior FTE for a three month period.</p> <p>IT auditing is provided as part of the SLA Partnership between Ipswich Borough Council and East Suffolk Council. The role of IT Auditor has been vacant since April 2020 due to unsuccessful recruitment.</p>
2.6	<p>Service Area changes</p> <p>The Internal Audit Plan 2021-22 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.</p> <p>Where service area work plans change, e.g. system implementations are rescheduled, or the timing of an audit would be detrimental to service delivery, 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 the balance of risk and good governance allows, the Head of Internal Audit may recommend the deferral of an audit review.</p>
2.7	<p>The Head of Internal Audit, using a risk-based approach, has revised the 2021-22 Internal Audit Plan by deferring several assurance audits into the 2022-23 plan. The revised Internal Audit Plan 2021-22 coverage detailed in the table below should be sufficient to enable the Head of Internal Audit to issue an opinion upon the governance arrangements at the Council.</p>

Revisions to the Internal Audit Plan since April 2021 (Service Area Assurance and Consultancy Activity)

Service Area	Audit	Status	Comments
Corporate and Cross-Cutting	COVID-19 Business Grant counter-fraud support	In Progress	
	COVID-19 Grants (Local Grants)	Pending	
	BEIS Post Payment Assurance	Addition	Emergent requirement to coordinate the Council's Post Payment Assurance to central Government on the LRSG and ARG schemes
	Payroll (system migration)	Deferred	System migration has been rescheduled to December 2021. Testing needs to be commenced once the system is established.
Economic Regeneration	New Towns Fund Governance (Lowestoft)	Deferred	Risk reassessed for the reasons given in sections 2.4-2.6
Environmental Services and Port Health	Port Health PRS Project due diligence	In Progress	
	COVID-19 Test and Trace Service Support Grant Certification	Completed	Assurance opinion: Effective
	Local Authority Enforcement and Compliance Grant Certification	Addition / Completed	Assurance opinion: Reasonable Emergent requirement from an external funding body for the Head of Internal Audit to verify grant expenditure
	Port Health Cyber Essentials	Deferred	Awaiting recruitment of a qualified IT Auditor
Financial Services	Capital Accounting	In Progress	
	Key Financial Controls	Pending	
	Council Tax and Recovery of Housing Benefits Overpayments	In Progress	
	Council Tax Billing and Housing Benefits	In Progress	
	Bailiff Services	In Progress	
	Business Rates (NNDR)	In Progress	

Service Area	Audit	Status	Comments
	COVID-19 Restart Grant Certification	Addition	Emergent requirement from an external funding body for the Head of Internal Audit to verify grant expenditure
	COVID-19 Test and Trace Support Grant Certification	Addition	Emergent requirement from an external funding body for the Head of Internal Audit to verify grant expenditure
	New Financial Procedure Rules (Consultancy)	Addition	Emergent requirement to support the revision of the Council's Financial Procedure Rules
	Budget Monitoring	Pending	Key controls around budgeting will be included in the Key Financial Controls 2021-22 audit
	COVID-19 Grant Assurance (LRSG Funds and ARG)	Deferred	Staff resources will be reallocated to support the BEIS Post Payment Assurance audit addition.
Housing	Disabled Facilities Grant Certification	In Progress	
ICT	Remote Access and Security	Deferred	Awaiting recruitment of a qualified IT Auditor
	PCI DSS Follow-up	Deferred	Awaiting recruitment of a qualified IT Auditor
Legal and Democratic	Taxi Licensing	Deferred	Risk reassessed for the reasons given in sections 2.4-2.6
	Declarations of Interests	Deferred	Risk reassessed for the reasons given in sections 2.4-2.6
Operations	Commercial Rents (Income)	In Progress	
	Organic Green Waste	In Progress	
	Contracts and Procurement	Deferred	External assessment by EELGA is underway. Testing needs to be commenced once the EELGA review is completed
Planning and Coastal Management	Community Infrastructure Levy System Implementation	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 2021-22 Audit Plan and will be started in Q3/Q4	These audits were part of the original 2021-22 Audit Plan and are being tested and/or reported	Addition to the 2021-22 Audit Plan due to emergent requirement and risk-based need	Risk reassessed for 2021-22 and audit will be considered (subject to risk analysis) for the 2022-23 Audit Plan	These audits were part of the original 2021-22 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 2021-22.
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Appendices

Appendices:

None.

Background reference papers:

Date	Type	Available From
March 2021	Internal Audit Plan 2021-22 (Original)	Head of Internal Audit siobhan.martin@eastsuffolk.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	