

Internal Audit Plan 2023/24

Internal Audit Strategy and Annual Plan

1. Internal Audit Strategy

The Internal Audit Strategy is the way the Internal Audit team delivers the services needed by East Suffolk Council. It sets out how internal audit supports and builds a better organisation and supports the Strategic Plan.

Internal Audit’s strategic priority is to meet the assurance needs of the Audit and Governance Committee via the Head of Internal Audit’s Annual Opinion. The focus of internal audit activity planned for the 2023/24 financial year is the provision of assurance and consultancy reviews, delivered via the Internal Audit Plan.

Other activities will be undertaken as directed by the Head of Internal Audit for the purposes of

- (1) delivery of the Internal Audit Plan,
- (2) development of the Internal Audit function,
- (3) compliance with Public Sector Internal Audit Standards and East Suffolk Council’s Internal Audit Charter, or
- (4) organisational needs.

Internal Audit undertakes a wide variety of functions to support the Council and add organisational value in line with its strategic priorities:

Audit Function	Purpose and Value
Assurance Reviews	The primary role of internal audit. Independent, evidence-based reviews of governance, risk management and control processes.
Consultancy Reviews	Advisory services to support improvement in governance, risk management or control processes. Includes formal due diligence exercises
Due Diligence / Observation	Verifies Management have followed correct governance, risk management or control processes. Used for ongoing corporate activities or smaller ad hoc projects where a formal audit opinion or report is not required.
Governance Support	Provision of strategic advice and guidance on governance, risk, and internal control. Attendance at corporate meetings.
Advice and Guidance	Provision of operation-level advice and guidance on governance, risk, and internal control where a formal consultancy review is not required
Audit and Governance Committee	Preparation and presentation of reports to the Audit and Governance Committee. Provision of training to Members. Provision of advice and support to members of the Committee.
Internal Management	Day to day management of the internal audit function. Ongoing quality control of audit services.

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Internal Quality Assessment	Self-assessment of internal audit services for quality assurance purposes. Required periodically for conformance with Public Sector Internal Audit Standards.
Internal Training, Development and Awareness	Building knowledge and awareness within the Internal Audit team. Provides an understanding of developments that may affect the Council, its risk profile and assurance needs. Knowledge sharing within the organisation. Liaison with other Internal Audit leaders to share and develop knowledge and professional best practice.
External Audit liaison	Meetings and liaison with the Council’s External Auditor. Efficient and effective communication for the provision of organisational assurance.
National Fraud Initiative (NFI)	The Cabinet Office is the national lead for the NFI, a national data matching exercise. Internal Audit and Corporate Fraud work jointly and lead on the Council’s NFI activity
Counter Fraud Support	Joint working with the Corporate Fraud team. Provision of data analysis, insight into previously audited internal processes, and ad hoc support to investigations.
Follow up of Agreed Actions	Independent, evidence-based assurance that agreed management actions to improve governance, risk management or control processes have been effectively implemented.

2. Internal Audit Plan

The Audit and Governance Committee is responsible under the Council’s Constitution for an “independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards”. Internal Audit is responsible for the delivery of assurance within the Council and to the Audit and Governance Committee. It adheres to national and international standards of best practice within the field of professional internal auditing in order to plan its work and provide an annual assurance opinion to the Committee.

The Public Sector Internal Audit Standards and accompanying Local Government Application Note set out in detail how a plan should be developed. East Suffolk Council’s Internal Audit service also places great weight on best practice guidance provided by the national and global Institute of Internal Auditors. It must be recognised that in developing a plan the standards and guidance reflect two competing priorities: **Defined Expectations** and **Flexibility**.

In order to deliver the strategic priority of assurance to the Audit and Governance Committee, Internal Audit has historically requested that the Committee approve an annual internal audit plan that breaks down planned assurance work into its individual components. This supports the requirements of the Standards in setting out what the Internal Audit service intends to deliver.

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However, since the COVID-19 pandemic in 2020, the Council and its Internal Audit service has had to adapt to an unprecedented level of change. This presents numerous challenges since the detailed audit plan approved in March only reflects the risks and assurances identified at that point in time. Internal Audit has to date attempted to adapt to corporate needs by presenting Committee with an updated audit plan in December; but the service must develop greater flexibility to ensure an even more responsive system.

In order to address this, the Internal Audit service needs to shift the balance towards an increase in flexibility. This will, by definition, scale back the level of defined expectations that the Committee has previously been accustomed to. However, this is essential to ensure the Committee receives a fair and accurate understanding of the annual plan for the year and how it will be managed to deliver the assurance necessary for the Council's good governance.

To maintain efficient service delivery and flexibility for both Internal Audit and the wider organisation, Internal Audit requests the Audit and Governance Committee to approve a new system of internal audit delivery for 2023/24. The refreshed approach maintains the underlying principles of risk-based auditing and transparency to the Committee, allows the Head of Internal Audit to complete a comprehensive, risk-based plan of sufficient depth and breadth to deliver an annual opinion, but moves the service to an adaptive approach by removing the restrictions associated with a formal, defined annual plan.

Instead of a single annual audit plan approved before the financial year begins, the new approach will result in list of potential audits that is actively maintained throughout the year. Where Internal Audit knows an audit must be completed it is presented as an “**Essential**” assurance need. All other auditable risks in the Council are incorporated into the list and assigned a level of “Assurance Need” ranging from Low to High. The list will be updated on an ongoing basis with formal refreshes completed each quarter and audits will be selected based on the need for assurance using the factors set out in “How the Audits will be delivered”.

Annual Plan requirement:

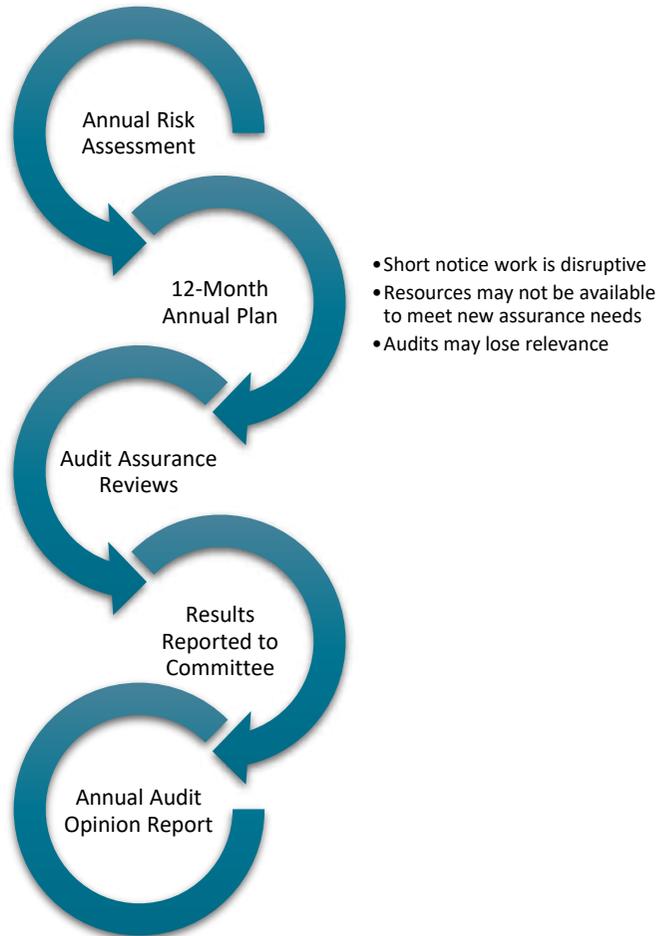
The PSIAS require the CAE [Chief Audit Executive] to develop a risk-based plan ... It should outline the assignments to be carried out, their respective priorities and the estimated resources needed.

The risk-based plan should be fixed for a period of no longer than one year and should be sufficiently flexible to reflect the changing risks and priorities of the organisation. Internal auditors should keep risks under regular review and consider how their audit plans should respond to changing risks. This may result in more frequent reviews of the plan or for plans to cover periods of less than one year.

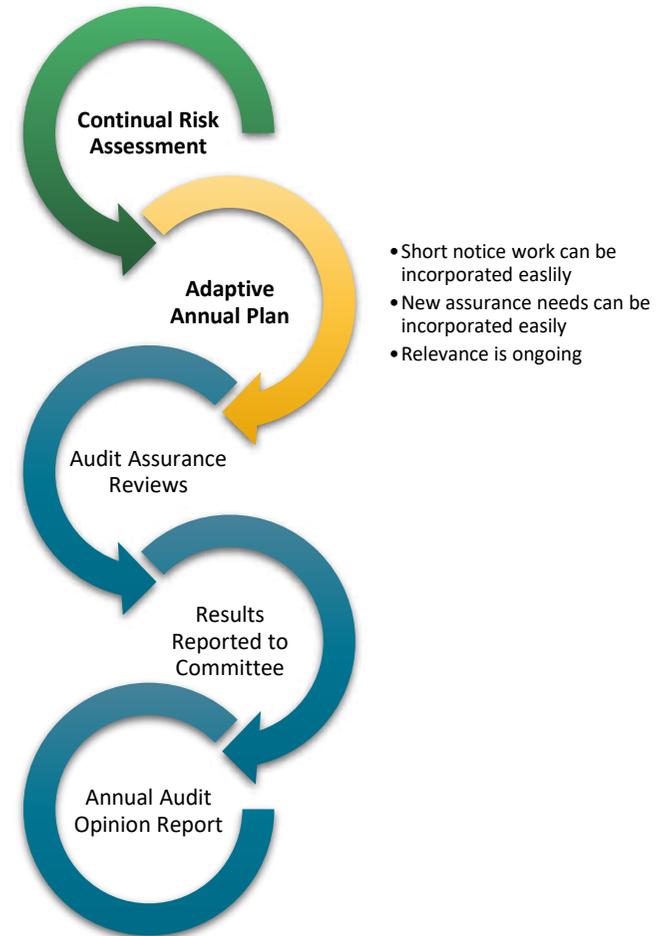
- This is a selected extract from the Local Government Application Note 2019

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CURRENT AUDIT PROCESS



REFRESHED AUDIT PROCESS FROM 2023/24



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2.1 Audit Plan: Essential Annual Assurance Needs

The risk assessment undertaken in February 2023 identified several areas where an audit can be considered mandatory in upcoming year. This comprises work that:

- Is required as part of grant funding conditions
- Is required due to formally agreed commitments, such as service level agreements, project terms of reference, or Cabinet resolutions
- Is considered by the Head of Internal Audit to be mission critical due to associated risks and impact
- Relates to previously agreed actions that are corporately significant and are due to be completed in the upcoming financial year

Audits relating to essential assurance needs would only be deferred in exceptional circumstances and therefore the Audit and Governance Committee can expect audits providing assurance as listed below to be completed during 2023/24:

Service Area	Audit Title	Purpose of Audit
Corporate	LATCO Governance	Assurance over the Council's governance arrangements for East Suffolk Services Ltd, which is due to take over delivery of several key services in July 2023
	Payroll Key Controls	Assurance that key controls are in place and effective following the transfer to a new Payroll software in 2021/22
Economic Regeneration and Development	Changing Places Fund Certification	The Head of Internal Audit is required to certify grant expenditure as a condition of funding
	Towns Fund Projects	Internal Audit assurance has been agreed as part of the Project Business Cases approved by Cabinet
Environmental Services and Port Health	Neoma Project due diligence	Internal Audit due diligence is required as part of the project's terms of reference
Finance	FMS Upgrade - Main Accounting Controls	Assurance that key controls are in place and effective following a major upgrade to the Council's Financial Management System due in 2023
	FMS Upgrade - Accounts Payable	
	FMS Upgrade - Accounts Receivable	
	Business Rates (NDR)	Assurance over the key financial controls in place for business rates. Internal Audit is committed to this audit as part of reciprocal arrangements for assurance agreed with five Partner Authorities of the Anglia Revenues Partnership
	Capital Accounting Follow up	Assurance that previously agreed improvements due to be completed in 2023/24 and of significant importance to the Council have been effectively implemented

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Housing	Disabled Facilities Grant Certification	The Head of Internal Audit is asked to certify grant expenditure as a condition of funding
	HRA Housing Rents Follow up	Assurance that previously agreed improvements due to be completed in 2023/24 and of significant importance to the Council have been effectively implemented
Planning and Coastal Management	Planning Enforcement Follow up	Assurance that previously agreed improvements due to be completed in 2023/24 and of significant importance to the Council have been effectively implemented

2.2 Audit Plan: High, Medium and Low Assurance Needs

In addition to its auditable areas with essential assurance needs, the Council has a significant number of other assurance needs across the organisation.

During 2023/24 audits will be selected for formal assurance review using professional criteria to categorise and prioritise each individual need in line with the factors given on the right with high, medium, and low assurance needs.

Discretion is applied to ensure the audits selected cover the majority of Council service areas, deliver against expected assurance needs, and are also timed to avoid peak workloads for service delivery within the teams being audited or “assurance fatigue”.

Audits are agreed with the relevant service area prior to commencement in order to confirm that the objectives and risks identified by the internal audit risk assessment remain correct and relevant at the point of the audit.

The approach will ensure the Head of Internal Audit has sufficient depth and breadth of assurance to provide the Annual Audit Opinion at the end of the year.



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The assurance needs of the organisation are prioritised and collated into a plan of intended work. If nothing were to change the audits that are asterisked and in bold below would be the audits prioritised by Internal Audit for delivery within the year. The remainder are examples of other audits where the assurance assessment within the service area indicates a potential need for assurance, based on the factors given on page 12. This list is subject to change and will be adjusted throughout the year to balance the needs of service areas, the Committee's need for assurance, and the resources necessary to deliver each individual audit. It gives the Committee and service areas an understanding of where the Internal Audit service may focus its resources during 2023/24.

CMT / Chief Executive / Corporate	Freeport East*	Contract Management*	Grant Funding Processes	Pensions and Pension Auto-Enrolment	Subsidy Control
Communities	Ease the Squeeze Programme*	Holiday Activities and Food Programme*	Lone working	Supporting vulnerable residents	Domestic Homicide Reviews
Customer Services	Customer Compliments and Complaints	Customer Services Software Implementation Project	Customer Standards and Satisfaction	Digital Customer Access Programme	Internal Training Programme
Digital & Programme Management	Assurance needs in the Digital and Programme Management service are pending review by a specialist technical Auditor				
Economic Regeneration & Development	East Suffolk Towns Initiative (ESTI) Fund*	UK Shared Prosperity Fund (Assurance)*	Heritage Action Zone Projects	Ness Point Regeneration Project	Business Rate Receipts - Enterprise Zones and Freeports
Environmental Services	Port Health Cyber Essentials*	Environmental Permitting	Fly-tipping Grant	Public Health Burials	Southwold Harbourmaster Enforcement

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Finance	Asset Survey	Procurement Waivers and Extensions	Discretionary Housing Payments	Treasury Management	Use of Consultants
Housing	Homelessness Grant*	HRA Housing Repayments to Tenants*	HRA Fire Risk Management	HRA Data Quality and Integrity	HRA Housing Repairs
Legal and Democratic Services	Licensing and Regulation - Alcohol	Licensing and Regulation - Gambling	Member Professional Development	Members Allowances	Officer Code of Conduct
Operations	Procurement*	Asset Management	Green Waste	Health and Safety on Council Property	Recycling
Planning and Coastal Management	Community Infrastructure Levy*	Lowestoft Flood Risk Management Project	Coastal Management Partnership Governance	Building Control Delivery	S106 Agreements

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2.3 Audit Plan: Collaboration and Assurance from Third Party Assurance Providers

The Head of Internal Audit is accountable for any assurance used to support the annual audit opinion, including assurance from internal audit service providers external to East Suffolk Council. Coordinating audit activities and relying on the work of other service providers allows greater efficiency but is only possible where the Head of Internal Audit is satisfied that the assurance meets audit quality standards. The following assurance from third party internal audit service providers has been agreed for 2023/24:

Service Area	Audit Title	Purpose of Audit	Internal Audit Service Provider
Finance	Council Tax Billing and Housing Benefits	Assurance over the key financial controls in place for council tax and housing benefits.	West Suffolk Council
	Council Tax and Recovery of Benefits Overpayments	Assurance over the key financial controls in place for council tax and housing benefits.	
	Bailiff Services	Assurance over the key financial controls in place for ARP Enforcement Agents.	Fenland District Council

How the Internal Audit Strategy and Plan were Developed

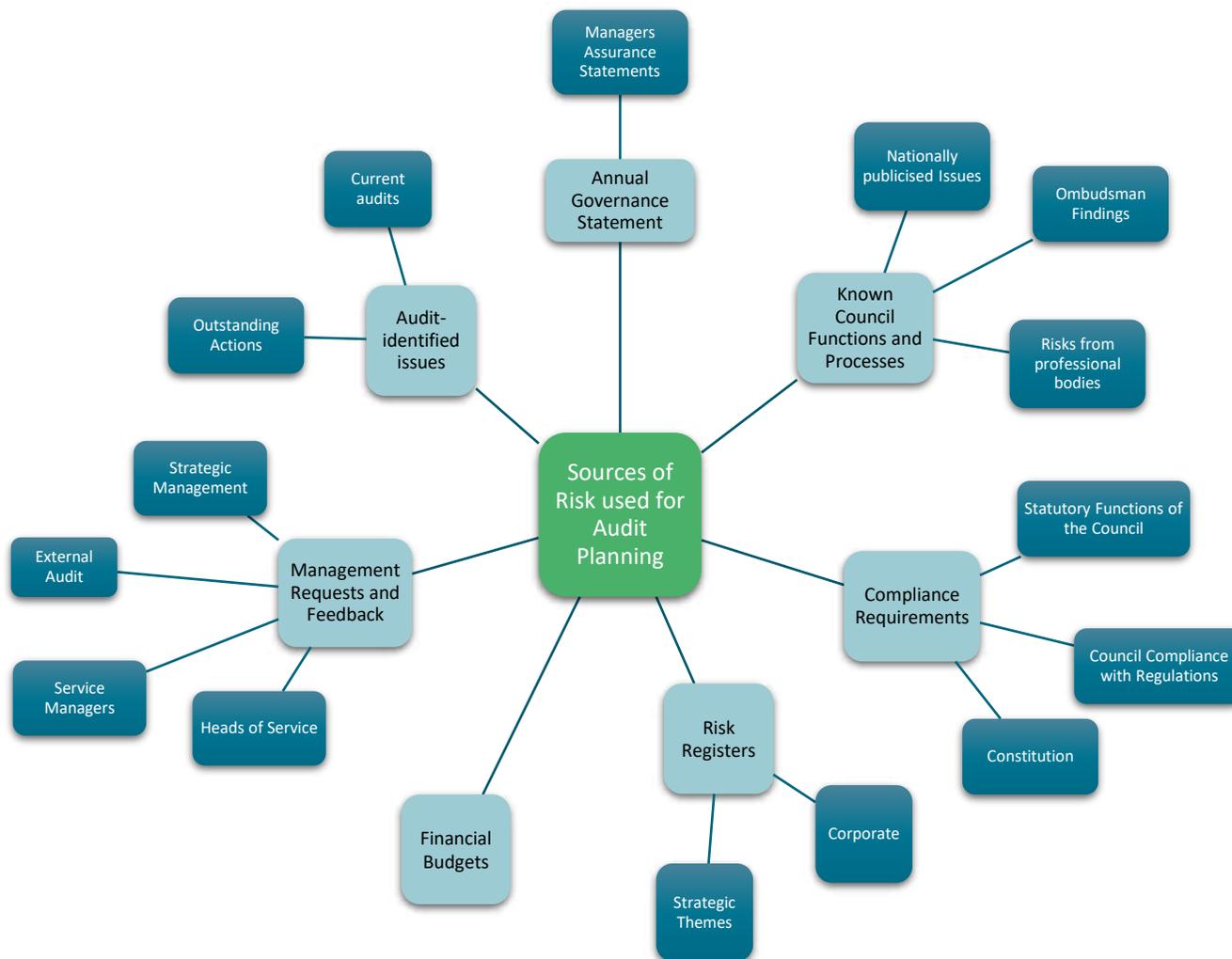
3. Risk Review and Maturity Assessment

Prior to developing an overall audit strategy, the Internal Audit service must assess the risk capabilities and maturity of the organisation to identify what degree of reliance can be placed on Management's own risk management functions. This is a process to assist Internal Audit in developing an internal audit strategy. It is not a formal assurance assessment nor used to inform the annual audit opinion.

Leading into the 2023/24 year Internal Audit concluded that East Suffolk Council has the expected aspects of a risk management framework but has observed some instances where risks have emerged that were previously believed to have been mitigated.

Internal Audit will therefore rely on a combination of the Council's internal risk management systems to identify potential assurance needs but will also undertake its own analysis to ensure coverage is sufficient for assurance purposes.

The sources of risk used for audit planning purposes, comprising both those used by management and those from the Internal Audit service's own risk matrix, are provided via the diagram on the right.



How the Internal Audit Strategy and Plan were Developed

4. Categorisation and Prioritisation of Assurance Needs



Internal Audit best practice sets out that once sources of risk have been reviewed to identify assurance needs, those assurance needs are categorised and prioritised. At East Suffolk Council the adopted approach is:

- **Categorise:** Each assurance need is categorised by service area.
- **Prioritise:** Each assurance need is prioritised by the following factors:
 - **Financial Impact**
 - **Inherent Corporate Significance**
 - **Need for Regulatory Compliance**
 - **Newness / Degree of Confidence in Existing Processes**

The prioritisation process results in outcomes of



Internal Audit will combine the results of both categorisation and prioritisation to determine, direct and control the assurance and consultancy activities of the team in a cost-effective and efficient manner, as set out below in the section “How the Audit Plan will be Delivered”.

How the Internal Audit Plan will be Delivered



Internal Audit will monitor the Council’s potential audits and assurance needs throughout the year. Formal reviews to review any changes and select audits will take place each quarter. Strategic Management and Heads of Service will also be invited to provide formal feedback mid-year.

Internal Audit aims to complete at least one audit in most service areas throughout the year. However, this is balanced by the need to address corporate assurance needs in priority areas and it is possible that some service areas may not be audited where there is low corporate need for assurance in that area.

Internal Audit expects that throughout the year assurance audits will be comprised of:

- **Essential** assurance needs. All essential assurance needs are expected to be met via an assurance audit, unless due to changing circumstances the level of assurance need reduces.
- **High** assurance needs. These are areas where there is a significant impact and/or recognition that risks are present. During the annual audit year the majority of Internal Audit’s work after completing Essential assurance needs will be in response to High assurance needs.
- **Medium** assurance needs. These are typically areas that are established and considered to be managed well but have a high impact if controls are found not to be effective. Some audits are expected to address Medium assurance needs during the year due to the principle “In Local Government there is no substitute for doing boring really well. Only when you have a solid foundation can you innovate.”¹

Internal Audit does not expect to address Low assurance needs as part of this year’s audit plan.

¹ Northamptonshire County Council Best Value Inspection 2018

How the Internal Audit Plan will be Delivered

5. Approach to Individual Audits

All Internal Audit work will comply with the Internal Audit Charter approved by the Audit and Governance Committee.

Prior to each audit assignment, a Lead Auditor will be allocated. The Lead Auditor is at the grade of Senior Auditor or above to ensure each audit is overseen by an officer with appropriate professional skills, qualifications, knowledge, and experience. The Lead Auditor will review the assurance needs identified at the quarterly selection stage and verify that the individual audit assignment addresses organisational objectives and links to the Strategic Plan, current risks, and their mitigation. These are formally documented in a “Pre-Audit Risk Assessment” and are fundamental to the scoping of the audit work. Resources necessary to deliver each audit will be reviewed and allocated upon approval of the Audit Manager.

Each audit will be scoped with the involvement of the relevant service areas where possible and appropriate. Audits will be undertaken against documented terms of reference that are prepared by the Lead Auditor and approved by the Head of Internal Audit. Terms of reference are shared with the relevant Service Manager and Head of Service prior to each audit so that key stakeholders are able to comment on the expected nature, timing, and reporting of the work before it starts.

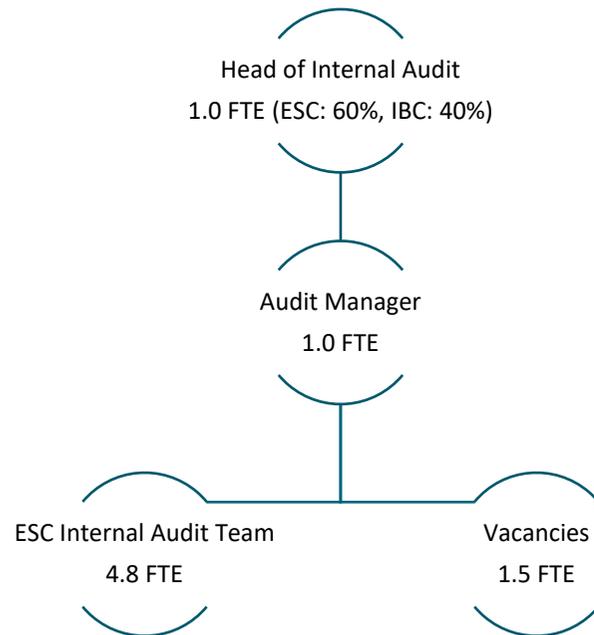
This approach places greater emphasis on the individual audit risk assessments and encourages greater tailoring of assurance needs than the previous process of annual strategic-level review. Internal Audit’s aim is to build upon and enhance the responsiveness and quality of assurance given to Audit and Governance Committee and the organisation as a whole.

Internal Audit expects that all audits will be developed through this process, although it is important to note that although Internal Audit supports and seeks to accommodate the needs of service areas wherever possible the Internal Audit service must also remain unfettered and free from interference.

Where assurance is considered important to support the Audit and Governance Committee’s purpose but an agreement to complete assurance work cannot be obtained from the relevant service area, the Head of Internal Audit will first seek resolution via Strategic Management and if this cannot be obtained will refer the matter to the Chair of the Audit and Governance Committee.

How the Internal Audit Plan will be Delivered

6. Internal Audit Resources and Staffing



Total Productive Audit Days Available: 933

The risk based Internal Audit Plan is influenced by the resources made available by the Council for Internal Audit work. It is a requirement of PSIAS that “internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan”. 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.

At its core, the East Suffolk Council Internal Audit service comprises a team led day-to-day by the Council’s Audit Manager. The team includes staff qualified in Internal Audit, Accountancy and Counter Fraud, providing a wide range of skills and knowledge to support and deliver the annual plan.

Since 1 June 2004 the Internal Audit Service has worked in partnership with Ipswich Borough Council (IBC), providing a framework for staff to work across both organisations. The partnership has enabled greater operational efficiency and effectiveness in the delivery of Internal Audit Services and provides the opportunity for each partner to call upon a wider skills base, which can be used to achieve greater flexibility, resilience, and effectiveness in all areas of audit operations.

The service currently has vacancies for the roles of:

- 1 FTE Senior Auditor
- 0.5 FTE Principal ICT Auditor. Technical assurance needs are temporarily being considered by a specialist external consultant.

Although the service has current vacancies, the Head of Internal Audit will review recruitment needs during 2023/24 to ensure that sufficient resources will be available to provide the annual audit opinion.

The Head of Internal Audit will coordinate assurance and may use assurances from other parties if she is satisfied that an external service provider can meet the competency, objectivity and due professional care standards required of professional internal audit. A written understanding of the scope, objectives and results of any work performed will be agreed prior to commissioning any assurance work from a service provider external to East Suffolk Council.