

REPORT TITLE: INTERNAL AUDIT PLAN FOR 2024/25 (QUARTERS 3 & 4)

Meeting:	Corporate Governance & Audit Committee
Date:	27 September 2024
Cabinet Member (if applicable)	
Key Decision Eligible for Call In	No No – Information report
Purpose of Report To request approval for the Internal Audit Plan for the second half of 2024/25,	
Recommendations <ul style="list-style-type: none"> • That the proposed audit plan for 2024/25 (October 2024 to March 2025) be approved. • The Committee notes the resourcing position and determines any further information that they require and actions that they may wish to take. Reasons for Recommendations <ul style="list-style-type: none"> • A risk-based audit plan is necessary to achieve maximum assurance from a limited level of resource. 	
Resource Implications: <ul style="list-style-type: none"> • It is anticipated that the proposed internal audit plan can be delivered within the envisaged resource availability. 	
Date signed off by <u>Strategic Director</u> & name. Is it also signed off by the Service Director for Finance? Is it also signed off by the Service Director for Legal Governance and Commissioning?	Not applicable

Electoral wards affected: all

Ward councillors consulted: none

Public or private: public

Has GDPR been considered? yes

1. Executive Summary

The Council has an internal audit function lead by the Head of Risk and Internal Audit, who reports for governance purposes to the Corporate Governance & Audit Committee. Each year it is necessary to identify how internal audit resources will be deployed. It is now considered good practice to determine an audit plan for half a year, based on a risk assessment. The first half year plan was approved in April 2024, and the internal audit team are now progressing work in this plan. The second half plan is now proposed, reflecting comments made at the April 2024 meeting.

2. Information required to take a decision

- 2.1 Internal Audit is a statutory obligation for local authorities and exists to provide independent assurance about the business processes of the Council.
- 2.2 Internal Audit work is designed to provide assurance through following a programme of work designed to give coverage across the organisation's areas of risk. This consists of a need to assess core financial and principal business systems regularly, and coverage of other areas of financial or business risk less frequently, the overall objective being to assess the efficiency, effectiveness and economy of the council's business arrangements to deliver the organisations objectives.

Audit Planning for quarter 3 and quarter 4 (October 2024-March 2025) 2024/25

- 2.3 This report sets out in appendix 1 the key areas of operational activity where default or difficulty causes risk that are considered to be in scope for assurance activity. In addition, the organisations corporate risk matrices should identify areas of potential concern, which should be subject to review.
- 2.4 Internal Audit have identified areas of risk with an assessment between high, medium and low risks, that have not been reviewed for some time, from the schedule of broad risk areas shown in appendix 1 and these have been included alongside a selection of areas of activity that management have indicated they consider would help meet the needs of the organisation. The combination of these items should produce a balanced programme that meets the needs for assurance, and also as a potential aid to management and decisions to be taken.
- 2.5 Appendix 2 contains a proposed Audit Plan for the second half of 2024/25; this reflects the indication from the Committee that less resource be devoted to school's audit, and that alternative risk areas be subject to auditing, to generate a better use of limited resource. It is also divided by Quarter as requested, to help to demonstrate proposed activity. A small number of previously proposed audits have been removed from the Q3Q4 plan.
- 2.6 To seek to increase the effectiveness of internal audit work, during 2024/25 arrangements are now being made to monitor the implementation of all recommendations. There will still be capacity to provide follow up audits where an initial triage will determine if progress has been made and determine if a full follow up audit is required.
- 2.7 In addition, the risk-based assurance work needs to be supplemented by time to review and authorise grant claims on behalf of government departments, West Yorkshire Mayoral Combined Authority (WYMCA) and other organisations, time is also retained as a contingency for unexpected urgent work, and investigations. There is also time used for dealing with general advice (of an audit and assurance nature), other tasks such as

contractor evaluation and contract advice and assistance. Whilst these do not fall within the (Global Internal Audit Standard) definition of advisory work, or other work, this does help the organisation to achieve a higher level of broad internal control and assurance.

- 2.8 To retain flexibility, there needs to be scope to move audit projects around, both to reflect urgent needs of the organisation and staffing and skill levels. Accordingly, flexibility for the Head of Risk & Internal Audit to amend the plan needs to be available. The Committee has already approved a flexibility for the Head of Risk and internal Audit to adjust the audit plan, and allocate resources based on need and priority and this will continue.
- 2.9 The report in April 2024 set out the severely constrained resourcing position of internal audit and how this compromises the ability to provide assurance about business control arrangements. Whilst doing less review work than what might be considered generally necessary can be tolerated for some time, in the medium-term resourcing of internal audit needs to be adequate to fulfil the range of expectations that the organisation has about the provision of assurance information. Internal Audit are also examining potential forms of control risk assessment which can provide a substitute for the need for some audit work, although can never provide independent assurance that must be a core of internal audit work.

Performance Standards

- 2.10 The new Global Internal Audit Standards (GIAS) – which apply from 2025- continues to expect that internal audit has established targets for and monitoring of its performance. Suggested monitoring targets are set out in Appendix 3. More generally it is likely that the new standards will require additional time to demonstrate compliance, meaning that less resource is available for the actual assessments. It is anticipated that during the Autumn, government will determine if they wish to enhance the GIAS by revising Public Sector Internal Audit Standards (PSIAS). There will be a further report about this to this Committee later this municipal year.

Fraud Work

- 2.11 There is an expectation under the GIAS (& PSIAS) that internal auditors have an awareness of fraud risk, and test as a part of routine audit assurance work that fraud risk is identified, understood and addressed, with recommendations made as appropriate. Linked to this is a practice that suspected internal fraud, or that by contractors, is addressed through internal audit work. External fraud risk (from clients and customers) is executed through the "fraud team." In the past this has been distinct and separate, and largely remains so, but the common management does now enable additional assurance-based learning about fraud risk and potential system changes. Depending on skill and capacity it may also be potentially possible to use fraud specialist skills on internal or contractor fraud investigations.

3. Implications for the Council

Having an effective internal audit function, as a part of a strong assurance and governance framework is important for the Council. As resources are limited it is important that the deployment of resources is effective.

3.1 Working with People

No directly applicable.

3.2 Working with Partners

No directly applicable.

- 3.3 **Place Based Working**
No directly applicable.
- 3.4 **Climate Change and Air Quality**
No directly applicable.
- 3.5 **Improving outcomes for children**
No directly applicable.
- 3.6 **Financial Implications**
Refers in part to improving strategic and operational financial controls.
- 3.7 **Legal Implications**
No directly applicable.
- 3.8 **Other (e.g. Risk, Integrated Impact Assessment or Human Resources)**
Implementation of recommendations should improve overall control arrangements and promote good governance. An absence of adequate resources for internal audit impacts on the degree of assurance that internal audit can provide.
4. **Consultation**
There have been discussions with Executive Leadership Team (ELT) in preparing the proposed audit plan.
5. **Engagement**
ELT have seen and are aware of the content of this report
6. **Options**
An Audit Plan is required; There are multiple options for the contents of the Plan. Potential alternatives were described in the text to the April 2024 report, and indication given, then, for an approach to be taken.
7. **Next steps and timelines**
Delivery of the Audit Plan
8. **Contact officer**
Martin Dearnley Head of Audit & Risk.
9. **Background Papers and History of Decisions**
19th April 2024; CGAC: Internal Audit plan for 24/25 and associated matters.
10. **Appendices**
Appendix 1 Areas of risk that are considered to be in scope for assurance activity.
Appendix 2 The proposed Audit Plan for October 2024 to March 2025
Appendix 3 Performance standards
11. **Service Director responsible**
The Head of Risk & Internal Audit holds responsibility for the planning, operation and reporting by Internal Audit.

The statutory officers with a responsibility for overseeing the internal audit function are
Samantha Lawton Director of Legal Governances & Commissioning
Kevin Mulvaney Director of Finance

Appendix 1

Areas of risk that are considered to be in scope for internal audit assurance activity.

Listed below are areas of risk that are considered to be in scope for internal audit activity
These set out the principal areas of risk.

In addition, any location or operation centre should be considered in scope for an occasional visit or review.

KEY CORPORATE SYSTEMS 2024/25

Financial Systems & Controls

Payroll (SAP) Debtors (SAP) Procurement / Creditors (SAP) Council Tax Business Rates Housing Rents
Part or whole of this activity should be subject to internal audit review each year

Council Tax Reduction Scheme (residual Benefits) Treasury Management Payments for Social Care School Payments Internal Recharging (such as for building maintenance)
This activity should be subject to internal audit review every 2 years

Key Organisation & Business Controls

Code of Corporate Governance Contract Procedure Rules Financial Procedure Rules Contract Management HR Operations Risk Management IT Controls Performance Management Systems Partnership Governance Emergency & Business Continuity Planning Information Security Health & Safety Fraud, Bribery & Corruption Risk Corporate Complaints Whistleblowing
These areas would typically be subject to review every 2 or 3 years

Schools

Applies to all community schools.
These areas would typically be subject to review every 3 to 5 years. Those with a deficit budget or other governance issues will be given priority

Other

There are other areas of business activity where internal audit review may from time to time be applicable, often identified from ongoing concerns
These areas would typically be subject to review less than every 5 years

Appendix 2

The Proposed Audit Plan for October 2024 to March 2025

Information about progress during April 2024 to September 2024 is reported in the quarterly update.

AUDIT PLAN 2024/25 (Q3, Q4)		October 2024 to March 2025	
Children			Environment, Growth & Regeneration
6 x Primary Schools	Q3+4	Waste Management Contract	Q3
SENDACT (Follow-Up)	Q3	Fuel Procurement & Control	Q3
Leaving Care (follow up)	Q4	Structures Safety	Q4
External Residential Placements	Q4	HRA Rent System Control & Reconciliation	Q4
Youth Offending Team	Q3	Highways Accident Damage	Q4
Corporate		Trade Waste Income	Q4
National Fraud Initiative 24/25 (data submn)	Q3+4	Taxi Licensing	Q4
Council Tax Support Claims Processing	Q3	Housing IT system implementation	TBD
CT/ NDR Recovery & Enforcement	Q4		
SPD Matching	Q4	Adults	
Government Grant income	Q4	Personal Care	Q4
SAP Debtors Key Controls	Q3	Mosaic Implementation	Q3
Agency Labour Contract	Q3	Safeguarding	Q4
HD One BACS Bureau Accreditation	Q3		
Local Code of Corporate Governance	Q3	All	
Procurement Act 2023	Q3	WYCA & SF Grants	Q3+4
West Yorkshire Pension Fund	Q3		
Elections Payments	Q3		

Removed from plan- linked to resourcing-
Cyber Security, Capital Plan Delivery, HRA Mould/ Damp

Appendix 3

Internal audit performance targets 2024/25

<u>Objectives</u>	<u>Performance Measures</u>
Achieve planned audit work as adjusted	80% of planned audits achieved
Achieve each planned audit within budgeted time allowed.	80% of planned work achieved within initial time budget
Achieve high level of work quality and customer satisfaction.	90% good or better responses to customer questionnaires
Delivery of completed audit work	85% of draft reports issued within 10 days of completion of site work