



INTERNAL AUDIT PLAN 2023/24

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE

27 MARCH 2023

**RECOMMENDATION:
MEMBERS ARE RECOMMENDED TO APPROVE THE
PROPOSED STEVENAGE BOROUGH COUNCIL INTERNAL
AUDIT PLAN FOR 2023/24**

Contents

1. Introduction and Background

2. Audit Planning Process

2.1 Planning Principles

2.2 Approach to Planning

2.10 Planning Context

2.13 Internal Audit Plan 2023/24

3. Performance Management

3.1 Update Reporting

3.3 Performance Indicators

Appendices

A Proposed Stevenage Borough Council Internal Audit Plan
2023/24

B Proposed Audit Start Dates

1. Introduction and Background

- 1.1 The mission of Internal Audit is “to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”. The Public Sector Internal Audit Standards (PSIAS) encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). These Standards note that a professional, independent, and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The SIAS Board has approved the SIAS Internal Audit Strategy in December 2021 and this strategy outlines how SIAS will achieve the mission of Internal Audit and ensure ongoing compliance with the PSIAS. The following report follows the key principles within the Strategy related to Audit Planning and Resourcing, with the Strategy document itself being available to Members upon request.
- 1.2 The PSIAS set out how SIAS must approach audit planning. The specific standards that SIAS must adhere to are as follows:

Standard	Description
2010	A risk-based plan, setting out audit priorities consistent with the goals of the organisation.
2010	Linked to annual opinion need and Internal Audit Charter
2010.A1	Based on documented risk assessment, updated at least yearly and consulting Senior Management and Members
2010.A2	Reflect expectations of Senior Management, Members, and other stakeholders
2020	Communicated to Senior Management for review and to Members for approval
2030	Ensure internal audit’s resources are fit and effectively used
2030	Must explain how resource adequacy assessed, and set out results of any limits

- 1.3 The Council’s Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council’s wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Chief Audit Executive’s Annual Opinion Report.
- 1.4 The Shared Internal Audit Service’s (SIAS) Audit Charter was presented to the June 2022 meeting of this Committee, and it shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and revised on 1 April 2017. An updated version of the SIAS Audit Charter will be brought to the June 2023 Audit Committee meeting for Member approval.

1.5 Section 2 of this report details how SIAS complies with these requirements.

2. **Audit Planning Process**

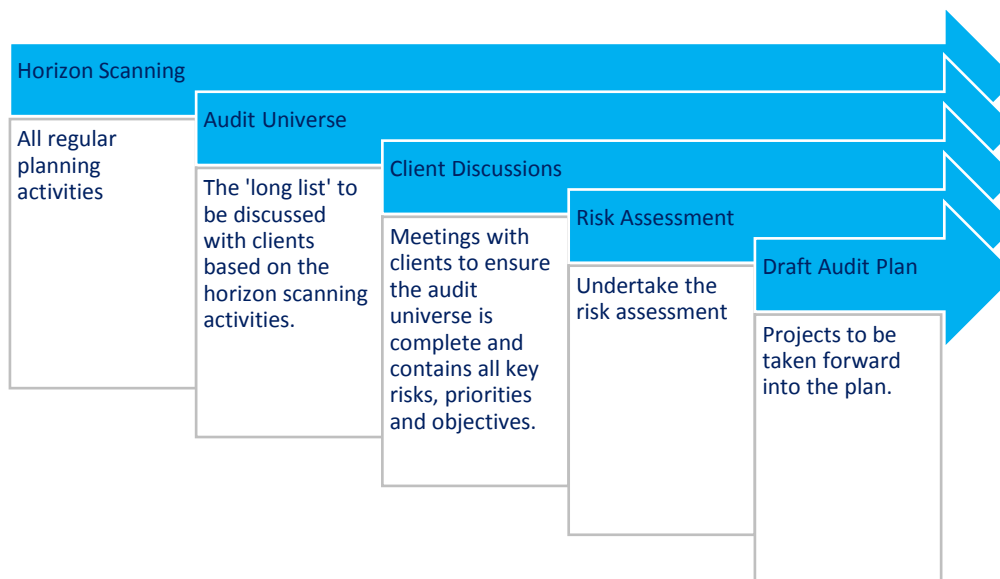
Planning Principles

2.1 SIAS audit planning is underpinned by the following principles:

- a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.
- b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.
- c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.
- d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource-constrained environment, all needs cannot be met.
- e) Identification of responsibilities where services are delivered in partnership.
- f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.
- g) Capacity to deliver key commitments including governance work.
- h) Capacity to respond to management requests for assistance with special investigations, consultancy, and other forms of advice.

Approach to Planning

- 2.2 SIAS has developed an approach to annual planning that ensures ongoing compliance with the requirements of the PSIAS, SIAS applies the following methodology at its partners:



Horizon Scanning and Audit Universe

- 2.3 SIAS conducts horizon scanning to ensure that it is aware of the key issues and risks locally and nationally as well as the corporate and service objectives of the Council. To do this, SIAS undertakes the following activities:



- 2.4 Following the horizon scanning work, SIAS creates an Audit Universe based on all auditable areas and entities. The Audit Universe forms the basis of discussions with senior managers.

Client Discussions

- 2.5 SIAS undertook detailed discussions with senior managers and other key officers within the Council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the gathering of information to inform the risk assessment phase of audit planning.

Risk Assessment

- 2.6 The overarching risk that SIAS bases planning against is the risk that audit work completed does not provide sufficient coverage and significance for SIAS to provide a robust annual assurance opinion. Therefore, SIAS risk assesses each auditable area to ensure that their resources are directed appropriately.
- 2.7 The risk assessment behind the development of the 2023/24 Internal Audit Plan was strongly correlated to the Council's plans and associated monitoring through risk assessments, KPI's and project progress.
- 2.8 SIAS also include considerations of financial materiality, corporate significance, vulnerability and change and management concerns, as part of the risk assessment, including alternative sources of assurance through the Three Lines (of Defence) model.

Draft Audit Plan

- 2.9 The results of the risk assessment and discussions with senior managers provides a draft Internal Audit Plan. SIAS has presented this draft plan to the Senior Leadership Team to seek their views on the assessments completed and to provide any further updates or comments. The outcome is now presented to Members as part of this report for their approval of the Draft Internal Audit Plan 2023/24.

The Planning Context

- 2.10 The context within which local authorities provide their services remains challenging:
- Covid-19 will continue to have an impact in future years. Whilst the longer-term impact of the pandemic remains speculative, the current challenges and risks relate to public health, economic impact, growth, and equality for local authorities.
 - The result of the changes to trading with EU based companies will have an impact on Council services with additional risks needing to be considered that include compliance with customs rules, continuity of supply / services and workforce pressures related to the right to work in the UK
 - Latest forecasts show a mixed outlook for the UK economy, reflecting increasing national and international uncertainties. Local authorities will

need to be attuned to the impact on their local economies, services, and any direct investments of their own.

- Demand is still rising, driven by complex needs, an ageing population, and challenges in the healthcare system. With reduced financial support, local authorities will have to continue to become more innovative and commercial.
- Cyber security remains a consistent threat to organisations and there are a growing number of local authorities that have been subjected to successful cyber-attacks. Continued vigilance and awareness remain key to protecting the information assets of local authorities.
- Digital transformation continues to offer opportunities along with significant risks. The innovative use of technology is helping to reduce costs, as well as be more efficient and transparent. However, factors such as security, privacy, ethical and regulatory compliance are a recognised concern.
- Local authorities are facing significant challenges in relation to talent management, both in terms of recruitment and retaining staff meaning ability to remain resilient and deliver high quality services may become an increasing concern.
- Many local authorities have declared a Climate & Ecological Emergency in the past couple of years and made commitments to become Net Zero. Whilst the pandemic has distracted some from this priority, it cannot be ignored and is now a greater challenge to maintain focus and deliver the necessary carbon reductions.

2.11 The resultant efficiency and transformation programme that councils are in the process of implementing and developing continues to profoundly alter each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

2.12 The challenge of giving value in this context, means that Internal Audit needs to:

- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives.
- Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.

- Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as use of technology to achieve ‘whole population testing’ and new insights over sampling or ‘continuous assurance’ where appropriate.
- Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses, this is particularly key given the current challenges and risks and the impact this has had on audit activity.

Internal Audit Plan 2023/24

2.13 The draft plan for 2023/24 is included at Appendix A and contains a high-level proposed outline scope for each audit; Appendix B details the likely start months. The number of days commissioned in 2023/24 has been reduced from 315 days to 300 days.

2.14 The table shows the estimated allocation of the total annual number of purchased audit days for the year.

	2023/24 Days	%
Key Financial Systems	57	19
Other Audits	147	49
IT Audits	12	5
Corporate Governance / Risk Management	20	7
Strategic Support*	47	15
Contingency and other	10	3
Carry forward work 2022/23	7	2
Total allocated days	300	100%

* This covers supporting the Audit Committee, monitoring delivery of the audit plan, client liaison and planning for 2023/24

2.15 Any significant audit plan changes agreed between Management and SIAS will be brought before this committee for noting through the usual plan update reporting cycle. The cancellation of any audits will require approval from the Strategic Director (CFO).

2.16 Members will note the inclusion of a provision for the completion of projects that relate to 2022/23. The structure of Internal Audit’s programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing demands on their time, e.g. year-end closure procedures.

- 2.17 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Chief Audit Executive to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Strategic Director (CFO).

Resources

- 2.18 The Standard 2030 requires SIAS to consider our resources, how these will be effectively used and any limitations of the adequacy of resources.
- 2.19 Achievement of our role and objectives is predicated on the matching of audit needs to available resources through our work allocation processes. This is accomplished through the delivery of internal audit activities by a range of suitably qualified and experienced team members working flexibly in a matrix structure to maximise the value to all our partners and clients. SIAS resources are calculated based on the chargeability of each member of the team and the structure was designed to ensure sufficient chargeability to deliver all plans.
- 2.20 SIAS will utilise our internal audit delivery partner to provide service resilience and access to specialist skills not currently available within the service, or which are not economically viable to recruit and retain on a permanent basis.
- 2.21 SIAS staff are provided training and development across the year to support service delivery at our partners. In addition, SIAS provides funding for professional qualifications and currently has three team members studying towards their professional qualifications.
- 2.22 The service will be adequately resourced to deliver the number of planned internal audit days commissioned by Stevenage Borough Council. There are currently no limitations on the adequacy of resources in place to deliver the Stevenage Borough Council Internal Audit Plan 2023/24.

3. Performance Management

Update Reporting

- 3.1 SIAS is required to report its work to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. Progress against the agreed plan for 2023/24 and any proposed changes will be reported to this Committee four times in the 2023/24 civic year.

- 3.2 SIAS will report on the implementation of agreed critical and high priority recommendations as part of the update reporting process.

Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board and are reviewed annually by the Board. Details of the targets set for 2023/24 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target	Reporting Frequency
1. Public Sector Internal Audit Standards – the service conforms with the standards	Yes	Annually
2. Internal Audit Annual Plan Report – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet	Yes	Annually
3. Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered	95%	Quarterly
4. Project Delivery – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan	95%	Quarterly
5. Client Satisfaction* – percentage of client satisfaction questionnaires returned at ‘satisfactory overall’ level (minimum of 39/65 overall)	TBC*	TBC*
6. Chief Audit Executive’s Annual Assurance Opinion and Report – presented at the first Audit Committee meeting of the financial year	Yes	Annually

*The approach for obtaining client feedback is currently being reviewed, therefore this indicator will be added, if it remains relevant, upon completion of this exercise. In the meantime, SIAS continues to send customer satisfaction questionnaires to lead officers at the conclusion of each audit, with any issues identified discussed with the client to support continuous learning and development of the service.

APPENDIX A – PROPOSED STEVENAGE BOROUGH COUNCIL AUDIT PLAN 2023/24

Audit	Proposed Outline Scope	Proposed Days
COVERAGE OF KEY FINANCIAL SYSTEMS		
Business Rates (shared with EHC).	An audit covering risks linked to raising liability, billing (including reliefs and discounts), collection, and recovery.	49
Council Tax (shared with EHC).	An audit covering risks linked to raising liability, billing (including reliefs and discounts), collection, and recovery.	
Housing Benefits (shared with EHC).	An audit covering risks linked to claim submission, assessment, changes in circumstances and payment.	
Creditors Assurance Mapping Refresh.	A short review of the existing assurance map for any changes and exceptions.	
Debtors Assurance Mapping.	Mapping the various sources of assurance, the associated control framework and identifying any gaps.	
Housing Rents (Former Tenant Arrears).	An audit covering risks linked to the collection and recovery of former tenant arrears.	
Cash & Banking Assurance Mapping Refresh.	A short review of the existing assurance map for any changes and exceptions.	
Treasury Management Assurance Mapping Refresh.	A short review of the existing assurance map for any changes and exceptions.	
Payroll & Expenses.	An audit covering risks linked to starters, leavers, payments to third parties (e.g. HMRC), payroll runs, BACS payments and miscellaneous expenses e.g. mileage allowance.	

APPENDIX A – PROPOSED STEVENAGE BOROUGH COUNCIL AUDIT PLAN 2023/24

Audit	Proposed Outline Scope	Proposed Days
COVERAGE OF OPERATIONAL SERVICES		
Housing Regulator Reporting.	An audit covering risks linked to the systems for reporting against the requirements of the housing regulator.	108
Community Grants & Funding.	An audit covering the risks linked to the application of policies and procedures for awarding grant funding to local organisations.	
Communities External Commissions.	An audit covering risks linked to external commissions for other organisations.	
Land Charges.	An audit covering risks linked to processing local land searches, fees & charges.	
S106 Spend Arrangements.	An audit covering risks linked to recording and monitoring S106 contributions, spending contributions due and received.	
Court Cost Tracking.	An audit covering risks linked with payments due to the Council in respect of recovery of court costs.	
Leaseholder Liability & Billing.	An audit covering risks linked to recognising leaseholder liability arising from major works, associated billing, and collection.	
Homeless B & B.	An audit covering risks linked to bed and breakfast placements and the recovery of costs via the welfare benefits system.	
Wholly Owned Company (Decision Making).	An audit covering risks linked to decision making governance and control.	
Leisure Contract Management.	An audit covering risks linked to managing performance within the new leisure contract.	

APPENDIX A – PROPOSED STEVENAGE BOROUGH COUNCIL AUDIT PLAN 2023/24

Audit	Proposed Outline Scope	Proposed Days
COVERAGE OF CORPORATE SERVICES/THEMES		
Tender Process.	An audit covering risks linked to tender invitation, receipt, evaluation, and award.	59
Risk Management Assurance Mapping.	Mapping the various sources of assurance, the associated control framework and identifying any gaps.	
Corporate Governance Assurance Mapping.	Mapping the various sources of assurance, the associated control framework and identifying any gaps.	
Performance Indicators.	An audit covering risks linked to the completeness and accuracy of data used for reporting against performance metrics.	
Sickness Absence Management.	An audit covering risks linked to complying with sickness absence management policies and procedures.	
Grant Audits.	To provide for auditing external funding arrangements where the funding body attaches associated conditions e.g. Homes England.	
COVERAGE OF INFORMATION TECHNOLOGY		
Mobile Device Security (shared with EHC).	An audit covering risks linked to the framework for mobile device security and safety.	12
IT Project Management (shared with EHC).	An audit covering the risks linked to governance and delivering projects within the IT programme.	

APPENDIX A – PROPOSED STEVENAGE BOROUGH COUNCIL AUDIT PLAN 2023/24

Audit	Proposed Outline Scope	Proposed Days
CONTINGENCY		
Contingency.	To provide for adequate response to risks emerging during the course of the financial year.	10
STRATEGIC SUPPORT		
Head of Internal Audit Opinion 2022/23.	To prepare and agree the Head of Internal Audit Opinion and Annual Report for 2022/23.	3
Audit Committee & Recommendation Follow Up.	To provide services linked to the preparation and agreement of Audit Committee reports, meeting with the Audit Committee Chair prior to each Audit Committee (as required) and presentation of reports / participation at Audit Committee. Follow up of Critical and High priority recommendations.	10
Client Liaison, Ad-hoc Advice, including CGG & RMG.	This involves meetings and updates with the Council's Audit Champion and other key officers. Attendance at the Corporate Governance Group (CGG) and Risk Management Group (RMG) is also included.	10
Plan and Progress Monitoring.	To produce and monitor performance and billing information, work allocation and scheduling.	12
SIAS Development.	Included to reflect the Council's contribution to developing and maintain the shared service / partnership through its service plans and corporate activities.	5
Matters Arising From SAFS	To deal with any audit related matters arising from work carried out by the Shared Anti-Fraud Service (SAFS).	2

APPENDIX A – PROPOSED STEVENAGE BOROUGH COUNCIL AUDIT PLAN 2023/24

Audit	Proposed Outline Scope	Proposed Days
2024/25 Audit Planning.	To provide services in relation to preparation and agreement of the 2024/25 Audit Plan.	5
2022/23 projects requiring completion.	Additional time, if required, for the completion of 2022/23 audit work carried forward into the 2023/24 year. Any unused days will be returned to contingency for use on emerging risks and audits or allocated to audits in the reserve list.	7
TOTAL		300

APPENDIX B – STEVENAGE BOROUGH COUNCIL PROPOSED AUDIT START DATES

Apr	May	Jun	July	Aug	Sept
	Performance Indicators	Mobile Device Security	Tender Process	Leaseholder Liability & Billing	S106 Spend Arrangements
	Community Grants & Funding	Court Cost Tracking	Homeless Bed & Breakfast	Communities External Commissions	Land Charges
					Payroll & Expenses

Oct	Nov	Dec	Jan	Feb	Mar
Wholly Owned Company (Decision Making)	IT Project Management	Business Rates	Corporate Governance Assurance Mapping	Risk Management Assurance Mapping	
Housing Rents (Former Tenant Arrears)	Housing Benefits	Housing Regulator Reporting	Sickness Absence Management	Leisure Contract Management	
		Debtors Assurance Mapping	Cash & Banking Assurance Mapping Refresh	Treasury Management Assurance Mapping Refresh	
			Council Tax	Creditors Assurance Mapping Refresh	

At this stage, the above is an indicative spread of audits as not all services have specified a preferred start date.