

# INTERNAL AUDIT STRATEGIC PLAN

## 2022/23

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Chief Internal Auditor (Acting) – Lisa Smy

## Introduction

1. The role of Internal Audit is best summarised through its definition within the Public Sector Internal Audit Standards (PSIAS) as:

*“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.*

2. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council’s response to internal audit activity should lead to the strengthening of the control environment and therefore contribute to the achievement of the organisation’s objectives.
3. The aim of Internal Audit’s work programme is to provide independent and objective assurance to management, in relation to the business, activities, systems or processes under review that:
  - the framework of internal control, risk management and governance is appropriate and operating effectively; and
  - risk to the achievement of the Council’s objectives is identified, assessed and managed to a defined acceptable level.
4. The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.
5. A copy of the assurance methodology can be found in annex 2.

## Conformance with Standards

6. The Strategic Internal Audit Plan has been prepared in recognition of the responsibilities of the Chief Financial Officer under S.151 of the Local Government Act 1972 and the Accounts & Audit Regulations 2015 and in accordance with the Public Sector Internal Audit Standards 2017 (the Standards).

## Council Risk & the Audit Universe

7. The Standards require the Chief Internal Auditor to develop and maintain a risk-based strategy for delivering the internal audit service. The risk strategy methodology can be found in annex 1.

8. Following the introduction of a new Executive Head structure in January 2021, the service planning process has been reviewed and Executive and Service Plans aligned to the new structure. There are 9 Executive plans for each of the executive areas to support the Corporate Strategy and the 10 corporate objectives. Supporting the plans there is a Corporate Risk Register and an Operational Risk Register. The Risk Registers are fundamental to the development of the Internal Audit Plan. The Chief Internal Auditor will monitor the risk registers closely over the course of the year to ensure the plan remains agile to the rapidly changing landscape.
9. The Audit Universe identifies the main auditable areas within the Council. This is kept under regular review and updated to reflect new ways of working. Each auditable area is risk assessed annually as part of the planning process and a risk factor is applied to as summarised below (see annex 1 for risk strategy methodology). The audit cycle is indicative and will be dependent on resource capacity.
  - High – audit every 2-3 years
  - Medium – audit on a cyclical basis every 3-5 years.
  - Low – audit on a non-cyclical basis based on a continued assessment of risk.

### **Internal Audit Resources**

10. It is expected that for 2022/23 the team will consist of the Chief Internal Auditor (currently vacant and being covered by the Senior Internal Auditor), Senior Internal Auditor (1.0 FTE, fixed term contract for 12 months from August 2022), Internal Auditors (1.3 FTE – 1 FTE permanent, 0.3 casual) and an Internal Audit Apprentice (1.0 FTE).

### **Developing the Internal Audit Plan**

11. To ensure that the Audit Plan is aligned to the Corporate Strategy, Service Plans, and Risk Management Framework and that it continues to add value, consultation took place with the Executive Leadership Team.
12. Based on the conversations with key stakeholders, review of key corporate documents and risk registers, along with the Team's understanding of the organisation, a three-year Strategic Internal Audit Plan and an Annual Internal Audit Plan for the coming year have been developed. It should be noted that the plan has been designed to be fluid.
13. During the year dialogue with key stakeholders will continue to ensure that the plan reflects the needs of the Council.
14. The Council is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

15. In compiling the plan the following was considered:

- Any audit not completed as part of the Annual Plan for 2021/22 has been reassessed for risk and incorporated into the 3-year Strategic Internal Audit Plan.
- A review of the Audit Universe was carried out and the following changes were made:
  - New reviews
    - HRA Housing Revenue Account
- A review of key control areas (major systems) which are key internal control systems and are specifically defined as being those that control the Council's collection and paymaster functions and the associated corporate accounting arrangements are reviewed biennially and require a resource of 75 days.
- A total of 26 days has been included in the Plan for Corporate Governance reviews which includes input into the Annual Governance Statement, Business Continuity Planning, Local Government Transparency Agenda, Partnership Arrangements and the Quality Assessment and Improvement Programme (QAIP) for Internal Audit.
- The IT element of the Plan will continue to be resourced internally and 20 days has been included in the plan for 2022/23. Where appropriate, reliance will be placed on the work of external consultants to avoid any duplication of efforts.
- 10 days has been made available for Councillors to request a review during the year which is high risk and is not covered elsewhere in the plan. Agreement of the Chair of Audit and Resources Committee will be sought prior to any review commencing.
- 20 days is included in the plan for consultancy and value for money reviews which will be determined through the year as a result of corporate performance monitoring. Internal Audit will work closely with Performance and Governance to align work, avoid duplication and improve processes.
- A contingency of 20 days is included within the Plan to cover special investigations and other Counter Fraud arrangements not specifically provided for. Investigations into potentially fraudulent activities will always be undertaken as a matter of priority.
- 20 days has also been included within the Plan to cover the transition of work between 2021/22 and 2022/23 and a provision of 20 days has also been made for demand-led activity (Help & Advice). Past experience has indicated that these contingencies are likely to be fully utilised.
- An additional 20 days has been included in the plan for supporting the ongoing response to the COVID-19 pandemic.

16. In developing the plan, it must also be recognised that Internal Audit are integral to the review of systems, processes and procedures that are being undertaken and whilst the Standards are specific in identifying the

requirements of the planning process, there is also a need to maintain flexibility within the plan. Both the plan and the associated risk assessment will be kept under regular review and updated as the results of audit work are finalised, new systems are developed, the external review of the Internal Audit function is completed, and other factors arise which may affect organisational priorities. As a result, the plan will remain fluid and some work may be accelerated, and other work may attract a lower priority.

**Strategic Internal Audit Plan 2022/23**

17. Based on the above principles, the risk factor, consideration of current and new initiatives during the forthcoming year and liaison with key stakeholders, the Strategic Internal Audit Plan 2022/23 is shown in the table below.
18. This Plan is endorsed by the Corporate Director (Chief Financial Officer) and the Chief Internal Auditor as being sound, robust and sufficient to safeguard the Council's internal control framework and sufficient to enable the Chief Internal Auditor to produce an Annual Assurance Statement.

	<b>2021/22 Agreed days</b>	<b>2022/23 PLANNED DAYS</b>
<i>MAJOR SYSTEMS</i>	130	75
CORPORATE GOVERNANCE	26	26
CORPORATE SUPPORT	109	115
CORPORATE SYSTEMS	20	30
Finance and Housing Programme	20	35
Assets and Project Delivery	20	30
Governance	35	55
Customer Care	15	15
Organisational and Strategic Development	30	50
Environment	10	15
Health & Wellbeing	8	10
Planning and Economy	15	10
Neighbourhood Services	30	64
CONTRACT AUDIT	6	10
MEMBERS SCRUTINY	10	10
INVESTIGATIONS/ CONTINGENCY/ COUNTER FRAUD	20	20
CONSULTANCY	20	20
PRIOR YEAR END COMPLETION	20	20
HELP & ADVICE	20	20
COVID-19 SUPPORT	20	20
<b>TOTAL DAYS</b>	<b>584</b>	<b>650</b>
<b>Internal house resource</b>	<b>491</b>	<b>650</b>
<b>Casual resource*</b>	<b>93</b>	<b>-</b>
<b>TOTAL DAYS</b>	<b>584</b>	<b>650</b>
<b>Variance</b>	<b>0</b>	<b>0</b>

19. The Annual Internal Audit Plan provides the mechanism through which the

Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. Detailed below is the Annual Internal Audit Plan for 2022/23.

## Annual Internal Audit Plan for 2022/23

AUDIT UNIVERSE	RISK INDEX H=High M=Medium L=Low (see appendix 1)	2022/23 PLANNED AUDIT DAYS
<b>Major Financial Systems</b>		
Accounting System	H	
Accounting for Fixed Assets	H	15
Budgetary control	H	
Treasury Management	H	15
Cash Collection & Banking	H	10
Bank Reconciliation	H	
Accounts Receivable (Debtors)	H	
Accounts Payable (Creditors)	H	20
Payroll	H	
Local Taxation	H	
Housing Benefit & Council Tax Support	H	
Contingency	-	15
<i>Sub total</i>		<b>75</b>
<b>Corporate Governance</b>		
Annual Governance Statement	-	2
Internal review of Audit	-	5
External review of Audit	-	2
Follow up of Audit Recommendations	-	15
Local Government Transparency Agenda	-	2
<i>Sub total</i>		<b>26</b>
<b>Corporate Support</b>		
Audit Liaison	-	10
Prevention of Fraud & Corruption	-	50
National Fraud Initiative	-	15
IT System Development/Implementation	-	15
Corporate Risk Management Group	-	2
Procurement Executive Group	-	2
ICT Security Group	-	2
Change and Improvement Board	-	2
Other Programme Boards/Project Groups	-	2
Election Support		<b>15</b>
<i>Sub total</i>		<b>115</b>
<b>Corporate Systems</b>		
Enforcement (various statutory functions)	H	10
Business Continuity Planning	H	10
Management Agreements (various contract arrangements)	M	10
Time & Attendance System	M	
Strategic Planning	H	
Grant Funding (various applications for funding)	M	



<b>AUDIT UNIVERSE</b>	<b>RISK INDEX</b> H=High M=Medium L=Low (see appendix 1)	<b>2022/23 PLANNED AUDIT DAYS</b>
Markets	L	
<i>Sub total</i>		<b>30</b>
<b>Finance &amp; Housing Programme</b>		
Housing Development (Transactions)	H	10
One Horton Heath	H	
Community Investment Programme	H	10
Taxation – VAT & Sub Contractors	H	10
Authorised Signatories	M	
Corporate Credit Card	M	5
Petty Cash	L	
Cheque security & control	L	
HRA Housing Revenue Account	H	
<i>Sub total</i>		<b>35</b>
<b>Assets and Project Delivery</b>		
Asset Management	H	10
Asset Maintenance	H	
Commercial Rents	H	10
Facilities Management	H	10
Health & Safety (inc' Events Management/CDM)	H	
Project Management/PIR Controls	H	
<i>Sub total</i>		<b>30</b>
<b>Governance</b>		
Insurance – Management & Administration	H	
Corporate Governance	H	
Risk Management	H	10
Procurement Arrangements	H	10
Contract & Partnership Management	H	
Information Legislation (Data Protection/FOI)	M	
Records and Information Management	M	
Legal Fees	M	5
Licensing – SCC Partnership	M	10
Election Expenses	M	10
Electoral Registration	M	10
Members Allowances	L	
<i>Sub total</i>		<b>55</b>
<b>Customer Care</b>		
Case Management	H	
Customer Complaints & Compliments	M	10
Controlled Stationery	L	
Print Unit (Glass Box)	L	5
<i>Sub total</i>		<b>15</b>
<b>Organisational and Strategic Development</b>		

<b>AUDIT UNIVERSE</b>	<b>RISK INDEX</b> H=High M=Medium L=Low (see appendix 1)	<b>2022/23 PLANNED AUDIT DAYS</b>
Safeguarding – Children and Vulnerable Adults	H	
ICT Service Delivery & Management	M	5
Business Applications	M	10
IT Infrastructure	M	5
Corporate Performance Management	M	
Community Grants	M	
Community Safety	M	
Recruitment & Selection	M	
Training & Development	M	10
Sickness Absence Monitoring	M	
Employee Performance Management	M	
Travel, subsistence, officer expenses	M	10
Social Media Policy	M	5
Marketing	M	5
Community Engagement	M	
Car & Travel Loans	L	
Sponsorship (all) & Advertising Income	L	
Communications & Civic/Mayoralty	L	
<i>Sub total</i>		<b>50</b>
<b>Environment</b>		
Climate & Environmental Strategy	H	
Tree Stock Management	H	5
Environmental Licencing & Food (inc' Private Rented Accommodation)	M	
Environmental Nuisance	M	
Countryside Land Management (all parks)	M	10
Car Club	L	
<i>Sub total</i>		<b>15</b>
<b>Health &amp; Wellbeing</b>		
Hampshire Home Choice	M	10
Homelessness	M	
Tenancy Start Up /Top Up Rent	M	
Housing Grants & DFGs	M	
The Point & The Berry (Business & Operations)	M	
Arts Development (inc. Youth Theatre)	M	
Country Parks Operations	M	
Hire of Community Facilities	L	
Healthworks/Park Sports	L	
<i>Sub total</i>		<b>10</b>
<b>Planning and Economy</b>		
Developers' Contributions	H	
Planning Fees	M	

<b>AUDIT UNIVERSE</b>	<b>RISK INDEX</b> H=High M=Medium L=Low (see appendix 1)	<b>2022/23 PLANNED AUDIT DAYS</b>
Land Charges	M	10
Building Control Fees	M	
Economic Development	M	
Wessex House	M	
<i>Sub total</i>		<b>10</b>
<b>Neighbourhood Services</b>		
Fleet Management	H	
Commercial Waste	M	
Waste Management (Residual & Recycling)	M	10
Garden Waste System	M	
Street Scene	M	5
Pest Control	M	
Small works	M	
Vehicle Workshop	M	8
Car Parks	M	10
Residents Permits	M	10
Civil Parking Enforcement	M	10
CCTV	M	
Traffic Management	M	5
Allotments	L	3
Cemeteries	L	3
<i>Sub total</i>		<b>64</b>
<b>Contract Audit</b>		<b>10</b>
<b>Members Scrutiny</b>		<b>10</b>
<b>Consultancy/Improvement (VFM)</b>	-	<b>20</b>
<b>Investigations/Contingency</b>	-	<b>20</b>
<b>Prior Year Audit Completion</b>	-	<b>20</b>
<b>Help and Advice</b>	-	<b>20</b>
<b>Covid-19 Support</b>	-	<b>20</b>
<b>Total Audit Days</b>		<b>650</b>

## Appendix 1

### Internal Audit - Risk Based Strategy 2022/23

The Audit Universe details the main auditable areas across Eastleigh Borough Council. The Public Sector Internal Audit Standards 2017 (PSIAS 2017) require the Executive Head of Governance (Head of Internal Audit HIA) to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

*“The HIA is responsible for developing a risk-based plan. The HIA takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the HIA uses their own judgement of the risks after consideration or input from senior management and the Audit & Resources Committee. The HIA must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems and controls.” Source PSIAS 2017.*

Each year the Head of Internal Audit carries out a Risk Assessment of each auditable area which assists in determining the audit coverage for that coming year. The Internal Audit Plan is then presented to the Audit & Resources Committee for approval in March each year.

The risk assessment is split into 4 areas; Corporate Priority, Control Environment assessment, Financial risk score and Reputational risk score. This is determined by the Head of Internal Audit's assessment with input from responsible officers, Audit & Resources Committee and External Audit alongside a review of Risk Registers. For any new auditable areas the control environment will be given a mid-range score of 2.

Corporate Priority	Score	Control Environment	Score
High	3	Poor	3
Medium	2	Average	2
Low	1	Good	1
Financial Risk	Score	Reputational Risk	Score
High	3	High	3
Medium	2	Medium	2
Low	1	Low	1

Each audit is risk assessed using the 4 areas above and the score is combined to give an overall score. This score will determine if the audit is risked as high, medium or low as shown below:

#### Overall score:

Score	Risk	Audit frequency
5 or less	Low risk	Audit on a non-cyclical basis based on a continued assessment of risk
Score 6-8	Medium risk	audit on a cyclical basis every 3-5 years
Score 9+	High risk	audit every 2-3 years

## Appendix 2 Internal Audit – Assurance Methodology

### Opinion

- For each internal audit assignment, we assess the framework of control for the activity under review based on our audit findings and arrive at a conclusion that assesses the audit assurance in one of four categories. These will arise from:
  - Our assessment of the controls that are in place and;
  - Our assessment of compliance with these controls.

Level	Control Assessment	Compliance Assessment
<b>Nil</b>	There are no controls in place.	There is no compliance with controls.
<b>Limited</b>	Significant weaknesses in controls exist.	There is a significant level of non-compliance with controls.
<b>Adequate</b>	There are opportunities to improve controls.	There is non-compliance with some of the controls.
<b>Substantial</b>	There are robust controls in place.	There is compliance with controls.

### Recommendations

- Recommendations are graded to assist management with prioritising implementation as follows:

Priority	Explanation
<b>1 (Critical risk)</b>	A major or serious control weakness as a key control is either missing, failing or not being adhered to which requires immediate action and exposes the Council to a critical risk.
<b>2 (High risk)</b>	A significant control weakness as a key control is either missing, not working or not being adhered to and exposes the Council to a high risk.
<b>3 (Medium Risk)</b>	An issue which needs to be corrected to ensure controls are adequate or operating effectively or to improve compliance which exposes the Council to a medium risk.
<b>4 (Low Risk)</b>	An opportunity to improve the controls or strengthen compliance although this does not expose the Council to any critical or significant risk.