

INTERNAL AUDIT STRATEGIC PLAN

2023/24

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Chief Internal Auditor – 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 appendix 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 Appendix 1.

8. There are service plans for each of the service areas to support the Corporate Strategy and the corporate objectives. Supporting the service plans there are Risk Registers which are closely aligned to corporate objectives. 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 appendix 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. For 2023/24 the team will consist of the Chief Internal Auditor, Internal Auditor (1.3 FTE) and an Career Grade Internal Auditor (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 Corporate Leadership Board.
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 2022/23 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

○ Cemeteries

- 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 110 days.
- A total of 28 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.
- 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 & 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 2022/23 and 2023/24 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 10 days has been included in the plan for supporting the 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, 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 2023/24

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 2023/24 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.

	2022/23 Agreed days	2023/24 PLANNED DAYS
<i>MAJOR SYSTEMS</i>	95	110
CORPORATE GOVERNANCE	28	28
CORPORATE SUPPORT	115	118
CORPORATE SYSTEMS	20	0
FINANCE, IMPROVEMENT AND HOUSING PROGRAMME	45	0
PROJECT DELIVERY	0	10
PROPERTY & COMMERCIAL	40	20
GOVERNANCE & SUPPORT	20	25
PEOPLE & COMMUNITIES	0	35
PLANNING & ENVIRONMENT	10	25
NEIGHBOURHOOD & COUNTRYSIDE	25	10
CONTRACT AUDIT	10	10
COUNCILLORS 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	10
TOTAL DAYS	518	491
Internal house resource	452	425
Casual resource*	66	66
TOTAL DAYS	518	491
Variance	0	0

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 2023/24.

Annual Internal Audit Plan for 2023/24

AUDIT UNIVERSE	RISK INDEX H=High M=Medium L=Low (see appendix 1)	2023/24 PLANNED AUDIT DAYS
Major Financial Systems		
Accounting System	H	15
Accounting for Fixed Assets	H	
Budgetary control	H	
Treasury Management	H	
Cash Collection & Banking	H	
Bank Reconciliation	H	15
Accounts Receivable (Debtors)	H	
Accounts Payable (Creditors)	H	
Payroll	H	15
Local Taxation	H	25
Housing Benefit & Council Tax Support	H	25
Contingency	-	15
<i>Sub total</i>		110
Corporate Governance		
Annual Governance Statement	-	2
Internal review of Audit	-	5
External review of Audit	-	2
Follow up of Audit Recommendations	-	15
Local Government Transparency Agenda	-	4
<i>Sub total</i>		28
Corporate Support		
Audit Liaison	-	13
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		15
<i>Sub total</i>		118
Corporate Systems		
Enforcement (various statutory functions)	H	
Business Continuity Planning	H	
Management Agreements (various contract arrangements)	M	
Time & Attendance System	M	
Strategic Planning	H	
Grant Funding (various applications for funding)	M	

AUDIT UNIVERSE	RISK INDEX H=High M=Medium L=Low (see appendix 1)	2023/24 PLANNED AUDIT DAYS
Markets	L	
<i>Sub total</i>		0
Finance & Housing Programme		
Community Investment Programme	H	
Taxation – VAT + Sub Contractors & IR35	H	
Authorised Signatories	M	
Corporate Credit Card	M	
Petty Cash	L	
Cheque Security & Control	L	
Business Applications (including Mobile Phones)	M	
ICT Service Delivery & Management	M	
IT Infrastructure	M	
Corporate Performance Management	M	
<i>Sub total</i>		0
Project Delivery		
Project Management/PIR Controls	H	
One Horton Heath	H	10
<i>Sub total</i>		10
Property & Commercial		
Asset Management	H	
Asset Maintenance	H	10
Commercial Rents	H	
Facilities Management (Cleaners, Alarms, CCTV etc)	H	
Housing Development (Transactions)	H	10
HRA Housing Revenue Account	H	
Wessex House	M	
<i>Sub total</i>		20
Governance & Support		
Insurance – Management & Administration	H	10
Corporate Governance	H	5
Risk Management	H	
Procurement Arrangements	H	
Contract & Partnership Management	H	
Information Legislation (Data Protection/FOI)	M	
Records and Information Management	M	
Legal Fees	M	
Licensing – SCC Partnership	M	
Election Expenses	M	
Electoral Registration	M	
Members Allowances	L	
Health & Safety/Events	H	

AUDIT UNIVERSE	RISK INDEX H=High M=Medium L=Low (see appendix 1)	2023/24 PLANNED AUDIT DAYS
Management/CDM/Legionella/Asbestos		
Safeguarding – Children & Vulnerable Adults	H	10
Recruitment & Selection	M	
Training & Development	M	
Sickness Absence Monitoring	M	
Employee Performance Management	M	
Travel, Subsistence, Officer Expenses	M	
Social Media Policy	M	
Marketing	M	
Car & Travel Loans	L	
Sponsorship (all) & Advertising Income	L	
Communications & Civic Mayoralty	L	
<i>Sub total</i>		25
People & Communities		
Case Management	H	
Customer Complaints & Compliments	M	
Controlled Stationery	L	
Print Unit (Glass Box)	L	
Hampshire Homechoice (Joint Housing Register)	M	10
Homelessness	M	10
Tenancy Start Up/Top Up Rent	M	
Housing Grants & DFGs	M	15
The Point & The Berry (Business/Operations)	M	
Arts Development (inc. Youth Theatre)	M	
Sports & Active Lifestyle – Healthworks/Park Sports	L	
Community Grants	M	
<i>Sub total</i>		35
Planning & Environment		
Climate & Environmental Strategy	H	10
Environmental Licencing & Food (inc. Private Rented Accommodation)	M	
Environmental Nuisance	M	
Developers' Contributions	H	15
Planning Fees	M	
Land Charges	M	
Building Control Fees	M	
Economic Development	M	
<i>Sub total</i>		25
Neighbourhood & Green Spaces		
Fleet Management	H	

AUDIT UNIVERSE	RISK INDEX H=High M=Medium L=Low (see appendix 1)	2023/24 PLANNED AUDIT DAYS
Commercial Waste	M	
Waste Management (Residual & Recycling)	M	
Garden Waste System	M	
Street Scene	M	
Pest Control	M	
Small works	M	
Vehicle Workshop	M	
Car Parks	M	
Residents Permits	M	
Civil Parking Enforcement	M	
CCTV	M	
Traffic Management	M	
Markets	L	
Allotments	L	
Cemeteries	M	10
Community Safety	M	
Tree Stock Management (inc. TPO)	H	
Countryside Land Management (all parks)	M	
Country Park Operations (IVCP & Lakeside)	M	
Hire of Community Facilities	L	
Car Club	L	
<i>Sub total</i>		10
Contract Audit		10
Members Scrutiny		10
Consultancy/Improvement (VFM)	-	20
Investigations/Contingency	-	20
Prior Year Audit Completion	-	20
Help and Advice	-	20
Covid-19 Support	-	10
Total Audit Days		491

Appendix 1

Internal Audit - Risk Based Strategy 2023/24

The Audit Universe details the main auditable areas across Eastleigh Borough Council. The Public Sector Internal Audit Standards 2017 (PSIAS 2017) require the Chief Internal Auditor (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 Chief Internal Auditor 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 Chief Internal Auditor'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
Nil (red)	There are no controls in place.	There is no compliance with controls.
Limited (amber)	Significant weaknesses in controls exist.	There is a significant level of non-compliance with controls.
Adequate (yellow)	There are opportunities to improve controls.	There is non-compliance with some of the controls.
Substantial (green)	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
1 (Critical risk)	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.
2 (High risk)	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.
3 (Medium Risk)	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.
4 (Low Risk)	An opportunity to improve the controls or strengthen compliance although this does not expose the Council to any critical or significant risk.