

Report of	Meeting	Date
Service Lead Audit and Risk	Governance Committee	Wednesday, 16 March 2022

Internal Audit Plan April to September 2022

Is this report confidential?	No
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Is this decision key?	No
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Purpose of the Report

1. This report sets out the programme of work to be undertaken by the Internal Audit Service. The Internal Audit Plan is the vehicle by which audit workload is identified and prioritised.

The main purposes of the report are to:

- Remind members of the respective roles of managers and Internal Audit to maintain a sound system of governance and internal control within the Council;
- Provide details of the Internal Audit Plan and associated performance indicators;
- Seek the Committee's approval of the Audit Plan;
- Seek the Committee's approval of the Internal Audit Charter.

Recommendations to Governance Committee

2. That the Committee approve the Internal Audit Plan and associated indicators.
3. That the Committee approve the Internal Audit Charter.

Corporate priorities

4. The report relates to the following corporate priorities:

Involving residents in improving their local area and equality of access for all	A strong local economy
Clean, safe and healthy communities	An ambitious council that does more to meet the needs of residents and the local area

The Role of Management and Internal Audit

5. The responsibility for implementing a strong system of governance and internal control within the Council lies primarily with the Shared Senior Management Team. Directors and Service Leads need to ensure that they maintain effective control procedures not least because services and business systems are subject to on-going change.
6. Internal Audit is an independent appraisal function whose core objective is to evaluate and report on the adequacy of the Council's system of governance, risk management and internal control. In the main this is achieved through an annual programme of reviews, following a detailed risk assessment of audit need.

Development of the Internal Audit Plan

7. Professional standards for Internal Audit in local government specify that "the Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."
8. Historically the Internal Audit Plan has been compiled and approved by the Senior Management Team and Members on an annual basis, however it has become more evident in recent years that a change in methodology is required to keep pace with the Council's strategic agenda and transformation programme. Reducing the audit planning period cycle would ensure greater flexibility and responsiveness to ongoing changes in priorities, strategy, operational arrangements; and external factors that may increase the Council's exposure to risk. An Internal Audit Service that is able to adapt in this way would add more value to the organisation.
9. To enable Internal Audit to be flexible and responsive to emerging risks across the organisation, it is proposed that the Internal Audit Plan is only developed for April to September. The intention is then to revisit the audit needs analysis and to liaise with key stakeholders to consider any new and emerging risks to identify the work plan for October to March 23.
10. Adopting this methodology will strengthen Internal Audit's approach to risk-based auditing ensuring that resources are focused on the highest risks within the Council. Furthermore, it will ensure that the opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control as required by the Public Sector Internal Audit Standards is reflective of current environment that the Council is operating in.
11. By adopting this way of working will also allow us to accurately tailor the plan to the resources we have available during each 6-month period.

Compilation of the Audit Plan

12. The Internal Audit Plan April – September has been constructed after taking into consideration the following:
 - The Council's priorities / strategic plan;
 - A review of corporate strategies;

- The corporate risk register;
 - Information taken from other assurance processes within, and external to, the Council, including External Audit and inspection reports;
 - Direct engagement with Directors;
 - The skills, knowledge and experience of audit staff;
 - Professional judgement on the risk of fraud and error;
 - Annual Governance Statement and Service Assurance Statements.
13. The Internal Audit Plan contains the programme of reviews for the period of April 22 to September 22 and is shown at **Appendix A**. This clearly shows the link between the work of Internal Audit, strategic and operational risks and corporate objectives. The reviews are clearly highlighted with the quarter for completion. The plan also details our involvement with key project teams assisting with advice and guidance on risk management, internal control and governance.

Internal Audit Reviews of Chorley Leisure Limited

14. It has been agreed that the Internal Audit Service will provide 105 audit days to Chorley Leisure Limited (CLL). Whilst the outcome of each audit review will be reported to the Board of the Directors, the Governance Committee will receive an annual opinion on the adequacy and effectiveness of the internal control, risk management and governance arrangements for CLL.

Audit Resource

15. The plans for both the Council and CLL will be completed solely by the in-house team with external support procured for the specialist ICT reviews. For the period October 22 to March 23, it is intended to increase the capacity of the Internal Audit Service with the recruitment to an audit trainee post and with the use of agency staff. The current level of resource is detailed in the table below:

Service Lead Audit and Risk	0.6 FTE
Senior Auditor	0.8 FTE
Auditor	2 x FTE
Bought in resource	30 days

Internal Audit Performance Indicators

16. For the forthcoming period of April 22 to March 23, there is no change to the performance indicators or targets. Progress will be monitored throughout the period and reported to the Governance Committee three time per year.

Performance Indicator	Target
% of Planned time used	90%
% of Audit Plan completed	90%
% satisfaction rating (assignment level)	90%
% of agreed actions implemented by management	90%

Internal Audit Charter

17. From 1st April 2013, the CIPFA Code of Practice for Internal Audit in Local Government 2006 was replaced by new UK Public Sector Internal Audit Standards (PSIAS). The Attribute Standard of the PSIAS "*Purpose, Authority and responsibility*" specifically requires the production of an Internal Audit Charter and for it to be periodically reviewed to ensure it is fit for purpose and compliant with the PSIAS. Whilst the Charter was last reviewed in April 2021, it has now been amended to include Chorley Leisure Limited.
18. The reviewed Internal Audit Charter is included at **Appendix B**.

Climate change and air quality

19. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

Equality and diversity

20. The material presented and discussed in this report has no direct implications on equality and diversity.

Risk

21. Risks are outlined throughout the body of the report.

Appendices

Appendix A – Internal Audit Plan April to September 22

Appendix B - Internal Audit Charter

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