

Committee: **Governance & Audit Committee**  
 Date of meeting: **21<sup>st</sup> June 2023**  
 Report Subject: **Internal Audit Plan 2023-2028**  
 Portfolio Holder: **Leader of the Council (Cabinet Member – Corporate Overview & Performance)**  
 Report Submitted by: **Rhian Hayden- Chief Officer Resources**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Governance & Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
	01/06/2023	07.06.23	21/06/2023					

**1. Purpose of the Report**

1.1 The purpose of this report is to provide the Governance & Audit Committee with the five-year strategic Audit Plan for the period 2023-2028 (Appendix A).

**2. Scope and Background**

2.1 The report provides the strategic five-year Internal Audit Plan including the rationale for implementing a one-year operational plan.

2.2 Under the Public Sector Internal Audit Standards (PSIAS) the Audit & Risk Manager is required to:

- Produce a risk-based Internal Audit Plan that prioritises internal audit activity in line with the organisation’s goals and objectives.
- Produce a plan that takes into account, the requirements to produce an annual audit opinion, and the assurance framework that exists within the Authority.
- Confirm that the service will be delivered in accordance with the Internal Audit Charter.
- Produce a plan based on a documented risk assessment that considers input from Senior Management.
- Communicate any resource limitations to the Governance & Audit Committee.
- Report the Internal Audit Plan to the Governance & Audit Committee for approval.

2.3 The audit plan is produced following an assessment of risk whereby each potential audit area (the audit population) is scored using a matrix against a set of criteria relating to the audit risks, the Authority’s objectives, and the views of the Heads of Services/Service Managers. The scoring matrix reflects the current objectives / priorities of the Authority and also to allow flexibility.

- 2.4 An example of the scoring matrix is attached at Appendix B. The matrix also includes a miscellaneous category to enable the plan to be adjusted for audit timing and ad hoc circumstances.
- 2.5 The plan produced from the risk assessment scores show audits as high, medium or low risk (Red, Amber and Green) based on the score they achieve. Banding the audits into risk categories instead of a rank order, will allow for more flexibility in the audit plan. In addition to the risk assessed audits the plan will continue to contain standard audits (Blue), such as grants, and CRSA for schools, and ongoing audits (White) that were already commenced at year end.
- 2.6 The plan is constructed by taking the number of available audit days, based on the audit establishment, and apportioning across all directorates rather than allocating them to specific audits. This approach enables the Audit and Risk Manager to provide the Governance & Audit Committee with an annual audit opinion.

### 3. **Options for Recommendation**

- 3.1 The Governance & Audit Committee consider the following options:

#### Option 1

The Committee note the basis for audit selection / prioritisation as described in section 2, and approve the audit plan attached at Appendix A, deeming it to provide sufficient coverage upon which the Audit and Risk Manager can provide an annual audit opinion, enabling the Governance & Audit Committee to fulfil its assurance role.

#### Option 2

The Committee note the basis for audit selection / prioritisation as described in section 2, and provide suggestions for amendment to the audit plan attached at Appendix A and subsequently approve it, deeming it to provide sufficient coverage upon which the Audit and Risk Manager can provide an annual audit opinion, enabling the Governance & Audit Committee to fulfil its assurance role.

#### Option 3

The Committee note the basis for audit selection / prioritisation as described in section 2, and reject the audit plan attached at Appendix A as a method of providing adequate assurance regarding the Authority's control environment. An alternative programme of work for the Internal Audit service would then need to be put forward.

4. **Evidence of how this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**
- 4.1 The report supports the Authority in achieving its Corporate Plan Priority of an ambitious and innovative council delivering the quality services we know matter in the right place and at the right time through demonstrating that adequate measures are in place for the prevention and detection of fraud, thereby protecting the Authority's assets.

- 4.2 The Governance & Audit Committee, in their role as those responsible for governance, and in compliance with the PSIASs, have a responsibility to oversee the performance of the Internal Audit function including receiving a summary of the work upon which the Audit & Risk Manager will base her annual audit opinion.

## 5. **Implications Against Each Option**

### 5.1 Impact on Budget (short and long term impact)

There are no direct financial implications arising from production of the internal audit plan.

### 5.2 Risk including Mitigating Actions

Options 1 and 2 will facilitate sufficient audit coverage for the Audit and Risk Manager to provide an annual audit opinion. Option 3 would result in non-compliance with legislation and the S151 Officer will be unable to discharge her statutory duty.

### 5.3 Legal

Provision of an adequate audit service, demonstrated in part through the production of a suitable audit plan, contributes to the Section 151 officer being able to fulfil her statutory duties under the Local Government Act (1972).

### 5.4 Human Resources

The section has a complement of six full time posts and the audit plan has been developed based on a full complement of staff.

- 5.4.1 Based on current audit resources, the whole audit population would be covered in a five-year period. This is based on maintaining the status quo with both audit areas and staffing numbers. Audits will continue to be prioritised based on high risk areas.

## 6. **Supporting Evidence**

### 6.1 Performance Information and Data

The Internal Audit Plan currently operates on a five-year audit cycle with a one-year operational plan.

- 6.1.1 The number of audit days available is set at 1182 days for 2023/24 based on the audit establishment of 6FTE audit posts. Progress against the plan will continue to be monitored and reported through the year to both CLT and the Governance and Audit Committee.

- 6.1.2 The audit plan percentage set at 73% for 2022/23 was not achieved in part due to staff changes throughout the year. However, the plan percentage will remain at 73% for 2023/24 as it is considered to be realistic and an achievable target if the complement of staff is consistent throughout the year.

- 6.1.3 The service currently maintains a set of eight performance indicators as part of a benchmarking exercise with other Welsh authorities.
- 6.2 Expected outcome for the public  
An effective Governance & Audit Committee will assist with the stewardship of public money providing assurance to communities of Blaenau Gwent on the robustness of the Authority's internal controls.
- 6.3 Involvement (consultation, engagement, participation)  
There are no direct implications under involvement.
- 6.4 Thinking for the Long term (forward planning)  
The work of Internal Audit is intended to provide advice and guidance on system improvements resulting in an improved control environment for the future of the Authority.
- 6.5 Preventative focus  
The provision of a five-year strategic audit plan sets out the Authority's intent to consider the adequacy of its control environment and receive assurance on the robustness of its systems.
- 6.6 Collaboration / partnership working  
A number of audit areas that are included within the audit population are led by other local authorities. In these instances, reports are shared between authorities to confirm the level of assurance provided. For example, reports from Torfaen Council on the SRS audits.
- 6.7 Integration(across service areas)  
The audit plan is developed with a view to providing assurance on the whole of the Authority's control environment. Some audits are undertaken with a cross departmental approach.
- 6.8 Decarbonisation and Reducing Carbon Emissions  
There are no direct implications under Decarbonisation and Reducing Carbon Emissions.
- 6.9 Integrated Impact Assessment (IAA)  
Not applicable
7. **Monitoring Arrangements**
- 7.1 Progress reports are provided to the Governance & Audit Committee throughout the year.

#### **Background Documents /Electronic Links**

- *Appendix A – Audit Plan*
- *Appendix B – Example Risk Assessment Matrix*