



BRISTOL INTERNAL AUDIT

INTERNAL AUDIT: DRAFT PLAN 2022/23

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1. Purpose of this Annual Plan Report

1.1 This report provides an overview of Internal Audit's proposed work plan for 2022/23. Its purpose is to:

- Provide the Audit Committee with the draft planned Audit coverage for 2022/23
- Provide details of the methodology used to formulate the plan
- Draw attention to key features of the proposed plan
- Provide details on the plan monitoring process, together with the follow-up and escalation process.

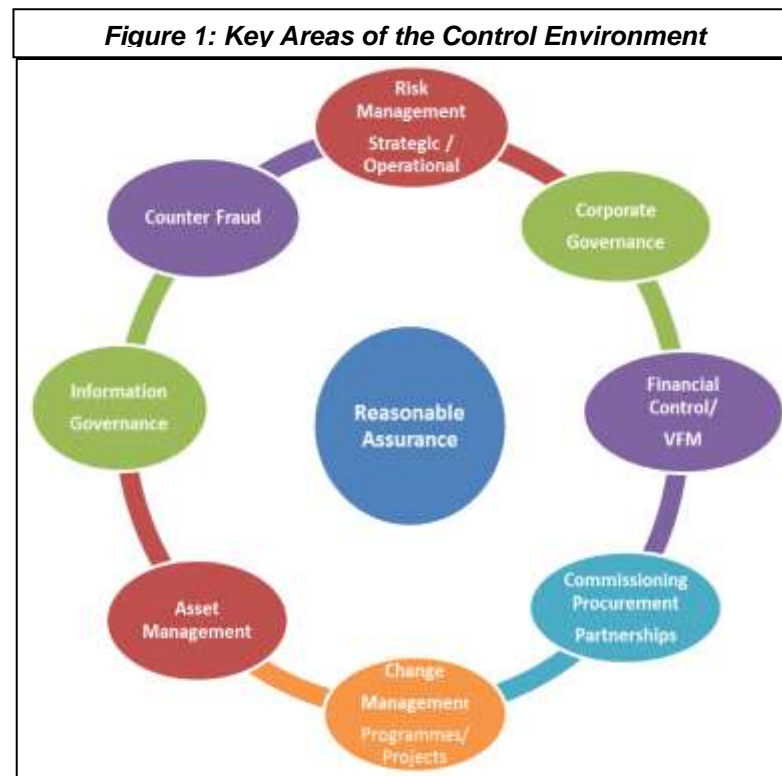
2. Formulation of the 2022/23 Audit Plan

2.1 The Internal Audit planning process reflects the requirements of the Public Sector Internal Audit Standards 2013 (PSIAS) and supporting Local Government Application Note produced by CIPFA/CIIA. It results in an audit plan which should:

- Ensure a programme of work that is designed to enable provision of an evidence-based audit opinion on the risk management, governance and control environment to the senior management and the Audit Committee and in support of the Annual Governance Statement (AGS).
- Help the Council meet high standards of service delivery, conduct and governance by examining, evaluating and reporting on the risk management, governance and internal control environment in areas it has identified support would be beneficial.
- Ensure the Internal Audit Service is able to deliver other elements of work carried out on behalf of the Council which also support the year-end opinion.

2.2 The level of Internal Audit resources required to review all Council activities far exceeds those available each year. It is therefore important to ensure work is planned so that the maximum benefit is achieved in respect of the above aims and that the Service completes work which is risk based and adding value. In preparing the audit plan, work is designed to provide assurance in key areas within the Council's risk, governance and control environment as demonstrated by Figure 1.

Figure 1: Key Areas of the Control Environment



- 2.3 In developing the plan, a desk top review has been undertaken of the potential risk areas for review including consideration of:
- Corporate Strategy & Priorities
 - Corporate, Directorate and Service Risk Registers
 - The budget proposals for the Council.
 - The Councils transformation agenda
 - Key financial systems
 - The Global Risks Report 2022 published by the World Economic Forum
 - Risk in Focus 2022: Hot topics for internal auditors published by a consortium of institutes of internal auditors that includes the Chartered Institute of Internal Auditors (UK & Ireland)
 - Internal Audit Strategic Partner views providing cross sector insight
 - Outcomes from previous internal audit, external audit and any inspection activities across all companies
 - Areas of the business identified as requiring improvement or assurance support
 - Audit work required to inform the annual opinion
 - Assurance mapping previously completed by the team.
- 2.4 Additionally, extensive consultation has been undertaken with officers to confirm our assessment of the risks, determine areas of audit input that can add value to managers and to ensure a clear understanding of how Internal Audit work fits with other known sources of assurance:
- The Corporate Leadership Board
 - Executive Directors
 - Executive Directorate Management Teams
 - Service Directors
 - S.151 Officer
 - Monitoring Officer
 - Information Governance Board
 - Corporate Support Colleagues
- 2.5 Having captured all the potential audit areas, an internal audit risk assessment based on relevance to corporate priorities, level of risk, materiality and audit history was undertaken to prioritise areas of focus in 2022/23. Our proposals were considered by the Corporate Leadership on 22nd February 2022.
- 2.6 Internal Audit also has responsibility, on behalf of the Council for facilitation of developments in the following areas and this work is also included in the work plan:
- Co-ordination of assurances around corporate governance and compilation of the Annual Governance Statement (AGS)
 - Ensuring robust counter fraud arrangements are in place across the Council.
 - Ensuring effective arrangements for the coordination and management of the whistleblowing process.
- 2.7 The outcome of the above process is the Draft Annual Audit Plan at Appendix 1 which identifies potential areas that require assurance based on our assessment of risk. Those areas scoring lower in the risk assessment and not included in the plan, or areas that have been excluded for other reasons (eg other sources of assurance are available) are provided at Appendix 2.

- 2.8 Given the complex circumstances under which the Council continues to operate, it is anticipated that risks will continue to evolve at pace so Internal Audit will maintain a rolling plan which will be formally reviewed quarterly as previously agreed with the Audit Committee. In doing so, the items in both Appendix 1 and 2 will be revisited to ensure the risk assessment remains accurate as well as considering new/emerging risks as the year progresses. Additionally the plan will need to take into account any risks arising from the Annual Governance Statement during the current review process.

3. Resources

- 3.1 The plan will be delivered largely by the in-house team with the support from KPMG, our Internal Audit Strategic Partner. The plan has been developed and is considered deliverable based on the following resourcing assumptions:
- Two Internal Audit Professional Level 7 Apprentices will be recruited by September 2021.
 - Minimal impact on delivery by the team as a result of the current Common Activities Programme.
- 3.2 As our strategic partner, KPMG have been appointed to support our core delivery arrangements and facilitate the transfer of knowledge through joint audit projects as well as providing training to enhance our commercial and specialist skills. This partnering arrangement will also ensure the team is more resilient and enhances the ability to effectively deal with emerging risks and changing assurance requirements.
- 3.3 The appointment of high-level apprentices aligns with our strategy of building resilience within our Service by developing and implementing succession plans that are underpinned by the principle of growing our own skilled professionals through the apprenticeship and graduate trainee route. This approach does not only support the Council's wider objectives but also helps to address difficulties currently faced in recruiting experienced and qualified audit staff. These appointments were planned for the second half of 2020/21 but were not progressed following a corporate vacancy freeze. It is however intended to recruit to these posts during 2022/23.
- 3.4 For each audit assignment planned, the resource required is estimated. A number of factors that occur either before or during the audit reviews can significantly alter (in either direction) the number of days required for individual reviews.
- 3.5 Table 1 below provides the Committee with a summary view of the proposed coverage for 2022/23 split by audit type and providing indicative days to be spent in each area. It also provides details of days allocated in previous years. Again, it should be noted that this could change in the event of new risks emerging during the year.

Table 1: Summary of proposed Audit Plan 2022/23 with previous year comparatives:

Area of Work	Indicative Days	Indicative Days	Indicative Days	Indicative Days
	2022/23	2021/22	2020/21*	2019/20
Governance Systems	175	195	145	195
Risk Management Effectiveness	240	110	125	140
Financial Control Systems	195	160	160	255
Certifications	170	150	180	150
Schools Governance	110	100	100	100
Value for Money	-	70	40	50
Procurement and Contracts Management	85	85	95	100
Asset Management	60	65	35	95
Information Governance	80	135	165	175
Projects and Programme Management	240	200	190	170
Management Action Tracking	50	80	150	176
Consultancy and Advisory	40	75	169	-
General Contingency and b/f	120	165	240	200
Total Risk, Governance, Assurance	1565	1590	1794	1806
Counter Fraud				
Strategic Fraud Work (incl Whistleblowing)	191	40	41	19
Fraud Prevention	280	371	480	273
Fraud Detection (incl tenancy fraud work)	940	858	840	814
Responsive Fraud Investigation excl Tenancy (including DWP interface)	340	460	498	550
Contingency	130	-	-	-
Total Fraud	1881	1729	1859	1656
Total Planned Coverage	3446	3319	3653	3462
Total Available Productive Days	3463	3304	3650	3467

**Indicative days for 2020/21 Plan are based on the plan presented to March 2020 Audit Committee ie before the impact of the pandemic was felt.*

- 3.6 Available days for assurance work are in line with the reduced level planned for last year. This is reflective of the extent to which arrangements with the strategic partner are embedding as well as the provision of more training days for a number of colleagues including the commitment necessary to support the 2 Level 7 Internal Audit Professional Apprentices. On the counter-fraud team, more resource has been made available to ensure sufficiency of resource for Whistleblowing. Additionally, key development work (Fraud Hub Phase 1) was completed in 2021/22 freeing up more resources for other planned work in 2022/23. A contingency on the fraud side has been included for the first time for unseen tasks or circumstances potentially relating to covid 19.

- 3.7 Given changes in our approach around automation, use of analytics and agile working it is felt that this level of resource will enable us to deliver the audit and counter-fraud plans presented in Appendix 1. Completion of this plan will leave the Chief Internal Auditor well placed to form his annual opinion at the end of the year.
- 3.8 The above table also demonstrates:
- Full use will continue to be made of Pentana Audit for management action tracking, working jointly with management to verify updates and implementation. Where re-audit work is required for audits concluding no or limited assurance, this is included in the internal audit plan and will include review of progress against previously agreed actions reducing the need for a separate allocation for follow up.
 - A reduced allocation for contingency, consultancy and advice. This resource is lower than in previous years given the change in approach to audit planning. Areas for audit will be reviewed each quarter and where new areas for review are identified, priority of these will be considered alongside existing areas identified in the plan.
 - Value for Money (VfM) work has not been specifically identified in the plan given this is an area of focus for the external auditor. However, consideration of VfM is integral to all the work completed and is considered at each audit assignment as a matter of course. Additionally, proactive fraud and irregularity work often identifies significant VfM opportunities.
 - The figures at table 1 in relation to information governance reviews suggest that less resource has been allocated in this area when compared to previous years. This is not the case. In previous years, this allocation has included IT Audit reviews as well as information governance reviews. In this year's plan, the IT risk areas covered are included in the Risk Management category of the plan, hence the risk management figure is higher than in previous years.

4. The Audit Plan – Key Features

- 4.1 The plan reflects some of the highest risk areas to the Council and is designed to ensure that assurance is targeted effectively to enable provision of an opinion on the governance, risk management and internal control framework. Significantly, this year, approaches include:
- **Size of the assurance plan** – the actual number of audits included in the plan has been reduced in comparison with previous years. The approach is to ensure that auditable areas are allocated more days to enable deeper insights and enhanced assurance. Additionally, the team will continue to draw on other sources of assurance where they are available and avoid duplicating work in those areas.
 - **Flexibility and Responsiveness** – recognising that independent assurance requirements and organisational risks will change during the year, more flexibility has been built into the plan:
 - Contingencies have been included for new and emerging risk areas in year. This should enable the team to accept a limited number of requests for work in year without impacting on the planned work for 2022/23.
 - Resources for responsive fraud investigation work have been included as well as a contingency to cater for increased volumes of referral or other unforeseen work.

- Resource allocations have been made in the following areas without specifically defining the scope and coverage at this point. Again, this will ensure that, at the time the piece of work is delivered, resources are targeted most effectively to provide maximum value:
 - Project and Programmes
 - Capital Programme
 - Grant Certification
 - Schools Assurance
- **Whistleblowing** – Internal Audit is responsible for co-ordinating an effective response to whistleblowing reports. A plan for further improvements to whistle-blowing arrangements is also being drafted (details of which are presented to the Committee in a separate report) and as such increased resource has this year been allocated to this area.
- **Follow up Approach.** The plan includes resources for follow up work. Where Internal Audit reports conclude that limited or no assurance can be provided, the reviews will be repeated at an appropriate time to establish the effectiveness of agreed management actions in improving control. We will maximise the use of Pentana Audit in supporting management to proactively follow and report the progress in the implementation of agreed management actions.
- **Effective use of Data and Analytics** to support audit processes and to enhance fraud prevention and detection remains a key element of the plan.
- **Fraud Hub** - Resources have been allocated in the plan to support further embedding and development the fraud hub. The fraud hub aims to provide a powerful fraud detection solution, combining advanced data matching with intelligent analytics and counter fraud expertise.
- **Information Governance and IT Asset Management.** Given the complexity of the IT control environment a provision has been made in the plan for a number of IT Audit reviews. In addition, time has been allocated to provide assurance around the Council's Information Governance and Information Security arrangements.

4.2 **Team Development and Improvement.** As well as delivering the assurance and counter fraud programmes set out in the audit plan, time has been set aside for continuous development and improvement of services offered by the team during 2022/23. Priorities include:

- A review the team's structure to ensure it remains fit for purpose going forward and recruitment of the high-level apprentices referred to above.
- Continuing work to implement continuous auditing and monitoring methodology
- Preparing for the required external assessment of the team's compliance with the Public Sector Internal Audit Standards (PSIAS). Such an assessment is required at least every 5 years and it is planned that this will take place during 2022/23.
- Maximising use of the Pentana Audit Software tool to maximise the value from the audit system for both the Internal Audit Team and Management

4.3 **Client engagement** with the audit service is key to the effective delivery of the audit plan. Client engagement models are in place to ensure that senior management are sighted on and support delivery of Internal Audit plans throughout the year with quarterly reporting to Executive Directorate Management Teams and the Corporate Leadership Board. Enhancements to client engagement to further support delivery of the plan will this year include more timely scheduling of reviews for early agreement with management and services to facilitate audit work. This aims to avoid unmanageable numbers of request for audits to be rescheduled during the year by working with service managers to determine the most appropriate time for audit work to take place.

5. Plan Monitoring

5.1 Performance against completion of the annual plan will be measured and reported in Internal Audit Activity reports at most Audit Committee meetings. The performance indicators are as set out in the Quality Assurance and Improvement Programme that was approved by the Audit Committee in November 2021. These are:

• Delivery of Internal Audit Plan – Complete to at least draft report stage	90%
• Delivery of audits within the agreed budget and timelines	90%
• Timeliness of issue of draft report (within 10 days from end of field work)	90%
• Timeliness of issue of final reports (withing 5 days following receipt of management responses)	95%
• Level of agreed management actions fully implemented	90%
• Stakeholder satisfaction with audit outcomes and value	85%
• Number of properties or other positive housing outcomes from Tenancy Fraud Initiative	45
• Delivery of Audit Opinion in time to inform the Annual Governance Statement (AGS)	May 2022
• Delivery of AGS in line with statutory timeframe	May 2022

6. Follow Up and Escalation

6.1 The Audit Committee will receive all internal audit summaries with a no or limited assurance opinion and the relevant Senior Responsible Officers will attend Audit Committee meetings to provide assurance on the implementation of agreed actions. Such audits will be subject to re-performance within six months from the date the final report was issued. In addition, all agreed management actions will be subject to monitoring to obtain assurance that they have been implemented on time.

6.2 The progress in the implementation of agreed management actions is reported to the Audit Committee and the Corporate Leadership Team (CLB) as part of its regular activity reports. Repeated failure to implement the agreed management actions will be reported to CLB and the Audit Committee, who may call the appropriate Senior Responsible Officer to account for the failure to correct the control environment.

6.3 It is the full responsibility of the relevant Senior Responsible Officers to implement the agreed management actions and senior management are responsible for ensuring that there are appropriate arrangements for monitoring and reporting the progress in the implementation of agreed management actions.

7. Context

- 7.1 The Audit Committee's Terms of Reference includes a strategic requirement to ensure that the Council's internal control and assurance framework is operating effectively. To enable them to do so, the Committee needs to ensure it seeks assurance that key areas that contribute to this framework are robust. The work of Internal Audit is a key component of the assurance provided to the Committee in fulfilling this role and the Audit Committee need to ensure the plan is focussed on the key assurances they require.
- 7.2 The Public Sector Internal Audit Standards 2013 guidance on the role of Audit Committees in relation to Internal Audit suggests that it should involve reviewing, assessing and approving the Internal Audit work plan for delivery of the Audit Service.
- 7.3 The standards also include the requirement that Internal Audit must be operationally independent. The Internal Audit Charter which was reviewed and approved by the Audit Committee in November 2021 details the arrangements in place regarding the team's operational independence including details of the reporting lines for the Chief Internal Auditor.
- 7.4 There are two areas of work that the team deal with operationally on behalf of the Council that is (i) facilitating the preparation and review of the Annual Governance Statement (AGS) and (ii) managing the Council's Whistleblowing arrangements. In relation to the AGS, there are synergies between this and audit work and they are well aligned to the assurances that Internal Audit seek to provide. The External Auditor, however, independently reviews the Annual Governance Statement to ensure it has been prepared to properly reflect the governance activities that have operated at the Council in the year and as such completion of this work is not felt to be an issue. In relation to Whistleblowing, an independent review is periodically commissioned to assess the effectiveness of arrangements to manage the self-review risk.