



BRISTOL INTERNAL AUDIT

INTERNAL AUDIT: DRAFT QUARTER 1 PLAN 2023/24

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1. Purpose of this Annual Plan Report

- 1.1 This report provides an overview of Internal Audit’s approach to planning audit work during 2023/24 and going forward and provides a draft work plan for quarter 1 of 2023/24. Its purpose is to:
- Provide the Audit Committee with the draft planned Audit coverage for quarter 1 of 2023/24
 - Provide details of the methodology used to formulate the plan
 - Draw attention to key features of the proposed plan for quarter 1
 - Detail how plans for the remainder of 2023/24 will be drawn up and approved with management and the Audit Committee
 - Provide details on the plan monitoring process, together with the follow-up and escalation process.

2. Quarterly Planning and Formulation of the 2023/24 Q1 Audit Plan

2.1 Local Government sector challenges and significant levels of organisational change are creating uncertainty, complexity and increasing risk. Internal Audit approaches need to anticipate new risks and ensure greater flexibility to assure and advise management to help them manage change effectively. As agreed with the Corporate Leadership Board and Audit Committee in January 2023, Internal Audit has moved to quarterly planning and prioritisation of work for 2023/24 to ensure plans are flexible and adaptive to new and emerging risks. The aims of audit planning activity remain the same that is to:

- Ensure a programme of work is designed for completion that will enable provision of an evidence-based annual audit opinion to senior management and the audit committee on the effectiveness of risk management, governance and control environment arrangements during the financial year. The opinion is designed to cover all aspects of the control framework as demonstrated in figure 1. It also supports and informs the Annual Governance Statement (AGS) each year.
- 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.

Figure 1: Key Areas of the Control Environment



- 2.2 This planning process reflects the requirements of the Public Sector Internal Audit Standards 2013 (PSIAS) and supporting Local Government Application Note produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Chartered Institute of Internal Auditors (CIIA)
- 2.3 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 and prioritised so that the maximum benefit is achieved and that the Service completes work which is risk based and adding value.
- 2.4 In developing the plan, a desk top review has been undertaken of the potential risk areas for review including consideration of:
- Corporate Strategy and Priorities
 - Corporate, Directorate and Service Risk Registers
 - The Council's budget.
 - The Councils transformation agenda
 - Key financial systems
 - The Global Risks Report 2023 published by the World Economic Forum
 - Risk in Focus 2023: 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 including the IT root cause analysis completed in 2022/23 which looked at causes of limited assurances in the area of IT.
 - Areas of the business identified as requiring improvement or assurance support
 - Audit work required to inform the annual opinion
- 2.5 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
 - The External Auditor
- 2.6 Having captured areas for review, priorities have been determined for audit activity in quarter 1. Priority has been given to those activities which are:
- Statutorily required
 - Time barred to quarter 1
 - Residual activity from 2022/23 that requires finalising

- Considered to be high risk areas based on materiality, impact on corporate priorities, levels of change in the area and internal audit knowledge of controls, risk and governance arrangements
- Identified by management as benefiting from Internal Audit review.

2.7 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.

2.8 The outcome of the above process is the Draft Quarter 1 Audit Plan at Appendix 1. The plan identifies the high-level area to be reviewed and the rationale for prioritisation. Once the plan is agreed with the Audit Committee, work will commence with senior management to agree the scope and specific objectives of each review. In addition, areas emerging that may require audit review in quarter 2 or later in the year are provided in Appendix 2. Given the complex circumstances under which the Council continues to operate, it is anticipated that risks will continue to evolve at pace. New areas of potential review will be added to the list at Appendix 2 as the year progresses and priorities for audit review determined and agreed with management and the Audit Committee on a quarterly basis. This will need to consider any risks arising from the Annual Governance Statement during the current review process and any current external assessments.

3. Q1 - 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 Q1 plan at Appendix 1 is considered deliverable. 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 brings resilience to the team.
- 3.2 The team continues to support development of three apprentices to underpin our strategy of 'growing our own' skilled professionals. This approach does not only support the Council's wider objectives but also helps to address difficulties faced in recruiting experienced and qualified audit staff. A fourth 'Fraud Apprentice' role is currently being developed for recruitment in Q1. This will provide an opportunity to attract new talent to the team and an opportunity to train into a professional investigation role.
- 3.3 In line with many other teams across the Council (and nationally) and in playing its part in helping the Council address significant financial pressures it faces, the Service has been asked to contribute to the wider Finance Service staff saving target. The required savings have been made by deletion of two vacant posts and a small reduction in hours of some staff. In the past the vacancies have been used to fund costs associated with the strategic partner and interim staff. To sustain the current delivery model, the Service will need to generate more additional income as well as ensuring that discreet audit engagements are charged where appropriate to do so.
- 3.4 Resource requirements for delivery of the quarter 1 plan have been assessed and compared to resource availability after the following adjustments:

- 60 days - An estimate of time required to finalise 2022/23 assignments in April 2023.
- 65 days - A contingency of time to accommodate changing circumstances (urgent unplanned audit work, etc)
- 20 days - An allocation for internal development and team improvements
- 40 days - An estimate of time for delivery of work to external clients for income generation.

3.5 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. Table 1 below provides the Committee with a summary view of the proposed coverage for 2023/24 Q1 split by audit type and providing indicative days to be spent in each area. Given the move to quarterly planning, a comparison with previous full year figures is not useful but quarterly comparison will be provided as each quarter plan is provided. Whilst it is important that each area receives some coverage, resource will be allocated to areas of greatest risk and assurance need.

Table 1:

Area of Work	Q1 Planned Days 2023/24
Governance Systems	78
Risk Management Effectiveness	45
Financial Control Systems	35
Certifications	80
Schools Governance	-
Value for Money	-
Procurement and Contracts Management	-
Asset Management	15
Information Governance	10
Projects and Programme Management	44
Management Action Tracking	20
Total Risk, Governance, Assurance	327
Counter Fraud	
Strategic Fraud Work (incl Whistleblowing)	35
Fraud Prevention	40
Fraud Detection (incl tenancy fraud work)	176
Responsive Fraud Investigation excl Tenancy (including DWP interface)	87
Total Fraud	338
Total Planned Coverage	665
Total Available Productive Days	652

3.6 Available days for assurance work, when extrapolated across the four quarters, show an anticipated reduction in available days than previously across the year. This is due in part to the budget reduction strategies detailed above and also as Q1 includes a provision in the first month for finalising work from

2022/23. Other methodologies, such as assurance mapping, data analytics and continuous audit are also being developed to provide automated audit routines that can add to the assurances required for the annual audit opinion with less resource.

- 3.7 The Committee will note that the balance of resource has shifted between assurance and counter fraud. Previously counter fraud team resources were greater than assurance resources but now resources across the two teams are more equally distributed. This reflects a move out of the team by the team's Data Analyst under the common activities programme. Work will still be completed for the team by the Analyst but this resource is no longer reflected in the figures above. A Fraud Apprentice role is currently being developed and recruited to which will add resource back to the counter fraud and investigations team in time, although not in quarter 1.
- 3.8 Quarter 1 does not prioritise work in the areas of procurement, IT or schools. This is because a considerable programme of work in these areas is being completed in Q3/Q4 of 2022/23. Further work will resume in these areas later in the year unless higher risks emerge. Specific value for money (VfM) work is also not planned. The External Auditor is currently focussing in this area and their report is anticipated in Q1. Once received, the need for any supporting Internal Audit work will be assessed. 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.
- 3.9 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.

4. The Audit Plan – Key Features

- 4.1 The Q1 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 at year end. Our approach is to complete fewer audits than previously to enable deeper insight and robust assurance in areas reviewed. Significantly, key focuses in Q1 include:
- **Annual Governance Statement** – the review process and statement drafting are required to be substantially completed in Q1 to align to the statutory timetable for the accounts
 - **Grant Compliance** – grant and other certification work is currently increasing along with resources required to complete them. Q1 and Q2 are traditionally busy times of the year for this type of work and resource allocations have been made accordingly. Engagement with management continues to ensure certification requirements are explored and notified timely to assist provisioning this work. Often, receipt of grant monies depends on successful certification of spend.
 - **Verification of Management Actions** – Building on work with management in 2022/23 and recognising increasing pressures on management in their service delivery, a targeted exercise to scrutinise longer outstanding action will be undertaken in Q1.
 - **Transformation and Capital Programme Embedded Assurance** – key programmes will be supported with Internal Audit's embedded assurance methodology which sees the team work with programme and project teams to provide real time assurances as the programmes progress. This means

governance and programme assurances are timely to enable necessary corrective actions as the project progresses. This should better support delivery of outcomes. As well as some key transformation programmes, capital projects and programmes will also be supported in this way.

- **Implementation of Continuous Audit Techniques** and use of analytics in audit assignments will be a priority in Q1 and continue as such through the year. The Fraud Hub is also a key element of this work in fraud prevention and detection work. The Hub is now operational and routinely matching a number of key data sets in fraud prevention and detection.
- **Whistleblowing** – co-ordinating an effective response to whistleblowing reports remains a priority for the team. Improvements identified from the latest independent review will also be implemented.
- **Tenancy Fraud** – Proactively identifying and investigating tenancy fraud continues to be a priority for the Council. Q1 priorities in this area include reviewing output from a targeted Cabinet Office exercise aimed at identifying quality cases for review and investigation.
- **National Fraud Initiative** – Output from the Cabinet Office National Fraud Initiative Exercise has been received and will be prioritised for review in Q1. This exercise matches key data sets from the Council to other Local Authority and public sector bodies data sets to identify anomalies that might indicate fraud for further investigation. Completion of this work is mandatory.

4.2 **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 with quarterly reporting to Executive Directorate Management Teams and the Corporate Leadership Board. Enhancements to client engagement to further support delivery of the plan include the move to quarterly planning. This ensures management remain focussed on imminent reviews and avoids pushing reviews back to later in the year which can become unmanageable. Quarterly planning ensures management and Internal Audit are aware of immediate pressures in services to enable that to be effectively managed. Expectations of management to engage early in the audit process continues as this will help to ensure scoping of each review is understood. Where the audit process is hindered by lack of engagement, this will be escalated to senior management and the Audit Committee.

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 2022. These are:

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| • Delivery of Internal Audit Plan – Complete to at least draft report stage | 90% |
| • Timeliness of issue of draft report (within 10 days from end of field work) | 90% |
| • Timeliness of issue of final reports (within 5 days following receipt of management responses) | 95% |
| • Level of agreed management actions implemented within agreed timeline | 90% |
| • Stakeholder satisfaction with audit outcomes and value | 90% |
| • Number of properties or other positive housing outcomes from Tenancy Fraud Initiative | 40 |
| • Delivery of Audit Opinion in time to inform the Annual Governance Statement (AGS) | June 2023 |
| • Delivery of AGS in line with statutory timeframe | June 2023 |

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 12 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 approach and methodologies of the delivery of internal audit within the Council are detailed in the Internal Audit Strategy that was approved by the Audit Committee in November 2022.
- 7.4 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 2022 details the arrangements in place regarding the team's operational independence including details of the reporting lines for the Chief Internal Auditor.
- 7.5 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.

- 7.6 The Internal Audit Service conforms with the requirements of the PSIAS and the arrangements for maintaining the compliance are detailed in the Quality Assurance and Improvement Programme that was approved by the Audit Committee in November 2023.