

Surrey Heath Borough Council
Audit and Standards Committee
25 April 2022

Internal Audit Report

Strategic Director/Head of Service	Gavin Ramtohal
Report Author:	Alex Middleton – Senior Auditor
Wards Affected:	All

Summary and purpose

To consider and approve the 2022-23 Annual Plan for the Internal Audit service

Recommendation

The Committee is advised to RESOLVE that

- (i) The Internal Audit Annual Plan for 2022-23 is noted and agreed.

1. Background and Supporting Information

- 1.1 The Accounts and Audit Regulations require local authorities to maintain an adequate and effective system of internal audit of accounting records and of the system of internal control, in accordance with internal audit Standards. The adoption of an internal audit annual plan helps to demonstrate how Surrey Heath Council can satisfy this requirement in accordance with the Public Sector Internal Audit Standards.

The Annual Plan

- 1.2 The proposed Annual Plan for 2022-23 is attached at Annex A. The Plan shows the audits that are due to be carried out between the period April 2022 and March 2023. Included in the Plan is an estimated number of days budgeted for each piece of work, as well as a calculation of the total number of work days available for the whole year in order to complete the Plan.
- 1.3 The annual Plan has been prepared based on the 3-year medium term audit plan which was agreed by CMT and Audit & Standards committee in April 2020.
- 1.4 The objective of the Plan is to review as many Council activities as possible over a period of time, in order to obtain as wide a coverage as possible, given the limited resources and staffing available within the Council's audit team.
- 1.5 It is not possible to audit every area of the Council each year, so the Plan is based on a 3-year rotation system, which allows for certain business areas to be audited more frequently than others, and this will be achieved wherever possible, but external factors such as the Covid pandemic have affected the delivery of the Plan.

- 1.6 A number of criteria have been used to formulate the Plan and the frequency of audits, the main driver being a risk-based approach. Those business activities that carry the greatest risk to the Council are audited annually, and the functions that carry the least risk are audited less frequently. Activities that tend to be audited annually include the key finance audits such as debtors, creditors and cash and bank. Other Council activities that rely on income generation to support the revenue budget and service delivery are also audited more frequently - such as parking, property investment and the theatre.
- 1.7 Two new audits have been included in the Plan for 2022-23 – climate change and cyber security – both of which are trending with higher profiles.
- 1.8 It should be noted that Surrey Heath has carried out the Joint Waste audit for the last few years, on behalf of the other waste partners. It was agreed at committee in 2022 that the audit will be carried out by one of the other partners going forward, to share the responsibility.
- 1.9 A total of approximately 520 working days will be required to fully deliver the Plan. This takes into account working days that are needed to cover annual leave, training, and other absences. In order to maintain our continued professional membership of the IIA, there will be a number of days required for CPD.
- 1.10 Approximately 10-20% of the Senior Auditor's time is required to provide professional consultancy and advice on matters such as financial regulations, authorised signatories and delegated powers, IR35 regulation compliance, as well as risks and governance matters for the authority. The Senior Auditor also leads the audit team and represents audit at CMT meetings and Cllr committee meetings on a regular basis.

Requirements of External Audit

- 1.11 The Annual Plan includes a range of audits that have been required by the Council's external auditors in the past who have placed reliance on the work undertaken by Internal Audit as part of their audit of the Council's set of accounts. We understand that the external auditors reserve the right to re-perform or undertake additional testing in the areas that internal audit have reviewed such as debtors and creditors. Potentially this could lead to an additional cost to the Council.

Monitoring and reporting

- 1.12 Progress against the Plan is regularly monitored and reported to CMT and Members. Material changes to the Plan should be discussed and agreed in advance with the corresponding service head as well as the Audit Chair and the Section 151 officer.
- 1.13 Significant risks and findings identified by Internal Audit during the course of the year will be brought to the attention of the Chief Executive, the Section 151 Officer and senior management, and reported to Audit & Standards committee where required. Significant risks are also brought to the attention of the Council's Corporate Risk Management Group and considered for inclusion in the Corporate Risk Register, as well as the Annual Governance Statement.

2. Reasons for Recommendation

- 2.1 Members of Audits and Standards committee are required to approve the Council's Internal Audit Plan of audit activity each year.

3. Proposal and Alternative Options

3.1 Members could note the Plan and ask for it to be amended.

4. Contribution to the Council's Five Year Strategy

4.1 Delivery of the Annual Internal Audit Plan will help the Council deliver efficient and effective services to the Borough's residents.

5. Resource Implications

5.1 Outlined in the Annex.

6. Section 151 Officer Comments:

6.1 Nothing to add to the report.

7. Legal and Governance Issues

7.1 Nothing to add to the report.

8. Monitoring Officer Comments:

8.1 Nothing to add to the report.

Annexes

Annex: Internal Audit Annual Plan

Background Papers

Internal Audit 3 Year Plan