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WOKINGHAM
BOROUGH COUNCIL

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Draft Internal Audit and Investigation Plan 2020-21

SHARED AUDIT AND INVESTIGATION SERVICE

2020/21 DRAFT INTERNAL AUDIT AND INVESTIGATION PLAN

1. Introduction

- 1.1 The role of internal audit is defined by the CIPFA/IIA Public Sector Internal Audit Standards (PSIAS):-

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

- 1.2 Internal audit also supports the Deputy Chief Executive and Director of Corporate Services (S151 Officer) in discharging his/her statutory duties. The following are two key pieces of legislation that internal audit supports the S151 Officer to comply with:-

- I. Section 151 of the Local Government Act 1972. The Deputy Chief Executive and Director of Corporate Services, as the council’s Section 151 Officer, is responsible under the Local Government Act for ensuring that there are arrangements in place for the proper administration of the authority’s financial affairs. The work of internal audit is an important source of information for the Deputy Chief Executive and Director of Corporate Services (S151 officer) in exercising his/her responsibility for financial administration. Reliance upon Internal Audit and their annual programme of work in reviewing the operation of systems of internal control and financial management is fundamental to the fulfilment of that responsibility.
- II. The Accounts and Audit Regulations (2015) state that: ‘A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.

And that:

A relevant authority must undertake an effective internal audit¹ to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance.

Each financial year, a relevant authority must:

¹ ‘Effective internal audit’ is defined by the Department for Communities and Local Government as compliance with the Public Sector Internal Audit Standards (PSIAS) and CIPFA’s Local Government Application Note for the PSIAS.

a) *Conduct a review of the effectiveness of the system of internal control required by regulation 3; and*

b) *Prepare an annual governance statement.*

- 1.3 The internal audit and investigation plan provides the mechanism through which the Chief Audit Executive can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.
- 1.4 The purpose of Internal Audit is to provide an independent and objective opinion to the Council on the level to which the internal control environment supports and promotes the achievement of the Council's objectives. Internal audit contributes to the Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on achieving the key priorities. It also supports the Deputy Chief Executive and Director of Corporate Services (S151 Officer) in discharging his/her statutory duties.

Scope and Responsibilities of Internal Audit

- 1.5 The scope and responsibilities relating to Internal Audit are specified in the WBC Constitution Section 9 – Ethics and Governance, as well as in the Internal Audit Charter, detailing the Terms of Reference for Internal Audit activity and complies with the PSIAS, and an Audit Protocol, outlining the approach to service delivery. The Audit Charter is approved periodically and is attached at [Appendix A \(II\)](#). The previous Audit Charter was approved by the Audit Committee in July 2018 and there have been no significant changes.
- 1.6 The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the *Definition of Internal Auditing* the *Code of Ethics* and the *Standards*. The Chief Audit Executive (role fulfilled by the Assistant Director, Governance, Wokingham Borough Council) must periodically review the Internal Audit Charter and present it to senior management and the Board (Audit Committee) for approval.
- 1.7 The Internal Audit Charter establishes the internal audit activity's position within the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.
- 1.8 This document sets out the proposed Internal Audit and Investigation Plan and programme of work for the 2020/21 financial year. It is intended to demonstrate how the Shared Audit and Investigation Service (SAIS) supports the overall aims and objectives of the Authority whilst maintaining its professional standards. The Plan takes account of the proposed role, objectives and approach to the service delivery of the Internal Audit and Investigation Plan.

2. Audit Planning Process 2020-21

- 2.1 The purpose of the audit planning process is to ensure that resources are appropriately focused in order to provide maximum audit coverage.
- 2.2 The PSIAS set out the standards for internal audit and include the need for risk-based plans to be developed for internal audit and for plans to receive input from management and the 'Board'. Within the Council, the Audit Committee undertake the key duties of the 'Board' laid out in the PSIAS.
- 2.3 The PSIAS Performance Standard 2010 - Planning states 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.'*
- 2.4 The proposed 2020/21 Draft Internal Audit and Investigation Plan, attached at Appendix A and supporting Appendix A(l), is intended to demonstrate how the SAIS supports the overall aims and objectives of the Council. The 2020/21 Draft Internal Audit and Investigation Plan focuses efforts / cost on only those audits that feed directly into:
- other regulated reporting but only the minimum effort necessary to deliver compliance, including the Annual Governance Statement (AGS).
 - facilitating the provision of an overall opinion each year for the Audit Committee on the operation of the Council's internal control environment, risk management arrangements and governance framework.
 - other CLT / Executive / Audit Committee strategic & tactical priorities which are at high risk from changes in customer needs, funding, processes or resourcing.
 - the audit of areas which are deemed to be 'important' to support operating objectives.
 - cutting out all other 'housekeeping' activities not directly driven by the above.
 - the 2020/21 Draft Internal Audit and Investigation Plan is aligned with the Council's objectives and Corporate Risk Register (CRR), where possible.
 - the 2020/21 Draft Internal Audit and Investigation Plan includes provision for investigation work, comprising reactive investigations and a programme of proactive fraud investigation exercises with a view to detecting fraud by a targeted and systematic review of data.

- 2.5 Whilst a number of audit reviews within the 2020/21 Draft Internal Audit and Investigation Plan are effectively considered as mandatory (key financial systems, particularly high risk items etc.), others enter or leave the 2020/21 Draft Internal Audit and Investigation Plan based on the CRR rating and the views of officers and Members. As such, the 2020/21 Draft Internal Audit and Investigation Plan is fluid and is regularly realigned to accommodate changes to the CRR, thereby ensuring that it remains current and focussed on the key risks affecting the Council. Any changes made to the 2020/21 Draft Internal Audit and Investigation Plan during the year will be reported to the Audit Committee.
- 2.6 Consultations are undertaken with the Chief Executive and Directors, whilst preparing the Plan, both in determining risk and any emerging issues and taking into account any specific requests for audits to be undertaken.

3. Resources

- 3.1 Risk assessment is used to inform the amount of staff resource dedicated to each area and the extent, frequency and depth of testing undertaken, with the high risk areas being examined more frequently. Annual allocations against individual audit areas have been deliberately flexed in recognition of the need to devote additional resources where new systems are being implemented.
- 3.2 In putting together the 2020/21 Draft Internal Audit and Investigation Plan priorities, it is apparent that, within the limitations of the resources available, it is not possible to address all the risks. The approach to be adopted will, therefore, be a top down systems review process aimed at providing management with an overall opinion on the adequacy of the control environment. In this scenario, individual transaction testing will be limited to that necessary to verify the workings of systems. In the event of changing priorities, such as a major fraud investigation, those areas identified as low risk may be reviewed less frequently than once every three years.
- 3.3 The Plan allows some flexibility to be given to the Chief Audit Executive to deploy resources to special projects or investigations, should the need arise.

4. Reports to Corporate Leadership Team (CLT) and Audit Committee

- 4.1 A status report on internal audit work will be presented to the Audit Committee on a quarterly basis and CLT on a quarterly basis (approximately). The purpose of these reports is to provide an update on the progress made against the delivery of the 2020/21 Draft Audit and Investigation Plan. The report will provide details of the status of audits, i.e. those completed to date, at draft stage or work in progress with the assurance opinions given. The report will also provide a summary of internal audit performance, planning and resourcing issues.

5. Annual Assurance Report

5.1 A formal annual report to the CLT and Audit Committee, presenting the Chief Audit Executive's opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control, will be published to enable it to be taken into account within the annual review of the effectiveness of the system of internal audit and in preparing the AGS. The format of the Chief Audit Executive's report will follow that set out in the PSIAS for Internal Audit and will include:

- an opinion on the overall adequacy and effectiveness of the Council's framework of internal control, risk management and governance;
- disclose any qualifications to that opinion, together with the reasons for qualification;
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- any issues considered by the Chief Audit Executive to be particularly relevant to the AGS;
- A comparison of work undertaken with that planned, with a summary of internal audit performance for the year; and
- Comment on compliance with the PSIAS and internal audit's quality assurance programme.

6. Conformance with Public Sector Internal Audit Standards

6.1 The PSIAS, as revised from April 2017, define the service and professional standards for public sector internal audit services. These include the need for risk-based audit plans to be developed and to receive input from management and the 'Board' (usually discharged by a Council's Audit Committee) on those plans. For SAIS, the Board functions are discharged through both the CLT and the Audit Committee.

6.2 Key, specific PSIAS provisions include:

PSIAS : 2010 - *"The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."*

PSIAS : 2450 – *"The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control."*

6.3 The SAIS is designed to conform to the PSIAS. Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In 2018, the SAIS commissioned CIPFA to complete an external quality assessment of the SAIS against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

- 6.4 This external assessment confirmed a positive outcome with the service achieving the highest category of assessment “Generally Conforms” with the Standards (out of 3 possible categories). A small number of recommendations were made to ensure full compliance with the Standards, plus a number of advisory points raised to assist the development of the Shared Service and the achievement of best practice going ahead. These have been actioned, or are being addressed on an on-going basis.
- 6.5 A self-assessment will be completed in 2020/21, to provide on-going assurance that the SAIS continues to comply with all aspects of the International Professional Practices Framework, PSIAS and Local Government Application Note.
- 6.6 Internal Audit Standards also require that any potential conflicts of interest that may impair the objectivity or independence of the team are disclosed. We are not aware of any relationships that may impair the objectivity or independence of the team.

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