

**Report of: Corporate Director - Resources**

<b>Meeting of:</b>	<b>Date</b>	<b>Agenda item</b>	<b>Ward(s)</b>
Audit Committee	22 <sup>nd</sup> March 2022		All

**SUBJECT: Draft 2022-23 Internal Audit Plan****1. Synopsis**

- 1.1. The provision of a continuous Internal Audit service provides independent and objective assurance on the control environment that supports the delivery of the Council's objectives.
- 1.2. The report outlines the proposed 2022-23 Internal Audit plan for the Council. It also includes the Internal Audit Strategy and an assurance map which maps audit activity to each of the Council's principal risks.

**2. Recommendations**

- 2.1 Committee is asked to approve the 2022-23 Audit Plan.

**3. Background**

- 3.1 The Council has a statutory duty to maintain an adequate and effective Internal Audit function. The Internal Audit, Investigations and Risk Management service provides this function.
- 3.2 Our primary objective is to provide the Council, via the Audit Committee, with independent assurance that risk management, governance and internal control processes are operating effectively. Internal Audit also seek to provide advice on risk and control issues within individual processes. We aim to achieve this through a planned programme of work based on an annual assessment of the principal risks facing the Council.
- 3.3 The Internal Audit Strategy, attached at Appendix 1, details the role and objective of Internal Audit within the organisation and the overall strategic approach to meeting this objective.

- 3.4 The draft plan attached at Appendix 2 details the work to be undertaken by the Internal Audit in 2022-23 to deliver this objective.
- 3.5 Appendix 3 includes an assurance map which maps recent and planned audit activity to each of the Council's principal risks.
- 3.6 Internal Audit aims to retain flexibility in its approach in order to provide coverage of emerging risks, and to meet the changing needs of the organisation. To this end, while Internal Audit will deliver a risk based annual plan, we will also remain responsive to the needs of auditees and wider stakeholders and will continue to provide ad hoc control advice and support where required.

#### **4. Internal Audit plan – preparation and consultation**

- 4.1 The 2022-23 plan was drafted from a number of sources including the Council's principal risk report, an Internal Audit risk assessment, audit plans of other local authorities, intelligence from previous audits/fraud investigations, and CIPFA good governance guidelines. The Internal Audit risk assessment to arrive at the plan is as follows:
- The Council's principal risks were evaluated to assess the extent of assurance activity against them in the last three years and any planned follow up activity (see Appendix 3);
  - Any gaps in assurance were identified and audit or advisory activity was proposed to ensure Internal Audit coverage;
  - Plans for each directorate have been discussed and approved at Directorate Management Teams (DMTs) in January and February 2022;
  - The wider plan and assurance map have been noted at DMTs in January and February 2022; and
  - The consolidated plan was agreed by Corporate Management Board in February 2022.
- 4.2 Based on the evaluation of risks and the body of work carried out over the three years between 2019-20 and 2021-22 and in line with good practice, the 2022-23 plan includes a proportion of extended follow up reviews to provide continued assurance on principal risks.

#### **5. Internal Audit plan – delivery**

- 5.1 The annual plan has been drawn up to address the statutory requirements and key risks for the Council, taking into account the available resources within the Internal Audit service. Changes to the annual plan may be necessary during the year to reflect changing risks.
- 5.2 Based on the risk assessment exercise outlined in section 2.1 above, the proposed 2022-23 audit plan includes:
- New audits relating to principal risks (155 days);
  - New audits relating to key financial systems (33 days);
  - Extended follow ups to provide additional assurance relating to key 2021-22 audits (43 days);
  - Follow up activity to provide continued assurance relating to principal risks and key financial systems (146 days);
  - New establishment reviews (schools, tenant management organisations and voluntary sector organisations) (117 days);
  - Grant claim certification (28 days); and
  - Risk management, investigations, audit planning and follow up coordination activity through Controls Board (90 days).
- 5.3 The 2022-23 Internal Audit plan will deliver c.750 audit days, including a contingency of c.135 days to cover urgent and unplanned reviews arising during the year. A portion of the plan (up to 175 days) will be delivered by our co-sourced partner.

#### **6. Follow up audits**

- 6.1 A Controls Board is in place to facilitate an ongoing dialogue between Internal Audit and Directorate Management Teams around the progress of the Internal Audit plan, emerging assurance themes, monitoring of audit actions arising from internal and external audit work, proactive advisory work and escalation of areas of concern. The Director of Finance chairs the Controls Board and its members include Internal Audit and representatives from all directorates.
- 6.2 Internal Audit follow up those recommendations which present the highest risk to the Council. We will follow up all critical and high priority recommendations, and medium priority recommendations in areas where the inherent risk of fraud or reputational damage is high. All other recommendations will be tracked at a directorate level and implementation status will be reported to Controls Board. Responsibility for following up all recommendations from establishment reviews (schools, Tenant Management Organisations and voluntary sector organisations) will sit within the relevant directorates except where critical priority findings are identified.
- 6.3 Only extended follow up audits will be reported on using memoranda. All other recommendations will be followed up in the quarter after they fall due. Outcomes of follow up activity and rationales to support outcome assessments will be held within a tracker. A summary of implementation rates for critical and high priority recommendations will be reported to Audit Committee twice a year within the Internal Audit Annual Report and the Interim Internal Audit Annual Report.

## **7 Implications**

### **7.1 Financial implications**

A sound system of internal controls forms a significant part of the governance framework and is essential to underpin the effective use of resources.

### **7.2 Legal Implications**

The Local Audit and Accountability Act 2014 sets out the regulatory framework for the audit of local authorities. The Council 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 (Accounts and Audit Regulations 2015 (SI 2015/234), regulation 5). The Public Sector Internal Audit Standards 2017 provide a set of public sector internal audit standards, which are supplemented for local government by CIPFA standard setting guidance.

### **7.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030**

There are no environmental implications arising from the recommendations in this report.

### **7.4 Equality Impact Assessment**

The Council has a public sector equality duty (PSED) to make sure that our policies, practices, and services do not discriminate against anyone and ensure that Islington's commitment to equality is translated into practice.

An Equality Impact Assessment has not been completed because the decision currently being sought does not have direct impacts on residents.

## **Appendices:**

**Appendix 1 – 2022-23 Internal Audit Strategy**

**Appendix 2 – 2022-23 Internal Audit Plan**

### **Appendix 3 – Assurance Map**

Final report clearance:

**Signed by:** David Hodgkinson – Corporate Director of Resources

**Date:** **7 March 2022**

Report Author: Nasreen Khan, Head of Internal Audit, Investigations and Risk Management

Tel: 020 7974 2211

Email: [Nasreen.Khan@islington.gov.uk](mailto:Nasreen.Khan@islington.gov.uk)

Financial Implications Author: Paul Clarke, Director of Finance

Tel: 020 7527 5636

Email: [Paul.Clarke@islington.gov.uk](mailto:Paul.Clarke@islington.gov.uk)

Legal Implications Author: Rob Willis, Chief Corporate and Commercial Litigation Lawyer

Tel: 020 7527 3302

Email: [Robert.Willis@islington.gov.uk](mailto:Robert.Willis@islington.gov.uk)

**REPORT ENDS**