

Non-Executive Report of the: Audit Committee Thursday, 24 March 2022	
Report of: Kevin Bartle, Interim Corporate Director, Resources (s.151 Officer)	Classification: Open (Unrestricted)
Internal Audit & Anti-Fraud Annual Plan 2022/23	

Originating Officer(s)	Paul Rock
Wards affected	(All Wards);

Executive Summary

The following report presents the annual Internal Audit and Anti-Fraud Plan for 2022/23 for the Audit Committee's review and agreement.

Recommendations:

The Audit Committee is recommended to:

1. Agree the Internal Audit and Anti-Fraud plan for 2022/23.
2. Note the current level of internal audit resource and the plans to increase resources and subsequently the internal audit plan.

1. REASONS FOR THE DECISIONS

1.1 The Accounts and Audit Regulations 2015 state that a relevant authority must ensure that it has a sound system of internal control which:

- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- ensures that the financial and operational management of the authority is effective; and
- includes effective arrangements for the management of risk.

1.2 The Audit Committee has responsibility for oversight of the arrangements for governance, risk management and control and this report assists the Committee in discharging its responsibilities.

2. ALTERNATIVE OPTIONS

2.1 None.

3. DETAILS OF THE REPORT

Internal Audit and Anti-Fraud Plan 2021/22

3.1 The Public Sector Internal Audit Standards require the Head of Internal Audit to establish a risk-based plan that sets out the priorities of the internal audit activity which should be consistent with the Council's strategies and outcomes.

3.2 Preparation of the plan began in January 2022 and continued through to March 2022 when it was presented to CLT for their agreement in principle. In preparing the plan we:

- Consulted with Corporate and Divisional Directors and the Chief Executive to understand the Council's current strategies, key business objectives, the associated risks and assurance requirements.
- Considered the Council's risk maturity and reviewed the Directorate and Corporate Risk Registers.
- Considered national and local risks through research and discussion with peers.
- Considered the outcomes of our previous internal audit and anti-fraud activity.
- Reviewed and updated our audit universe (a record of all auditable activities).
- Considered what other assurance providers (if any) will be inspecting the Council in the coming year and whether we can place reliance on their work.
- Ensured each assurance or consultancy activity was aligned to the Council's priorities, outcomes and whenever possible its risks.

Resources and Limitations

3.3 The plan has been designed around the current and planned level of internal audit and fraud prevention resources likely to be available over the course of 2022/2023. The internal audit resources are currently below establishment due to the recent resignation of a Senior Internal Auditor and an inability to recruit suitably qualified/experienced Internal Auditors. We will attempt to recruit to the remaining vacancies shortly.

3.4 To manage the reduced resources, the internal audit section of the plan is split into Priority 1 and Priority 2 audits. We have sufficient capability and

capacity to deliver Priority 1 audits. The Priority 2 audits will be delivered when additional resources are sourced including an internal audit delivery partner (previously BDO) and recruitment to the vacancies (1 Internal Auditors and 1 Senior Internal Auditor). We are currently progressing a procurement for a delivery partner via the Council's procurement process with a view to offering a three year contract spanning 2022 to 2025. Should we be unable to source a delivery partner or successfully recruit to the vacancies we will be unable to deliver the priority 2 audits. This may result in the annual internal audit opinion being narrower in its scope. We will provide regular updates to CLT and the Audit Committee on progress with additional resources and delivery/outcomes from the planned internal audits.

- 3.5 In addition, the current Head of Internal Audit leaves the Council at the end of March 2022. An interim Head of Internal Audit has been secured for the next 6 months and the Director of Finance, Procurement and Audit is working with HR and Penna to recruit a new permanent Head of Internal Audit, Anti-Fraud and Risk.
- 3.6 A copy of the proposed audit plan that was reviewed and agreed in principle by CLT in March 2022 is attached at Appendix B. A summary description of the risks referenced in the plan is attached at Appendix C.

Recommendation

- 3.7 The Audit Committee to agree the internal audit and anti-fraud annual plan for 2022-23 and note the currently internal audit resource and plans to increase resources and subsequently the internal audit plan.

4. EQUALITIES IMPLICATIONS

- 4.1 There are no specific statutory equality implications.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 Other than the Accounts and Audit Regulations 2015 there are no other statutory implications.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 Other than the requirements on the authority and responsible financial officer set out in the Accounts and Audit Regulations 2015, there are no direct financial implications.

7. COMMENTS OF LEGAL SERVICES

- 7.1 This report is compliant with the Council's legal duties in respect of risk and internal audit as set out in the Accounts and Audit Regulations 2015. It also demonstrates compliance with the Corporate Director Resources' statutory duties under s.151 of the Local Government Act 1972.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix A Draft Internal Audit and Anti Fraud Plan for 2022/23
- Appendix B Summary description of risks referenced in the annual plan

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

- NONE

Officer contact details for documents:

Paul Rock, Head of Internal Audit, Fraud and Risk

Tel: 0207 364 7662 Email: paul.rock@towerhamlets.gov.uk