

Non-Executive Report of the: Audit Committee Tuesday, 30 th May 2023	 TOWER HAMLETS
Report of: Caroline Holland - Interim Corporate Director, Resources (s.151 Officer)	Classification: Open (Unrestricted)
Internal Audit & Anti-Fraud Annual Plan 2023/24	

Originating Officer(s)	David Dobbs and Bharat Mehta
Wards affected	(All Wards);

Executive Summary

This report presents the annual Internal Audit and Anti-Fraud Plan for financial year 2023/24 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 2023/24 attached at Appendix A
2. Note the current level of internal audit resource and the plans to increase resources to provide higher level of coverage.

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 2023/24

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 2023 and continued through to April 2023 . It was presented to CLT on 2nd May 2023 for their agreement in principle. In preparing the plan and agreeing the priorities, we:

- Consulted with the Directors and their DLTs to understand their risks, the importance they attached to proposed audits and the Council's assurance requirements.
- Considered the Council's risk maturity and reviewed the Directorate and Corporate Risk Registers to identify risk areas and their importance for audit coverage.
- Considered national and local risks through research and discussion with peers.
- Considered the outcomes and length of time of the previous internal audit and anti-fraud activity in order to assess the risk and importance of the audits planned.
- Reviewed and updated our audit universe (a record of all auditable activities) and carried out our own independent Audit Risk Assessment in view of the risks present.
- 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 2023/24. Currently, the audit team has an establishment of 3 Senior Auditors, 2 Internal Auditors and 1 Internal Audit Practitioner, supported by an Internal Audit and Fraud Prevention Manager who is also the Deputy Head of Audit.

The two Internal Auditor posts are currently vacant due to an inability to recruit suitably qualified/experienced staff to these posts. In addition, the post of Head of Audit has been vacant since December 2022. An appointment to this post has been made and the post holder has commenced on 9th May 2023. As such, the internal audit resources are currently below establishment, which will impact upon the delivery of the full audit plan.

- 3.4 The in-house Internal Audit team is supported by an audit partner BDO LLC who has recently been procured with a contract start date of 7th February 2023. This has increased the capacity, however, in view of the two vacant posts, the overall resource to deliver the 2023/24 audit plan has reduced.
- 3.5 To reflect the reduced level of resources into the audit planning process, the audit plan has been split into Priority 1 and Priority 2 audits, which have been agreed with Directors and their DLTs. Those audits which are classified as High Importance audits have been assigned Priority 1 audits, as we have sufficient capability and capacity to deliver these audits. Those audits which are classified as of Medium Importance, have been made Priority 2 audits and will be delivered when the 2 vacancies have been filled. There is some flexibility built into the audit plan so that any changes in priorities and any additional requests for audits or requests to defer audits can be accommodated. We will keep the Audit Committee updated on a quarterly basis on the progress of the Audit Plan and any subsequent changes to it.
- 3.6 A copy of the proposed audit plan which is attached at Appendix A was reviewed and agreed in principle by CLT at its meeting on 2nd May 2023. The Plan is linked to the Council's strategic priorities and outcomes and wherever possible audits are mapped against the Corporate and Director level risks which are currently recorded by Management on the Risk Registers. The last column of the Audit Plan at Appendix A explains the origin (source) of the audit, the risk from Corporate and Directorate Risk Registers, where applicable, and the importance (priority) of the audit agreed with Management. A summary description of the risks referenced in the last column of the plan is attached at Appendix B.

Recommendation

- 3.7 The Audit Committee to agree the internal audit and anti-fraud annual plan for 2023/24 and note the current level of internal audit resource.

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. 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 2023/24
- 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

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