

Appendix 1

Herefordshire Council

Proposed Quarter 1 Internal Audit Plan 2022-23 and Internal Audit Charter

The Internal Audit Plan: Summary

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2022/23 financial year.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.



Introduction and Objective of the Internal Audit Plan

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.



Approach to Internal Audit Planning 2022/23

A revised approach to Annual Planning was presented to this Committee in January 2021 to move to quarterly planning implementing a more flexible and agile approach to audit planning which is also recognised as best practice by the internal audit profession.

A quarterly planning process will provide the same assurances as an annual plan but should better reflect the changing risk landscape.

It was agreed audit planning meetings will be held with relevant officers and the plan for each quarter will be agreed with the Chief Finance Officer prior to presenting to this Committee. The quarter 1 plan will include those auditable activities deferred from the 2021-22 plan as well as considering any key risk areas discussed with management.

The quarter 1 audit plan was presented to and discussed with Management Board on 8th March 2022.

The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.



Approach to Internal Audit Planning 2022/23

As per last year, for the remaining three quarters planning meetings will be held with management to discuss the audit plan. The first of the meetings will take place in April 2022. It is likely that the meetings will lead to a 12 month 'rolling wave plan' place-marking key areas of coverage to support the annual opinion. This is then underpinned by quarterly risk-based work plans which draw from meetings with management and the 'rolling wave plan' throughout the financial year to ensure we are auditing the right areas, with the correct scope, at the right time - and reported through our quarterly progress updates.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines of defence' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's AGS.

It is the responsibility of the Authority's Management Board and the Audit and Governance Committee, to determine that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation.

When reviewing the proposed Quarter 1 audit plan (as set out in Appendix 1), key questions to consider include:

- Are the areas selected for coverage appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by the Management Board and Audit and Governance Committee?
- Is sufficient assurance being received within the plan to monitor the organisation's risk profile effectively?

Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss, or fraud.

The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.



Approach to Internal Audit Planning 2022/23

The following factors will be considered when putting together the plan for each quarter for 2022/23:



Due to the pace of change within Local Authorities, quarterly planning should enable the audit work to more accurately predict longer-term key organisational risks. The precise scope of each audit will be determined at the start of the review, in line with local risk factors at that time.

The Internal Audit Plan: Risk Assessment

A documented risk assessment prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

As above, it is the responsibility of the Authority's Management Board and the Audit and Governance Committee to ensure that, following our risk assessment, the proposed plan contains sufficient and appropriate coverage.



Internal Audit Annual Risk Assessment

Our 2022/23 internal audit programme of work is based on a risk assessment, which SWAP will re-visit regularly, but at least annually. The input of senior management as well as review of the Authority's risk register will be considered in this process.

Below we have set out a summary of some of the risks:



The Internal Audit Plan: SWAP

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 24 public sector partners, crossing eight Counties, but also providing services throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- Candid
- Relevant
- Inclusive
- Innovative
- Dedicated



Your Internal Audit Service

Audit Resources

The current internal audit resources available represent a sufficient and appropriate mix of seniority and skill to be effectively deployed to deliver the planned work. The key contacts in respect of your internal audit service for Herefordshire Council are:

Jacqui Gooding, Assistant Director – Jacqui.gooding@swapaudit.co.uk, Tel: 0787250675

Amy Probert, Principal Auditor – amy.probert@swapaudit.co.uk, Tel: 07801672647

Conformance with Public Sector Internal Audit Standards

SWAP's framework and methods comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. Every five years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in February 2020 which confirmed general conformance with the Public Sector Internal Audit Standards. An annual self-assessment process confirms ongoing compliance.

Conflicts of Interest

We are not aware of any conflicts of interest within Herefordshire Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, & Competency.

Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

Internal Audit Charter

The nature, role, responsibility, status and authority of internal auditing within Herefordshire Council and an outline of the scope of internal audit work is provided in the Charter at Appendix 2.

The Internal Audit Plan: Approach

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- **Benchmarking and sharing of best-practice between our public-sector Partners**
- **Regular newsletters and bulletins containing emerging issues and significant risks identified across the SWAP partnership**
- **Communication of fraud alerts received both regionally and nationally**
- **Annual Member training sessions**



Your Internal Audit Service

Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption and have included some focused proactive fraud work in the plan. We have a dedicated counter fraud resource available to undertake specific investigations and proactive fraud work if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

Our Reporting

A summary of internal audit activity will be reported quarterly to senior management and the Audit and Governance Committee. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit and Governance Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

Internal Audit Performance:

As part of our regular reporting to senior management and the Audit and Governance Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

Performance Measure	Performance Target
<u>Delivery of Annual Internal Audit Plan</u> Completed at year end	>90%
<u>Quality of Audit Work</u> Overall Client Satisfaction: <i>did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation</i>	>95%
<u>Outcomes from Audit Work</u> Value to the Organisation: <i>client view of whether our audit work met or exceeded expectations, in terms of value to their area</i>	>95%

Herefordshire Council Proposed Quarter 1 Internal Audit Plan 2022/23

Audit Area	Corporate Risk/Reason for Inclusion	Planned Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
						Corporate Centre (including ICT)		
Leavers Process	Deferred from 2021/22	1	Not Started					
Data Quality/Data Management	Response from management board to thematic issue in the 2021/22 Internal Audit Progress Reports	1	Not Started					
Payroll Follow Up	2020/21 full audit completed in 2021/22 therefore follow up to be completed in 2022/23.	1	Not Started					
Local Authority Community Testing Funding Grant Determination 2020/21: January, February, March	Grant Certification	1	Not Started					
Local Authority Test and Trace Support Payment Scheme Funding Grant Determination 2020/21: No:31/5789 (January, February, March)	Grant Certification	1	Not Started					
Public Health Grant – Review of processes	Request of Chief Finance Officer.	1	Not Started					
Local Authority Covid 19 Test and Trace Contain Outbreak Management Fund Grant Determination 2021/22: No 31/5518	Grant Certification	1	Not Started					
Economy and Place								
Property Flood Resilience Support Scheme (Bellwin/ Resilience Management) Quarterly Review – Quarter 1 (Yearly Report)	Grant Certification	1	Not Started					
Children’s and Families								



Herefordshire Council Proposed Internal Audit Plan 2022/23

Schools Thematic Audit – Impact of Covid on Budgets and Funding	Deferred from 2021/22 for SWTP LEP Settlement Audit. Request of schools theme by AD Education, Development & Skills	1	Not Started					
Supporting Families – Monthly Review – Quarterly Report – Quarter 1	Grant Certification	1	Not Started					
Condition Funding Grant Determination (2021): No 31/5501	Grant Certification Deferred from qrt 4 2021/22 for Protect and Vaccinate Grant.	1	Not Started					
Adults and Communities								
Disabled Facilities Grant Capital Grant Certification	Grant Certification	1	Not Started					

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

