



Report to Audit Committee

Meeting Date – 25 March 2024
Key Decision – No
Public/Private – Public

Portfolio – Markus Campbell-Savours – Governance & Thriving Communities
Directorate – Resources
Lead Officer – Michael Roper – Acting Head of Internal Audit & Risk Management

Internal Audit Plan & Charter 2024/25

Summary: To present the annual risk-based internal audit plan and charter for 2024/25 for approval.

Recommendations:

Members are requested to note:

- (i) Approve the 2024/25 Internal Audit Plan (Appendixes 1-3)
- (ii) Approve the 2024/25 Internal Audit Charter (Appendix 4)
- (iii) Approve the 2024/25 proposed performance indicators and targets (paragraph 2.14)

Tracking

Executive:	
Scrutiny:	
Council:	

1. Background

- 1.1. The Chartered Institute of Internal Audit defines internal auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations”. Internal Audit helps the Council to achieve its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.
- 1.2. The Accounts and Audit Regulations 2015 require the Council to 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”.
- 1.3. The PSIAS affirm the need for an annual risk-based audit plan to be developed in order that the Head of Internal Audit can form an annual opinion on the Council’s systems of risk management, governance and internal control.

2. Proposals

- 2.1. The risk-based Internal Audit plan is attached at **Appendix 1-3**.
- 2.2. The proposed audit resource of 1644 days shown at **Appendix 1** is based on the existing in-house resource, assuming vacancies within the team of three months in relation to 1 FTE permanent position and six months for 2FTE temporary vacancies.
- 2.3. Internal Audit are pursuing recruitment options to fill vacancies, but there is significant uncertainty in the recruitment market, so available days will need to be closely monitored, with the plan adjusted accordingly, including consideration of procuring additional temporary resource (as has been the case in 2023/24).
- 2.4. The number of days proposed for each category of audit work is detailed at **Appendix 2**, alongside a brief description.
- 2.5. It is my view that this is sufficient audit coverage to provide an opinion on the systems of governance, risk and internal control in line with the PSIAS and in order to support the preparation of the Annual Governance Statement; this will be reviewed throughout the year.
- 2.6. Proposed internal audit reviews and other internal audit activity is included at **Appendix 3**. The proposals were prepared based on the following activity:
 - Review and understanding of the Council’s strategic objectives as stated in the Cumberland Plan.
 - Review of Strategic Risk Register
 - Internal Audit’s understanding of the current risk environment.
 - Consultation with key stakeholders, including planning meetings held with all members of Cumberland’s Senior Leadership Team.
- 2.7. The proposed plan focuses on key strategies and policies and a focus on the strategic risks and associated mitigation strategies the authority should be establishing.

- 2.8. The plan includes full coverage of all Main Financial Systems due to the ongoing complexities involved in merging records and systems for four separate authorities. It is hoped to establish a triennial assurance programme for Main Financial Systems in the longer-term.
- 2.9. The plan also includes an allocation for development of the internal audit methodology adopting a continuous improvement approach informed by an ongoing self-assessment of current service delivery. A formal self-assessment of the Internal Audit service will be presented to the next Committee meeting.
- 2.10. The plan includes contingency for follow-ups. Internal Audit will formally follow up the implementation of agreed actions arising from audits that result in partial or limited assurance. Follow-ups will be within timescales to allow suitable opportunity to implement agreed actions and will result in a formal report and revised assurance opinion. Any proposed delays to follow-ups will be reported to the Audit Committee.
- 2.11. Internal Audit will also maintain a schedule of all outstanding audit recommendations and obtain assurances from responsible officers that agreed actions have been implemented. Progress will be reported to the Committee on a regular basis.
- 2.12. The PSIAS reflect the requirement for internal audit plans to be flexible to respond to new and emerging risks to the organisation. Some capacity is therefore built into the plan to allow Internal Audit to respond to such issues. The plan will also need to be reviewed to ensure it continues to align to a rapidly changing risk environment. Proposed amendments will be reported to the Audit Committee as required.
- 2.13. Compliance with the Standards includes the requirement for an Audit Charter that provides the blueprint for how internal audit will operate, including ensuring organisational independence and providing Internal Audit with the authority to deliver their work and authorised access to Council information and assets. A draft Charter is attached at **Appendix 4**.
- 2.14. The plan and charter have been approved by Cumbria Senior Leadership Team on 6th March 2024.
- 2.15. In order to help ensure an effective Internal Audit service is in place there needs to be effective measures of performance. The following indicators are proposed for 2024/25:

Indicator	Target
Planned Audits Completed	80%
Timely Draft Reports (within 3 months of fieldwork starting)	80%
Timely Final Reports (within 8 days of client response)	90%
Recommendations Agreed	95%
Assignments completed within 10% of allocated resource.	70%
Recommendations implemented first time	60%

3. Alternative options considered

3.1. None.

4. Conclusion and reasons for recommendations

4.1. It is a requirement of the PSIAS for Internal Audit to have an approved plan and charter in place. These documents allow Internal Audit to deliver a work programme that enable the Head of Internal Audit to provide an opinion on the governance, risk management and internal control frameworks in place for the Council.

Implications:

Contribution to the Cumberland Plan Priorities - Deliver of the Internal audit plan will enable the Head of Internal Audit to provide an opinion on the governance, risk management and internal control frameworks in place for the Council.

Relevant Risks – Contained within the report

Consultation / Engagement -

Legal – None

Finance – None

Information Governance – None

Impact Assessments –

Have you screened the decision for impacts using the Impact Assessment?

If you have not screened the decision using the Impact Assessment, please explain your reason

Contact details:

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Appendices attached to report:

Appendix 1 (Internal Audit Resource 2024/25)

Appendix 2 (Work Categories 2024/25)

Appendix 3 (Internal Audit Reviews 2024/25)

Appendix 4 (Internal Audit Charter 2024/25)

Background papers:

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers: