



## 2022/23 Internal Audit Plan

Elizabeth Goodwin, Chief Internal Auditor



## Executive Summary

This document sets out Internal Audit's programme of work for 2022/23, to provide Audit Committee with the opportunity to comment on the proposed coverage.

For context all known Council 'activities' are risk assessed annually, with those presenting the highest risk being scheduled for audit the following year. In practice this results in higher risk areas, for example fundamental financial functions, being audited annually, with the interval between audits for activities increasing, dependent on the assessed level of risk to the Council. Over a five-year period, most areas of the Council will be audited at least once.

The Plan is informed by:

- Legal requirements, specifically including grant sign offs by Internal Audit.
- Industry good practice and sector trends.
- Outcomes of prior Internal Audit reviews, for example all 2021/22 higher risk exceptions will be followed up during 2022/23.
- Consultation with the Council's senior management, including the Chief Executive, Directors, including the Director of Finance and Section 151 Officer, Chair of the Audit Committee and External Audit.

Primarily the Plan is risk based although a number of fundamental areas, for example key financial processes such as Payroll, Accounts Payable and Receivable, are reviewed every year. Indicative links to the current Corporate Plan are also identified in the list of proposed audits. During the scoping stage of each review links between the area under review and their contribution to individual corporate priorities will be considered for coverage in fieldwork.

In addition to the planned programme of audits Internal Audit will also carry out fraud investigations and ad-hoc reviews, to ensure the Council has a fit for purpose Internal Audit service, as set out in the Public Sector Internal Audit Standards:

<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>



## Proposed Audits

Audits	Type	Strategic Risks	Corporate Plan Themes
<b>Children's Services - Steve Crocker, Director of Children's Services</b>			
Direct Contact & Supervision	Full	R05	T5
School X 2 (including Landlord resp.)	Full	R05	T5
Elective Home Education	Full	R05	T5
St Mary's School (c/f from 21/22)	Full	R05	T5
Children with Disability (to include Transition children's to adults)	Follow-up	R05 R06, R07	T2, T5
Scheduled reduced Follow-up; to cover: <ul style="list-style-type: none"> <li>• Early Years</li> <li>• Edge of Care (Barnardo's Contract)</li> <li>• Arreton School</li> <li>• Broadlea School</li> </ul>	Follow-up	R06	T5
Troubled Families (Children's)	Grant	R01, R02	T2, T5
<b>Children's Services &amp; Finance - Steve Crocker, Director of Children's Services &amp; Chris Ward, Director of Finance &amp; Section 151 Officer</b>			
School Financial Management Standard (SFVS)	Full	R01, R02	T2, T5
<b>Adult Services - Laura Gaudion, Director of Adult Social Services</b>			
Hospital Team/Discharge Process	Full	R09	T3
Reablement/Outreach	Full	R06, R07	T3
Deferred Payments	Full	R06, R07	T3
Plean Dene	Full	R07, R08	T3
Deprivation of Liberty (DOLs)	Follow-up	R06, R07	T3
<b>Corporate Services - Claire Shand, Director of Corporate Services</b>			
Accounts Payable (AP)	Full	R01, R02	T2
Accounts Receivable (AR)	Full	R01, R02	T2
Bank and Cash	Full	R01, R02	T2
Council Tax and NNDR	Full	R01, R02	T2
Housing Benefits	Full	R01, R02	T2
Payroll	Full	R01, R02	T2
IT Assets (including mobile phones)	Full	R01, R02	T4
Blue Badges	Full	R13	T4
Software Development	Full	R13	T4



Audits	Type	Strategic Risks	Corporate Plan Themes
Technology Forge (IT System)	Follow-up	R13	T2
Paris (IT System)	Follow-up	R06	T2
Fleet/Hire Cars	Follow-up	R06	T2
Insurance	Follow-up	R06	T2
<b>Scheduled reduced Follow-up; to cover:</b> <ul style="list-style-type: none"> <li>• Modern Slavery</li> <li>• Freedom of Information (FOI)/Subject Access Requests (SARs)</li> <li>• Agency</li> <li>• Pension Administration</li> <li>• IT Follow-Up</li> <li>• Workforce Development (including Wellbeing)</li> </ul>	Follow-up	All	T4
<b>Strategy/ Corporate - Wendy Perera, Asst Chief Exec &amp; Chief Strategy Officer</b>			
Contract (TBC from across the organisation)	Full	R13	T2
Project (Adelaide and Gouldings)	Full	R13	T2
Annual Governance Statement (AGS)	Full	All	T2
<b>Scheduled reduced Follow-up; to cover:</b> <ul style="list-style-type: none"> <li>• Risk Management</li> </ul>	Follow-up	All	T2
<b>Neighbourhoods - Colin Rowland, Director of Neighbourhoods</b>			
Regulatory Compliance	Full	R13	T4
Car Parking	Full	R13	T8, T9
Bereavement	Full	R13	T8
Disabled Facilities	Grant	R01, R02	T2, T3
Local Transport Capital Funding	Grant	R01, R02	T2, T9
Green Homes Grant 2	Grant	R01, R02	T2, T7, T8
Emergency Active Travel	Grant	R01, R02	T2, T9
CCTV	Follow-up	R13	T4
<b>Scheduled reduced Follow-up; to cover:</b> <ul style="list-style-type: none"> <li>• Leisure Centres (pending results)</li> <li>• Homes in Multiple Occupancy (HMOs)</li> <li>• Public Health Funerals (Community) (pending results)</li> </ul>	Follow-up	R13	T8, T9
<b>Neighbourhoods &amp; Finance - Colin Rowland, Director of Neighbourhoods &amp; Chris Ward, Director of Finance &amp; Section 151 Officer</b>			
Bus Subsidy	Grant	R01, R02	T2, T9



Audits	Type	Strategic Risks	Corporate Plan Themes
<b>Regeneration - Christopher Ashman, Director of Regeneration</b>			
Building Control	Full	R13	T7, T9
Asset Disposals	Full	R13	T7, T9
Planning and Enforcement	Full	R13	T7, T6
Section 106	Follow-up	R13	T7, T9
Asbestos	Follow-up	R13	T7
Scheduled reduced Follow-up; to cover: <ul style="list-style-type: none"> <li>Asset Management</li> <li>School Landlord Responsibility</li> </ul>	Follow-up	R13	T7
<b>Public Health - Simon Bryant, Director of Public Health</b>			
Risk Management	Full	R13	T3
Public Health Outcomes	Full	R13	T3
<b>Public Health &amp; Finance - Simon Bryant, Director of Public Health &amp; Chris Ward, Director of Finance &amp; Section 151 Officer</b>			
Contain Outbreak Management Fund (COMF)	Grant	R01, R02	T2, T3
HIV Prep	Grant	R01, R02	T2, T3
<b>Finance - Chris Ward, Director of Finance &amp; Section 151 Officer</b>			
Capital Accounting	Full	R01, R02	T2



## Risks

Ref	Risk
R01	Lack of financial resource and the ability to deliver the council's in-year budget strategy for 2021/22.
R02	Lack of financial resource and the ability to deliver the council's medium term financial strategy.
R03	Insufficient staffing capacity and skills.
R04	change in organisational culture fails to keep a pace with the speed of organisational change, negatively impacting on the delivery of the required transformation to deliver the corporate plan.
R05	Failure to improve educational attainment.
R06	Failure to identify and effectively manage situations where vulnerable children are subject to abuse.
R07	Failure to recruit acceptable quality of professional practice across Adult Social Care (ASC) and Housing Needs.
R08	Failure to identify and effectively manage situations where vulnerable adults are subject to abuse.
R09	Failure to secure the required outcomes from the integration of adult social care and health.
R10	Independent Social Care Sector Sustainability (care Homes and Home Care) (Previously ASC care provider failure).
R11	Failure of the Highways PFI contract resulting in significant financial and operational disruption for the council and its residents.
R12	Failure of the Waste contract resulting in significant financial and operational disruption for the council and its residents.
R13	Achieving the vision for the Island.
R14	Additional demands placed upon the Isle of Wight Council and partners owing to pandemic flu or similar large-scale outbreaks.
R15	Dealing with threats to business continuity (including cyber incidents).



## Corporate Plan themes

Ref	Outcome
T1	Strategic partnerships and COVID-19 recovery
T2	Strategic finance, transformational change and corporate resources
T3	Adult social care and public health
T4	Community safety, housing and digital services
T5	Children's services, education and skills
T6	Planning and community engagement
T7	Regeneration, business development and tourism
T8	Environment, heritage and waste management
T9	Infrastructure and transport



# Isle of Wight Council Internal Audit Charter & Code of Ethics February 2022

## Introduction

1. On 1<sup>st</sup> April 2013 the 'Public Sector Internal Audit Standards' (PSIAS) were formally adopted in respect of Local Government across the UK. The PSIAS replace the CIPFA Code of Practice for Internal Auditors in Local Government in the UK and encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF).
2. The PSIAS apply to all internal service providers, whether in-house, shared services or outsourced. The requirements of the Standards are covered in this Internal Audit Charter & Code of Ethics. The Standards have been revised from 1 April 2016 to incorporate the mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing.
3. Internal Audit is provided for the Isle of Wight under a joint in-house and Partnership arrangement with Portsmouth City Council.

## Authority

4. The Accounts and Audit Regulations 2015 Section 5, define the requirement for an internal audit function within Local Government stating that:  
'A relevant authority 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'

## Responsibility

5. The responsibility for maintaining an adequate and effective system of internal audit within Isle of Wight Council lies with the Director of Finance (S151 Officer).
6. The Chief Internal Auditor is responsible for effectively managing the internal audit activity in accordance with the '*Definition of Internal Auditing*', the '*Code of Ethics*' and '*the Standards*'.

## Definitions

7. In accordance with the PSIAS the definition of Internal auditing is.

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.





8. Internal Audit is not an extension or a substitute for good management although it can advise management on risk and control issues. It is the duty of management to operate adequate systems of internal control and risk management.
9. Internal Audit will consider the adequacy and effectiveness of the internal control framework, regarding the council's operational arrangements, put in place to meet the statutory responsibilities effective for all council and, specific to the Isle of Wight Council, support its strategic objectives.

### **Purpose and scope**

10. Internal Audit for the Isle of Wight will provide an Annual Internal Audit Opinion based on an objective assessment of the Authority's framework of governance, risk management and control, regarding its operational arrangements. It will also provide advice and consultancy services at the specific request of the Authority, with the aim of improving governance, risk management and control whilst contributing to the overall Annual Opinion.
11. The Annual Internal Audit Opinion must incorporate.
  - The Opinion.
  - A summary of the work that supports the Opinion; and
  - A statement on conformance with PSIAS and the results of the quality assurance and improvement programme.
12. Internal Audit will not be restricted to the audit of financial systems and controls but will cover all operational and management controls. There are therefore no scope limitations, in that all of the Authority's activities fall within the remit of the Internal Audit; however, consideration will always be given to the competency, qualification and experience of those auditors tasked with carrying out the individual assignments. For example, Internal Audit will not make judgements or evaluations on care or academic assessments; equally it is not in the section's remit to give an opinion on the appropriateness of policy decisions.
13. Consultancy activities (i.e., advice, facilitation, counsel and training) the nature and scope of which will be agreed with the client and are intended to add value and improve the Council's governance, risk management and control processes without Internal Audit assuming responsibility.
14. Special reviews may be conducted at the request of the Audit Committee, Chief Executive and the s151 Officer. Internal Audit may also conduct investigations as requested by the Investigation Steering Panel - ISP (consisting of the Monitoring Officer, s151 Officer (or Deputy), and the Chief Internal Auditor, provided such reviews (special or investigation) do not compromise its objectivity or independence.
15. Any impact on the Audit Plan must be assessed and, if necessary, the Plan reprioritised by the Chief Internal Auditor. Any significant changes must be reported to the Chief Executive, and s151 Officer as well as the Audit Committee in their next reporting cycle.



16. Fraud prevention and detection is the responsibility of managers. However, if Internal Audit detects any suspected irregularities during the course of their activities they will report them to ISP. The Chief Internal Auditor may review the system for control weaknesses, but any investigation will be under the direction of ISP.

### **Organisational Independence**

17. Internal Audit has no operational responsibilities for any financial systems, including system development and installation. It may however provide advice on control implementation and risk mitigation where relevant and throughout the design and implementation stages of new systems.
18. The Chief Internal Auditor will be free from interference (although have due regard for the Authority's key objectives and risks and consult with the Audit Committee and Officers charged with governance) when setting the priorities of the annual audit plan, for example, in determining the scope and objectives of work to be carried out and in performing the work and communicating the results of each audit assignment. There must be no compromise on the ability of Internal Audit to provide an independent assurance on the control framework.
19. Internal Audit will have free and unfettered access to Senior Management, defined as s151 Officer, Chief Executive, Monitoring Officer and Directors. In addition, Internal Audit will have free and unfettered access to the Leader of the Council and the Chair of the Audit Committee.

### **Responsibilities of Individual officers**

#### Chief Internal Auditor

20. The Chief Internal Auditor must ensure that:
  - (1) They identify the overall remit of audit activity
  - (2) They consult the Council's management and Audit Committee, to inform the annual programme of Internal Audit work.
  - (3) The agreed programme of works is completed.
  - (4) There are adequate arrangements in place to carry out monitoring the quality assuring of the provision of Internal Audit.
  - (5) Internal Audit complies with the PSIAS and Code of Ethics at all times.
  - (6) They periodically review the Internal Audit Charter for adequacy and effectiveness.
  - (7) Constructive working relationships are fostered and encouraged between auditors, auditees, managers, and external auditors.
  - (8) A follow-up process to monitor and ensure that management actions have been effectively implemented and are undertaken promptly.
  - (9) Where management has accepted a level of risk that may be unacceptable to the Authority, that the matter is discussed with the s151 Officer, Chief Executive and Monitoring Officer as relevant, or escalated to the Audit Committee to resolve.



- (10) They regularly report performance against plan to the Audit Committee and assist with their agenda.

#### Individual Auditors

21. All individual auditors must ensure that they:

- (1) Maintain an impartial and unbiased attitude and avoid any conflict of interest.
- (2) Possess the knowledge, skills and other competencies needed to perform their individual responsibilities and that they enhance those skills through continuing professional development.
- (3) Exercise due professional care at all times.
- (4) Assist management in establishing or improving risk management processes, without managing those risks.
- (5) Give adequate notice of the start of a planned audit
- (6) Develop and document a plan of each assignment detailing its objectives, scope and any limitations, timing and resource allocations.
- (7) Consider the objectives, risks, effectiveness of the control framework, value for money obtained, of the activity under review, when planning and setting the objectives of each assignment.
- (8) Develop and document a programme of works that achieves the audit objectives.
- (9) Document sufficient information on their identification, analysis and evaluation of risks and controls within the area of audit activities, i.e. that the evidence is reliable, factual and adequate.
- (10) Communicate their findings based on opinion ascertained from these evaluations, providing an overall conclusion/ assurance level, risk rating, recommendations (where relevant) and proposed action plans.
- (11) Communicate all findings in an accurate, objective, clear, concise, constructive, complete and timely manner in accordance with PSIAS.
- (12) Agree a plan of action with the Service to remedy control weaknesses
- (13) Maintain professional independence, objectivity, integrity and confidentiality
- (14) Inform the Chief Internal Auditor of any areas where they could have a conflict of interest which could impair or be perceived to impair their objectivity
- (15) Hold in safe custody any documents or property or other material obtained for audit use or investigation.
- (16) Act with due care to provide "reasonable" assurance on the adequacy of control
- (17) Foster good working relationships with auditees, external auditors and managers

#### S151 Officer

22. The s151 Officer has the authority to ensure that the provision of Internal Audit is sufficient to meet the s151 requirements.

23. The s151 Officer must ensure that:

- (1) Any suspected irregularities are properly and appropriately investigated, and action taken.
- (2) S/he is satisfied that the Annual Audit Opinion assurance statement either on its own or as part of the Annual Governance Statement, reflects accurately the position of the control framework.



- (3) Internal Audit and the Authority comply with their responsibilities as detailed within this Charter and Code of Ethics and Standards.
- (4) Internal Audit is sufficiently resourced and is effective and in the event that it is not that this is raised with the s151 Officer and members of the Audit Committee.

#### Chief Executive

24. The Chief Executive carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

#### Members

25. The Audit Committee as the corporate body 'the board', have the responsibility to ensure that there is a current and effective Internal Audit function, ensuring that:
  - (1) The function complies with PSIAS.
  - (2) Internal Audit status is sufficient within the organisation, is independent organisationally and in its reporting and is free to set its priorities.
  - (3) There is an annual plan focused on the risk and control framework.
  - (4) Significant weaknesses identified by audit are addressed.
  - (5) Agreed actions are implemented.

#### Auditees

26. All persons under the controls of IWC; staff, members, contractors, temporary and agency staff must ensure that:
  - (1) They maintain a constructive approach to Internal Audit.
  - (2) Must present any cash, stores or any other authority asset under his or her control if requested to do so by an Auditor.
  - (3) Must ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
  - (4) Must ensure that auditors are provided with any information and explanations that they seek in the course of their work.
  - (5) They respond promptly and formally to audit reports within the agreed timescale
  - (6) They implement agreed actions and within an agreed timed action plan.

#### External Auditors

27. Internal Audit is expected to co-operate and regularly liaise with the external auditors to ensure an efficient and effective use of resources is achieved and unnecessary over-lapping of work is avoided.
28. The external auditors have a responsibility to assess whether the Internal Audit arrangements are adequate and will, where they are able, place reliance on Internal Audit work when forming their opinion on the Authority's accounts.



### Reporting Structure

29. On an annual basis the Chief Internal Auditor will present for review and approval any changes to the Internal Audit Charter and Code of Ethics and the annual audit plan of activities, including resource requirements and any perceived deficiencies to the Audit Committee, following consultation with the, s151 Officer, Chief Executive, Monitoring Officer, Directors and the Audit Committee.
30. An update on progress and performance to the audit plan will be presented at each Audit Committee. This will include any significant risk exposure and control issues, including fraud and governance risks.
31. Where critical risks, or the audit is rated as high risk the entire report will be presented to the Audit Committee. All other findings will be summarised in a covering report.
32. It is for management to determine whether or not to accept the audit exceptions and to recognise and accept the risks of not taking action. They must formally respond giving reasons for their decisions, which will be presented to the Audit Committee to challenge if they so wish. Where action is proposed on critical/high risks but has not been taken within a reasonable timeframe the matter will be escalated to the Audit Committee for resolution.
33. All reviews of the Annual Audit Plan will be presented for approval along with any significant consulting services not already included in the Audit Plan, prior to accepting the engagement.
34. Any issues of concern maybe escalated at the Corporate Management Team as well as at the Audit Committee.

### Access to records and personnel

35. All Internal Auditors have right of access to all premises, personnel, documents and information they consider necessary for the purpose of their reviews and to obtain such information and explanations from any employee as necessary concerning any matter under review/investigation.
36. All Internal Auditors also have the power to require any council employee, agent or Member to produce cash, equipment, computers or other Council property under their control. Internal Audit can retain or seize these items in order to protect the Council's interest, or to preserve evidence, if a suspected irregularity has occurred before considering whether to refer the issue to the Police. Consultation with the Investigation Steering Panel will be carried out in advance of contacting the Police where possible.

### Due Professional Care

37. The Chief Internal Auditor must hold a professional qualification and current membership, CMIIA, CCAB or equivalent and be suitably experienced.
38. All Internal Auditors will have sufficient knowledge through training and continued professional development to carry out their duties including evaluating the risk of fraud; however, it remains the responsibility of management to detect and manage fraud.



39. Any impairment either in fact or appearance on any individual auditor's independence or objectivity will be escalated to the s151 officer if the Chief Internal Auditor has been unable to resolve. Impairment may include, but is not limited to, personal conflict of interest, scope limitation, restrictions on access to records, personnel and properties and resource limitation, such as funding. A record will be made of any action taken.

#### **Quality Assurance & Improvement Programme**

40. The Chief Internal Auditor will develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activities. In order to achieve this, internal on-going supervision will be carried out after each audit.
41. The effectiveness of Internal Audit will be measured by.
- (1) Risks to the Authority are identified and mitigated by agreed actions being implemented re critical and high-risk exceptions highlighted in Audit reviews.
  - (2) Compliance with the PSIAS and Code of Ethics
  - (3) External Auditors are able to rely on the work of Internal Audit when forming their opinion on the Authority's accounts.
  - (4) Satisfactory responses received from clients by means of end of year questionnaires.

#### **Management of Internal Audit Activities**

42. The Chief Internal Auditor will ensure that the work of Internal Audit is of value to the Authority. This will be achieved by ensuring that the work carried out achieves its purpose as included in this charter.
43. The priorities of Internal Audit will be determined annually using a risk-based methodology and in consideration with the Authority's overall objectives. The risk-based approach will take into account the risk management framework and risk appetite levels along with each directorate's performance.
44. The Annual Audit Plan will be reviewed in response to changes in the Authority's risks, operations, systems and controls at least once during the year.