

**READING BOROUGH COUNCIL**  
**DIRECTOR OF FINANCE**

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>12 APRIL 2023</b>		
<b>TITLE:</b>	<b>Internal Audit plan 2023/2024 &amp; Internal Audit Charter</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLOR</b> <b>TERRY</b>	<b>PORTFOLIO:</b>	<b>CORPORATE SERVICES &amp; RESOURCES</b>
<b>SERVICE:</b>	<b>AUDIT &amp; INVESTIGATIONS</b>	<b>WARDS:</b>	<b>N/A</b>
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## 1. PURPOSE OF REPORT

- 1.1 This report sets out the work Internal Audit plans to undertake during the financial year 2023/2024. This plan has been discussed with Executive and Assistant Directors and presented to Directorate Management Teams.
- 1.2 It is internal audit's responsibility to provide an annual formal opinion on the Council's control environment. In the context of the Public Sector Internal Audit Standards<sup>1</sup>, '*opinion*' does not simply mean '*view*', '*comment*' or '*observation*'; it means that internal audit will have done sufficient, evidenced work to form a supportable conclusion about the Council's activities that we have examined. Internal audit will word its opinion appropriately if it cannot give reasonable assurance (e.g., because of limitations to the scope of, or adverse findings arising from, its work).
- 1.3 The attached audit plan (appendix 1) will allow for the effective discharge of this responsibility. In accordance with the Accounts and Audit regulations<sup>2</sup> and the Public Sector Internal Audit Standards the Council's Audit and Governance Committee is required to approve and monitor progress against, the internal audit plan.
- 1.4 Accompanying the audit plan is the internal audit charter which sets out the purpose, authority, responsibility and scope of internal audit. The Public Sector Internal Audit Standards (PSIAS) intend to ensure sound corporate governance and set out roles and responsibilities with regard to the delivery of internal audit services. The PSIAS require an Internal Audit Charter to be in place which will be reviewed periodically and presented to the Audit & Governance Committee for approval.

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<sup>1</sup> The Public Sector Internal Audit standards - Applying the IIA International Standards to the UK Public Sector 2013 (*updated March 2017*)

<sup>2</sup> 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.

1.5 The following documents are attached to this report:

- Draft Internal Audit plan for 2023/2024 (appendix 1)
- Internal audit charter (appendix 2)

## **2. RECOMMENDATIONS**

**2.1 That the Audit & Governance Committee approves the audit plan and Internal Audit Charter for the period April 2023 to March 2024.**

## **3. INTERNAL AUDIT PLAN**

- 3.1 Internal audit contributes to the Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on achieving the key priorities. It also supports the Director of Finance in discharging his statutory (sec 151) duties.
- 3.2 In line with the PSIAS the proposed audit plan has been devised by adopting a risk-based approach. The information which has been used to prepare our risk assessment and proposed internal audit plan has been collected and collated from a number of different sources. The starting point for a risk-based audit approach is an understanding of the Council's objectives and risks. This has been achieved by reviewing the Councils Strategic risk register, Corporate Plan and minutes of officer and Council meetings. Executive Directors and Assistant Directors were consulted for areas to be included in the audit plan and our own knowledge and experience of Council services were also used to inform our subsequent risk assessment. This information is used to inform and design the audit plan.
- 3.3 The audit plan needs to be deliverable within available resources and the achievement of the audit plan is based on the assumption that the current internal audit structure will remain essentially unaltered and intact throughout the year.
- 3.4 The audit plan is fixed for a period of one year; however, it must at the same time be fluid, kept under continuous review and amended to take into account emerging risks and areas where assurance work is required to be provided. Any significant changes will be reported back to the Audit & Governance Committee.
- 3.5 CMT and the Audit and Governance Committee will also be advised of performance against the audit plan and be kept informed of the results of those audit reviews undertaken.

## **4.0 INTERNAL AUDIT CHARTER**

- 4.1 In accordance with the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), and the Public Sector Internal Audit Standards (PSIAS), the purpose, authority and responsibility of the internal audit function must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The Charter is a formal document that establishes the position of Internal Audit within the Council; authorises access to records, personnel and physical properties relevant to the performance of audit engagements; and defines the scope of internal audit activities.
- 4.2 The internal audit charter should be approved by the Audit & Governance Committee and agreed to by senior management. The charter should at a minimum include internal audit's purpose and mission, authority, responsibility, its independent reporting relationships, scope and requirement to conform to IIA Standards.

## **5. CONTRIBUTION TO STRATEGIC AIMS**

- 5.1 The Internal Audit Team aims to assist in the achievement of the strategic aims of the Council set out in the Corporate Plan by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In particular audit work is likely to contribute to the priority of remaining financially sustainable to deliver our service priorities.

## **6. COMMUNITY ENGAGEMENT AND INFORMATION**

- 6.1 *N/A*

## **7. LEGAL IMPLICATIONS**

- 7.1 Legislation dictates the objectives and purpose of the internal audit service the requirement for an internal audit function is either explicit or implied in the relevant local government legislation.
- 6.1 Section 151 of the Local Government act 1972 requires every local authority to “make arrangements for the proper administration of its financial affairs” and to ensure that one of the officers has responsibility for the administration of those affairs.

6.2 In England, more specific requirements are detailed in the Accounts and Audit Regulations in that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices”.

## **7. FINANCIAL IMPLICATIONS**

7.1 N/A

## **8. BACKGROUND PAPERS**

8.1 N/A