

Audit and Governance Committee

10 April 2024



Reading
Borough Council
Working better with you

Title	Internal Audit plan 2024/2025
Purpose of the report	To note the report for information
Report status	Public report
Report author	Paul Harrington, Chief Auditor
Lead Councillor	Councillor Terry
Corporate priority	Our Foundations
Recommendations	That the Audit & Governance Committee approves the audit plan for the period April 2024 to March 2025.

1. EXECUTIVE SUMMARY

- 1.1 This report sets out the work Internal Audit plans to undertake during the financial year 2024/2025. 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 Standards¹, '*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 regulations² 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.

2. DEVELOPING THE INTERNAL AUDIT PLAN 2024/25

- 2.1 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.

¹ The Public Sector Internal Audit standards – Applying the IIA International Standards to the UK Public Sector 2013 (*updated March 2017*)

² 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.

- 2.2 In accordance with the Public Sector Internal Audit Standards there is a requirement that Internal Audit establish a risk-based audit plan to determine the resourcing of the internal audit service, consistent with the organisation's goals. The information that 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 Council's 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.
- 2.3 Audit planning is a perpetual process throughout the course of the year to ensure we are able to react to new and emerging risks and the changing needs of the Council and its services.
- 2.4 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.
- 2.5 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.
- 2.6 The Audit & Governance Committee is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not and do not seek to cover all risks and processes within the organisation.
- 2.7 We will, however, continue to work closely with other assurance providers to ensure that duplication is minimised, and a suitable breadth of assurance is obtained.
- 2.8 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.

3. CONFORMANCE WITH INTERNAL AUDITING STANDARDS

- 3.1 The Internal Audit Team is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for internal audit services to have an external quality assessment every five years. In April 2022 the Chartered Institute of Public Finance and Accountancy (CIPFA) was commissioned to complete an external quality assessment of the Internal Audit Service against the PSIAS, Local Government Application Note and the International Professional Practices Framework. In selecting CIPFA a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. CIPFA is recognised as the leading commentator on managing and accounting for public money, as well as being the standard-setters for public sector internal audit in UK local government. CIPFA is ideally placed to assess organisations against the standards and ensure a robust and critical review.

- 3.2 In considering all sources of evidence the external assessment team concluded: Reading Borough Council's Internal Audit Service fully conforms to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note. The assessor went on to state that *"Reading Borough Council has a professional and well-respected internal audit service that is effective and not only follows best practice but is itself an example of good practice in local government internal audit. From the evidence reviewed as part of the external quality assessment, no areas of non-compliance with the standards have been identified, nor have any significant areas of partial non-compliance been identified, that would affect the overall scope or operation of the internal audit activity"*.

4. Contribution to Strategic Aims

- 4.1 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 the Council's priorities. The Council's new Corporate Plan has established three themes for the years 2022/25. These themes are:

- Healthy Environment
- Thriving Communities
- Inclusive Economy

- 4.2 These themes are underpinned by "Our Foundations" explaining the ways we work at the Council:

- People first
- Digital transformation
- Building self-reliance
- Getting the best value
- Collaborating with others

- 4.3 Full details of the Council's Corporate Plan and the projects which will deliver these priorities are published on the [Council's website](#). These priorities and the Corporate Plan demonstrate how the Council meets its legal obligation to be efficient, effective and economical.

5. Environmental and Climate Implications

- 5.1 There are no environmental or climate implications arising from the report.

6. Community Engagement

- 6.1 N/A

7. Equality Implications

- 7.1 No equalities impact implications have been identified as arising from this report.

8. Other Relevant Considerations

- 8.1 None

9. Legal Implications

- 9.1 Legislation dictates the objectives and purpose of Internal Audit the requirement for an Internal Audit function is either explicit or implied in the relevant local government legislation.
- 9.2 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.
- 9.3 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”.

10 Financial Implications

- 10.1 n/a

11 Timetable for Implementation

- 11.1 n/a

12 Background Papers

- 12.1 n/a

Appendices

- 1. Internal Audit Plan 2024/2025 (Appendix 1)