

Internal Audit Strategy and Indicative Programme of Work 2023-2024

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1. Role of Internal Audit

1.1 The full role and scope of the Council's Internal Audit Service is set out within the Internal Audit Charter and Terms of Reference, which is presented to the Committee separately.

1.2 The mission of Internal Audit, as defined by the Chartered Institute of Internal Auditors (CIIA), is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit is defined as *"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."*

1.3 The organisation's response to internal audit activity should lead to a strengthening of the control environment, thus contributing to the overall achievement of organisational objectives.

2. Risk Assessment and Audit Planning

2.1 Following the recent retirement of the Council's Chief Internal Auditor, the Senior Leadership Team (SLT) commissioned a service review of the Internal Audit function. The review found a number of areas of non-compliance with the Public Sector Internal Audit Standards.

2.2 In response to an initial report Hastings Borough Council (HBC) Cabinet agreed to Orbis Internal Audit providing resource to fulfil the role of Chief Internal Auditor and to support improvements to the Internal Audit service.

2.3 As this arrangement was established part-way through the financial year, the usual level of audit planning activity, including formal consultation with Senior Officers and Members, has not been possible.

2.4 A formal audit plan has not been produced, instead an indicative programme of audit work has been drafted which is attached as Appendix A. This will be delivered alongside the development and improvement work scheduled for the service.

2.5 Efforts will also be made to identify and, where possible, rely upon other sources of assurance available in order to avoid duplication and to minimise service disruption.

2.6 The following diagram sets out the various sources of information we will use to inform our 2024/25 audit planning process:

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3. Key Issues

3.1 In times of significant transformation, organisations must both manage change effectively and ensure that core controls remain in place.

3.2 Internal Audit must therefore be in a position to give an opinion and assurance that covers the control environment in relation to both existing systems and new developments. It is also essential that this work is undertaken in a flexible and supportive manner, in conjunction with management, to ensure that both risks and opportunities are properly considered.

3.3 The indicative programme of audit work does not seek to provide assurance over all high and emerging risks currently faced by the Council. Instead, its aim is to provide assurance over some of the Council's core functions and activities, whilst also allowing new working practices within the Internal Audit service to be established and tested.

3.4 During 2023/24, we will provide support to the following major project:

- Temporary Accommodation (Project Assurance)

3.5 We are introducing new client liaison arrangements so that our planned audit activity for 2024/25 is enhanced by our assessment of risk. Through direct consultation with a range of stakeholders, we will ensure that their views on risks and current issues, both within individual directorates and at corporate level, are identified and considered. This level of audit engagement will provide assurance that the most effective use is made of available resources.

3.6 In recognition that in some cases, sufficient information regarding the full extent of future changes and associated risks may not yet be known, the 2023/24 indicative programme of work includes a proportion of time classified as 'Emerging Risks'. This approach has been adopted to enable Internal Audit to react appropriately throughout the year as new risks materialise and to ensure that expertise in governance, risk and internal control can be utilised early in the change process.

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3.6 In view of the above, Internal Audit will continue to work closely with senior management and Members throughout the year to identify any new risks and to agree how and where audit resources can be utilised to best effect.

3.7 Other areas identified for inclusion within the indicative programme of work include:

- Accounts Receivable
- Payroll
- Risk Management
- Cyber Security & Organisational Resilience
- Temporary Accommodation (Project Assurance)
- Business Continuity

3.8 The results of all audit work undertaken will be summarised within quarterly update reports to the Senior Leadership Team, and the Audit Committee, along with any common themes and findings arising from our work.

4. Counter Fraud

4.1 Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Counter Fraud Strategy and Framework.

4.2 The Chief Internal Auditor should be informed of all suspected or detected fraud, corruption or irregularity in order to consider the adequacy of the relevant controls and evaluate the implication for their opinion on the control environment.

4.3 In addition, Internal Audit will support promotion of an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud.

5. Matching Audit Needs to Resources

5.1 The overall aim of the Internal Audit Strategy is to allocate available internal audit resources so as to focus on the highest risk areas and to enable an annual opinion to be given on the adequacy and effectiveness of the Council's governance, risk and control framework.

5.2 The indicative programme of work, is produced on the basis of providing 400 days for the provision of internal audit and counter fraud services for a full year. For 2023/24 this has been reduced to reflect the time available.

5.3 Internal audit activities will be delivered by staff from Hastings Borough Council with Chief Internal Auditor support provided by Orbis Internal Audit.

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6. Audit Approach

6.1 The approach of Internal Audit is to use risk based reviews, supplemented in some areas by the use of compliance audits and themed reviews. All audits have regard to management's arrangements for:

- Achievement of the organisation's objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

6.2 In addition to these audits, and the advice on controls given on specific development areas which are separately identified within the indicative programme of work, there are a number of generic areas where there are increasing demands upon Internal Audit, some of which cannot be planned in advance. For this reason, time is built into the indicative programme of work to cover the following:

- Contingency – an allowance of days to provide capacity for unplanned work, including special audits and management investigations;
- Advice, Management, Liaison and Planning - an allowance to cover provision of ad hoc advice on risk, audit and control issues, audit planning and annual reporting, ongoing liaison with service management and Members, and audit management time in support of the delivery of all audit work, planned and unplanned.
- Service Development – An allowance to support the development of the service to improve overall levels of compliance with the Public Sector Internal Audit Standards (PSIAS).

6.3 In delivering this strategy and indicative programme of work, we will ensure that liaison takes place with the Council's external auditors, to ensure that the use of audit resources is maximised, duplication of work is avoided, and statutory requirements are met.

7. Training and Development

7.1 The effectiveness of the Internal Audit Service depends significantly on the quality, training and experience of its staff. Training needs of individual staff members will be identified through a formal performance and development process and are delivered and monitored through on-going management supervision.

7.2 The team is also committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development.

8. Quality and Performance

8.1 With effect from 1 April 2013, all of the relevant internal audit standard setting bodies, including CIPFA, adopted a common set of Public Sector Internal Audit Standards (PSIAS). These are Hastings Borough Council

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based on the Institute of Internal Auditors International Professional Practices Framework and replace the previous Code of Practice for Internal Audit in Local Government.

8.2 Included within the new Standards is the requirement for the organisation to define the terms ‘Board’ and ‘senior management’ in the context of audit activity. This has been set out within the Internal Audit Charter, which confirms the Audit Committee’s role as the Board.

8.3 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment. The outcomes from these assessments, including any improvement actions arising, will be reported to the Audit Committee, usually as part of the annual internal audit report. For clarity, the Standards specify that the following core principles underpin an effective internal audit service:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives, and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused;
- Promotes organisational improvement.

8.4 In addition, the performance of Internal Audit continues to be measured against key service targets focussing on service quality, productivity and efficiency, compliance with professional standards, influence and our staff. These are all underpinned by appropriate key performance indicators as set out in Table 2 below.

8.5 At a detailed level each audit assignment is monitored and customer feedback sought. There is also ongoing performance and development reviews and supervision for all Internal Audit staff during the year to support them in achieving their personal targets.

8.6 In addition to the individual reports to management for each audit assignment, reports on key audit findings and the delivery of the indicative programme of work are made to the Audit Committee on a quarterly basis. An Annual Internal Audit Opinion is also produced each year.

8.7 The development of a joint working arrangement with Orbis IA will help improve resilience and make better use of collective resources.

Table 2: Performance Indicators

Aspect of Service	Orbis IA Performance Indicators	Target
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Quality	<ul style="list-style-type: none"> • Annual Audit Plan agreed by Audit Committee (2024/25) • Annual Audit Report and Opinion (2023/24) • Satisfaction levels 	By end March 2024 To inform AGS by June 2023 90% satisfied
Productivity and Process Efficiency	<ul style="list-style-type: none"> • Audit Plan – completion to draft report stage by 31 March 2024 	90%
Compliance with Professional Standards	<ul style="list-style-type: none"> • Public Sector Internal Audit Standards • Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act 	Conforms Conforms
Outcomes and degree of influence	<ul style="list-style-type: none"> • Implementation of management actions agreed in response to audit findings 	95% for high priority actions
Our Staff	<ul style="list-style-type: none"> • Professionally Qualified/Accredited 	80%

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 4/8/2023