

Internal Audit Strategy and Internal Audit Plan 2024-25

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 (attached as Appendix B).

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 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 for 2023/24. An indicative programme of work was agreed with Audit Committee for this initial year.

2.2 In January 2024, Hastings Brough Council (HBC) Cabinet agreed to Orbis IA providing the internal audit service to HBC for the next five years and it is following this decision that we are able to present an annual audit plan for 2024/25.

2.3 HBC's Internal Audit Strategy and Annual Audit Plan is updated annually and is based on a number of factors, especially management's assessment of risk (including that set out within the strategic and departmental risk registers) and our own risk assessment of the Council's major systems and other auditable areas. This allows us to prioritise those areas to be included within the audit plan on the basis of risk.

2.4 The annual planning process has involved consultation with a range of stakeholders to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered. In order to ensure that the most effective use is made of available resources, to avoid duplication and to minimise service disruption, efforts will continue to be made to identify, and where possible, rely upon, other sources of assurance available. The following diagram sets out the various sources of information used to inform our 2024/25 audit planning process:



2.5 Through this process, we have been able to identify key areas for audit activity in 2024/25, including strategic risks and issues, key priority projects and programmes, priority service reviews, key financial systems, and grant claims. The remainder of the direct audit days are earmarked as emerging risks/contingency which enables us to respond to the rapidly changing risk landscape across the Authority.

2.6 In producing the audit plan (which is set out in Appendix A to this report) the following key principles will be applied:

- Key financial systems are subject to a cyclical programme of audits covering, as a minimum, compliance against key controls;
- Previous reviews which resulted in either 'minimal' or 'partial' assurance audit opinions will be subject to a specific follow-up review to assess the effective implementation by management of agreed actions.

2.7 The 2024/25 audit plan remains flexible. This is in part due to the potential impact any move to shared services working may have on our ability to deliver the audit plan, and also because the changing nature of the risk landscape across the public sector. Given the likelihood of the plan needing to flex within the year ahead, we have identified a number of additional audit assignments that may, on a risk-prioritised basis, be drawn into our workload if planned audits are postponed or cancelled.

2.8 In addition, formal action tracking arrangements have been introduced to monitor the implementation by management of all individual high risk agreed actions. The results of action tracking on high risk agreed actions will be reported to the Audit Committee on a quarterly basis.

2.6 Since 2018, Surrey County Council, East Sussex County Council and Brighton and Hove City Council have been working together to establish and develop the Orbis Internal Audit Partnership. In doing, we are able to deliver high quality and cost effective assurance services to all of our partner and client councils, drawing upon the wide range of skills and experience from across the various teams. The size and scale of the partnership has also

enabled us to invest in specialist IT Audit and Counter Fraud services, to the benefit of all clients.

3. Key Issues

2.9 The internal audit plan 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 to continue to be established.

3.2 In times of significant transformation, organisations must both manage change effectively and ensure that core controls remain in place. In order to respond to the continued reduction in financial resources and the increased demand for services, the Council needs to consider some radical changes to its service offer in many areas.

3.3 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 these 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. During 2024/25, a number of major organisational initiatives and/or risks will feature within the audit plan, with the intention that Internal Audit is able to provide proactive advice, support and assurance as these programmes progress. These include:

- Council's Debt Recovery Project.
- Temporary Accommodation;
- Shared Services Programme Governance and Risk Management Arrangements.

3.4 In recognition that in some cases, sufficient information regarding the full extent of future changes and associated risks may not yet be known, the 2024/25 audit plan 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.

3.5 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.

3.6 Other priority areas identified for inclusion within the audit plan include:

- Key Financial Systems
- Corporate Governance
- Organisational Resilience
- Contract Management
- Unit 4 - Upgrade Management

3.7 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.

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. In 2024/25, through the work of the Counter Fraud Team, Internal Audit will undertake a fraud risk assessment and develop a programme of proactive and reactive counter fraud services to help ensure that the Council continues to protect its services from fraud loss.

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 Orbis Internal Audit is contracted to provide 400 days to Hastings Borough Council for the provision of internal audit and counter fraud services.

5.3 At the time of producing this plan, arrangements are in place to TUPE transfer staff from HBC into East Sussex County Council (as host for Orbis). Once completed, internal audit activities will be delivered by a range of staff from across the Orbis Internal Audit Service, maximising the value from a wide range of skills and experience available. In the small number of instances where sufficient expertise is not available from within the team, mainly in highly technical areas, externally provided specialist resources may be utilised.

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. This is reflected in the high proportion of staff holding a professional internal audit or accountancy qualification as well as numerous members of the team continuing with professional training during 2024/25.

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 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;
- Hastings Borough Council

- 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 Whilst Orbis Internal Audit liaises closely with other internal audit services through the Sussex and Surrey audit and counter fraud groups, the Home Counties Chief Internal Auditors’ Group and the Local Authority Chief Auditors’ Network, we are continuing to develop joint working arrangements with other local authority audit teams to help improve resilience and make better use of our collective resources.

Table 2: Performance Indicators

Aspect of Service	Orbis IA Performance Indicators	Target
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 	<p>By end March 2024</p> <p>To inform AGS by June 2024</p> <p>90% satisfied</p>
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 	<p>Conforms</p> <p>Conforms</p>

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%

Mark Winton
Hastings Borough Council - Chief Internal Auditor
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