

Birmingham City Council

Audit Committee

24th April 2024



Subject: Internal Audit Plan and Charter 2024/25

Report of: Craig Price, Principal Group Auditor

Report author: Craig Price, Principal Group Auditor

Does the report contain confidential or exempt information? Yes No

If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential:

1 Executive Summary

- 1.1 This report sets out the Internal Audit plan for the first six months of 2024/25 and the Internal Audit Charter for 2024/25.
- 1.2 The plan has been developed in line with the agreed methodology and considers the serious financial and governance issues faced by the Council. The plan will be dynamic responding to changing circumstances and emerging risks. The plan will be reported to Committee on a regular basis.
- 1.3 The Audit Charter is an important document that defines Internal Audit's purpose, authority, and responsibility.
- 1.4 In line with its Terms of Reference the Audit Committee is responsible for approving the Internal Audit plan and Charter.

2 Recommendation(s)

- 2.1 Members are asked to approve the Internal Audit plan (Appendix 1) and the Internal Audit Charter (Appendix 2).

3 Background

- 3.1 Audit Committee approved the approach to updating the Annual Governance Statement including the methodology to be used in setting the 2024/25 Internal Audit plan at the February 2024 meeting.

- 3.2 This methodology recognised the serious financial and governance issues faced by the Council and the significant risk profile arising from the challenging transformation and savings programme alongside addressing Oracle and Equal Pay issues.
- 3.3 It was agreed that an initial plan would be set out for a six-month period (to help with staff management) and that Internal Audit activity will remain fluid and dynamic responding to changing circumstances and emerging issues and risks. With the plan and ongoing updates being reported to Audit Committee on a regular basis. Initial assurance activities focusing on, but not limited to:
- evaluating the effectiveness of actions and controls from the stabilisation plan.
 - delivery of Improvement and Recovery Programme activities and their effectiveness, including savings delivery, Oracle, and Job Evaluation.
- 3.4 In developing and maintaining the Internal Audit plan it is recognised that the programme of work to rebuild risk management will be key and will lead to a greater visibility and a more in-depth understanding of risks.
- 3.5 The plan includes time for other key activities including counter fraud, a school's visiting programme, and grant certification. Allocations have also been included to cover any important advisory work and to provide contingency time.
- 3.6 The estimated number of productive days available for 2024/25 is 3760 (excluding vacancies), this compares to 3990 in 2023/24. This variation has arisen due a position recently becoming vacant.
- 3.7 Internal capacity and capability to deliver assurance over the areas identified will be reviewed to identify any resource or skill gaps together with requirements for reliance on other assurance sources. In line with the Improvement and Recovery Plan an Internal Audit service review and restructure are to be completed.
- 3.8 The Public Sector Internal Audit Standards sets out the requirement for the Internal Audit Charter.
- 3.9 The Internal Audit Charter is an important document that defines Internal Audit's purpose, authority and responsibility. The Charter establishes Internal Audit's position within the organisation, authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of activities. Formal approval of the Internal Audit Charter resides with the Audit Committee.

4 Options considered and Recommended Proposal

- 4.1 In formulating the Internal Audit plan discussions have taken place with Strategic Directors, Directors, and Heads of Service to identify key issues.
- 4.2 The plan has been shared and discussed with the Corporate Governance Group and is recommended for approval as set out in Appendix 1.

- 4.3 The Internal Audit Charter has been reviewed and updated in line with the Public Sector Internal Audit Standards and the new Audit Committee Term of Reference and is recommended for approval as set out in Appendix 2.

5 Legal Implications

- 5.1 Section 151 of the Local Government Act requires the Chief Finance Officer (as responsible officer) to ensure proper administration of the Council's financial affairs.
- 5.2 Under Part 3 of the Accounts and Audit Regulations 2015 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.

6 Financial Implications

- 6.1 There are no financial implications directly arising from this report or its recommendations.

7 Public Sector Equality Duty

- 7.1 There are no equality duty or equality analysis issues relating to the information set out in this report.

8 Other Implications

8.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

- 8.1.1 Sound internal controls and financial management underpins all the Council's priorities, plans and strategies.
- 8.1.2 Management is responsible for the implementation of a sound and effective system of internal control to manage risk effectively.
- 8.1.3 Internal Audit provide independent and objective assurance to management and those charged with governance on the systems of internal control that have been established.

9 Background Papers

- 9.1 Public Sector Internal Audit Standards.
- 9.2 Audit Committee Terms of Reference.

9.3 Audit Committee Report - Annual Governance and Internal Audit Processes 21st February 2024.

10 Appendices

10.1 Appendix 1 Internal Audit plan 1st April – 30th September 2024

10.2 Appendix 2 Internal Audit Charter 2024/25