BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	**Audit Committee**
Report of:	**Assistant Director, Audit and Risk Management**
Date of Meeting:	**28th March 2023**
Subject:	**Birmingham Audit – Internal Audit Plan 2023/24**

Wards Affected: All

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1. Purpose of report.

1.1 To gain approval of the 2023/24 baseline internal audit plan.

2. Recommendations

2.1 That members of the Audit Committee:

2.1.1 note the methodology and assumptions applied in developing the 2023/24 baseline internal audit plan;

2.1.2 consider the proposed audit coverage and identify any areas they wish to suggest for inclusion in the ongoing risking process; and

2.1.3 subject to any agreed adjustments, approve the proposed baseline plan.

3. Summary of Key Issues

3.1 The estimated number of audit days available for 2023/24 is 3990.

3.2 The audit plan is prepared using a risk-based methodology that enables the provision of an independent opinion on the adequacy and effectiveness of the systems of internal control and to contribute to the Council's assurance framework.

3.3 The plan is dynamic and will be reviewed and updated throughout the year, based on discussions, feedback received, and emerging issues and risk to ensure our work is appropriately targeted and enables the provision of an opinion on the effectiveness of key controls.

3.4 In line with recommendations arising from our external Public Sector Internal Audit Standards (PSIAS) compliance review the planning methodology has been further developed to establish clearer links to risk, assurance, and priorities.

3.5 The views and engagement of the Audit Committee are important to the internal audit planning process. Members are requested to consider the proposed internal audit coverage and identify any areas they wish to suggest for inclusion in the risking process.

3.6 Progress in delivering the audit plan, together with any key issues identified, will be reported to future Audit Committee meetings.

4. Legal and Resource Implications

4.1 The Internal Audit service is undertaken in accordance with the requirements of section 151 of the Local Government Act and the Accounts and Audit Regulations 2015. The work is carried out in compliance with Public Sector Internal Audit Standards and within the approved budget.

5. Risk Management & Equality Analysis Issues

5.1 Risk management forms an important part of the internal control framework that the Council has in place and is taken into account in setting the audit plan and work undertaken.

5.2 We have undertaken an equality analysis for all of our key policies and procedures and where appropriate have developed action plans to address any potential adverse impacts.

6. Compliance Issues

6.1 Decisions are consistent with relevant Council Policies, Plans or Strategies.

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Birmingham Audit – Internal Audit Plan 2023/24

28th March 2022

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![Birmingham City Council logo]

1. Background

1.1 It is a statutory requirement for Local Authorities to have an internal audit function. Within the Council this function is delivered in house by Birmingham Audit.

1.2 Birmingham Audit provides a range of internal audit and counter fraud services. These include assurance reviews of the Council's financial and operational systems, IT / information governance reviews, corporate and social housing fraud investigations, fraud awareness, corporate governance and risk management reviews, and compliance reviews to check adherence to policies, procedures and systems. The legislative framework and professional standards / guidelines we are required to adhere to include:

- Accounts and Audit Regulations 2015;
- Fraud Act 2006;
- Social Housing Fraud (Power to Require Information) Regulations 2014;
- Council Tax Reduction Schemes (Detection of Fraud and Enforcement) Regulations 2013; and
- Public Sector Internal Audit Standards (PSIAS).

1.3 The annual audit plan is prepared using a risk-based methodology to enable the provision of an independent opinion on the adequacy and effectiveness of the systems of internal control (comprising of risk management, corporate governance, financial and operational controls) to be formed. In line with recommendations arising from our external PSIAS compliance review the planning methodology has been further developed to establish clearer links to risk, assurance, and priorities.

1.4 This methodology considers risks, first and second lines of defence, previous audit work, alternative sources of assurance, and the Council's strategic priorities. Whilst this methodology is still very much in its infancy it is anticipated that it will start to mature as we capture and record additional intelligence and link the assessment to the Council's assurance framework.

1.5   The plan is dynamic and will be revised and updated in line with changing risks and priorities throughout the year. Changes to the plan will be reported to Committee.

1.6   The independent audit opinion formed from the audit work completed feeds into the published Annual Governance Statement. The emphasis of internal audit provision remains reviewing the controls around the risks that may prevent the Council from meeting its objectives and detecting and preventing fraud. Within this, there is a need to ensure that legislative and regulatory requirements and professional standards are met.

2.   Quality Assurance

2.1   In line with PSIAS a Quality Assurance and Improvement Plan (QAIP) is in place. This plan requires both internal and external assessments of internal audit to be undertaken to ensure compliance with standards, that the audit service is efficient, effective and continuously improving, and that the service adds value and assists the organisation in meeting its objectives.

2.2   During the year our PSIAS external quality assessment was completed and reported to Committee in January 2023. This external review confirmed that we 'conform' with the standards. Compliance with the standards is considered to provide a strong platform on which our ambitions can be realised, and a strategy and structure developed that enables the service to be even more proactive, risk focused, influential, and effective in supporting the assurance arrangements for the Council.

2.3   In additional to our PSIAS review, a surveillance visit was undertaken by our ISO27001:2013 (Information Security Standard) accreditation body. This surveillance visit confirmed that we continue to have robust information security management information systems in place.

2.4   Regular feedback is also sought from key contacts to help ensure the audit plan remains current and reflects emerging risks. Post Audit Evaluation questions are issued with all final reports to capture feedback on individual assignments.

3. Internal Audit Plan

3.1 The estimated number of productive days available for 2023/24 is 3990. This compares to 4416 in 2022/23. The principal factors contributing to this variation are:

- an increase in holidays (bank holidays and annual leave);
- a vacancy. Attempts to recruit to this vacancy have proven unsuccess, with campaigns falling to attract applications from candidates with sufficient skills and experience; and
- recognition of the management time spent coordinating work on application-based fraud which sits outside of this plan.

3.2 The short-term budget underspend created through this ongoing vacancy will be used to bring in top up resources to supplement existing internal resources, until the post can be filled on a permanent basis. It is anticipated that this additional resource will be used to undertake an independent review of risk management. This would eliminate any impairment in objectivity arising from operational responsibility for the delivery of risk management resting with the Assistant Director of Audit and Risk Management, as recommend in the recent PSIAS review. No additional days have currently been incorporated into the plan for this top up resource.

3.3 As part of our planning process, we have undertaken a risk mapping exercise across the organisation. This involves identifying the potential auditable areas and mapping associated risks, including management opinions, first and second lines of defence, previous audit work, alternative sources of assurance, and the Council's strategic priorities. In undertaking this mapping exercise, we have used our knowledge and experience of the organisation as well as liaising with key stakeholders including Audit Contact Officers, Directorate Management Teams, and Directors / Assistant Directors.

3.4 In addition to considering the Council's strategic priorities, the plan also considers the following key governance and risk factors:

Risk Management	Business Planning	Partnerships / Commissioning	Policies and Procedures
Project Management	Budget Management	Internal Control	Anti-Fraud
Independent Assurance	Service Delivery / Performance	Human Resources	Information Governance

3.5 The plan is structured to include a range of activities which contribute to the assurance framework and to the annual audit opinion. It is targeted to ensure sufficient coverage is maintained across key areas including financial systems, business processes, information technology, schools, and counter fraud, whilst maintain flexibility to support the Council with insightful advice and guidance.

3.6 The plan also reflects current service development priorities, these include increased emphasis on:

- management accountability and assurance frameworks and assurance mapping;
- the provision of insight, proactive, risk focused advice and guidance;
- data led and data driven assurance planning and delivery; and
- new ways of working including the use of technology and the further development of audit approaches.

3.7 The plan includes a small element of chargeable work / work for external clients. This principally relates to the provision of an internal audit service on behalf of Acivico and grant certification.

3.8 Whilst the baseline plan sets out the high priority work for the next 12 months with an element of contingency to ensure any ad hoc or unforeseen activity can easily be accommodated, the risk assessment will be continually reviewed and updated. Planned audit activities will be updated to reflect any emerging issues and risks. Changes to the plan will be reported to Audit Committee.

3.9   A summary of the 2023/24 audit plan, based on our current assessment of risk is detailed in Appendix A, previous year figures are provided for comparative purposes. However, elements of the plan have been categorised in line with the revised methodology. The areas of planned activity, and intended assurance coverage, are detailed in Appendix B.

3.10   The views and engagement of the Audit Committee are important to the internal audit planning process. Members are requested to consider the proposed internal audit coverage and identify any areas they wish to suggest for inclusion in the risking process.

3.11   Any significant updates to the plan will be reported to the Audit Committee. Progress in delivering the plan, together with any significant issues identified, will also be reported to Audit Committee. Audit report schedules, detailing the final reports issued during the month and their assurance and risk ratings, will be issued to Committee Members throughout the year. Members can request a copy of any report.

Internal Audit Plan Summary

	21/22		22/23		23/24	
	%	Days	%	Days	%	Days
Number of Audit Days in Annual Plan	**100%**	**4427**	**100%**	**4416**	**100%**	**3990** [1]
Main Financial Systems	16%	705	16%	705	15%	600
Business Controls Assurance	39%	1711	39%	1745	28%	1115
Investigations (Fraud and Irregularity)	19%	830	19%	830	9%	350 [2]
Fraud Awareness / Prevention					5%	200
Proactive / Compliance					4%	150
Schools (Non-Visits)	1%	42	1%	27		
Schools (Visits)	12%	540	12%	540	13%	540
Follow up Work	4%	175	4%	175	4%	175
Ad-hoc Work / Contingency	6%	289	6%	259		
Planning & Reporting	3%	130	3%	130		
Partnering / Insight / Contingency					12%	470
Risk Management Facilitation					1%	50
City Initiatives / Information Requests	0%	5	0%	5	1%	20
Data Analysis / Data Driven Assurance					5%	200
Chargeable/ Work for External Clients					3%	120

[1] Excludes vacancy
[2] Excludes application fraud

Internal Audit - Baseline Plan 2023/24

Activity	Days	Subtotal	Assurance
Financial Assurance			
Accounts Payable/Payment Activities	50		Robust controls are in place for all payment activities
Accounts Receivable	50		Monies owed for services rendered are received promptly and debts appropriately and timely progressed.
Annual Audit Letter	5		Issues raised within the External Auditors Annual Audit Letter are monitored and actioned.
Asset Management - Fixed Assets	50		Fixed assets are accounted for correctly.
Benefits Service	50		Applications are validated in a timely manner and paid accordingly. Accounts are subject to regular review.
Corporate Payroll	20		Pay is accurately calculated, accounted for, and received by staff on timely basis.
Compliance with HR Policies	30		Human Resources policies and procedures are complied with and correctly reflected on payroll where appropriate.
Council Tax	30		Council Tax payments, less valid deductions, are paid in a timely manner and prompt recovery of outstanding debts take place. All accounts are subject to regular review and monitoring.
NNDR	30		Business Rate payments, less valid deductions, are paid in a timely manner and prompt recovery of outstanding debts takes place. All accounts are subject to regular review and monitoring
Financial Management - Control	50		Robust financial controls are in place.
Treasury Management	20		The Treasury Management Strategy and Policy is complied with and treasury processes appropriately controlled.
Procurement and Contracts	140		Procurement and contract requirements are complied with.
Rent Collection & Charges	25		Rent monies owed are collected and early intervention takes place for the recovery of debts.

Activity	Days	Subtotal	Assurance
Direct Payments	20		Direct payments are correctly assessed and paid.
Oracle	30		Adequate arrangements in place to ensure the effective and secure management of the Oracle Fusion system.
Subtotal		**600**	
Adults Social Care			
Commissioning - Regulated Care	15		Adequate arrangements are in place in respect of the care providers contract framework.
Discharge to Assess	20		Effectiveness of discharge and assessment arrangements to support citizens when they leave hospital.
Day Centres	15		Robust procedures are in place and have been implemented to ensure appropriate governance arrangements are in place for the management of Day Centres.
Disabled Facilities Grant (DFG)	20		Disabled Facilities Grants are correctly awarded and robust arrangements in place to manage the completion of adaptions.
Refugee and migration	20		Commissioning of services and contract management arrangements are robust.
Transition to Adulthood	20		Effective arrangements are in place to support the transition of young people transitioning to adulthood.
Liberty Protection Standard/Deprivation of Liberty Safeguards	15		Referrals for and assessments of Deprivation of Liberty Safeguards are being robustly and effectively completed.
Funeral Service and Property Service	15		Management and financial arrangements in place for the Funeral Service and the Property Service are adequate and effective.
Assessment & Support Planning/Placements	20		Robust procedures and arrangements are in place for the assessment of packages of care.
Subtotal		**160**	
Children and Families			
Home to School Transport	25		Robust controls are in place to manage the Home to School Service.
SEND Ofsted Improvement Plan	10		The SEND Ofsted Improvement Plan is robustly monitored and managed.

Activity	Days	Subtotal	Assurance
Admissions and Appeals	15		Admissions and appeals are carried out in accordance the Government Code of Practice.
Directorate Transformation Programme - Governance controls and delivery	25		Strong governance controls are in place to manage, monitor and deliver the Directorate's Transformation Programme.
Responding to the Challenge of Improving Financial Management in Schools	15		Local Authority controlled schools are robustly managing their budgets, and the Local Authority has controls assurance in place.
Safeguarding Corporate Overview	30		Robust corporate safeguarding processes are in place.
SEND - Sufficiency Strategy	15		There is a robust strategy to provide sustainable SEND services.
Elective Home Education	10		Home Educated Children are safe and receive an appropriate education.
Directorate Commissioning & Contract Management	20		Contract management within the Directorate is effective.
Family Hubs	15		Robust controls over the management and delivery of the programme's expectations.
Contract Monitoring - Birmingham Children's Trust (BCT)	20		Provide assurance that sufficient controls are in place to monitor and control the work of the BCT.
Early Years Health & Well-being	15		The EYH&WB Contract is being robustly managed and delivering the services intended.
Children not in Education	20		Children not in education are safe, accounted for and receive an education.
Directorate Complaint Processes	15		Robust complaints processes are in place.
School Exclusions	20		The Local Authority monitor school exclusions.
Directorate Business Intelligence Function	15		The Business Intelligence function is delivering its service objectives.
Safeguarding & Development - BCSB	20		Support the work of the BCSB and provide assurance over safeguarding arrangements.
School Visits	540		Undertake a programme of school visits to provide assurance on finance and governance arrangements.
Subtotal		**845**	
City Housing			
Tenancy Management Services	20		Tenant Management arrangements are effective.
Homelessness	35		Focus will be on Temporary Accommodation Finance Management and the arrangements for responding to Ombudsman Homelessness cases.

Activity	Days	Subtotal	Assurance
Stock Condition Data	20		Appropriate arrangements have been established to assess the condition of the City's housing stock.
Response to City Housing Self-Assessment	15		Self-assessment has been robustly completed, and for issues identified, appropriate action has been taken.
Repairs	150		Support for ongoing Whistleblowing allegations and provide assurance over service delivery processes and procedures
Subtotal		**240**	
City Operations			
Waste Management	25		Arrangements and procedures for delivering an effective waste management service.
Enforcement - Litter and Fly Tipping	10		Effectiveness of litter and fly tipping enforcement procedures.
Subtotal	**35**	**35**	
Council Management			
Acivico Contract Monitoring	20		Contract monitoring is robust.
Accountable Body	30		Discharge of accountable body responsibilities.
Ethics	10		Robust of ethical arrangements to support an honest and fair organisation.
Risk Management	10		Verify that the risk management framework is appropriate and being implemented across the organisation.
Governance	20		Robustness of governance arrangements.
Self-Assessment – Annual Good Governance Statement (AGS) Process	10		Appropriate arrangements are in place to produce a supportable AGS.
IT Policies	20		The Council's IT policy framework is adequate and there is suitable programme in place to review and updated policies and monitor compliance.
IT Project Governance	15		Robust IT project governance is in place to ensure that projects are delivered on time, within budget and to the required standards.
Information Governance	20		Adequate security and controls are in place to ensure compliance with The General Data Protection Regulations (GDPR) obligations.

Activity	Days	Subtotal	Assurance
Digital Strategy	20		The key themes of the strategy are being delivered in line with the stated outcomes of the ICTD Strategy implementation plan, and key milestones are being achieved.
IT Applications	30		Adequate arrangements in place to ensure the effective and secure management of the applications.
Cyber Risks	20		Adequate security and cyber security controls are in place.
IT / Digital Projects	40		Effective project governance and management arrangements are in place to support the implementation of individual projects.
Subtotal		**265**	
Place, Prosperity and Sustainability			
Enterprise Zones	20		Adequate management arrangements in place for the EZ programme.
Clean Air Zone	10		Adequate arrangements / strategies are in place to ensure the council / city will achieve net zero carbon by 2030.
Housing Development	15		Verify that effective arrangements have been established to develop and improve housing across the city.
Planning Applications	20		Planning applications are controlled and processes in line with statutory guidelines.
Subtotal		**65**	
Strategy, Equalities and Partnerships			
Cost of Living programme	15		Effective support arrangements are being implemented.
Public Health	30		Delivery of NICE requirements. Effectiveness of finance and operations.
Subtotal		**45**	
Fraud / Irregularities			
Investigations	350		Reactive fraud investigation
Awareness	150		Targeted training and anti-fraud awareness
Proactive / compliance	200		Proactive antifraud / compliance reviews
Subtotal		**700**	

Activity	Days	Subtotal	Assurance
Chargeable			
Work for Acivico	40		External work.
Grant Certification / chargeable work	80		External work.
Subtotal		**120**	
Risk Management Facilitation	50		Facilitation of risk management and the strategic risk register.
Partnering / Insight / Contingency	470		Partnering / insight / contingency
Follow up work	175		Follow-ups
Data Analysis	200		Data analysis / data driven assurance
City Initiatives / Information Requests	20		Corporate initiative / responding to information requests
Subtotal		**915**	
Grand total		**3990**	