

## **BIRMINGHAM CITY COUNCIL**

### **PUBLIC REPORT**

**Report to:**               **Audit Committee**

**Report of:**             **Assistant Director, Audit and Risk Management**

**Date of Meeting:**   **29th March 2022**

**Subject:**               **Birmingham Audit – Internal Audit Plan 2022/23**

**Wards Affected: All**

#### **1.     Purpose of report.**

1.1    To gain approval of the 2022/23 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 2022/23 internal audit plan;

2.1.2   consider the proposed audit coverage and identify any areas they wish to suggest for inclusion in the 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 2022/23 is 4416.

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.

3.3	The plan is dynamic and is constantly reviewed and updated, based on discussions and feedback received, to reflect the changing risks faced by the Council.
3.4	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.
3.5	Progress in delivering the audit plan, together with any key issues identified, will be reported to future Audit Committee meetings.
<b>4.</b>	<b>Legal and Resource Implications</b>
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.
<b>5.</b>	<b>Risk Management &amp; Equality Analysis Issues</b>
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.
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.
<b>6.</b>	<b>Compliance Issues</b>
6.1	Decisions are consistent with relevant Council Policies, Plans or Strategies.

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# **Birmingham Audit –Internal Audit Plan 2022/23**

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29th March 2022

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## **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, computer audit 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).
- 1.2 The annual 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 (comprising of risk management, corporate governance, financial and operational controls). The plan is dynamic and is constantly reviewed and updated to reflect the changing risks faced by the Council.
- 1.3 This assessment has regard for the adequacy of the overall assurance framework that is in place across the Council. Whilst Internal Audit is a key part of this framework, it also includes internal and external processes such as day to day management controls, performance management, 'inspection' functions, directorate assurance statements, and assurances provided by external sources, such as the Council's external auditor.

- 1.4 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 Programme (QAIP) is in place. This programme 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, we retained our accreditation to the internationally recognised, and externally assessed, information security standard ISO27001:2013.
- 2.3 At the February 2021 Audit Committee meeting Members agreed the approach and terms of reference for our next external quality assessment. We are currently finishing the date when this assessment will take place.

## **3. Internal Audit Plan**

- 3.1 Our estimated number of productive days available for 2022/23 is 4416. This compares to 4427 in 2021/22.

- 3.2 As part of our planning process we have undertaken a risk mapping exercise across the whole of the organisation. This involves identifying the potential risks that may impact on the delivery of key objectives and priorities, the systems of governance, and financial controls. A view as to where 'assurance' over activities can be gained is then formed. 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.
- 3.3 The first call on our time is to provide assurance around the main financial systems. We are continuing to utilise data analytical techniques to review transactions and controls. This is less resource intensive and enables us to provide greater coverage and a more informed assurance. This work will include reviewing the revised systems and processes introduced as part of the 1B programme. We have allocated 705 days for the main financial systems work, including the review of IT controls, in 2022/23 the main areas we intend to cover are:
- Payroll
  - Accounts Payable
  - Accounts Receivable
  - BACS
  - Procurement - incorporating Contract Auditing
  - Council Tax
  - NNDR
  - Benefits
  - Financial Management/Control
  - Asset Management/Fixed Assets
  - Rent Collection and Charges
  - Non invoiced income / Cashiers
  - Direct Payments
  - Carefirst / Eclipse

- 3.5 We have also 'ring-fenced' a number of days to support the Corporate Fraud Team, complete the school visiting programme and for undertaking chargeable work.
- 3.5.1 The Corporate Fraud Team undertake investigations on allegations of internal fraud involving members of staff, Council members, suppliers of goods and services to the Council and / or organisations that are in receipt of Council funding. The team also undertakes pro-active anti-fraud work and develops and delivers fraud awareness training throughout the organisation. Within the 2022/23 plan we have allocated 830 days for this work (this excludes work on application-based fraud e.g. Social Housing, Council Tax, NNDR etc.). We use a referral assessment process to determine which referrals we will investigate; this ensures our specialist skills are deployed in the areas of greatest risk. Where we are not able to devote resources to investigating a referral, we provide support and guidance to managers to ensure the necessary action is completed.
- 3.5.2 As in 2021/22, 540 days have been allocated for the completion of school visits. The school visiting programme is risk based to ensure we target our resources effectively.
- 3.5.3 Chargeable work includes audit reviews completed on behalf of Acivico, and grant certification. We are pleased to announce that we have recently retained the contract for the provision of internal audit services to Acivico following a competitive market exercise.
- 3.6 The remainder of our available resource is allocated based on our assessment of risk. We use our risking model to 'score' all potential 'auditable' areas and then rank them in order of priority. There are a number of factors that are considered as part of the risk model:
- assessment of the adequacy of the control environment;
  - strategic alignment to organisation priorities;
  - materiality;
  - sensitivity/reputational risk;
  - assessment of management controls;

- management concerns;
- assurance based on internal audit work / knowledge and how recent that was;
- inclusion in the corporate risk register;
- assurance based on scrutiny reviews;
- assurance based on external audit or other inspectorate work and how recent that was; and
- assurance gained from other sources, including that gained from operational and performance management.

- 3.7 The risk assessment is dynamic and responsive to changing circumstances. As we continually review and update this assessment the audit plan will change and evolve in line with emerging risks and priorities.
- 3.8 The plan also includes a proportion of time that has been set aside to cover contingencies and follow-up work. This helps us 'flex' the plan and respond to emerging issues during the year and ensure that significant audit issues are actioned.
- 3.9 A summary of the 2022/23 audit plan, based on our current assessment of risk is detailed in Appendix A, previous year figures are provided for comparative purposes. A detailed plan, outlining the proposed areas of review, is detailed in Appendix B. We are continuing to revise and update this plan, based on discussions and feedback with senior managers.
- 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**

	20/21		21/22		22/23	
	%	Days	%	Days	%	Days
<b>Number of Audit Days in Annual Plan</b>	<b>100%</b>	<b>4664</b>	<b>100%</b>	<b>4427</b>	<b>100%</b>	<b>4416</b>
Main Financial Systems	15%	705	16%	705	16%	705
Business Controls Assurance	38%	1780	39%	1711	39%	1745
Investigations	18%	830	19%	830	19%	830
Schools (Non Visits)	1%	30	1%	42	1%	27
Schools (Visits)	15%	720	12%	540	12%	540
Follow up Work	4%	175	4%	175	4%	175
Ad-hoc Work / Contingency	6%	299	6%	289	6%	259
Planning & Reporting	3%	120	3%	130	3%	130
City Initiatives	0%	5	0%	5	0%	5

## Appendix B

### Internal Audit Baseline Plan 2022/23

	Days	Total
<b><u>Financial Controls / System</u></b> (including computer audits where appropriate)		
Accounts Payable	50	
Accounts Receivable	50	
Payroll/HR	50	
Main Accounting	50	
Asset Management	50	
Procurement, Contract Audit and PFI	140	
Cash Income / Cashiers	30	
Direct Payments	30	
Carefirst / Eclipse	30	
Benefits	50	
Housing Rents	25	
Revenue (Council Tax and NNDR)	60	
Audit Letter	5	
IT Related Financial Systems Work (including Oracle controls)	85	<b>705</b>
<b><u>Business Controls Assurance</u></b>		
Estimated Work in Progress b/fwd. from 2021/22	55	
Data Analysis	200	
Corporate Risk Management Facilitation	50	
Chargeable Work - Acivico	40	
Chargeable Work – Grant Certification	80	
IT Related Systems and Processes	360	<b>785</b>

	Days	Total
<u>Adults Social Care</u>		
Disabled Facilities Grant (DFG)	20	
Early Intervention Community Team	20	
Assessment & Support Planning	20	
Commissioning	20	
Liberty Protection Standard	10	
Placements	20	
Enablement	15	
Day Centres	15	<b>140</b>
<u>City Housing</u>		
Homelessness	15	
Tenant Management Organisations	20	
Dispersed Temp Accom Properties	20	
Tenant Engagement – Response to TPAS Review	15	
Housing Repairs – Contract Compliance / Assurance (funded through HRA)	180	<b>250</b>
<u>City Operations</u>		
Resilience	20	
Environmental Health	15	
Leisure Facilities Managed Internally	20	
Leisure Facilities External Management Arrangements	20	
Markets	20	
Grounds Maintenance	20	
Waste Management	25	
Fleet Management	20	<b>160</b>

	Days	Total
<u>Council Management</u>		
Accountable Body	30	
Project Management	30	
Governance	10	
Corporate Performance Indicators	10	
Ethics	10	
Delivery Plan / Improvement Agenda	20	
Commercial Strategy / Activities	10	
Risk Management	10	
Self-Assessment - AGS Process	10	
Acivico Contract Monitoring	10	
Customer Services	10	<b>160</b>
<u>Children and Families</u>		
Safeguarding Corporate Overview	30	
Home to School Transport	25	
Directorate Contract Management	20	
SEND – Sufficiency Strategy	15	
SEND – Ofsted Improvement Plan	10	
Children Not in Education	10	
Birmingham Children’s Trust – Contract Management	20	
Safeguarding & Development – BCSB	20	
Directorate Compliance - Corporate DBS Process	15	
Increasing Capacity in Mainstream Education for SEND Children	15	
EHCPs – Monitoring & Managing Completion	15	<b>195</b>

	Days	Total
<u>Place, Prosperity and Sustainability</u> Air Quality / Climate Change	10	<b>10</b>
<u>Strategy, Equalities and Partnerships</u> Public Health Equality and Cohesion	30 15	<b>45</b>
<b>Investigations</b> Reactive investigations Proactive work Fraud Awareness	430 200 200	<b>830</b>
<b>Schools - Non-Visits</b>  Admissions and Appeals Responding to the Challenge of Improving Financial Management in Schools  <b>Schools – Visits</b>	  15 12  540	  <b>27</b>  <b>540</b>
<b>Follow Up Work</b>		<b>175</b>
<b>Ad Hoc Work / Contingency</b>		<b>259</b>
<b>Planning and Reporting</b>		<b>130</b>
<b>City Initiatives</b>		<b>5</b>
<b>TOTAL</b>		<b>4416</b>