

Internal Audit – Quarterly Planning Approach

Audit & Scrutiny Committee – Thursday 11 April 2024

Report of: Neil Pitman – Head of Southern Internal Audit Partnership
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Purpose: For information

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report provides the Southern Internal Audit Partnership proposal to adopt a quarterly approach to internal audit planning for the 2024-25 and future plans.

This report supports the Council’s priority of: Building a better Council

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Recommendation to Committee:

That the Committee endorses the approach to quarterly internal audit planning

Reason for recommendation:

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required establish a risk based plan to determine the priorities of internal audit, consistent with the organisations goals.

Introduction and background

- 1 Currently the Southern Internal Audit Partnership (SIAP) approach to internal audit planning within Tandridge District Council is premised on an annual plan which is presented to Members for approval in March each year projecting internal audit activity over the forthcoming 12 months.
- 2 This approach has served us well; however, we are now operating in an increasingly more volatile and dynamic environment requiring us to adapt our approach and develop a more risk based and agile approach to our audit planning process and whilst the current approach enables a longer-term projection of audit focus it remains speculative given the rapidly changing environment in which the Council and SIAP operate.
- 3 Audit planning is a perpetual process that should enable the ability to react to new and emerging risks and the changing needs of the organisation.
- 4 This is currently managed through the annual planning process making necessary adjustments to the annual internal audit plan over the course of the year either in respect of revisions to the timing the work is undertaken or to the audit entity being reviewed.
- 5 With the plan agreed in March each year a number of the changes occur due to competing capacity or timing issues for officers and the auditors as reviews may have been given a speculative window for completion some six to ten months in the future. This can lead to significant inefficiencies both for the organisation and for SIAP.
- 6 To ensure internal audit focus remains timely and relevant for the Council and to optimise officer resource and capacity, SIAP would like to propose to move to a quarterly planning process from 2024/25.
- 7 Quarterly planning would facilitate a much more agile approach and has worked successfully with other Partner organisations that have already adopted this methodology.
- 8 In adopting the quarterly planning approach, all auditable areas of review would remain subject to ongoing assessment and discussion with management and Committee, however, our focus would be on the most critical reviews (highest risk) for the organisation at that time.
- 9 Experience of the quarterly planning approach by SIAP and other audit services who have adopted it, has found it also negates multiple variations to the plan having to be presented to Members and enables them to have greater assurance each quarter that the plan they are approving is a more committed representation of assurance to be provided during that period.
- 10 Some of the advantages of the quarterly planning process include:

- More agile approach to react to new and emerging risks
- More effective engagement with officers
- More efficient and effective end to end delivery of the review (client capacity / availability)
- Greater engagement with the Audit & Scrutiny Committee
- Audit & Scrutiny Committee achieve real time approval of the plan, rather than retrospective acknowledgement of changes.

Process

- 11 The proposed adoption of quarterly planning provides a modern, agile, and forward-thinking approach that remains compliant with the current Public Sector Internal Audit Standards and places SIAP and Tandridge District Council in an excellent position for the future adoption of the Global Internal Audit Standards that will supersede the Public Sector Internal Audit Standards in January 2025.
- 12 It is proposed that all potential audit areas will be reviewed and reassessed on a quarterly basis which will be informed through meetings with key stakeholders.
- 13 Once all meetings have concluded, the quarterly internal audit plan will be compiled and presented to Extended Management Team (EMT) and Audit & Scrutiny Committee for approval.
- 14 The timings of the Audit & Scrutiny Committee are well aligned to the financial quarters in which we operate therefore optimising input and approval from Members prior to the commencement of audit work. An indicative timetable is included below for illustrative purposes.

	Q1	Q2	Q3	Q4
Planning meetings	Feb 24	May 24	Jul 24	Oct 24
Senior Management approval	Mar 24	Jun 24	Aug 24	Nov 24
Audit & Scrutiny Committee approval	Apr 24	Jul 24	Sep 24	Dec 24

Conclusion

- 15 The Southern Internal Audit Partnership want to ensure our Partners continue to receive a high quality, innovative, and agile internal audit service.
- 16 The proposed transition to quarterly planning will be beneficial to both the organisation, Committee and SIAP, optimising, focus, flexibility, efficiency, and effectiveness, which has been demonstrated in other organisations that have adopted the quarterly planning approach and aligns with industry good practice.

Key implications

Comments of the Chief Finance Officer

There are no financial implications of moving to a quarterly approach. It will not change the total days available or the cost of them over the course of the financial year. There are clear advantages in allowing a more agile approach to audit planning throughout the year, first of which is increased flexibility to respond to emerging risks, Officer and Committee Member priorities for audit.

Discussions with the Head of Southern Internal Audit Partnership and the Committee Chair and Vice Chair have also made it clear that Members are able to raise concerns directly with Internal Audit should they feel it necessary to do so, and any such concerns will be considered in the planning for each quarter. Whilst Officers would very much prefer Members raise queries directly with the management of the Council, this direct line to Internal Audit is an important governance mechanism.

Comments of the Head of Legal Services

Legislation dictates the objectives and purpose of Internal Audit the requirement for an Internal Audit function is either explicit or implied in the relevant local government legislation.

Section 151 of the Local Government Act 1972 requires every local authority to "make arrangements for the proper administration of its financial affairs" and to ensure that one of the officers has responsibility for the administration of those affairs.

In England, more specific requirements are detailed in the Accounts and Audit Regulations in that authorities must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices".

Although there are no legal implications to provide an update quarterly, the primary objective of each quarterly audit should be to arrive at an assurance opinion regarding the robustness of the internal controls within the financial or operational system under review. Where weaknesses are found, the Head of Southern Internal Audit Partnership should propose solutions to improve controls, thus reducing opportunities for error or fraud. In this respect, an audit is only effective if this Committee, together with input from senior management, agree management actions and implement changes in a timely manner.

Equality

There are no equality implications associated within this report.

Climate change

There are no environmental / sustainability implications associated with this report.

Appendices

None.

Background papers

None.