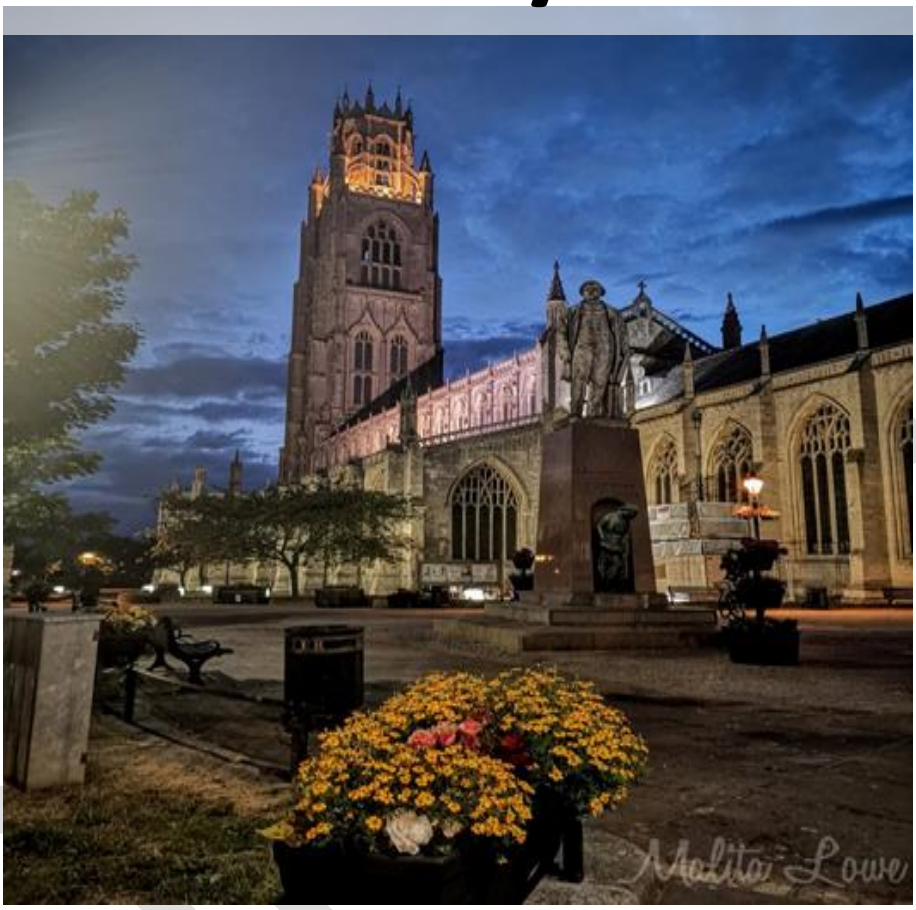
Internal Audit

Draft 2022/23 Plan



Boston Borough Council

February 2022

Assurance LINCOLNSHIRE
For all your assurance needs

BOSTON BOROUGH COUNCIL

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The Planning Process

Introduction

This report sets out the Proposed Internal Audit Plan for 2022/2023. The plan details the activities to be audited and the indicative scope for each audit. The draft plan gives you an opportunity to comment on the plan and the priorities that we have established.

Our audit plan delivers assurance within agreed resources. For 2022/23 this is days. Our fees have been increased to align with the costs or resources provided in carrying out the work, and reflect the rates included within the current agreement.

The Plan is amended throughout the year to reflect changing assurance needs.

In Appendices A to E we provide for you information details of:

- Auditable Activities
- How the draft plan achieves the requirements of the Board and Head of Internal Audit
- Our Working Protocols and Performance
- Our Quality Assurance Framework

Developing the plan

We have prioritised our audit work taking account of the impact an activity will have on the Council if it fails. The criteria for determining priority are:

- **Significance** - how important is the activity to the Council in achieving its objectives, key plans and in managing its key risks. We look at both financial loss and strategic impact.

- **Sensitivity** - how much interest would there be if things went wrong and what would be the reputational and political impact.

- **Level of Assurance –** we assess the current level of assurance evaluating reliability and contribution to the Audit opinion on governance, risk and control.

- **Time**– when it will happen (this will determine when is the best time to do the Audit).

Updating the Plan

Through the year we will liaise with the Council and collect business intelligence that identifies emerging audits which could be included in the plan according to priority.

Figure 1 – Key sources of information

The primary source of business intelligence will be the liaison meetings between our team and the nominated liaison contact, other sources of intelligence will include:-

- Key reports
- Performance and Risk
- Key stakeholders

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Delivery and Focus

Delivering the Plan

The audit plan has been developed to enable us to respond to changes during the year. Whilst every effort will be made to deliver the plan, we recognise that we need to be flexible and prepared to revise audit activity – responding to changing circumstances or emerging risks. The plan is therefore a statement of intent – our liaison meetings with senior management will enable us to firm up audit activity during the year.

The aim is to deliver the audits included in the plan in accordance with the schedule which will be devised once the plan is agreed. The schedule will be drawn up following liaison with the Council. Resources will then be allocated accordingly to the audits at the specified times. It is therefore important that any changes required to the audits or the schedule are notified to Internal Audit as soon as possible to avoid abortive time being spent on audits and for us to reallocate resources.

The Companies Internal Audit Plan is **57 Days.** The core team who will be delivering your Internal Audit plan are:

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We will also be using other Seniors and Auditors from our Team to support the completion of the plan.

Audit Focus for 2022/23

In the following table we provide information on key audit areas and the rationale for their inclusion in the audit strategy and plan.

Appendix A outlines the various audits to be undertaken within each area.

Area	Reason for inclusion
Financial Governance	Providing assurance that key financial controls are in place and operating effectively during the year across all areas of the Council. This work provides the Board with a key element of their assurance that the Council has effective arrangements for the proper administration of its financial affairs.
Governance & Risk	Providing assurance that key governance controls are in place and are operating effectively. These cross cutting audits focus on the Council's second line of assurance - corporate rather than service level systems.
Critical Activities	Through liaison and risk assessment we have identified some critical activities where a potential audit would provide independent assurance over the effectiveness of risk management, control and governance processes.
Project Assurance	We have not selected any projects this year to provide assurance around the successful delivery.

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Area	Reason for inclusion
ICT	Technology and associated threats and opportunities continue to evolve at a pace. The effectiveness of ICT has a great impact on how well the Council works. We will seek to provide assurance that key general IT controls comply with industry best practice and are operating effectively.
Follow Up	We will carry out follow up audits throughout the year to provide assurance that samples of identified control improvements have been effectively implemented and the risks mitigated.
Consultancy Assurance	At the request of management we undertake specific reviews where they may have some concern or are looking for some advice on a specific matter or around governance, risk and controls for a developing system. Such reviews are not normally given an audit opinion.

Annual Internal Audit Opinion

We are satisfied that the level and mix of resources - together with the areas covered in the plan - will enable the Head of Internal Audit to provide their annual internal audit opinion.

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Appendix A – Internal Audit Plan

Our current planned audits are listed below.

Key, **Black** means we have recorded no overall assurance for this area.

RAG applies to all other areas, the Internal Audit Risk column RAG is not a reflection of assurance for the client it is our own internal scoring for the area.

Audit Area	Assurance Sought	Internal Audit Risk	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Financial Governance, Critical Activities						
Key Control Testing **Joint BBC and ELDC**	Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment.				✓	
Value for Money (VFM) Postponed from 21/22 **Joint BBC and ELDC**	To provide assurance that the Council takes all reasonable steps to achieve Value for Money in the delivery of its services.			✓	✓	
System Review- New Payroll system Joint BBC and ELDC	Full system review of new payroll system to provide assurance that the system is set up, operating effectively and appropriate controls are in place throughout the processes.	A	G			
Governance and Risk						
Risk Management **Joint BBC and ELDC**	To provide assurance that there are effective arrangements in place to manage strategic, project, partnership and operational risks for the Council.	R	A	✓	✓	
Good Governance Phase 2. **Joint BBC and ELDC**	To continue with our corporate governance work by providing assurance and support through benchmarking and testing the Council against CIPFA Good Governance standards and Framework.	A	A	✓	✓	✓
Project Assurance						
Towns Fund Joint BBC and ELDC	Advice and support through attendance at board meetings. Continual assurance through highlight reports and a focus on programme and project management.	R	A	✓	✓	✓
ICT						

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Audit Area	Assurance Sought	Internal Audit Risk	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
ICT Systems Security Joint BBC and ELDC	A review of the arrangements for managing system access and restrictions, monitoring and reporting unauthorized attempts or challenges.	R	A			
Virus Protection/Malware Joint BBC and ELDC	The review will look to provide assurance that the risk associated with malware and viruses is mitigated through the use of appropriate security measures.	R	A			
Cloud/Hosted Services Joint BBC and ELDC	We propose to review recent instances of cloud/hosted services to establish the due diligence undertaken in arriving at the selected option and security deployed through that arrangement	R	A			
ICT Project Management Joint BBC and ELDC	A key area of low assurance raised in assurance mapping, we will provide assurance on ICTs ability to manage multiple projects for the Council.	R	R			
Follow Ups						
Follow ups	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.	A	A	✓	✓	
Combined Assurance						
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.					

Management Support Days	
Housing Benefit Subsidy	
Management	Advice and Liaison Annual Report Board Attendance Review IA Strategy and Planning
Contingency	

Grand Total	Total Days
Internal Audit	**170**

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Fees	**£59,500**

Audit Details

The majority of the audits are based on a joint audit combining PSPS, ELDC and BBC as well as SHDC where possible, which will allow a much greater coverage and ensure that the assurances and opinions are the same for all clients using the same systems.

It will also mean that all parties will benefit from a larger review but at a cost of less audit days or charges.

For the new system Payroll we are proposing a full systems audit to identify, assess and test the key controls within each. These will then form part of the key control and follow up reviews.

The ICT review proposed will also be a joint audit as it will look at access controls across all clients. This will include access levels and restrictions, new users, changes and removals as well as password management and monitoring.

Areas considered but not included amongst others

Audit Area	Assurance Sought	Internal Audit Risk	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Strategic Alliance Postponed from 21/22 Joint BBC and ELDC	To provide assurance on the governance arrangements across the Strategic Alliance to include Programme & project management, Finance, risk, oversight and reporting.	**R**	**G**	✓		✓
HR Recruitment / Management Joint BBC and ELDC	To review the process around the recruitment and selection of new staff and the arrangements for onboarding and induction	**R**	**A**			
Decision Making Joint BBC and ELDC	Provide assurance on the decision making process and ensure there is effective oversight and governance.	**A**	**A**		✓	✓
Brexit & Covid Impact & Response Joint BBC and ELDC	Provide assurance that the effects of Brexit and Covid have been fully assessed and the impacts limited where possible.	**A**	**A**			
Uniform System Implementation Project Joint BBC and ELDC	Postponed from the 2021/22 plan at management request. Review the project management and delivery of the project to provide assurance on progress and benefits from the project.	**A**	**R**			
Fees and Charges Joint BBC and ELDC	To review the ways that fees and charges are set and approved, published and collected. This will include Kingfisher Park.	**R**	**A**			

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Appendix B – Head of Internal Audit's Opinion

Our work is carried out in conformance with the UK Public Sector Internal Audit Standards. These require that the scope of Internal Audit covers the whole range of the Council's activities – seeking to provide an internal audit opinion on the governance, risk and internal control environment of the Council which has been established to:

- Achieve strategic objectives
- Ensure effective and efficient operational systems and programmes.
- Safeguard assets and interests of all kinds (including risks that relate to work it undertakes through partnerships)
- Ensure the reliability and integrity of financial and operational information.
- Ensure economic, efficient and effective use of Council resources.
- Ensure compliance with established policies, procedures, laws, regulations and contracts.

Our Internal Audit Strategy

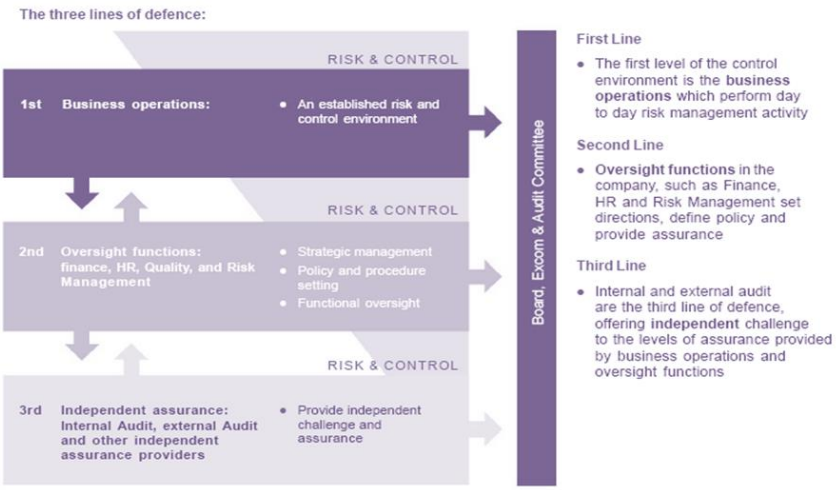
It is important that the Internal Audit function focusses its work on what matters most to you – providing insight, assurance and added value to the Council. Whilst we have a plan in place this is flexible and may be changed during the year enabling greater flexibility and responsiveness – ensuring each piece of work is the right one, delivered at the right time. The plan is therefore more dynamic and responsive – essential for an effective Internal Audit service.

Our internal audit activity and plan has been driven by the Council's key objectives within the corporate plan, and will be driven by your key risks and critical service areas.

We aim to align our work with other assurance functions – seeking to look at different ways of leveraging assurance to help us to maximise the best use of the Internal Audit resource and other assurance functions in the Council.

By adopting this approach, it is possible to give the Council comfort that there is a comprehensive risk and assurance framework with no potential gaps. We are then able to use our audit planning tool to target resources. This will minimise duplication of effort through sharing and coordinating activities with management and other management oversight functions.

We have identified the level of assurances in place by using the "Three lines of assurance" model – See **Figure 2.**



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Our Internal Audit Strategy also seeks to co-ordinate our work with other assurance providers where we can. In particular we liaise with External Audit to ensure the Council gets the most out of its combined audit resource – keeping audit fees low.

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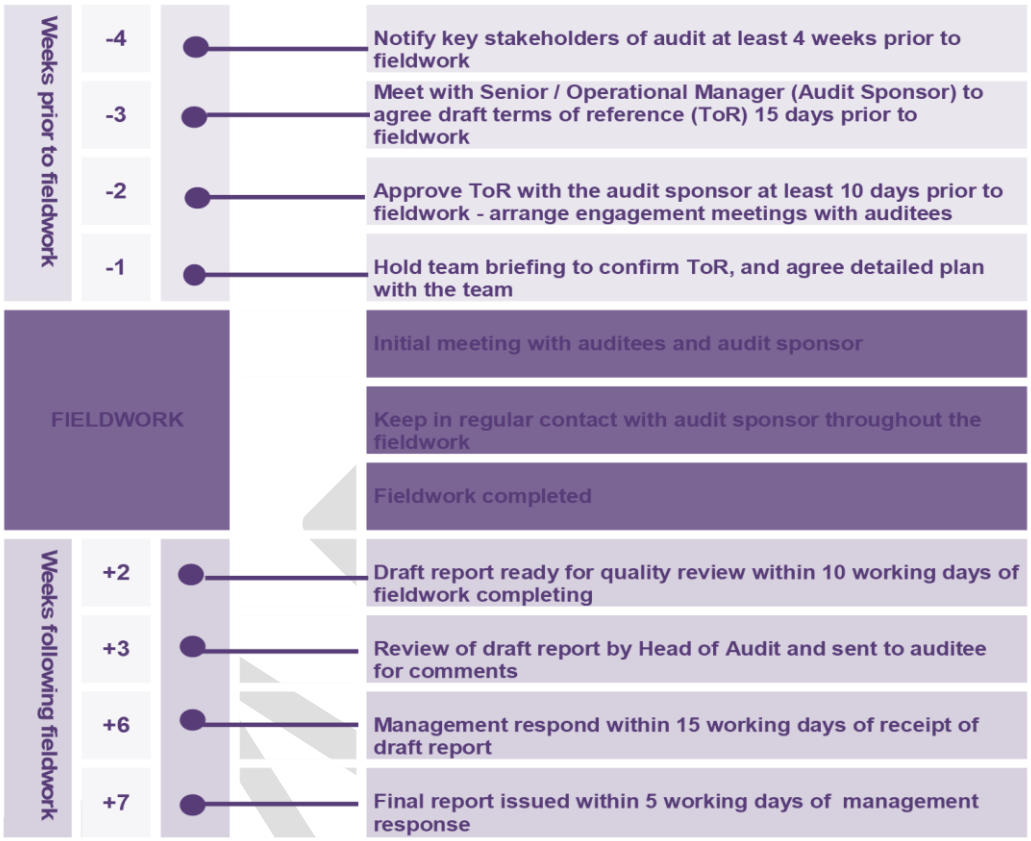
Appendix C – Working Protocols

Our approach to delivering of internal audit work is based on a clear protocol detailed in the Audit Charter. How this works in practice is set out at the bottom.

Our performance is monitored by the Board and the Head of Corporate Services - measured against 3 key areas:

- Delivery of planned work.
- Timeliness (contemporary reporting).
- Quality and Impact of work (communicating results / added value).



Strong communication is fundamental to quality delivery and maintaining trusting relationships. We keep management informed in accordance with agreed protocols including:

- Agreeing potential audit work for the forthcoming year
- Providing quarterly updates to evaluate progress and discuss activities and priorities for the next quarter.
- For individual audit engagements we hold planning meetings in person (our preference) by phone, Microsoft Teams or email to discuss and agree the terms of reference and scope of our work..
- We keep you informed of key findings during the audit and upon conclusion we hold a debrief meeting in person to discuss our findings and any outstanding issues.
- We communicate the results of our audit work in a clear and concise way – securing management action where control improvements are needed.

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Appendix D – Our Quality Assurance Framework

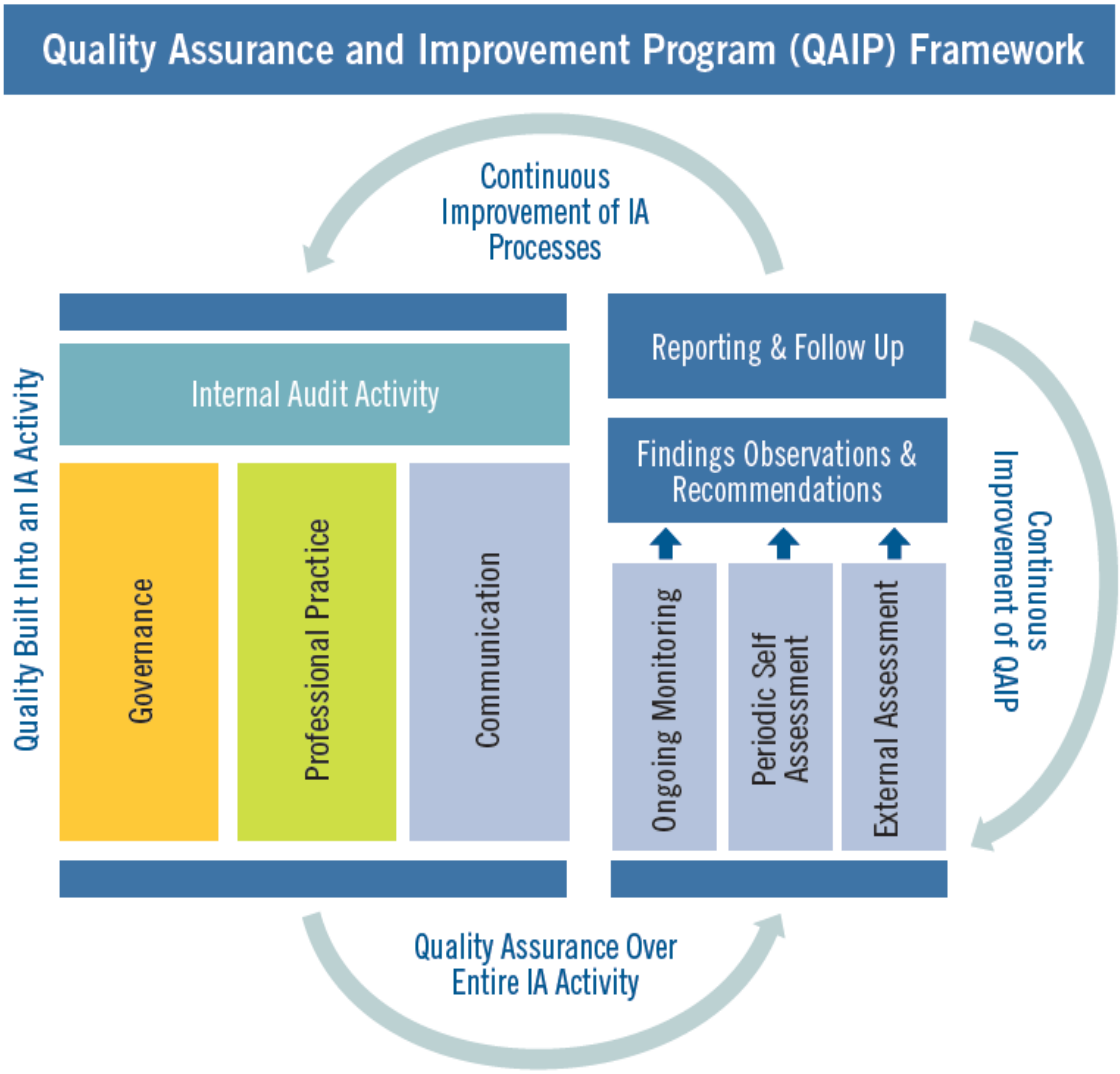
Quality is built into the way we operate – we have designed our processes and procedures to conform to best practice applicable to Internal Audit – in particular the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

Our audit team offers a wide depth of knowledge and experience gained across different organisations. We promote excellence and quality through our audit process, application of our Quality Assurance Framework and our training and development programme.

Our Quality Assurance Improvement Programme incorporates both the internal (self) and external assessments – this is a mandatory requirement and the Head of Audit reports annually on the results and areas for improvement. Our internal assessments must cover all aspects of internal audit activity – **The diagram below** shows how we structure our internal assessments to ensure appropriate coverage.

We use a number of ways to monitor our performance, respond to feedback and seek opportunities to improve. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.

Our Internal Audit Charter sets out the nature, role, responsibilities and authority of the Internal Audit service within the Council.



Appendix E – ICT Draft Three Year Plan

2022/23 – Year One

Audit Area	Indicative Scope
Virus Protection/Malware	Malicious software, or malware is an umbrella term to cover any code or content that could have a malicious, undesirable impact on systems. Any exchange of information carries with it a degree of risk that malware might be exchanged, which could seriously impact your systems and services. The review will look to provide assurance that the risk associated with malware and viruses is mitigated through the use of appropriate security measures. A key element of protection is User Education and Awareness. As part of the Audit Plan, this area will have been reviewed in Year 1.
Cloud/Hosted Services	The risks associated with Cloud are wide ranging and varied, and when auditing Cloud or considering the risks you are effectively assessing the whole range of IT risks because whole sections of IT operations are being outsourced to a third party. Often, in the race to migrate to the Cloud, insufficient consideration is given to the entirety of what is required to move to this new operating model. We propose to review recent instances of cloud/hosted services to establish the due diligence undertaken in arriving at the selected option and security deployed through that arrangement.
Programme Management	The review will look to provide assurance on the design and operational effectiveness of the project management arrangements to select, prioritise and manage ICT projects.

2023/24 – Year Two

Audit Area	Indicative Scope
Cyber Security	The National Cyber Security Centre (NCSC) has identified 10 steps for cyber security to help organisations manage cyber risks. The review will cover these 10 steps, albeit at a high level, with a view to confirming that appropriate consideration has been given to these areas. Cyber Security and data security has been one of the Institute of Internal Auditors (IIA) top three priority risks identified in their Risk in Focus publications over the past five years. It is documented as the number one priority risk for 2021, and this trend is expected to continue for the next three years.

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2024/25 Year Three

Audit Area	Indicative Scope
ICT Governance: Capacity and Capability	Users have a critical role to play in helping to keep the organisation secure, but they must also be able to effectively do their jobs. Organisations that do not effectively support employees with the right tools and awareness may be vulnerable to a number of significant risks. Our review will provide assurance of a systematic delivery of awareness programmes and training that deliver security expertise as well helping to establish a security-conscious culture.
PCI DSS	PCI DSS is the Payment Card Industry Data Security Standard. This is a worldwide standard that was set up to help businesses process card payments securely and reduce card fraud. It does this through tight controls surrounding the storage, transmission and processing of cardholder data that businesses handle. PCI DSS is intended to protect sensitive cardholder data. This review will provide independent assurance that the Council is compliant with the PCI DSS standard.