Chichester District Council

Corporate Governance & Audit Committee   25th March 2024

Proposed New Ways of Working for Internal Audit 2024/25

1. **Contacts**

   Report Authors:
   Jeremy Todd, Principal Internal Audit and Corporate Investigations Officer
   Tel: 01243 785166 x4590   E-mail: jtodd@chichester.gov.uk

   Laura Hutchison, Internal Auditor
   Tel: 01243 785166 x4732   E-mail: lhutchison@chichester.gov.uk

2. **Proposal**

   2.1. **The committee to agree a fluid annual audit plan compiled using risk-based measures from the Strategic and Organisational Risk Registers, as required by The Institute of Internal Auditors (IIA) Global Standards and with the capacity to respond to newly emerging risks and investigations.**

   2.2. **The committee to agree an agile audit approach is introduced to support the delivery of a risk-based audit plan which will fully utilise resources within the Audit and Investigations team.**

3. **Current ways of working**

   3.1   Currently there is a 4-year fixed plan of audits which is split into annual plans with no prioritisation other than the Key Financial Systems which are completed annually or bi-annually.

   3.2   The selection process for these audits, which are not key financial systems, is solely by the last date of completion, irrelevant of the assurances achieved. Additionally, if time and resources allow then highlighted areas of concern by the Divisional Managers are also visited.

4. **Advantages of risk-based audits**

   4.1   The Institute of Internal Auditors (IIA) have launched new Global Standards ("The standards") from 2024 which come into place on the 9th of January 2025. These standards are based on a risk-based approach of which we need to adopt to be compliant with the standards.

   4.2   A risk-based audit approach can focus both internal auditors and service area resources on the highest risks across the council thus ensuring the council is taking every opportunity to protect itself from financial and reputational risk and deliver the audit service in the best conceivable way in the public interest.

4.3 All Audit planning would use the current Pentana/Ideagen platform highlighting both the corporate and strategic risks recorded within it that support the corporate plan.

5. Advantages of agile audit approach

5.1 Audit work is delivered in short sharp focused blocks of time, which will be defined by the audit scope and objectives. Each block of time will have its own well-defined objectives and goals.

5.2 Audit work is completed on site within the service area at the time of the audit with the stakeholder involvement throughout the process. This means the information and testing is up to date, relevant and not historic. Questions can be asked in the moment.

5.3 Internal and external stakeholders with a vested interest in the audit are invited to reviews throughout the process removing any chance the auditee will be surprised or uninformed of the outcome.

6. Risks if no changes are implemented

6.1 The current 4-year audit plan is difficult to achieve with the current resources and systems.

6.2 The Institute of Internal Auditors (IIA) have launched new global Standards. These standards focus on a risk-based approach which the council is not always undertaking. This will lead to non-compliance with Audit standards globally and noncompliance to PSIAS standards and the risk of losing our current accreditation.

7. Details of Proposal

7.1 The current 4-year audit plan is to be discontinued.

7.2 To move away from audit days as a way of monitoring performance with clear and concise KPI's, ensuring transparency. The KPI's will include a measure of minimum audit days based on the agile approach.

7.3 Internal Audit to use their independence to decide on the Annual Plan and the areas to audit, but with consideration of advice given from all stakeholders in the process.

7.4 The annual Audit plan will have clear windows of time for new and emerging risk areas so these can be audited if they arise.

7.5 All audit team members will be involved in each audit with the testing taking place in the service area if appropriate utilising investigation team skills if required. This will ensure that the entire team is Multi skilled and provides a contingency to all risks.

7.6   A review will be completed to streamline the reporting process to committee, SLT and Divisional managers to increase the impact and focus of all audit documentation.

8. Resources

8.1   The only outgoing expense would be a White board, which would be approx. £300 and can be funded from the already approved budget,

8.2   This plan aligns and enhances the proposal for a new audit IT Platform, but its delivery is not dependent on the system being implemented. However, if the system is purchased It will streamline processes and reporting which will in turn allow additional audits to be conducted with the same available resources.

9. Implications

Are there any implications for the following?	Yes	No
Crime and Disorder		x
Biodiversity and Climate Change Mitigation		x
Human Rights and Equality Impact		x
Safeguarding and Early Help		x
General Data Protection regulations (GDPR)		x
Health and Wellbeing		x

10. Appendices

10.1   Appendix 1 - Proposed Audit Plan 2024-2025.

11. Background papers

None