

Strategy for Internal Audit and Internal Audit Plan 2025-26

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	Table of Contents
-	A quick guide to the audit planning process
-	A glossary of terms
1	Introduction
2	Assessing the effectiveness of risk management and governance
3	Assessing the effectiveness of the system of control
4	Assessment of assurance need methodology
5	The assessment of audit assurance needs
6	Developing an internal audit plan
7	Considerations required of the Audit and Risk Assurance Committee, Council management and the Section 151 Officer
8	Information to support the internal audit plan
9	Internal Audit Plan 2025-26

DRAFT

A Quick guide to the audit planning process

Step 1 – Audit universe/auditable areas and the council's priorities

Identify the audit universe (i.e. a list of themes and areas that may require auditing) using a variety of methods:

- Areas of potential risk identified through a variety of sources as having the potential to impact upon the Council's ability to deliver the objectives of the Council Plan and its statutory responsibilities, captured through a strategic risk register.
- Key areas, such as the key financial systems work we do to help inform and support the work of the external auditors, grant claim certification etc.
- Areas where we use auditor's knowledge, management requests and past experience, risk of fraud etc.

Step 2 – Ranking

Assess each auditable area as high, medium or low assurance need using, where appropriate, the CIPFA methodology of materiality/business impact/audit experience/risk/potential for fraud.

Step 3 – Longer term view

High need areas will be reviewed annually, medium need usually once in a three-year cycle where appropriate, while a watching brief will remain on the low need areas.

Step 4 – 2025/26 Audit Plan

List the themes/areas and where appropriate the types of work that will be undertaken in 2025/26 in the internal audit plan.

A Glossary of Terms

Governance

The arrangements in place to ensure that the Council fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner.

Control environment

Comprises the systems of governance, risk management and internal control. The key elements include:

- establishing and monitoring the achievement of the Council Plan
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement
- the financial management of the Council and the reporting of financial management; and
- the performance management of the Council and the reporting of performance management

System of internal control

The totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

Risk management

A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating the risks associated with any activity, function or process in a way that will enable the organisation to minimise losses and maximise opportunities.

Risk based audit

An audit that:

- identifies and records the objectives, risks and controls
- establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives
- evaluates the controls in principle to decide whether or not they are appropriate and can be reasonably relied upon to achieve their purpose, addressing the organisation's risks
- identifies any instances of over and under control and provides management with a clear articulation of residual risks where existing controls are inadequate
- determines an appropriate strategy to test the effectiveness of controls i.e. through compliance and/or substantive testing; and
- arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment

Audit and Risk Assurance Committee

The governance group charged with independent assurance of the adequacy of the internal control environment and the integrity of financial reporting.

Internal audit

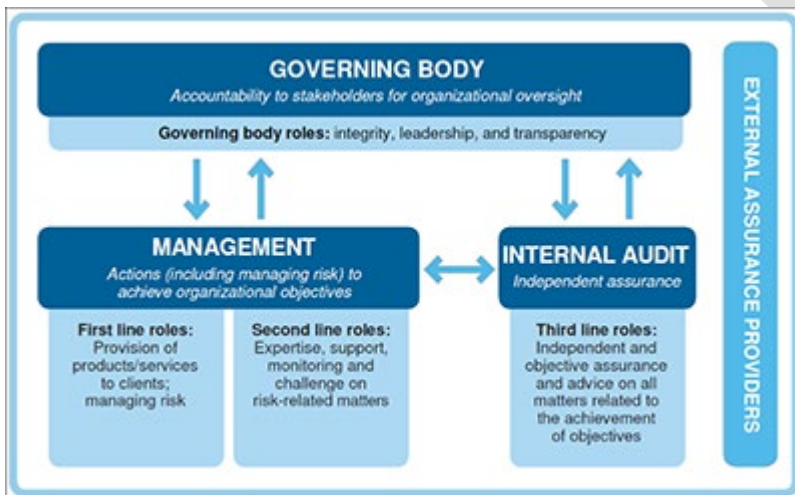
Definition of internal auditing:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Assurance

A confident assertion, based on sufficient, relevant and reliable evidence, that something is satisfactory, with the aim of giving comfort to the recipient. The basis of the assurance will be set out and it may be qualified if reasonable comfort cannot be given. The Head of Audit may be unable to give an assurance if arrangements are unsatisfactory. Assurance can come from a variety of sources and internal audit can be seen as the 'third line of defence' with the first line being the Council's policies, processes and controls and the second being management checks of this first line.

The Three Lines of Defence model



1 Introduction

This strategy for internal audit and the accompanying internal audit plan sets out for operating model for delivering an effective internal audit service that:

- Provides assurance to the Council that there are effective arrangements in place to deliver its key objectives and manage key risks;
- Meets the statutory responsibility to arrange for the continuous independent internal audit of the Council;
- Meets the requirements of professional internal audit standards; and
- Meets the requirements of the Head of Audit to deliver an annual opinion on the Council's arrangements for governance, risk management and internal control.

The purpose of internal audit is to provide the Section 151 Officer and the Audit and Risk Assurance Committee with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Council's agreed objectives. To provide this opinion we need to review on a cyclical basis, the governance, risk management and operation of internal control systems within the Council.

Internal audit is not a substitute for effective internal control. The proper role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.

There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Global Internal Audit Standards' within the framework set out by CIPFA in their Application Note – Global Internal Audit Standards in the UK Public Sector. The Council has an internal audit charter which was approved by the Audit and Risk Assurance Committee and defines the activity, purpose, authority and responsibility of internal audit, and establishes its position within the Council. This document sits alongside the charter and helps determine how the internal audit service will be developed.

The purpose of this document is to provide the Council with an internal audit strategy and plan based upon an assessment of the Council's audit needs. The assessment of assurance need exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will be used to direct internal audit resources to those aspects of the Council which are assessed as generating the greatest risk to the achievement of its objectives.

2 Assessing the effectiveness of risk management and governance

The effectiveness of risk management and governance will form part of our individual reviews, in order to gather evidence to support our opinion to the Council. This opinion is reflected in the general level of assurance given in our annual report and where appropriate within separate reports in areas that will touch upon risk management and governance, and from those provided by other assurance providers including the External Auditors.

3 Assessing the effectiveness of the system of control

To be adequate and effective, management should:

- establish and monitor the achievement of the Council's objectives and facilitate policy and decision making
- identify, assess and manage the risks to achieving the Council's objectives
- ensure the economical, effective and efficient use of resources
- ensure compliance with established policies, procedures, laws and regulations
- safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
- ensure the integrity and reliability of information, accounts and data

These objectives are achieved by the implementation of effective management processes and through the operation of a sound system of internal control.

The internal audit plan contained within this report is our assessment of the audit work required to measure, evaluate and report on the effectiveness of risk management, governance and internal control.

The framework of assurance

The framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation, may comprise a variety of sources and not only the work of Audit Services.

Audit Services holds a role within the Council as the main independent source of assurance on internal controls. The work of Audit Services is therefore, central to this framework of assurance. Therefore, Audit Services attempt to acquire an understanding not only of the Council's risks and its overall whole control environment, but wherever possible, all other relevant sources of assurance.

In this way, Audit Services should be able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance. This role includes responsibility both for attempting to assess the assurance available to the Council from other sources, whether internal or external, and for implementing a plan of internal audit work to obtain the required assurance.

Audit Services report to the Audit and Risk Assurance Committee, which is responsible for assessing the quality of the assurance available to the Council and concerns itself with the adequacy and effectiveness of the Council's internal control environment as assessed.

This document is, in the large part, risk-based and reflects the requirement for assurance (as well as current audit knowledge and the requirement to follow up earlier work). This plan includes work undertaken directly by Audit Services, but will also, wherever possible, take into account and recognise assurance work undertaken by other parts of the Council or by external organisations, the adequacy of which will be assessed on an on-going risk basis.

The annual internal audit report to the council will include an opinion on the overall adequacy and effectiveness of the Council's governance, risk management and control

environment, and will, where appropriate, include reference to the assurance made available to the Council by other providers as well as Audit Services.

4 Assessment of assurance need methodology

Internal audit should encompass the whole internal control system and not be limited only to financial control systems, the scope of internal audit work should reflect the core objectives of the Council and the key risks that it faces. As such, each audit cycle starts with an analysis of the whole system of internal control that ensures the achievements of the Council's objectives.

Activities that contribute significantly to the Council's internal control system, and also to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks not to try and measure the level of risk in activities, but to assign a relative assurance need value. The purpose of this approach is to enable the delivery of assurance to the Council over the reliability of its system of control in an effective and efficient manner.

5 The assessment of audit assurance needs

Identifying the objectives of the Council Plan and the associated risks

The Council Plan contains four strategic themes:

- Growing up in Sandwell
- Living in Sandwell
- Healthy in Sandwell
- Thriving Economy in Sandwell

All underpinned by One Council One Team

The key risks to the Council in meeting its strategic themes, as identified through its risk management process, at the time this plan was prepared, were:

Climate Change	Workforce Recruitment
Homelessness and Temporary Accommodation	Borough Archives
Housing Transformation	Organisational Culture
Adults - Strategic Workforce Development	Continuous Improvement
Cyber Security	Elections Act
SEND Placements and Transport	Statement of Accounts
Compliance with DPA/GDPR	Budget Monitoring and Management
Children's Social Care	Medium Term Financial Strategy
Business Continuity Management	Regeneration Fund Programme
Customer Experience	Sandwell Local Plan
Equalities	

Identifying the “audit universe”

To undertake the assessment, it is first necessary to define the audit universe for the Council. The audit universe describes the main systems, functions, operations and activities undertaken by the Council. Given that the key risk to the Council is that it fails to achieve its core objectives, we identify the audit universe by determining which systems and operations impact upon the achievement of the Council Plan and the objectives above. These auditable areas include the control processes put in place to address the key risks.

Assessing the risk of auditable areas

Risk management is the process of identifying risks, evaluating their probability and potential consequences and determining the most effective methods of controlling or responding to them. The aim of risk management is to contribute to continued service improvement through improved risk-taking activities, reducing the frequency of loss events occurring, and minimising the consequences if they do occur.

There are a number of key factors for assessing the degree of risk within the auditable area. These have been used in our assessment for each auditable area and are based on the following factors:

- Risk
- Business impact
- Materiality
- Audit experience
- Potential for fraud and error

Deriving the level of assurance need from the risk values

In this model, these factors are translated into an assessment of assurance need. The risk ratings used are high, medium or low to establish the frequency of coverage of internal audit.

6 Developing an internal audit plan

The internal audit plan is based on management’s risk priorities, as set out in the Council’s own risk analysis/assessment. The plan has been designed to, wherever possible, cover the key risks identified by this risk analysis.

In establishing the plan, the relationship between risk and frequency of audit remains absolute. The level of risk will always help determine the frequency by which auditable themes and areas will be subject to audit. This ensures that key risk themes and areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.

It is recognised that a good internal audit plan should achieve a balance between clearly setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year. As the year progresses, it is likely that the risks and organisational priorities will change, resulting in changes to the plan. This is an issue within the local authority environment at this moment, particularly with regards to the pace of change and high level of uncertainty affecting the risk environment.

Auditor's judgement will be applied in assessing the resources required for each audit identified in the plan.

The assessment of assurance need's purpose is to:

- determine priorities and establish the most cost-effective means of achieving audit objectives; and
- assist in the direction and control of all audit work

Included within the plan, in addition to audit days for field assignments are:

- a consultancy allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested
- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to recommendations agreed by management during the prior year; and
- an audit management allocation, which is used for management, quality control, client and External Audit liaison and for preparation for, and attendance at various meetings including the Audit and Risk Assurance Committee.

7 Considerations required of the Audit and Risk Assurance Committee, senior management and the Section 151 Officer

Are the objectives and key risks identified consistent with those recognised by the Council?

Does the plan include all the themes which would be expected to be subject to internal audit?

Are the risk scores applied to the plan reasonable and reflect the Council?

Does the plan cover the key risks as they are recognised?

Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?

8 Information to support the Internal Audit Plan

Communication of results

The outcome of internal audit reviews is communicated, where appropriate, by way of a written report on each assignment undertaken. However, should a serious matter come to light, this will be reported to the appropriate level of management without delay.

Limited or No Assurance Reports

All internal audit reports given Limited or No Assurance will automatically be brought before the Council's Strategic Leadership Team.

Resourcing

The Council has its own internal audit function. Where appropriate, staff are either professionally qualified or sponsored to undertake relevant professional qualifications. All staff are subject to an annual review process, which leads to an identification of training needs. In this way, we ensure that the team is suitably skilled to deliver the internal audit

service. This includes the delivery of specialist skills which are provided by staff within the service with the relevant knowledge, skills and experience.

Quality assurance

Our processes will comply with the appropriate Global Internal Audit Standards within the framework set out by CIPFA in their Application Note – Global Internal Audit Standards in the UK Public Sector, and, where required, working papers and reports are subject to review by professionally qualified audit staff.

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9 Internal Audit Plan 2025-26

(based on an assessment of assurance need)

Oracle Fusion – performing a wider assurance role and where appropriate undertaking a range of audit checks following go-live, alongside overseeing the embedding of the Risk Management Cloud module.	High
Procurement and Contract Compliance – an high-level review of Council spend to ensure compliance with legislation and the Procurement and Contract procedures rules.	High
SEND Provision – a review of the key arrangements regarding SEND delivery, focussing upon how the costs of the service are being monitored and managed. This would be scoped to avoid any duplication with the work undertaken by Newton.	High
Housing Transformation Programme – a follow up review of past recommendations from recent HRA Internal Audit Reports, alongside a wider review of the progress being made within the Housing Transformation Programme.	High
Voluntary Community Sector Grants – following on from the recent Corporate Review of Voluntary and Community Sector Grants, a review of the performance and monitoring arrangements for a sample of organisations in receipt of larger grants.	Medium
Transformation Programme – to review the role of the overarching Corporate Transformation Board and how it operates with regards to the oversight of the delivery of its 11 themes, including the role of the supporting programme working groups, and in ensuring a consistent project management approach is followed across each theme.	Medium
Ring Fenced Budgets - a review to ensure that compliance and accompanying controls are being actively managed in an appropriate manner (i.e. DSG / HRA / PH).	Medium
Children’s Services – a review of progress being made against the recommendations from the recent LGA peer review.	Medium
Levelling Up/Town Funds - regeneration and town centre investment projects, focusing on the monitoring of spend and governance processes.	Medium
Compliance with the Data Protection Act , General Data Protection Regulations and Freedom of Information Act.	Medium
Climate Change – a follow up our previous recommendations, and an update on delivery of the Climate Change Action Plan.	Medium
Right to Buy – a review of how the Council is managing the significant increase in Right to Buy applications following the national changes to the Right to Buy scheme in November 2024.	Medium
Priority Awards and Homelessness Designation – a review of housing application assessments in accordance with the lettings policy and focussing on priority awards, and also how contracts for temporary accommodation are being managed.	Medium
Asset Management – a review of the information collected, held and updated regarding key Council assets (including assets held, valuations, leases, insurance arrangements etc).	Medium

Appointeeship Unit – a review of the management and control over individual accounts.	Medium
Building Schools for the Future – Consideration of any legacy FM control arrangements.	Medium
Riverside PFI and TMO's – compliance with key parts of Council contracts.	Medium
Early Years Support – a review of operational processes.	Medium
Adult Social Care – a review on transition to adulthood, and the arrangements in place with Sandwell Children's Trust.	Medium
Adult Social Care – a review with a focus on care management.	Medium
Schools – a review of the governance and financial procedures for a number of Council-maintained schools.	Low
Certifications and Returns – a range of certification exercises including Discretionary Housing Payment Claims, Housing Benefit Subsidy Claims and any other grant certifications as and when required.	NA
Key Financial Systems: (for 2025/26 this will include a focus on the control environment following the introduction of Oracle Fusion)	
<ul style="list-style-type: none"> • Accounts Payable • Accounts Receivable • Payroll • Treasury Management • Main Accounting System • Budgetary Control • Benefits • Capital Accounting • Housing Rents • Council Tax • NNDR 	Medium

Wider areas with Internal Audit input

Fraud Investigations	As required by the Council's Financial Regulations and on behalf of the Section 151 Officer – the carrying out of investigations into areas of suspected fraudulent activity across the Council, including housing and related fraud.
Counter Fraud Activities	Where appropriate, to undertake a series of Council wide pro-active fraud activities, including the maintenance of key anti-fraud and anti-money laundering policies and procedures, targeted testing of areas open to potential fraud, maintenance of the Council's fraud risk assessment, raising fraud awareness training and leading on any national benchmarking exercises.
National Fraud Initiative	In accordance with Cabinet Office requirements, to lead on the Council's NFI data matching exercise.
Risk Management	Maintenance of the Council's Strategic Risk Register and to provide on-going support, advice and challenge to the risk management process at strategic, programme and directorate level across the Council.
Annual Governance Statement	To assist in the preparation of the Annual Governance Statement.

Follow up of Agreed Actions	The follow up of key internal audit recommendations made across the Council in 2024/25.
Development and Advice	To provide ongoing general controls advice and assistance where required.
Consultancy	To provide advice and guidance on special projects, unplanned and ad-hoc reviews as necessary.
Management	Day to day management of the internal audit, risk management and counter fraud service, quality control, client and External Audit liaison and preparation for and attendance at various Member and senior officer meetings.
Audit and Risk Assurance Committee	Preparation and presentation of papers for the committee. Providing training to committee members as and when required.

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