



**WEST LANCASHIRE BOROUGH COUNCIL
INTERNAL AUDIT SERVICE**

INTERNAL AUDIT STRATEGY AND AUDIT PLAN 2019/20

Internal Audit Strategy and Audit Plan 2019/20

1 Introduction

- 1.1 This document is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council. It will be reviewed throughout the year to ensure its continued relevance, both in terms of supporting the council's priorities and in maintaining a professional, modern internal audit service.
- 1.2 The Accounts and Audit Regulations 2015 require that the Council "must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes; taking into account public sector internal auditing standards or guidance."
- 1.3 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Audit "must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals".
- 1.4 Internal Audit provides an independent, objective assurance and consulting service that adds value and improves the Council's control environment. It helps the Council deliver its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.5 The provision of assurance is the key role for Internal Audit. This role requires the Internal Audit Manager to provide an annual Audit Opinion based on an objective assessment of the framework of governance, risk management and control. This opinion is provided to the Audit and Governance Committee and also feeds into the Annual Governance Statement. The Internal Audit Service may also complete consulting services at the request of management, these are advisory in nature, and are generally performed with the aim of improving operations. Requests of this nature are considered in light of resource availability and our primary role of assurance.

2 Internal Audit Plan

- 2.1 Our work will support the Council's corporate objectives, and the corporate governance framework.
- 2.2 The plan has been compiled giving consideration to service action plans, risk registers, consultation with key officers, committee reports, information from other assurance processes, plus horizon scanning to consider emerging risks and opportunities.
- 2.3 This audit planning process identifies potential reviews, which are subsequently prioritised. Factors that are taken into account include materiality; corporate importance, vulnerability, risks and opportunities. The overall aim of the Internal Audit Service is to add value by providing assurance, reducing risk and improving controls.

- 2.4 There needs to be a flexible approach to planning, to ensure that our work meets the needs of the Council in a continually changing risk and control environment. The risk based planning approach enables the audit plan to be updated when new reviews are identified. The audit plan will be reviewed and monitored throughout the year, and any significant changes will be reported to the Audit and Governance Committee.
- 2.5 Work undertaken by the Internal Audit Service should address key risk areas and draw attention to significant concerns and what needs to be done. Ideally the audit plan will provide coverage across the whole organisation, and some reviews may be cross cutting and involve multiple teams and partners. This enables the Internal Audit Manager to produce an annual internal audit opinion that can be used to inform the Annual Governance Statement.

3 Resources

- 3.1 Resource requirements are reviewed each year as part of the audit planning process. Following the recruitment of a new Internal Audit Manager in March 2019 the Internal Audit Service is now fully resourced. The current establishment for the Internal Audit Service enables sufficient resource to deliver the audit plan.
- 3.2 Demand for potential reviews will exceed the number of audit days available. The risk based planning approach identifies and matches audit work to the available audit resources, based on where the most value can be added.
- 3.3 The audit plan needs to be fluid and flexible enough to enable the Internal Audit Service to be reactive as required to situations arising during the course of the period covered by the plan. A contingency reserve element has been built in, to assist in dealing with any such matters arising to hopefully at least minimise any major impact on the audit plan.
- 3.4 Time allocations within the plan are based on previous audit work undertaken, assessments of current audit work requirements, and the requirement for overall allocations for each key service area. As each audit activity is fully scoped and agreed with the appropriate senior manager, each job will then be monitored to that time allocation. In the event of significant issues being found during an audit review, the initial time allocation may be increased to meet any extra audit work requirements. Any such increase will be at the discretion of the Internal Audit Manager.

4 Key Themes

- 4.1 As in previous years, Internal Audit will continue to support the compliance culture within the Council, with the emphasis on improving service ownership of controls and management of risk and governance including fraud.
- 4.2 A number of audits are identified which aim to provide assurance that corporate systems and processes are robust and protect the Council. Aside from core financial systems, coverage will be prioritised towards the corporate priorities and risks to the Council, to help ensure that desired outcomes are delivered efficiently.

4.3 For each audit area, a brief description of the scope for the work to be carried out is detailed below. Timing and detailed scopes for each audit will be agreed with the relevant Senior Manager prior to commencement of the fieldwork.

5 Follow-ups

5.1 To ensure that agreed actions are being implemented, follow-up work will be carried out. If an audit review results in significant recommendations, then a full audit may be planned to evaluate the effectiveness of the implementation.

6 Other activities

6.1 In addition to delivering the audit plan, resources are allocated to deliver other assurance based activities. Examples include:

- Advice and consultancy: - providing ad-hoc advice to officers and service areas, participating in working groups;
- Anti-fraud and corruption: - including response, proactive work and co-ordinating National Fraud Initiative (NFI) work;
- Governance: - activities which help inform the Annual Governance Statement.

7 Summary

7.1 The internal audit plan should help add value to the Council by helping to improve systems, mitigate risks, and inform the Annual Governance Statement.

Internal Audit Plan 2019/20

Summary

The table below provides an overview of the breakdown of audit time in the Internal Audit Plan 2019/20. The audit days available for 2019/20 total 439, however there are 45 days that have been set aside as contingency in case additional work is required during the year.

Audit Area	Number of Days allocated
Assurance Audits	115
Core Financial Systems	150
Cross Cutting	50
Projects	45
Follow Up Audit Reviews	30
Other Assurance Work	49
Total	439

This is the allocation of internal audit work for West Lancashire Borough Council. A breakdown of planned audit work is detailed below.

Assurance Audits:

Assurance Audits are reviews of the systems and processes which have been risk appraised.

Audit	Priority	Days	Audit Scope and description
Sale of Council Houses	H	10	Review of the processes in place to ensure that works are not carried out by the council's contractors on homes that have been sold under the right to buy scheme.
Property Service - Legionella Checks	H	10	Review of the processes in place for legionella checks undertaken with particular emphasis on council homes/void properties.
Property Services - Electric	H	15	Review of the processes in place for electricity checks undertaken with particular emphasis on council homes/void properties.
Chapel Gallery	H	15	Review the processes and procedures in place for the receipt and accounting of income and expenditure at the establishment.
Stripe Payment Method	H	10	Review the pilot scheme in place for the 3 online payment facility accounts (Chapel Gallery and Economic Development).
Civic Bulky Collections	M	10	Review of the processes in place for the new service delivery arrangements.
Vehicle Maintenance Contract	H	10	Compliance audit following the independent FTA Audit review undertaken in March 2019.
Enforcement Charges	M	10	Review of the processes in place for the enforcement charges (from issue of PCN to follow up of income receipting and debtor process).
Land Charges	M	10	Review of the processes in place for Land Charges. (Including the fees and charges, process for registering of a charge, searching land registry, registering council debt on a property).
Members Services	M	10	Review of the processes in place for the council's Committee system (Modgov).
Corporate Credit Card	M	5	Review of the procedures in place for the use of the Corporate Credit Card, including reconciliations.
Total		115	

Core Financial Systems

This work includes reviews of systems that are fundamental to providing control assurance for internal financial systems, and allow the Borough Treasurer (S 151 Officer) to make his statement included in the Council's Annual Statement of Accounts. The work can also provide assurance to the Council's External Auditor.

Audit	Priority	Days	Audit Scope and description
Benefits	H	15	Key controls audit as part of the cyclical review of core systems.
Creditors	H	10	Key controls audit as part of the cyclical review of core systems.
Debtors	H	10	Key controls audit as part of the cyclical review of core systems.
Council Tax	H	15	Key controls audit as part of the cyclical review of core systems.
Council Tax Support Scheme	H	15	Review of the CTRS in place and ensure that it is being complied with for a sample of reductions given.
NNDR	H	15	Review the processes in place for awarding exemptions and reliefs.
Housing Rents	H	20	Review the Council's Compliance with Homes England Rent Standard requirements.
Payroll	H	15	Key controls audit as part of the cyclical review of core systems. New System in operation for 2019/20.
Income Management	H	15	Review will be based around the results from the income management review report and action plan.
Treasury Management	H	10	Key controls audit as part of the cyclical review of core systems.
Main Accounting	H	10	Review of the processes and procedures in place for the bank reconciliation process.
Total		150	

Cross Cutting Audit Reviews

This work involves audit reviews where multiple council service areas and partners are responsible for the delivery of a service:

Audit	Priority	Days	Audit Scope and description
Recovery of Arrears	H	15	Review of the processes in place for recovering arrears of rent and other periodic property payments
Contracts and Procurement	H	20	Review of the process in place for contracts to highlight compliance or non-compliance of CPR's.
Performance Indicators	H	15	Review the Council's current Performance Indicators to ensure they are up to date and providing relevant key information.
Total		50	

Project Outcomes Audit Review

This work will involve audit reviews in areas which have been subject to specific project reports or the implementation of a new system.

Audit	Priority	Days	Audit Scope and description
Sustainable Organisation Review Project (SORP)	H	15	Audit work to be determined once the final report and action plan has been published.
ServiceNow - Customer Relationship Management	H	15	Review of the procedures in place for phase one of the project.
Development Company	H	15	Audit work will be determined when the Company has been set up and governance arrangements are in place.
Total		45	

Follow up Audit Review

All audit reviews undertaken, for which recommendations have been made, will be subject to a follow up review. Follow up reviews will also include audit reviews that have taken place in the previous year.

Audit	Priority	Days	Audit Scope and description
Follow Up Audit Reviews	H	20	Follow up of audits completed to ensure that recommendations made have been fully implemented.
Valueworks Follow Up Audit Review	H	10	A follow up of the progress made to address the actions from the Audit review completed in 2018/19.
Total		30	

Other Assurance work

Other assurance work that supports the production of the Annual Governance Statement and fulfils other statutory functions.

Audit	Priority	Days	Audit Scope and description
ICT Audit	H	12	Audit work to be determined. LCC have commissioned four separate audit reviews the findings of which will be shared with WLBC.
Prevention of Fraud and Corruption	H	30	Review Council's compliance with CIPFA - Managing the Risk of Fraud and Corruption. Internal Audit co-ordinates the National Fraud Initiative, a statutory proactive data matching exercise.
Annual Governance Statement	H	2	Support the Annual Governance Statement process.
Money Laundering Reporting Officer	N/A	5	Statutory Role of the Internal Audit Manager.
Total		49	