



Internal Audit Service

Internal Audit Strategy and Annual Plan 2021/22

Internal Audit Annual Plan 2021/22

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 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 Vision and Priorities, 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 including the impact of Covid-19 on the Borough.
- 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. All staff members have returned to normal audit duties following secondment to other service areas to assist with the Council's Covid-19 response and the Internal Audit Service is now fully resourced with 1FTE Internal Audit Manager and 2.8 FTE Internal Auditors, however, approximately 25 days is to be spent supporting other services and is classified in the Internal Audit Annual Plan as non-audit activity.
- 3.2 Demand for potential reviews have exceeded 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 In carrying out this year's Internal Audit Reviews due consideration will continue to be given to the impact Covid-19 has had on service areas and how changes to processes and procedures may have impacted on internal controls and increased risks.
- 4.4 Additionally due consideration will be given to the demonstration of value for money, service effectiveness and efficiencies, and potential budget savings or income generation opportunities.
- 4.5 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 and the implementation of recommendations reviewed and reported to the Corporate Management Team and Audit & Governance Committee. If an audit review results in significant recommendations, then a full audit may be programmed into the Internal Audit Annual Plan at a time the Internal Audit Manager considers appropriate.

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 2021/22

Summary

The table below provides an overview of the breakdown of audit time in the Internal Audit Plan 2021/22. The audit days available for 2021/22 total 485, this represents time available from 1st April 2021 to 31st March 2022.

Audit Area	Number of Days Allocated
Assurance Audits	195
Core Financial Systems	95
Corporate Governance	15
ICT Audit	15
Anti-Fraud	25
Projects	70
PSIAS Annual Review	15
Follow Up Audit Reviews	30
Non Audit Work	25
Total	485

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

Internal Audit Annual Plan 2021/2022

Assurance Audits:

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

<u>Audit Title</u>	<u>Priority</u>	<u>Planned Days</u>	<u>Council Priority</u>	<u>Audit Scope and Description</u>
Ormskirk Market & Speciality Markets	H	10	Support Business to adapt and prosper Be financially sustainable council by 2023.	Review of the processes in place for the management of Ormskirk market and the Speciality markets.
Lease of Council Assets	H	10	Support Business to adapt and prosper Be financially sustainable council by 2023.	Review of the Council Assets that are leased to external organisations.
Allotments	H	10	Become a Greener West Lancashire. Be financially sustainable council by 2023.	Review of the processes in place for the management of both Council and Society run allotment sites.
Garden Waste Service	H	10	Become a Greener West Lancashire. Be financially sustainable council by 2023.	Review of the process in place for the management of the Garden waste service and the introduction of direct debit.
Bulky Waste Service	H	10	A Clean, safe environment with affordable homes to buy or rent for everyone in West Lancashire. Become a Greener West Lancashire. Be financially sustainable council by 2023.	Review new processes introduced into the Bulky Waste Service
Property Services - Asbestos	H	10	A Clean, safe environment with affordable homes to buy or rent for everyone in West Lancashire. Become a Greener West Lancashire	Review the council's compliance with legislation.
Voids	H	10	A Clean, safe environment with affordable homes to buy or rent for everyone in West Lancashire. Become a Greener West Lancashire. Be a financially sustainable council by 2023	Review of the process in place for manage the council's void properties.
Furnished Tenancies	H	10	A Clean, safe environment with affordable homes to buy or rent for everyone in West Lancashire. Become a Greener West Lancashire; Be a financially sustainable council by 2023	Review of the process in place for the managed and letting of furnished properties.
Housing Allocations	H	10	A Clean, safe environment with affordable homes to buy or rent for everyone in West Lancashire Become a Greener West Lancashire; Be a financially sustainable council by 2023	Review of the management of Housing Allocations to council tenants.
Whistleblowing Policy	H	10	Everyone to be proud of	Review of the current

<u>Audit Title</u>	<u>Priority</u>	<u>Planned Days</u>	<u>Council Priority</u>	<u>Audit Scope and Description</u>
			their council	policy in accordance with legislation.
Code of Conduct for Officers and Members	H	10	Everyone to be proud of their council	Review of the policies and procedures in place.
Procurement	H	20	Impacts on all council priorities.	Review of the use of exemptions. Review contract and procurement activity during Covid-19 pandemic.
Business Grants Covid-19 Post Payment Assurance	H	20	Support businesses to adapt and prosper.	Statutory requirement from BEIS
Business Continuity	H	15	Impacts on all council priorities.	Review of Business Continuity following Covid-19 pandemic.
Corporate Land Allocation Budget Responsibilities	H	15	Be a financially Sustainable Council by 2023	Cross cutting review of the management of Corporate Land budget responsibilities
Ground Rents & Wayleaves	H	10	Support Business to adapt and prosper. Be financially sustainable council by 2023.	Review of the processes in place for the management of income and expenditure associated with ground rents and wayleaves.
Corporate Governance	H	20	Impacts on all council priorities.	Compliance with CIPFA – Delivering Good Governance in Local Government Framework – 2016 Edition

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.

<u>Audit Title</u>	<u>Priority</u>	<u>Audit Days</u>	<u>Audit Scope and Description</u>
Housing Benefits and CTRS	H	10	Key controls audits as part of the cyclical review of core systems.
Creditors	H	10	
Debtors	H	10	
Council Tax	H	15	
Business Rates	H	10	
Rents	H	10	
Treasury Management	H	10	
Main Accounting	H	20	

Other Assurance work

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

ICT Audit

Audit Title	Priority	Audit Days	Audit Scope and Description
GDPR	H	15	Review of the NHS Toolkit submission for WLBC. Follow Up of outstanding recommendations

Fraud

Audit Title	Priority	Audit Days	Audit Scope and Description
Anti-Fraud – National Fraud Initiative	H	10	Internal Audit co-ordinates the National Fraud Initiative, a statutory proactive data matching exercise.
Review of Counter Fraud Arrangements	H	10	A review of the Council's arrangements in accordance with the fighting Fraud and Corruption Locally – A strategy for the 2020's.
Managing the risk of Fraud and Corruption Self-Assessment	H	5	Review of the Council's compliance with the CIPFA framework.

Project Support

Provide advice and support for ongoing council projects

Audit Title	Priority	Audit Days	Audit Scope and Description
Income Management	H	10	To act as a critical friend and advise on risk mitigation and internal control.
Effective Data Management	H	10	
Revenues and Benefits	H	10	
Business Support	H	10	
Scheme of Delegation	H	10	Review and advise on updates
Financial Regulations	H	10	
General	H	10	General advice and support

Annual Reviews

Undertake the statutory reviews required for Internal Audit

Audit Title	Priority	Audit Days	Audit Scope and Description
Public Sector Internal Audit Standards Review		15	Review of the Internal Audit Teams compliance with the standards.

Follow Up Audit Reviews

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 and subject to the Internal Audit Recommendation Escalation Procedure.

Audit Title	Priority	Audit Days	Audit Scope and Description
Follow Up Audit Reviews		30	

Non-Audit Work

This is work that is undertaken for other council functions. One Internal Auditor undertakes Payroll and Parish Council Work supporting Finance Business Partners and one Internal Auditor maintains the Councils Authorisation List.

<u>Non Audit Work</u>			
Parishes & Payroll Accountancy & HR Function		15	
Authorisation List - Accountancy Function		10	