



Internal Audit Service

Internal Audit Strategy and Annual Plan 2022/23

Internal Audit Annual Plan 2022/23

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 Corporate Compliance and Governance 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.
- 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 Corporate Compliance and Governance 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. The Internal Audit Service is fully resourced with 1FTE Corporate Compliance and Governance Manager, 1 Principal Auditor and 1.8 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 Corporate Compliance and Governance 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 over the last two years.
- 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 Corporate Compliance and Governance 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 2022/23

Summary

The table below provides an overview of the breakdown of audit time in the Internal Audit Plan 2022/23. The audit days available for 2022/23 total 460, this represents time available from 1st April 2022 to 31st March 2023.

| Audit Area | Number of Days Allocated |
|---|--------------------------|
| Assurance Audits & Corporate Governance | 230 |
| Core Financial Systems | 85 |
| ICT Audit | 30 |
| Anti-Fraud | 15 |
| Projects | 30 |
| PSIAS Annual Review | 10 |
| Follow Up Audit Reviews | 35 |
| Non-Audit Work | 25 |
| Total | 460 |

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 2022/2023

Assurance Audits:

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

| <u>Service Areas</u> | <u>Audit Risk</u> | <u>Planned Days</u> | <u>Council Priority</u> | <u>Rationale</u> |
|---|--------------------------|----------------------------|--|---|
| <u>Assurance Audits</u> | | | | |
| Country Park and Rangers | H | 10 | Become a Greener West Lancashire Everyone to be healthy, happy, safe, and resilient | Following on from a Consultancy Review (Sale of Logs) it was highlighted that this area has not been reviewed for a number of years. |
| Drainage and Culverts | H | 15 | Everyone to be healthy, happy, safe, and resilient | The Land Allocation Audit feedback session with core officers involved in drainage and Culverts highlighted issues that would benefit from Internal Audit Review. |
| Clinical Waste | H | 5 | Be a financially sustainable Council by 2023 | Due for review |
| Playground Inspections | H | 10 | Everyone to be healthy, happy, safe, and resilient | Head of Service request |
| Environmental Protection - Response to Complaints | H | 15 | Create empowered, engaged, and inclusive communities Everyone to be healthy, happy, safe, and resilient | Head of Service request - Review of current processes |
| Grant Management | H | 10 | Be a financially sustainable Council by 2023 | Recent audit involvement with a grant has highlighted this as an area for review |
| Property Services Compliance - Gas and Electric | H | 15 | Everyone to be healthy, happy, safe, and resilient A clean, safe environment with affordable homes to buy or rent for everyone in West Lancashire | Key compliance area |
| Asbestos | H | 10 | Everyone to be healthy, happy, safe, and resilient A clean, safe environment with affordable homes to buy or rent for everyone in West Lancashire | Key compliance area |
| Fire Risk Assessments | H | 10 | Everyone to be healthy, happy, safe, and resilient A clean, safe environment with affordable homes to buy or rent for everyone in West Lancashire | Key compliance area |
| Legionella | H | 5 | Everyone to be healthy, happy, safe, and resilient A clean, safe environment with affordable homes to buy or rent for everyone in West Lancashire | Key compliance area |
| Voids | H | 20 | Everyone to be healthy, happy, safe, and resilient A clean, safe environment with affordable homes to buy or rent for everyone in West Lancashire | Extended Scope from 2021/22 Audit Review. |

| <u>Service Areas</u> | <u>Audit Risk</u> | <u>Planned Days</u> | <u>Council Priority</u> | <u>Rationale</u> |
|---|-------------------|---------------------|--|--|
| Emergency Response | H | 10 | Everyone to be healthy, happy, safe, and resilient A clean, safe environment with affordable homes to buy or rent for everyone in West Lancashire | To review the agreed processes in place in relation to Housing stock emergency responses, including the use of contractors for urgent works. |
| Housing Allocations | H | 10 | Everyone to be healthy, happy, safe, and resilient A clean, safe environment with affordable homes to buy or rent for everyone in West Lancashire | Carried over from 2021/22 |
| Money Advice Service | H | 10 | Create empowered, engaged, and inclusive communities Everyone to be healthy, happy, safe, and resilient | This review will include the quality of the statistical data presented to members, KPI, Money advice Strategy. |
| Modern Government System | H | 10 | Impacts on all Council Priorities | This work will look at the utilisation of the system |
| Business Grants Covid - 19 Post Payment Assurance | H | 10 | Support businesses to adapt and prosper. | Statutory, for business grants and support grants. High fraud risk. |
| Commercial Property Compliance | H | 10 | Support businesses to adapt and prosper. | Review of compliance arrangements in place for Council Commercial Property' |
| Asset Management | H | 15 | Impacts on all Council Priorities | Cross Cutting Review |
| Assurance Mapping | H | 10 | Impacts on all Council Priorities | Cross Cutting Review |
| Corporate Governance | H | 10 | Impacts on all Council Priorities | Annual review to inform the Council's Annual Governance Statement |
| Procurement | H | 10 | Impacts on all Council Priorities | Review of Contract Management |

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 Title | Priority | Audit Days | Audit Scope and Description |
|---------------------------|----------|------------|-----------------------------|
| Housing Benefits and CTRS | H | 10 | |
| Creditors | H | 10 | |
| Debtors | H | 10 | |
| Council Tax | H | 10 | |
| Business Rates | H | 15 | |
| Payroll | H | 5 | |
| Rents | H | 10 | |
| Treasury Management | H | 5 | |
| Main Accounting | H | 10 | |

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 | 10 | Review of ongoing compliance |
| Cyber Security | H | 10 | Council arrangements in place |
| NHS DPST submission | H | 10 | Review submission data. |

Fraud

| Audit Title | Priority | Audit Days | Audit Scope and Description |
|---|----------|------------|--|
| 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 |
|----------------------------|----------|------------|-----------------------------|
| General – to be determined | H | 30 | 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 | | 10 | 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 | | 35 | |

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.

| Non-Audit Work | | | |
|---|--|----|--|
| Parishes & Payroll, Accountancy & HR Function | | 15 | |
| Authorisation List - Accountancy Function | | 10 | |