



Internal Audit Service

Internal Audit Strategy and Annual Plan 2023/24

Internal Audit Annual Plan 2023/24

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. At the time of writing the Internal Audit Service is not fully resourced and has a vacancy for a full time Internal Auditor. The service is managed by the Corporate Compliance and Governance Manager and has 1 Principal Auditor and 1 Internal Auditor. 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 As in previous financial years 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 Due consideration will be given to the demonstration of value for money, service effectiveness and efficiencies, and potential budget savings or income generation opportunities.
- 4.4 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 2023/24

Summary

The table below provides an overview of the breakdown of audit time in the Internal Audit Plan 2023/24. The audit days available for 2023/24, taking into consideration the current staff vacancy, totals 450, this represents time available from 1st April 2023 to 31st March 2024.

Audit Area	Number of Days Allocated
Assurance Audits & Corporate Governance	183
Core Financial Systems	82
ICT Audit	20
Anti-Fraud	35
Projects	40
Grant Certification	25
Follow Up Audit Reviews	40
Non-Audit Work	25
Total	450

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 2023/2024

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>				
Parking Services	H	20	Support Business to adapt and prosper; Be a financially sustainable Council by 2023.	High risk area where there is high level of cash income being collected and banked.
Community Infrastructure Levy	H	15	A clean safe environment with affordable homes to buy or rent for everyone in West Lancashire; Be a financially sustainable Council by 2023.	Review was planned in 2020/21 however had to be paused during Covid. Unable to restart due to staffing resource issues which are now resolved.
Ormskirk Gift Card	H	5	Support Businesses to adapt and prosper.	New initiative for the Council.
Starters/Movers/Leavers	H	15	Everyone to be proud of their Council.	This process links to a number of Council work streams. Also supports the work being undertaken around the compliance with NHS DSPT.
Aids & Adaptations - Private Sector Housing	H	15	Create empowered, engaged and inclusive communities.	Has never been reviewed.
Money Advice Service	H	10	Create empowered, engaged and inclusive communities.	Was postponed in 2022/23
Cleaning Services	H	10	Everyone to be proud of their Council.	Value for Money work to look at Council Cleaning contracts in place and whether VFM is achieved. Audit review to link to the accommodation strategy.
Governance Review Project - CIPFA Audit Committee Guidance Compliance	H	10	Everyone to be proud of their Council.	Audit & Governance Committee compliance with the CIPFA Audit Committees guidance and position paper 2022. Will inform an element of the Governance Review Project
New Homes Bonus	H	15	Be a financially sustainable Council by 2023.	Never been reviewed. Looking at the processes and procedures in place to identify New Homes. Look at the Empty Homes Strategy and any proactive work undertaken to bring empty homes back into use.
Procurement	H	12	Be a financially sustainable Council by 2023; Become a greener West Lancashire; Support Businesses to adapt and prosper.	Sample checking of Procurement Exercises as required by External Auditors, Grant Thornton
Rate Revaluation - Commercial Properties	H	10	Be a financially sustainable Council by 2023; Support Businesses to adapt and prosper.	Review of the process in place for the revaluation of commercial properties and the likely impact increases in rate values will have

<u>Service Areas</u>	<u>Audit Risk</u>	<u>Planned Days</u>	<u>Council Priority</u>	<u>Rationale</u>
				on the Council and its customers.
Corporate Governance	H	10	Impacts on all council priorities	Annual review to inform the Council's AGS
Grant Management - Cross Cutting	H	10	Impacts on all council priorities	This review will look at the organisational wide management of grants e.g. the processes and procedures in place for record keeping, monitoring, reconciliation, reporting of outcomes and submission of returns.
Agency Staffing	H	16	Be a financially sustainable Council by 2023.	Builds on the work that was previously undertaken by Internal Audit when the Payroll review was undertaken during 2021/22. Councillors expressed concern at February Council about the amount spent on Agency Staffing.
Assurance Mapping – Environmental Services	H	10	Impacts on all council priorities	Internal Audit work being undertaken in selected service areas in order to build a Council Assurance Map. To commence with Environmental Services – Technical Services.

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	Key controls audits as part of the cyclical review of core systems.
Creditors	H	10	
Debtors	H	10	
Council Tax	H	10	
Business Rates	H	10	
Payroll	H	12	
Rents	H	10	
Main Accounting, incl Treasury Management	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
Cyber Security	H	10	Review of ongoing compliance
NHS DPST submission	H	5	Council arrangements in place
Data Security	H	5	Review of ongoing compliance

Anti-Fraud

Audit Title	Priority	Audit Days	Audit Scope and Description
Tenancy Fraud	H	10	Review of the processes in place to ensure that the risk of Tenancy Fraud is reduced or negated.
National Fraud Initiative	H	10	High Risk matches to be investigated as required and outcomes reported to the Cabinet Office.
Proactive Fraud Work	H	15	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
Governance Review Project	H	10	General advice and support
Civica Implementation	H	10	General Advice and support
Outcome from SAP process	H	20	To be determined

Grant Certification

Audits of compliance with grant conditions are conducted.

Grant	Audit Days
To be allocated	12
Disabled Facilitates Grant	3
Decarbonisation Fund	5

Follow Up Audit Reviews

All audit reviews undertaken, for which a Limited or No assurance opinion has been given, 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		40	

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 Matrix		10	