

AUDIT AND GOVERNANCE COMMITTEE

20th March 2019

INTERNAL AUDIT PLAN 2019/20

1. **Purpose of the Report**

1.1 To seek approval for the Internal Audit Plan for 2019/20.

2. **Introduction**

2.1 This report provides members with the proposed Internal Audit Plan for 2019/20.

2.2 As the Council continues to develop plans to deliver the objectives of growing the economy, the integration of a sustainable health and social care system and delivering a programme of budget savings, continuing with a one-year plan ensures that emerging priorities are reflected. The Audit Plan also provides for sufficient flexibility to allow for new and emerging areas of risk to be evaluated during the course of the year.

2.3 The detailed Audit Plan is presented at Appendix 1i.

3. **Internal Audit Objectives**

3.1 Internal Audit supports the Council and its staff in the delivery of their objectives and helps to ensure that resources are safeguarded from fraud and corruption. The Internal Audit Charter sets out the remit of Internal Audit and is aligned to the Public Sector Internal Audit Standards (Revised March 2017).

3.2 Internal Audit continues to meet its responsibilities by: -

- providing an independent opinion on the effectiveness of the Council's financial, operational, risk management, governance and control framework;
- conducting risk-based reviews of internal systems of control throughout the Council;
- recommend improvements to Managers in control, performance and productivity in achieving corporate objectives;
- advising on the adequacy and effectiveness of controls in new and developing systems;
- advising on the prevention and detection of fraud and investigating where suspected fraud or irregularity has been identified or brought to our attention;
- undertaking consultancy work where requested by either the Chief Executive or Strategic Directors;
- review of control arrangements operating within the Council's partnership arrangements with external organisations.

4. **Resourcing and Delivery of Internal Audit**

4.1 The 2019/20 Internal Audit Plan will be delivered by an experienced and suitably

qualified in-house team of 7 Full Time Equivalent (FTE) auditors and 1FTE Senior Information Management Officer.

4.2 As in recent years, a small amount of external support to deliver specialist audits of information technology systems will be provided by Salford City Council.

4.3 *Independence and Objectivity*

The Internal Audit Team is managed by the Deputy Director, Finance and Human Resources, who has overall responsibility for management of the Finance Division of the Corporate Services Department, and in addition, line management responsibility for the following functions:

- Safety and Risk Management
- Human Resources
- Corporate Procurement
- Scrutiny
- Information Technology
- Corporate Communications

Arrangements have been established to mitigate any potential impairment to independence and objectivity in regard to the audit of these areas. These arrangements will involve the Audit Managers reporting the findings from the audits directly to the Strategic Director of Corporate Services, without any influence or involvement of the Deputy Director.

4.4 *Approach to placing reliance on other sources of assurance*

4.4.1 The development of the Plan has taken account of other sources of assurance, both internal and external to Council activities, which sit alongside the assurances provided by Internal Audit.

4.4.2 There are a number of areas of ongoing self-review with reporting through to senior manager groups and Members as appropriate, including the following:

- Budget monitoring (revenue and capital)
- Performance management
- Compliance with the risk management strategy
- Health and Safety

4.4.3 Further assurance is gained from other independent reviews undertaken by both external audit and other external bodies such as Ofsted, Care Quality Commission, HM Customs, Food Standards Agency, Health and Safety Executive, Information Commissioners Office etc.

4.5 *Audit and Assurance services to other organisations*

A planned audit and assurance service is provided to the Merseyside Recycling and Waste Disposal Authority (MRWA). This work is provided under an annual Service Level Agreement.

5. Internal Audit Plan

5.1 Our Internal Audit Plan continues to be informed by key legislative and professional standards necessary to ensure an effective internal audit service.

- 5.2 These requirements are specified within:
- The Accounts and Audit Regulations (2015)
 - Public Sector Internal Audit Standards (PSIAS) (Revised March 2017)
- 5.3 The planning process was informed by:
- An audit needs risk assessment including inherent, corporate and reputational risk factors and new and emerging risks affecting the Council or local government as a whole;
 - The results of previous audit work;
 - Planned work deferred from the 2018/19 Audit Plan that is still considered a priority;
 - The need to fulfil the statutory responsibilities of the Strategic Director of Corporate Services under Section 151 of the Local Government Act (1972);
 - Senior Management’s views on risk in their areas of responsibility;
 - Issues identified from external assessments undertaken on Council services;
 - The need to ensure sufficient coverage with which to form an opinion on the Council’s control, risk and governance environment in year;
 - The knowledge of the Audit Managers;
 - Audit resources available.
- 5.4 To ensure that risk areas are prioritised, each audit assignment has been allocated a risk rating of high, medium or low, and this is reflected in Appendix 1i. The assessment of risk for each audit within the Plan takes account of many factors, including materiality, the risk of reputational damage, potential fraud risk, the results of previous audits and the extent of recent changes within processes and systems. Priority within the Plan will be given to those areas assessed as either high or medium risk.
- 5.5 The coverage for 2019/20 in Table 1, provides the summary of audit resources allocated to each of the review areas.

6. Internal Audit Plan 2019/20

- 6.1 Table 1 below provides a summary of audit coverage in 2019/20, and the detailed reviews are presented in the document at Appendix 1i.

Table 1 Internal Audit Plan 2019/20 Summary

Internal Audit Plan 2019/20	Allocation (days)
Service Reviews	
People’s Services	341
Place Services	115
Corporate Services	40
MRWA	50
Total Service Reviews	546
System Reviews	
Fundamental Systems	75
ICT Audit and Regulation	331
Contract Audit	50
Total System Reviews	456

Corporate Reviews	
Grants	75
Consultancy/Management Reviews	30
Corporate Governance	50
Fraud and Irregularity	260
Total Corporate Reviews	415
Contingency	69
Management & Overheads (inc. Training, Leave etc.)	619
Total	2105

6.2 Service Area Reviews

- 6.2.1 Service Area Reviews make up the single largest element of the Internal Audit Plan. These reviews are determined by an audit risk assessment and are included at Table 1 at Appendix 1i.
- 6.2.2 The one-year plan provides coverage for developing systems, major service redesign or transformation projects and key risk areas including St Helens Cares, children's services and town centre regeneration.
- 6.2.3 Significant resources remain committed to school audits in order to meet our agreed coverage for cyclical review.

6.3 Merseyside Recycling & Waste Authority (MRWA)

- 6.3.1 In 2019/20 we will continue to provide audit coverage to the MRWA in accordance with our Service Level Agreement (SLA). Audit coverage is determined in conjunction with MRWA's Director of Finance and is based on risk priorities. As part of the SLA we attend meetings of the Authority to both present the Audit Plan and subsequently to present our audit reports and findings.

6.4 Fundamental Financial Systems

- 6.4.1 All our key financial systems are reviewed annually, with each fundamental system being subject to either a full system review, or a lighter touch review. The review type is determined based on risk, and an assessment of any significant revisions to the service or system, which would necessitate a more in-depth review. For 2019/20 resources have been prioritised in respect of full system reviews for Payroll, Cash Income and Sundry Debtors.
- 6.4.2 The coverage is also informed by the proposed work of our external auditors, in order that they can place reliance on the work of Internal Audit, thereby reducing the likelihood of any duplication. Liaison with Grant Thornton has been taken into account to determine the proposed coverage.

6.5 ICT Audit & Regulation

- 6.5.1 Internal Audit also has responsibility for ICT Audit and Compliance, Data Protection, Freedom of Information and Information Management. Whilst some of this work is operational and not pure audit work, it complements and informs the ICT audit reviews and wider information management arrangements.
- 6.5.2 The audit coverage in respect of ICT is determined by reference to a self assessment

of control requirements, and from the known IT developments, to ensure that early advice on proposed or revised control arrangements is provided.

6.5.3 Internal Audit also advises the Council on Data Protection and Freedom of Information issues, and coordinates our response to Freedom of Information Requests, Subject Access Requests and communication with the Information Commissioner's Office.

6.5.4 This function also includes the production and review of Information Management policies on behalf of the Council, and the operation of the Council's Information and Management Group.

6.6 Contract Audit

6.6.1 The Plan dedicates specific resources to reviewing our contract arrangements with third parties in relation to capital and service contracts and includes audit work before, during (contract monitoring) and after contracts have been let.

6.7 Grants

6.7.1 In 2019/20 we will continue to allocate resources to deliver grant assurance work for grant funded projects which require grant certification by the Chief Executive and Chief Internal Auditor. These include the Liverpool City Region Combined Authority Single Investment and Local Growth Funds.

6.8 Consultancy / Management Reviews

6.8.1 The Chief Executive and Strategic Directors will, where appropriate, request Internal Audit to provide an independent review of systems, services and procedures where such work may be warranted. This may include undertaking reviews external to the Council, but where the Council is a stakeholder in the organisation.

6.9 Corporate Governance & Risk Management Issues

6.9.1 Internal Audit's work and the delivery of the Plan provide evidence and assurance in respect of the evaluation of the Council's overall Governance arrangements. The annual opinion of Internal Audit, along with the work of the Council's Primary Assurance Group is fundamental to the control, risk and governance assurances that are evaluated and represented in the Council's published Annual Governance Statement.

6.9.2 The Audit Plan also provides for a review of the fundamental components of the overall governance framework, including adherence to Contract and Financial Procedure Rules, compliance with ethical governance principles, Code of Conduct, the Delegated Executive and Administrative Decision-making systems, and the Council's risk management arrangements, including the Strategic Risk Register.

6.10 Fraud and Irregularity

6.10.1 The Council is proactive in the prevention and detection of fraud and corruption and is committed to pursuing perpetrators to the full extent of the law and our internal disciplinary procedures.

6.10.2 Internal Audit provides a professional and independent investigative function, gathering evidence and reporting of fraud and irregularity. Where necessary, liaison takes place between the Council and external agencies such as the Police and the

National Fraud Initiative.

6.10.3 A Fraud and Corruption Risk Assessment has been undertaken to inform the planned anti-fraud work, with a greater emphasis placed on proactive audit work to identify any areas of potential fraud, as part of our Anti-Fraud Plan.

6.11 Management & Overheads

6.11.1 Management of the Section includes day to day management and administration, maintenance of the Audit Performance Management and Time Recording System, appraisals, training, sickness and holidays.

6.12 Contingency

6.12.1 Approximately 3% of resources have been earmarked as contingency to provide cover for unexpected demands. This is based on trends from previous years.

7. Reporting Arrangements

7.1 At the conclusion of each audit assignment, a draft report is issued to the manager responsible for the area which has been audited. A final report containing actions to address issues identified is subsequently distributed to:

- The Chief Executive
- Leader of the Council
- Cabinet Member
- Strategic Director
- Senior Assistant and Assistant Directors
- Service Manager
- Business Support Manager

7.2 The Audit and Governance Committee receives and approves the Internal Audit Plan, receives a report on the delivery of the Plan within the Annual Internal Audit Outturn report and a half year progress report.

7.3 The Committee also receives periodic summary reports of the internal audit work considered by the Audit and Financial Monitoring Overview and Scrutiny Panel, along with action plans, and the monitoring of the implementation of agreed actions.

Appendices

Appendix 1i Internal Audit Plan 2019/20

- Table 1 Service Reviews
- Table 2 Corporate and System Reviews
- Table 3 Total Allocation of Internal Audit Resources

Caroline Barlow
Deputy Director, Finance and Human Resources

Appendix 1i

Internal Audit Plan 2019/20

Table 1 Service Reviews

SERVICE REVIEWS	Risk	Total Audit Days
Place Services		
Street Lighting	Medium	10
Grounds Maintenance	Medium	10
Cemeteries and Crematorium	Medium	10
Land Charges	Low	5
Town Centre Regeneration	High	5
Strategic Investment	High	5
Environmental Health	Medium	15
Trading Standards	Medium	15
Estates Management	Medium	10
Economic Development	Medium	10
Development Control	Medium	10
Building Control	Medium	10
Sub Total Place Services		115
Corporate Services		
Members Allowances	Medium	10
Training and Development	Medium	10
Business Continuity	Medium	10
Insurance	Medium	10
Sub Total Corporate Services		40
People's Services		
Adults/Integrated Services		
Assessment and Care Management	High	15
Contact Cares	High	15
Local Care System	Medium	20
Quality Monitoring	Medium	10
Residential and Nursing Care	Medium	10
Adult Safeguarding	Medium	10
Deprivation of Liberty Safeguards	Medium	10
Children's		
Secondary Schools	Medium	7
Primary Schools	Medium	112
Special Schools	Medium	7
Children's Social Work	High	15
Fostering	Medium	10
Ofsted Improvement Plan	Medium	15
Ofsted SEND Inspection Outcome	Medium	10
CQC Action Plan	Medium	10
Youth Justice	Medium	10
Troubled Families	Medium	10

Table 1 Continued...

SERVICE REVIEWS	Risk	Total Audit Days
People's Services Continued		
Public Health		
Sexual Health	Medium	10
Substance Misuse	Medium	10
Youth Service	Medium	15
Adult and Community Learning	Low	10
Sub Total People's Services		341
Merseyside Recycling & Waste Authority		50
Total Service Reviews		546

Table 2Corporate and Systems Reviews

CORPORATE AND SYSTEMS REVIEWS	Risk	Total Audit Days
Fundamental Systems		
Payroll	High	15
Creditors	High	5
Cash Income	High	15
Sundry Debtors	High	15
Council Tax	High	5
NNDR	High	5
Housing Benefits	High	5
Treasury Management	High	5
Taxation	High	5
Total Fundamental System Reviews		75
ICT Audit & Regulation		
IT Audit (General)	Low	20
ICT Audit – Internet, Email and USB Monitoring	Low	20
ICT Audit – Cyber Security	High	20
ICT Audit – Network and System Access	Medium	10
ICT Audit – Office 365	Medium	10
Systems Development	Medium	30
Information Management	Medium	75
Data Protection	Medium	86
Freedom of Information	Medium	40
Information Management Audit – Published Information	Medium	10
Information Management Audit – Data Subjects Rights	Medium	10
Total ICT Audit and Regulation		331
Contract Audit		
Contracts - Pre-Tender	Medium	15
Contracts - Current Contract	Medium	10
Contracts - Post/Final Accounts	Medium	20
Contract Management Group	Medium	5
Total Contract Audit		50
Corporate Reviews		
Grants	High	75
Consultancy/Management Reviews	N/A	30
Corporate Governance	High	50
Fraud and Irregularity: -		
Fraud Awareness	Low	20
Detection and Prevention of Fraud	High	80
Investigations	High	160
Total Corporate Reviews		415
Total Corporate and System Reviews		871

Table 3 Total Allocation of Internal Audit Resources

Other Allocated Audit Days	Total Audit Days
Contingency	69
Management	200
Training	73
Annual Leave	258
Public Holidays	64
Sickness	24
Total Other Days	688
Total Service Review Allocation (Table 1)	546
Total Corporate and System Reviews (Table 2)	871
Grand Total	2105