

Blackpool Council: Risk Services

**Internal Audit Annual Plan
2018-2019**

Contents	Page
1. Introduction.....	2
2. Overall balance of coverage	2
3. Risk-based reviews.....	2
4. Compliance testing	3
Financial Control Assurance Testing	3
Procurement and Contract Audit	4
Schools Audit	4
Establishment Visits	4
Grant Certification	5
Follow-Ups.....	5
5. Consultancy, Advice and Project Support.....	5
6. Strategic Audit Work	6
7. External work	6
8. Monitoring performance	6
9. Recommendation	7
Appendix A - Planned Risk Based and Compliance Reviews	8

Internal Audit Annual Plan 2018-19

1. Introduction

- 1.1 The purpose of this report is to obtain approval for the Internal Audit Plan for 2018/19. The Public Sector Internal Audit Standards recommends that the audit plan is approved by both the Audit Committee and senior management.
- 1.2 In terms of reporting lines for the service the Head of Audit and Risk reports to the Director of Resources on operational issues and the Chief Executive and Audit Committee as appropriate on strategic issues. The audit plan is based on the service structure, which includes six full time equivalent operational audit staff, one Audit Manager and the Head of Audit and Risk who splits their time across the five services which they manage.
- 1.3 The service will report the overall opinion and assurance statement for all work undertaken on a quarterly basis to the Audit Committee and Corporate Leadership Team. As in previous years, the Audit Committee can request more detailed information on any work undertaken. The annual opinion of the Head of Audit and Risk will contribute to the Council's Annual Governance Statement.

2. Overall balance of coverage

- 2.1 The work of the team is divided into three main services to the Council:
- Reviews of Council systems and processes on a risk assessed basis to ensure controls are adequate, coupled with a programme of follow-up work to ensure high risk findings are implemented;
 - Compliance testing to ensure:
 - Significant financial systems remain 'fit for purpose',
 - Adequate financial procedures in schools,
 - Appropriate controls over capital contracts and larger revenue contracts,
 - Effective procurement activity, including non-contracted spend.
 - Provision of consultancy and advice to service management on request regarding aspects of internal control;

3. Risk-based reviews

- 3.1 Within each risk based review we will continue to include core areas of internal control such as business planning, performance monitoring and security of assets. Segregation of duties in key processes will remain an important focus given the current economic climate and issues identified from past work.
- 3.2 Planned audit work has been discussed with the Chief Executive, Senior Management and the Director of Resources. The plan has also been discussed by the Corporate Leadership Team in February 2018.

Internal Audit Annual Plan 2018-19

- 3.3 The demand for audit work in 2018/2019 has exceeded the available resource and therefore a decision has been taken to focus on the areas with the highest perceived risk. Other sources of assurance have been used to help inform this process such as external inspections and reviews, consultancy reports, external audit work and other internal reviews carried out by other Council services.
- 3.4 The plan has been compared to the financial risk assessment included in the Council's budget to help ensure that key areas of financial risk are aligned to the audit plan. The plan has also been aligned to the Council's Strategic Risk Register.
- 3.5 Changes to the programme of risk based work will only be made following discussion with the Council's Section 151 officer. Any changes will be made known to the Audit Committee through the quarterly report of the Head of Audit and Risk.
- 3.6 The outcome of each risk based review will be an overall opinion and assurance statement supported by a detailed report and recommendations. There are four options for the assessment of controls:
- Good – most risks identified and assessed, minor control improvement required.
 - Adequate – some risk identified and assessed several changes necessary.
 - Inadequate – A number of material risks identified, significant improvement required.
 - Unsatisfactory – most risks not identified or assessed fundamental improvements necessary to manage and control the risks.
- 3.7 The scope of the audit review and the overall opinion and assurance statement will be reported to CLT and Audit Committee in the Risk Services Quarterly Report.
- 3.8 A list of risk based reviews which will be covered in 2018/2019 can be found in **Appendix A**.

4. Compliance testing

- 4.1 Risk based audit work is complemented by a robust set of compliance testing. Further details of the areas of coverage can be found in **Appendix A** to this report. The compliance element of the audit programme can be split into the following sub-headings:

Financial Control Assurance Testing

- 4.2 This involves the testing of core financial system transactions to ensure that all major financial systems are subject to an adequate level of audit review work. The approach taken for 2018/19 has been revised to undertake a system based audit on five systems with an additional five systems being reviewed in the following financial year. A cycle will be implemented going forward to ensure that all key financial systems are subject to a compliance audit every two to three years.
- 4.3 The outcome of each financial control assurance testing review will be a fit for purpose statement supported by a detailed report and recommendations. There are two types of statements which can be given including:
- Fit for purpose – key financial controls are in place and working effectively.
 - Not fit for purpose – key financial controls are either not working or not in place.

Internal Audit Annual Plan 2018-19

- 4.4 The scope of the audit review and the fit for purpose statement will be reported to CLT and Audit Committee in the Risk Services Quarterly Report.

Procurement and Contract Audit

- 4.5 A number of reviews will be undertaken to ensure that adequate procurement arrangements are in place and that contracts are being effectively managed.

- 4.6 The outcome of each procurement and contract audit will be an overall opinion and assurance statement supported by a detailed report and recommendations. There are four options for the assessment of controls:

- Good – most risks identified and assessed, minor control improvement required.
- Adequate – some risk identified and assessed several changes necessary.
- Inadequate – A number of material risks identified, significant improvement required.
- Unsatisfactory – most risks not identified or assessed fundamental improvements necessary to manage and control the risks.

- 4.7 The scope of the audit review and the overall opinion and assurance statement will be reported to CLT and Audit Committee in the Risk Services Quarterly Report.

Schools Audit

- 4.8 It is intended that each maintained school will be subject to an audit every three years, or more frequently if necessary.

- 4.9 The outcome of each school audit will be an overall opinion and assurance statement supported by a detailed report and recommendations. There are four options for the assessment of controls:

- Good – most risks identified and assessed, minor control improvement required.
- Adequate – some risk identified and assessed several changes necessary.
- Inadequate – A number of material risks identified, significant improvement required.
- Unsatisfactory – most risks not identified or assessed fundamental improvements necessary to manage and control the risks.

- 4.10 The scope of the audit review and the overall opinion and assurance statement will be reported to CLT and Audit Committee in the Risk Services Quarterly Report.

Establishment Visits

- 4.11 A small programme of establishment visits will take place to ensure that controls are operating effectively.

- 4.12 The outcome of each establishment visit will be an overall opinion and assurance statement supported by a detailed report and recommendations. There are four options for the assessment of controls:

- Good – most risks identified and assessed, minor control improvement required.

Internal Audit Annual Plan 2018-19

- Adequate – some risk identified and assessed several changes necessary.
- Inadequate – A number of material risks identified, significant improvement required.
- Unsatisfactory – most risks not identified or assessed fundamental improvements necessary to manage and control the risks.

4.13 The scope of the audit review and the overall opinion and assurance statement will be reported to CLT and Audit Committee in the Risk Services Quarterly Report.

Grant Certification

4.14 The audit programme will include various grant certifications which require sign-off by the Head of Audit and Risk.

4.15 The outcome of this will be a signed grant certification which will be provided directly to the external funding body.

Follow-Ups

4.16 All priority one recommendations made by internal audit are followed up by the Head of Audit and Risk approximately six months after the audit report was finalised and progress against these is reported in summary form to CLT and Audit Committee as part of the Risk Services Quarterly Report.

4.17 For some audits, where a number of recommendations have been made and significant change is required, a detailed follow-up will be included in the audit plan. These will include a follow up of all recommendations made (regardless of priority) to ensure that risk is effectively managed going forward.

4.18 The outcome of each detailed follow-up will be an overall opinion and assurance statement supported by a detailed report and recommendations. There are four options for the assessment of controls:

- Good – most risks identified and assessed, minor control improvement required.
- Adequate – some risk identified and assessed several changes necessary.
- Inadequate – A number of material risks identified, significant improvement required.
- Unsatisfactory – most risks not identified or assessed fundamental improvements necessary to manage and control the risks.

4.19 An overview of the recommendations and the overall opinion and assurance statement will be reported to CLT and Audit Committee in the Risk Services Quarterly Report.

5. Consultancy, Advice and Project Support

5.1 When a service is undergoing a significant transformation there may be a need for internal audit to be involved to help inform the future direction of the service with a particular focus on risk and controls issues. Where this is the case it would not be appropriate to provide an overall opinion and assurance statement as the Council recognises that change is needed but would appreciate support from internal audit. Reviews which fall into this area are categorised as consultancy in the audit plan.

Internal Audit Annual Plan 2018-19

- 5.2 The outcome of work categorised as consultancy will be a detailed report and recommendations. However, rather than issuing an overall opinion and assurance statement a brief summary of the key changes required will be reported to CLT and Audit Committee as part of the Risk Services Quarterly Report.
- 5.3 The provision of advice to management on matters of risk and control remains an important aspect of the internal audit service. As in prior years a proportion of audit time has been set aside in contingency for ad hoc advice work at management request. Advice work tends to focus on a particular risk a service has identified as part of their normal service provision which requires support from an auditor.
- 5.4 As the type of advice required is not known through the audit planning process it is not possible to define the areas in the plan. The outcome of advice work will be a short paper to service management outlining possible actions which can be taken to reduce risk. This is not reported to CLT and Audit Committee in the Risk Services Quarterly Report but is included in the Annual Audit Report as it contributes to the overall opinion of the Head of Audit and Risk.
- 5.5 Time has also been allocated to support key Council projects where it is deemed more appropriate for internal audit to be represented on working groups to provide advice throughout the project. Project support work does not result in the production of a report but is included in the Annual Audit Report as it contributes to the overall opinion of the Head of Audit and Risk.

6. Strategic Audit Work

- 6.1 The Head of Audit and Risk is involved in a number of workstreams including the Annual Governance Statement, corporate governance, risk management and corporate investigations, which are included in the plan.

7. External work

- 7.1 The internal audit team also undertakes work for a range of external clients including Blackpool Coastal Housing, Blackpool Transport Services, Blackpool Housing Company, Blackpool Operating Company and Blackpool Entertainment Company.
- 7.2 An audit approach has also been developed with Merlin Entertainment to facilitate an annual review of the controls in place at Blackpool Tower, the Dungeons and Madame Tussauds.
- 7.3 Blackpool Council provides a number of shared services with Fylde Borough Council, particularly in relation to the provision of revenues and benefits services. These key financial systems are subject to regular audit review and therefore the Council's Internal Audit Team undertakes the required work jointly with Fylde Borough Council's audit team to reduce the audit burden on the service.

8. Monitoring performance

- 8.1 As head of the Council's independent assurance service, the Head of Audit and Risk will issue quarterly reports to the Statutory Finance Officer, Corporate Leadership Team and Audit Committee, to enable any areas of concern to be acted upon as necessary. The Head of

Internal Audit Annual Plan 2018-19

Audit and Risk's opinion on the effectiveness of the system of internal control for the 2016/17 year will be available in April / May 2018.

8.2 As with all Council services, performance indicators will be used for monitoring and managing the team. Wherever possible, performance indicators are intended to remain the same year on year to enable trends to be identified. The five PIs in place are:

- Audit plan completed;
- Reviews delivered to deadline;
- Reviews delivered to time budget;
- Customer satisfaction;
- Compliance of audit reviews with department quality standards.

9. Recommendation

9.1 The Corporate Leadership Team and Audit Committee are asked to approve the internal audit plan for 2018/19.

Tracy Greenhalgh CMIIA, MSc
Head of Audit and Risk
7th February 2018

Appendix A - Planned Risk Based and Compliance Reviews

Directorate	Service / Topic	Provisional Timings	Allocated Days	Strategic Risk	Type of Audit
Operational Audit Work					
Adult Services	Impact of the Improved Better Care Fund	Q1	20	Service failure.	Risk Based
Adult Services	Volunteering	Q3	20	Failure to keep people safe.	Risk Based
<i>Adult Services Risk Based Audit Allocation</i>			<i>40</i>		
Adult Services	Vitaline	Q3	10	Failure to keep people safe.	Establishment Visit
<i>Adult Services Compliance Audit Allocation</i>			<i>10</i>		
Adult Services Total Operational Audit Days			50		
Chief Executive	Transformation Programme	Q4	20	Inadequate change management.	Risk Based
<i>Chief Executive Risk Based Audit Allocation</i>			<i>20</i>		
Chief Executives	Performance Management	Q3	10	Inadequate change management.	Detailed Follow-Up
Chief Executives	Recruitment System	Q1	10	Ineffective governance.	Compliance
<i>Chief Executive Compliance Audit Allocation</i>			<i>20</i>		
Chief Executive Total Operational Audit Days			40		
Children's Services	Fostering	Q2	20	Sustainability of the Council.	Risk Based
Children's Services	Transport	Q4	20	Sustainability of the Council.	Risk Based
Children's Services	Accessing Social Work Placements	Q1	20	Failure to keep people safe.	Risk Based
Children's Services	Early Help Sustainability	Q4	20	Lack of resilience.	Risk Based
<i>Children's Services Risk Based Audit Allocation</i>			<i>80</i>		
Children's Services	Early Year Financial System	Q1	10	Ineffective governance.	Compliance
Children's Services	Payments	Q2	10	Ineffective governance.	Compliance
Children's Services	Children's Homes	Q1	15	Failure to keep people safe.	Establishment Visit
Children's Services	Troubled Families	Quarterly	10	Ineffective governance.	Compliance
Children's Services	Boundary Primary School	TBC	2	Ineffective governance.	School Visit
Children's Services	Kinraig Primary School	TBC	2	Ineffective governance.	School Visit
Children's Services	Layton Primary School	TBC	2	Ineffective governance.	School Visit

Children's Services	Moor Park Primary School	TBC	2	Ineffective governance.	School Visit
Children's Services	St Teresa's Catholic Primary School	TBC	2	Ineffective governance.	School Visit
Children's Services	St Bernadette's Catholic Primary Schools	TBC	2	Ineffective governance.	School Visit
<i>Children's Services Compliance Audit Allocation</i>			57		
Children's Services Total Operational Audit Days			137		
Community and Environmental Services	Lancashire Waste Partnership	Q1	20	Service failure.	Risk Based
<i>Community and Environmental Services Risk Based Audit Allocation</i>			20		
Community and Environmental Services	Executive Decisions	Q3	15	Ineffective governance.	Compliance
<i>Community and Environmental Services Compliance Audit Allocation</i>			15		
Community and Environmental Services Total Operational Audit Days			35		
Corporate	General Data Protection Regulations	Q3	20	Ineffective governance.	Risk Based
Corporate	Business Loans Fund	Q4	20	Unsustainable local economy / increased deprivation.	Risk Based
Corporate	Risk Management	Q3	20	Ineffective governance.	Risk Based
Corporate	Financial Management Information System and HR and Payroll System future requirements.	Q2	30	Ineffective governance.	Risk Based
<i>Corporate Risk Based Audit Allocation</i>			90		
Corporate	Compliance with Mandatory Arrangements	Q2	15	Ineffective governance.	Compliance
Corporate	Grant Certification	As Required	20	Ineffective governance.	Compliance
Corporate	Debtors	Q2	20	Ineffective governance.	Financial Control Assurance Testing
Corporate	Purchase Cards	Q1	20	Ineffective governance.	Financial Control Assurance Testing
Corporate	Budgetary Controls	Q3	20	Ineffective governance.	Financial Control

					Assurance Testing
<i>Corporate Compliance Audit Allocation</i>			<i>95</i>		
Corporate Total Operational Audit Days			185		
Place	Growth and Prosperity	Q4	25	Unsustainable local economy / increased deprivation.	Risk Based
<i>Place Risk Based Audit Allocation</i>			<i>25</i>		
Place	Tramway Extension	Q1	15	Unsustainable local economy / increased deprivation.	Contract Audit
Place	Quality Corridors	Q1	15	Unsustainable local economy / increased deprivation.	Contract Audit
Place	Positive Steps into Work (ICT Security)	Q4	10	Unsustainable local economy / increased deprivation.	Compliance
<i>Place Compliance Audit Allocation</i>			<i>40</i>		
Place Total Operational Audit Days			65		
Public Health	Community Engagement	Q3	20	Reputational damage.	Risk Based
<i>Public Health Risk Based Allocation</i>			<i>20</i>		
Public Health Total Operational Audit Days			20		
Resources	ICT Security	Q2	20	Service failure.	Risk Based
Resources	Unstructured File Stores	Q3	20	Ineffective governance.	Risk Based
Resources	Business Rates	Q1	20	Unsustainable local economy / increased deprivation.	Risk Based
Resources	Housing Benefit Overpayments	Q2	20	Ineffective governance.	Risk Based
Resources	CEDAR Post Implementation Review	Q1	15	Ineffective governance.	Risk Based
<i>Resources Risk Based Allocation</i>			<i>95</i>		
Resources	Payroll	Q3	20	Ineffective governance.	Financial Control Assurance Testing
Resources	Housing Benefits	Q4	20	Ineffective governance.	Financial Control Assurance Testing
Resources	Carbon Reduction Commitment	Q2	5	Ineffective governance.	Compliance
Resources	Property Statutory Inspections and Fire Safety	Q2	10	Service failure.	Detailed Follow-Up

Resources	Water Supply Self Licence	Q4	15	Service failure.	Contract Audit
<i>Resource Compliance Audit Allocation</i>			<i>70</i>		
Resources Total Operational Audit Days			165		
Overall Number of Operational Audit Days			697		
Strategic Audit Work					
Chief Executives	Attendance Management	As required	10	Lack of resilience	Project Support
Community and Environmental Services	Domestic Waste Service	As required	20	Service failure.	Project Support
Corporate	Integrated Commissioning	As required	20	Service failure.	Consultancy
Corporate	Corporate Governance	As required	20	Ineffective governance.	-
Corporate	Risk Management	As required	10	Ineffective governance.	-
Corporate	Corporate Investigations	As required	30	-	-
Corporate	Advice and Consultancy Support	As required	50	-	-
Corporate	Audit Management	As required	180	-	-
Total Number of Strategic Audit Days			340		
External Work					
External Work	School Voluntary Funds	TBC	5	-	-
External Work	Clevr Money	TBC	4	-	-
External Work	Other Public Sector Bodies	TBC	10	-	-
External Work	Operating Company	TBC	20	-	-
External Work	Wholly Owned Companies	TBC	80	-	-
Total Number of External Audit Days			119		
Total Number of Audit Days			1,156		