

# Internal Audit Annual Plan

## 2019-2020

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## Internal Audit Annual Plan 2019-20

### **1. Introduction**

- 1.1 The purpose of this report is to obtain approval for the Internal Audit Plan for 2019/20. 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 five full time 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 and governance procedures in maintained 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 2019.
- 3.3 The demand for audit work in 2019/2020 has exceeded the available resource and therefore a decision has been taken to focus on the areas with the highest perceived risk or have not

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been subject to recent audit activity. 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 2019/2020 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. A cyclical programme has been implemented to ensure that all key financial systems are subject to a compliance audit every two to three years.
- 4.3 The scope of the audit review and the assurance statement will be reported to CLT and Audit Committee in the Risk Services Quarterly Report. An assurance statement will be provided on the robustness of the controls based on the following criteria:
- 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.
- 4.4 An opinion will also be provided on whether or not the controls are complied with.

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### ***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.
- 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.
  - 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.

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- 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.
- 4.20 In order to ensure that priority two and three recommendations are implemented the Audit Committee pick a sample of completed audit reports and call the relevant Head of Service to committee to provide an update in terms of progress made.

## **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.
- 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.

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- 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. This will be expanded to include Aptus North West Environmental Services in 2019/20.
- 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 Audit and Risk's opinion on the effectiveness of the system of internal control for the 2018/19 year will be available in May 2019.
- 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;

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- 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 2019/20.

Tracy Greenhalgh CMIIA, MSc  
Head of Audit and Risk  
22<sup>nd</sup> January 2019

## Appendix A - Planned Risk Based and Compliance Reviews

Directorate	Service / Topic	Provisional Timings	Allocated Days	Strategic Risk	Type of Audit
<b>Operational Audit Work</b>					
Adult Services	Direct Payments	Q1	20	Increased risk of fraud.	Risk
Adult Services	Care at Home	Q3	20	Failure of a service provider in high risk contracted areas for statutory services.	Risk
<i>Adult Services Risk Based Audit Allocation</i>			<b>40</b>		
Adult Services	Executive Decisions	Q3	15	Non-compliance with statutory requirements and internal procedures.	Compliance
Adult Services	Extra Support – Supported Living Schemes	Q1	10	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
Adult Services	Coopers Way Respite Care	Q2	5	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
<i>Adult Services Compliance Audit Allocation</i>			<b>30</b>		
<b>Adult Services Total Operational Audit Days</b>			<b>70</b>		
Chief Executives	Research and Data Analysis	Q4	20	Lack of effective risk management embedded across the Council.	Risk
Chief Executives	Homelessness	Q2	20	Large, poor quality private sector in inner Blackpool continues to drive transience and deprivation.	Risk
<i>Chief Executive Risk Based Audit Allocation</i>			<b>40</b>		
Chief Executive	Social Housing Rents	Q1	20	Non-compliance with statutory requirements and internal procedures.	Financial Control Assurance Testing
<i>Chief Executive Compliance Audit Allocation</i>			<b>20</b>		



<b>Chief Executive Total Operational Audit Days</b>			<b>60</b>		
Children's Services	Post OFSTED and YOT Improvement Arrangements	Q2	20	Increasing numbers of looked after children and child protection cases resulting in a need to change the Council's approach.	Risk
<i>Children's Services Risk Based Audit Allocation</i>			<i>20</i>		
Children's Services	Bispham Endowed Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	School Visit
Children's Services	Holy Family RC Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	School Visit
Children's Services	St John Vianney Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	School Visit
Children's Services	Stanley Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	School Visit
Children's Services	Troubled Families	Q4	10	Preventative / early intervention services are unfunded or need to be made sustainable.	Compliance
<i>Children's Services Compliance Audit Allocation</i>			<i>18</i>		
<b>Children's Services Total Operational Audit Days</b>			<b>38</b>		
Communication and Regeneration	Conference Centre	Q3	20	Increased deprivation and unemployment.	Risk
Communication and Regeneration	Business Support	Q1	20	Increased deprivation and unemployment.	Risk
Communication and Regeneration	Parking Services	Q3	20	Lack of appropriate transport infrastructure.	Risk
Communication and Regeneration	Advertising	Q1	20	Visitors negative perception of Blackpool.	Risk
<i>Communication and Regeneration Risk Based Audit Allocation</i>			<i>80</i>		
Communication and	Opportunity Area Funding	Q2	15	Lack of educational attainment /	Compliance

Regeneration				appropriate training to meet the needs of the economy.	
<i>Communication and Regeneration Compliance Audit Allocation</i>			<i>15</i>		
<b>Communication and Regeneration Total Operational Audit Days</b>			<b>95</b>		
Community and Environmental	Layton Depot Management	Q3	20	Loss of key infrastructure and resource which results in Council services not being delivered.	Risk
Community and Environmental	Flood Management	Q4	20	Reduced capacity across the Council to respond to an emergency.	Risk
<i>Community and Environmental Services Risk Based Audit Allocation</i>			<i>40</i>		
Community and Environmental	Sports Centres	Q1	10	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
<i>Community and Environmental Services Compliance Audit Allocation</i>			<i>10</i>		
<b>Community and Environmental Services Total Operational Audit Days</b>			<b>50</b>		
Corporate	Organisational Culture	Q3	20	Lack of individual resilience to work in a changing environment.	Risk
Corporate	Impact of Brexit	Q1	20	Unknown impact of Brexit.	Risk
Corporate	Community Safety	Q4	20	Residents do not feel safe in their communities.	Risk
Corporate	Contract Management and Social Value	Q2	20	Failure of a service provider in high risk contracted areas for statutory services.	Risk
Corporate	Commissioning	Q3	20	Failure of a service provider in high risk contracted areas for statutory services.	Risk
Corporate	Complaints	Q2	20	Residents negative image of Blackpool.	Risk
Corporate	Corporate Governance	Q3	20	Non-compliance with statutory requirements and internal procedures.	Risk
<i>Corporate Risk Based Audit Allocation</i>			<i>140</i>		

Corporate	Grant Certification	As required	20	Non-compliance with statutory requirements and internal procedures.	Compliance
Corporate	Compliance with Mandatory Arrangements	Q2	15	Non-compliance with statutory requirements and internal procedures.	Compliance
Corporate	Covert Surveillance	Q1	15	Non-compliance with statutory requirements and internal procedures.	Compliance
Corporate	Managing leavers	Q1	15	Non-compliance with statutory requirements and internal procedures.	Compliance
<i>Corporate Compliance Audit Allocation</i>			<i>65</i>		
<b>Corporate Total Operational Audit Days</b>			<b>205</b>		
Governance and Partnerships	Children's Legal Services	Q1	20	Unpredictability of legal rulings requiring an unexpected change / change to risk environment.	Risk
<i>Governance and Partnerships Risk Based Allocation</i>			<i>20</i>		
Governance and Partnerships	Wedding Chapel	Q4	5	Non-compliance with statutory requirements and internal procedures.	Compliance
Governance and Partnerships	Election Processes	Q2	15	Non-compliance with statutory requirements and internal procedures.	Compliance
<i>Governance and Partnerships Compliance Audit Allocation</i>			<i>20</i>		
<b>Governance and Partnerships Total Operational Audit Days</b>			<b>40</b>		
Resources	Client Finances	Q4	20	Increased risk of fraud.	Risk
Resources	Non-contracted ICT software	Q2	20	Data theft, leakage of breach.	Risk
<i>Resources Risk Based Allocation</i>			<i>40</i>		
Resources	Water Self-Supply Licence	Q3	15	Loss of key infrastructure and resources which result in Council	Contract / Procurement

				services not being delivered.	
Resources	Carbon Reduction Commitment	Q2	5	Non-compliance with statutory requirements and internal procedures.	Compliance
Resources	Council Tax	Q2	20	Non-compliance with statutory requirements and internal procedures.	Financial Control Assurance Testing
Resources	Creditors	Q1	20	Non-compliance with statutory requirements and internal procedures.	Financial Control Assurance Testing
<i>Resource Compliance Audit Allocation</i>			<i>60</i>		
<b>Resources Total Operational Audit Days</b>			<b>100</b>		
<b>Overall Number of Operational Audit Days</b>			<b>658</b>		
<b>Strategic Audit Work</b>					
Children's Services	Critical Friend for Service Reviews	As required	20	Death, serious injury or harm of a vulnerable adult / child.	Project Support
Community and Environmental Services	Leisure Services Initiatives (options appraisal and sports village)	As required	20	Residents negative image of Blackpool.	Project Support
Corporate	Wholly Owned Companies Performance Management	Q2	10	Increased deprivation / unemployment.	Consultancy
Corporate	Corporate Governance	As required	20	-	-
Corporate	Risk Management	As required	10	-	-
Corporate	Corporate Investigations	As required	30	-	-
Corporate	Advice and Consultancy Support	As required	50	-	-
Corporate	Audit Management	As required	180	-	-
<b>Total Number of Strategic Audit Days</b>			<b>340</b>		
<b>External Work</b>					
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	120	-	-
<b>Total Number of External Audit Days</b>			<b>159</b>		
<b>Total Number of Audit Days</b>			<b>1,157</b>		