

Internal Audit Annual Plan

2021-2022

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1. Introduction

- 1.1 The purpose of this report is to obtain approval for the Internal Audit Plan for 2021/22. 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 Head of Audit and Risk also collaborates as appropriate with the Monitoring Officer.
- 1.3 The audit plan is based on the service structure, which includes seven operational audit staff and the Head of Audit and Risk who splits their time across the five services which they manage. This is an increase of one additional operational auditor from the previous year to reflect the increased demands on the internal audit service due to the wide range of risks faced by the Council and the increasing portfolio of wholly owned companies.
- 1.4 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 contributes 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.

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- 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 2021.
- 3.3 The demand for audit work in 2021/2022 has exceeded the available resource and therefore a decision has been taken to focus on the areas with the highest perceived risk or those which have not 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 2021/2022 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 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.

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- 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.

Procurement and Contract Audit

- 4.5 Some 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.

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- 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 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 The provision of advice, consultancy and project support 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 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.
- 5.2 Work of this nature 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.

6. Strategic Audit Work

- 6.1 The Head of Audit and Risk is involved in a number of workstreams including 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 the Council's Wholly Owned Companies.

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

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Audit and Risk's opinion on the effectiveness of the system of internal control for the 2020/21 year will be available in April / May 2021.

8.2 Performance indicators are 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 2021/22.

Tracy Greenhalgh CMIIA, MSc
Head of Audit and Risk
1st February 2021

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	Day Centre Care (Keats and Langdale)	Q3	10	Death, serious injury or harm of a vulnerable adult / child.	Establishment Visit
Adult Services	Vitaline	Q2	10	Death, serious injury or harm of a vulnerable adult / child.	Establishment Visit
Adult Services	Care at Home (Internal Provision)	Q2	10	Death, serious injury or harm of a vulnerable adult / child.	Establishment Visit
Adult Services Total Operational Audit Days			30		
Chief Executives	Social Housing White Paper Preparations	Q4	20	Failure to keep people safe / non-compliance with statutory requirements and internal procedures.	Risk
Chief Executives	Commissioning	Q3	20	Service failure.	Risk
Chief Executives	Employee Health and Wellbeing	Q1	20	Lack of individual resilience to work in a changing environment.	Risk
Chief Executives	Workforce Development and Planning	Q4	20	Lack of capacity to deliver Council services.	Risk
Chief Executive Total Operational Audit Days			80		
Children's Services	Early Year Portage Service	Q1	20	Preventative / early intervention services are unfunded or need to be made sustainable.	Risk
Children's Services	Financial Systems Developments	Q4	20	Non-compliance with statutory requirements and internal procedures.	Risk
Children's Services	School Improvement Strategy	Q1	20	Lack of educational attainment / appropriate training to meet the needs of the economy.	Risk
Children's Services	Executive Decisions	Q2	15	Non-compliance with statutory requirements and internal procedures.	Compliance

Children's Services	Special Guardianship Orders Payment Process	Q4	10	Non-compliance with statutory requirements and internal procedures.	Compliance
Children's Services	Argosy Avenue	Q2	5	Death, serious injury or harm of a vulnerable adult / child.	Establishment Visit
Children's Services	Early Years Payment System	Q4	10	Non-compliance with statutory requirements and internal procedures.	Compliance
Children's Services	Troubled Families	Quarterly	10	Preventative / early intervention services are unfunded or need to be made sustainable.	Compliance
Children's Services Total Operational Audit Days			110		
Communication and Regeneration	Library Management	Q4	20	Residents negative image of Blackpool.	Risk
Communication and Regeneration	Town Deal	Q1	20	Increased deprivation and unemployment.	Risk
Communication and Regeneration	Conference Centre	Q3	20	Increased deprivation and unemployment.	Risk
Communication and Regeneration	Growth and Prosperity Programme	Q2	20	Increased deprivation and unemployment.	Risk
Communication and Regeneration	Skills and Employment Schemes	Q1	20	Increased deprivation and unemployment.	Risk
Communication and Regeneration	Adult Learning	Q3	20	Lack of educational attainment / appropriate training to meet the needs of the economy.	Risk
Communication and Regeneration Total Operational Audit Days			120		
Community and Environmental	Highways Management / Maintenance Grant	Q2	15	Lack of appropriate transport infrastructure.	Compliance
Community and Environmental	Allotments	Q1	10	Residents negative image of Blackpool.	Compliance
Community and Environmental	Animal Disease Outbreak Planning	Q1	20	Reduced capacity across the Council to respond to an emergency.	Risk
Community and Environmental	Delivery of the Track Maintenance Plan	Q1	20	Lack of appropriate transport infrastructure.	Risk
Community and	Management of Leisure Centres /	Q3	20	Residents negative image of Blackpool.	Risk

Environmental	Impact of Covid-19.				
Community and Environmental	Enforcement Activity	Q3	20	Residents do not feel safe in their communities.	Risk
Community and Environmental	Permit System for Street works	Q2	20	Lack of appropriate transport infrastructure.	Risk
Community and Environmental Services Total Operational Audit Days			125		
Corporate	Business Loans Fund	Q4	15	Increased deprivation and unemployment.	Compliance
Corporate	Climate Change	Q2	20	The Council fails to deliver on its commitments to address the climate emergency / unsustainable carbon emissions in the town.	Risk
Corporate	Management and Oversight of Wholly Owned Companies	Q2	20	The Council's wholly owned companies are no longer financially viable.	Risk
Corporate	Compliance with Corporate Arrangements	Q2	15	Non-compliance with statutory requirements and internal procedures.	Compliance
Corporate	Grant Certification	As required	20	Non-compliance with statutory requirements and internal procedures.	Compliance
Corporate	Business Support Grants	Q2	20	Increased deprivation and unemployment.	Risk
Corporate	Communications	Q3	20	Reputational damage.	Risk
Corporate Total Operational Audit Days			130		
Governance and Partnerships	Bereavement Service	Q2	5	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
Governance and Partnerships	Children's Legal Services	Q4	20	Unpredictability of legal rulings requiring an unexpected change / change to risk environment.	Risk
Governance and Partnerships Total Operational Audit Days			25		
Public Health	Health Protection Arrangements	Q2	20	Pandemic infection.	Risk
Public Health Total Operational Audit Days			20		

Resources	Purchase Cards	Q1	20	Non-compliance with statutory requirements and internal procedures.	Financial Control Assurance Testing
Resources	Housing Benefit	Q3	20	Non-compliance with statutory requirements and internal procedures.	Financial Control Assurance Testing
Resources	Budgetary Control	Q2	20	Non-compliance with statutory requirements and internal procedures.	Financial Control Assurance Testing
Resources	Carbon Emissions	Q1	5	The Council fails to deliver on its commitments to address the climate emergency / unsustainable carbon emissions in the town.	Compliance
Resources	Sundry Debtors	Q1	20	Non-compliance with statutory requirements and internal procedures.	Financial Control Assurance Testing
Resources	Energy Management	Q3	20	The Council fails to deliver on its commitments to address the climate emergency / unsustainable carbon emissions in the town.	Risk
Resources	Capital Accounting	Q2	20	Insufficient funding to deliver services.	Risk
Resources	Medium Term Financial Sustainability Strategy / Impact of Spending Cuts	Q2	20	Insufficient funding to deliver services.	Risk
Resources	Cyber Security	Q4	20	Cyber threats.	Risk
Resources	Impact of Covid-19 on the Collection Fund	Q1	10	Insufficient funding to deliver services.	Compliance
Resources Total Operational Audit Days			175		
Schools	Boundary Primary Schools	TBC	2	Non-compliance with statutory	Establishment

				requirements and internal procedures.	Visit
Schools	Kincraig Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
Schools	Layton Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
Schools	Moor Park Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
Schools	St Teresa's Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
Schools	St Bernadette's Primary School	TBC	2	Non-compliance with statutory requirements and internal procedures.	Establishment Visit
Schools Total Operational Audit Days			12		
Overall Number of Operational Audit Days			827		
Strategic Audit Work					
Corporate	HR and Finance System Implementations	As required	20	Loss of key infrastructure and resource which results in Council services not being delivered.	Project Support
Corporate	Transfer of Services to Enveco	As required	20	Loss of key infrastructure and resource which results in Council services not being delivered.	Project Support
Corporate	Corporate Governance	As required	20	-	-
Corporate	Risk Management	As required	10	-	-
Corporate	Corporate Investigations	As required	20	-	-
Corporate	Advice and Consultancy Support	As required	50	-	-
Corporate	Audit Management	As required	100	-	-
Total Number of Strategic Audit Days			240		
External Work					
External Work	School Voluntary Funds	TBC	5	-	-
External Work	Clevr Money	TBC	4	-	-
External Work	Operating Company	TBC	20	-	-
External Work	Wholly Owned Companies	TBC	147	-	-
Total Number of External Audit Days			176		

Total Number of Audit Days	1,243		
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