

## Internal Audit Annual Plan 2022-2023

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

## Internal Audit Annual Plan 2022-23

### 1. Introduction

- 1.1 The purpose of this report is to obtain approval for the Internal Audit Plan for 2022/23. 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 eight operational audit staff and the Head of Audit and Risk who splits their time across the four 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. Audit Planning Process

- 2.1 The production of the internal audit plan consist of a number of key steps as defined below.
- 2.2 Initially the Head of Audit and Risk maps all Council services against the Strategic Risk Register to prepare what is known as the Audit Universe. The Internal Audit Team then collectively score the Audit Universe using the criteria set out in **Table 1** below.
- 2.3 This exercise provides a percentage score for the level of risk in each service using the following criteria:
  - 75%+ - high risk
  - 60% to 74% - medium risk
  - Less than 60% - low risk
- 2.4 The Audit Universe is then further populated to include the year that the service was last subject to an internal audit and if there are other sources of assurance (such as Ofsted or CQC reports) which we can place reliance on. Each member of the Internal Audit Team is required to deliver a presentation based on their knowledge and experience on the Council as to what they believe are the key risk areas.
- 2.5 In addition to the above risk based approach there is a programme of compliance audits which take place every three years so these are also factored into the resource allocation.
- 2.6 All of the above information is then used to prepare an agenda for the Head of Audit and Risk to meet with each Director and their Heads of Service to discuss potential areas of coverage. At these meetings the Head of Audit and Risk explains why areas have been

**Internal Audit Annual Plan 2022-23**

identified as part of the Audit Risk Assessment Process and also seeks view on what senior managers understand to be the key areas of risk faced by their services.

**Table 1 – Risk Criteria for Scoring the Audit Universe**

Risk Criteria					
	Materiality	System Stability	Degree of Devolved Control	Internal Control *(1)	Sensitivity of System *(2)
1	No financial implications	Very stable, no development proposed, well established systems	Minimal	Strong	Little Sensitivity
2	System with financial implications	Stable, some marginal changes	Partial	Reasonable	Some Sensitivity
3	Financial system	Significant changes, some new developments planned	High	Concern	Sensitive
4	Significant financial system	New system being implemented/recently installed	Total	Weak	Highly Sensitive
<b>Weighting in Model</b>	0.3	0.2	0.2	0.2	0.1
<b>*(1) Internal Control</b>			<b>*(2) Sensitivity of System</b>		
Factors to assess to reach conclusion: - previous IA/DA findings - division of duties - perceived quality of staff/systems - morale/staff turnover - existence of regulations, procedures			Factors to assess to reach conclusion: - confidentiality of data - impact of failure on other systems - political interest - client/customer sensitivity		
A weighting factor is applied after the initial assessment to account for the time since the last audit review of the system. 1 Year=0; 2 Years=0.05; 3 Years=0.1; 4 Years=0.2; 5 Years=0.3; Never=0.3 Similarly, a final weighting factor is applied to account for Management's priorities. Low Priority=0; Medium Priority=0.1; High Priority=0.2					

- 2.7 All of the information is then collated into a full list of internal audit requirements and the Head of Audit and Risk maps these against available resource and undertakes a further assessment to determine what can be covered by the Internal Audit Team in the year and what can be delayed until the following financial year. This takes account of both the level of risk, other assurance work and when the area was last subject to internal audit whilst being mindful of the need to ensure an appropriate level of coverage over all directorates.
- 2.8 The Head of Audit and Risk then meets with the Chief Executive and Director of Resources to discuss the full list of requirements and the rationale as to why some areas will be included on the audit plan and others deferred to a future year depending on the resource available in the Internal Audit Team.
- 2.9 Once all the above consultation has taken place the Head of Audit and Risk prepares an annual Internal Audit Plan which is then taken to the Corporate Leadership Team for consideration and the Audit Committee for approval.

**3. Overall balance of coverage**

- 3.1 The work of the team is divided into three main services to the Council:

## Internal Audit Annual Plan 2022-23

- 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 financial controls are in place at Council settings such as for social care settings and other establishments.
- Provision of consultancy and advice to service management on request regarding aspects of internal control.

### **4. Risk-based reviews**

- 4.1 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.
- 4.2 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 2022.
- 4.3 The demand for audit work in 2022/2023 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.
- 4.4 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.
- 4.5 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.
- 4.6 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.
- 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 Audit and Risk Services Quarterly Report.

## Internal Audit Annual Plan 2022-23

4.8 A list of risk based reviews which will be covered in 2022/2023 can be found in **Appendix A**.

### 5. **Compliance testing**

5.1 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***

5.2 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.

5.3 The scope of the audit review and the assurance statement will be reported to CLT and Audit Committee in the Audit and 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.

5.4 An opinion will also be provided on whether or not the controls are complied with.

#### ***Schools Audit***

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

5.6 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.

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

#### ***Settings / Establishment Visits***

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

## Internal Audit Annual Plan 2022-23

- 5.9 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.
- 5.10 The scope of the audit review and the overall opinion and assurance statement will be reported to CLT and Audit Committee in the Audit and Risk Services Quarterly Report.

### ***Grant Certification***

- 5.11 The audit programme will include various grant certifications which require sign-off by the Head of Audit and Risk.
- 5.12 The outcome of this will be a signed grant certification which will be provided directly to the external funding body.

### ***Follow-Ups***

- 5.13 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 Audit and Risk Services Quarterly Report.
- 5.14 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.

## **6. Consultancy, Advice and Project Support**

- 6.1 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.
- 6.2 Work of this nature is not reported to CLT and Audit Committee in the Audit and 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.

## **7. Strategic Audit Work**

- 7.1 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.

**Internal Audit Annual Plan 2022-23**

**8. External work**

- 8.1 The Internal Audit Team also undertakes work for a range of external clients including the Council's Wholly Owned Companies.

**9. Monitoring performance**

- 9.1 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 2022/23 year will be available no later than June 2023.

- 9.2 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.

**10. Recommendation**

- 10.1 The Corporate Leadership Team and Audit Committee are asked to approve the internal audit plan for 2022/23.

Tracy Greenhalgh CMIIA, MSc  
Head of Audit and Risk  
7<sup>th</sup> February 2022

## 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	Complex Cases and Continuing Health Care	Q2	20	Failure of Adult Services.	Risk
Adult Services	Phoenix Centre	Q2	5	Failure of Adult Services.	Establishment
Adult Services	Supported Living	Q1	5	Failure of Adult Services.	Establishment
Adult Services	Respite Service (Coopers Way One and Two)	Q3	10	Failure of Adult Services.	Establishment
Adult Services	Direct Payments	Q4	20	Increased fraud and error.	Financial Control Assurance Testing
<b>Adult Services Total Operational Audit Days</b>			<b>60</b>		
Chief Executives	Social Housing White Paper	Q2	20	Lack of affordable quality housing property across the town.	Risk
Chief Executives	Workforce Development and Planning	Q4	20	Lack of capacity and capability.	Risk
Chief Executives	Social Housing Rents	Q1	20	Increased fraud and error.	Financial Control Assurance Testing
Chief Executives	HR System Post Implementation Review	Q3	20	Critical system failure.	Risk
<b>Chief Executive Total Operational Audit Days</b>			<b>80</b>		
Children's Services	Children's Centres	Q1	10	Failure / unsustainability / removal of Children's Services.	Compliance
Children's Services	Medium Term Financial Strategy	Q3	20	Insufficient central government funding for Social Care.	Risk

Children's Services	Special Educational Needs	Q1	20	Provision for children with special educational needs and disabilities (SEND) is inadequate.	Risk
Children's Services	Hornby Road Children's Home	Q1	5	Provision for children with special educational needs and disabilities (SEND) is inadequate.	Establishment Visit
Children's Services	Elective Home Education	Q2	20	Poor educational attainment.	Risk
<b>Children's Services Total Operational Audit Days</b>			<b>75</b>		
Communications and Regeneration	Events Management	Q1	20	Tourism economy fails to recover.	Risk
Communications and Regeneration	Planning	Q3	20	Inappropriate decisions made by the Council.	Risk
Communications and Regeneration	Illuminations	Q2	20	Tourism economy fails to recover.	Risk
Communications and Regeneration	Business Support / Recovery	Q1	20	Local economy fails to recover.	Risk
<b>Communication and Regeneration Total Operational Audit Days</b>			<b>80</b>		
Community and Environmental	Waste Management	Q1	20	Supply chain failure (goods and services).	Risk
Community and Environmental	Green and Blue Infrastructure	Q2	20	Poor health and wellbeing outcomes.	Risk
Community and Environmental	Leisure Centres Compliance Visit	Q3	10	Poor health and wellbeing outcomes.	Compliance
Community and Environmental	CCTV Project	Q2	20	Inadequate safety management of the public realm/ communities.	Risk
Community and Environmental	Food Control	Q1	20	Inadequate safety management of the public realm/ communities.	Risk
Community and Environmental	Integrated Transport	Q4	20	Provision for children with special educational needs and disabilities (SEND) is inadequate.	Risk
Community and Environmental	Driving at Work	Q2	20	Unsafe workplace.	Risk
<b>Community and Environmental Services Total Operational Audit Days</b>			<b>130</b>		

Corporate	Grant Certifications	Various	20	Insufficient funding to deliver services.	Compliance
Corporate	Compliance with Corporate Arrangements	Q2	15	Inappropriate decisions made by the Council.	Compliance
Corporate	Community Engagement	Q3	20	Residents unable to access / influence information about Council Services.	Risk
Corporate	Wholly Owned Companies Leases, Asset Registers, Contracts and Operating Agreements	Q1	20	Failure of wholly owned companies.	Risk
Corporate	Partnership Governance	Q1	20	Failure of key strategic partnerships.	Risk
Corporate	Use of Consultants	Q2	10	Supply chain failure (goods and services).	Compliance
Corporate	Social Value	Q4	20	Supply chain failure (goods and services).	Risk
Corporate	Recruitment, retention and succession planning	Q4	20	Lack of capacity and capability.	Risk
Corporate	Pandemic Response	Q2	20	Pandemic infection / health security concern (human and animals).	Risk
Corporate	Not in Education, Employment or Training	Q3	20	Local economy fails to recover.	Risk
Corporate	Transition from Children's to Adults	Q2	20	Failure of Adult Services.	Risk
<b>Corporate Total Operational Audit Days</b>			<b>205</b>		
Governance and Partnerships	Wedding Chapel	Q3	5	Inappropriate decisions made by the Council.	Establishment Visit
Governance and Partnerships	Civil Claims Financial Data	Q1	10	Hardening insurance market.	Compliance
Governance and Partnerships	Adult Social Care Legal Services Support	Q2	20	Inappropriate decisions made by the Council.	Risk
<b>Governance and Partnerships Total Operational Audit Days</b>			<b>35</b>		
Public Health	Digital Front Door	Q3	20	Poor health and wellbeing outcomes.	Risk

Public Health Total Operational Audit Days			20		
Resources	Direct Debits	Q2	10	Increased fraud and error.	Compliance
Resources	Procurement and Supply Chain Management	Q4	20	Supply chain failure (goods and services).	Risk
Resources	IT Help Desk and Device Management	Q4	20	Cyber Threats.	Risk
Resources	Payroll	Q3	20	Increased fraud and error.	Financial Control Assurance Testing
Resources	Creditors	Q1	20	Increased fraud and error.	Financial Control Assurance Testing
Resources	Council Tax	Q2	20	Increased fraud and error.	Financial Control Assurance Testing
Resources	Client Finances	Q3	20	Increased fraud and error.	Financial Control Assurance Testing
Resources	Energy Management	Q3	10	The Council fails to reduce carbon emissions and proactively take action to address the climate emergency.	Detailed Follow-Up
Resources Total Operational Audit Days			140		
Schools	Virtual School	Q3	5	Poor educational attainment.	Establishment Visit
Schools	Stanley Primary School	Q2	2	Poor educational attainment.	Establishment Visit
Schools	St John Vianney's Primary School	Q1	2	Poor educational attainment.	Establishment Visit
Schools	Holy Family Primary School	Q1	2	Poor educational attainment.	Establishment

					Visit
Schools	Bispham Endowed Primary School	Q2	2	Poor educational attainment.	Establishment Visit
<b>Schools Total Operational Audit Days</b>			<b>13</b>		
<b>Overall Number of Operational Audit Days</b>			<b>838</b>		
<b>Strategic Audit Work</b>					
Corporate	HR and Finance System Implementations	As required	20	Critical system failure.	Project Support
Corporate	Growth and Prosperity Programme	As required	20	Failure of regeneration projects.	Project Support
Corporate	Corporate Governance	As required	10	-	-
Corporate	Risk Management	As required	10	-	-
Corporate	Audit Management, Advice and Consultancy Support	As required	120	-	-
<b>Total Number of Strategic Audit Days</b>			<b>180</b>		
<b>External Work</b>					
External Work	School Voluntary Funds	TBC	5	-	-
External Work	Clevr Money	TBC	4	-	-
External Work	Operating Company	TBC	5	-	-
External Work	Wholly Owned Companies	TBC	172	-	-
<b>Total Number of External Audit Days</b>			<b>186</b>		
<b>Total Number of Audit Days</b>			<b>1,204</b>		