Appendix 7(a):

Internal Audit Plan

2023/24

Internal Audit Plan 2023/24

Background

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities must "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

The guidance accompanying the Regulations recognises both the Public Sector Internal Audit Standards (PSIAS) 2017 and the CIPFA Local Government Application Note for the UK PSIAS as representing "public sector internal audit standards". The standards define the way in which the Internal Audit Service should be established and undertakes its functions.

The standards also requires that an opinion is given on the overall adequacy and effectiveness of the Council's control environment comprising risk management, control and governance, which is informed by the work undertaken by the Service.

The Council's Internal Audit service conforms to the Public Sector Internal Audit Standards as confirmed by the independent peer review carried out in 2021.

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The Role of Internal Audit

The role of the internal auditor is to provide independent, objective assurance to management that key risks are being managed effectively. To do this, the internal auditor will evaluate the quality of risk management processes, systems of internal control and corporate governance frameworks, across all parts of an organisation, and provide an opinion on the effectiveness of these arrangements. As well as providing assurance, an internal auditor's knowledge of the management of risk enables them to act as a consultant and provide support for improvement in an organisation's procedures. For example, at the development stage of a major new system where the internal auditor can help management to ensure that risks are clearly identified and appropriate controls put in place to manage them.

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The Importance of Assurance

By reporting to senior management that important risks have been evaluated, and highlighting where improvements are necessary, the internal auditor helps senior management to demonstrate that they are managing the organisation effectively on behalf of their stakeholders. Hence, internal auditors, along with senior management and the external auditors are a critical part of the governance arrangements of the Council, with the work of internal audit significantly contributing to the statutory Annual Governance Statement (AGS).

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Internal Audit Plan 2023/24

Development of the 2023/24 Internal Audit Plan

To enable the above, the Head of Audit and Risk is required to produce an Annual Risk Based Internal Audit Plan to determine the priorities of the internal audit activity. The proposed activity needs to be consistent with the Council's priorities and take into account the Risk Management Framework.

To ensure internal audit resources continue to be focussed accordingly, it is essential to understand clients' needs, which means building relationships with key stakeholders to gain crucial insight and ongoing intelligence into the strategic and operational challenges across the Council. This insight is not only identified at the initial development stages of the plan, but dialogue continues throughout the year which increases the ability for the Internal Audit Service to adapt more closely to meet the assurance needs of the Council.   The production of the internal audit plan consists of a number of key steps as defined below.

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:

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
Weighting in Model	0.3	0.2	0.2	0.2	0.1

*(1) Internal Control		* (2) Sensitivity of System
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

This exercise provides a percentage score for the level of risk in each service using the following criteria:

Internal Audit Plan 2023/24

- 75% and above - high risk

- 60% to 74% - medium risk

- Less than 60% - low risk

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.

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.

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

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.   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.

The Head of Audit and Risk then meets with the Chief Executive and Section 151 Officer to discuss the draft plan and resource allocation. The draft plan is also discussed with the Chair and Vice Chair of Audit Committee at the agenda setting meeting prior to March Audit Committee.

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.

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Resource Allocation

The audit plan is based on the service structure, which includes two senior auditors, six auditors and the Head of Audit and Risk who splits their time across the four services which they manage. This assumes no vacancies in the team however given the recruit challenges over the past twelve months a vacancy factor has been incorporated into the resource calculation for 2023/24. In addition, a member of the team will be on maternity leave and there are no plans to backfill this, so this has been included in the resource calculation. Given the recruitment challenges and the move to 'Grow Your Own' auditors more management days have been set aside in the resource calculation than usual to reflect the additional management input required for training junior members of staff.

Internal Audit Plan 2023/24

The plan is based on 1,253 audit days for the 2023/24 year. This level of input, with the ability to commission specialist internal audit resources if required, is considered acceptable to provide the assurance the Council needs.

A provisional list of internal audits to add into the plan, should the recruitment issues settle down, has been prepared and include the following areas identified as part of the risk assessment process which are listed in priority order:

- Election Act Compliance
- Housing Development / Stock Holding
- Shared Prosperity Fund
- Investment Portfolio and Properties
- Fostering and Adoption
- Scheme of Delegation - update process and local schemes under Constitution
- Directorate Level Governance / Officer Non-Key
- Street Lighting PFI
- Building Repairs and Maintenance
- Pupil Welfare Service
- Social Care Workforce Development

These reviews will be brought into the audit plan should resource allow, but if not they will be carried out as part of the 2024/2025 internal audit plan if still identified as part of the risk assessment process.

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Changes to the Plan

The Head of Audit and Risk will continue to reassess resources required against the Council's priorities and risks and will amend the plan throughout the year as required, reporting any key changes to the Section 151 Officer and Audit Committee.

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Overall balance of coverage

The work of the team is divided into three main areas:

o   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.

o   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.

Internal Audit Plan 2023/24

    o   Provision of consultancy and advice to service management on request regarding aspects of internal control.

The detailed audit plan including areas of coverage can be found in **Appendix 1** of this report.

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Types of Audits

Risk-based reviews

The objectives of each risk based audit is to identify potential business risks and provide assurance on the adequacy and effectiveness of the associated controls in the following areas:

- o Management – To ensure the consistency of operations or programs with established objectives and goals and effective performance.
- o Value – To ensure the effectiveness and efficiency of operations and employment of resources.
- o Regulatory – To ensure compliance with significant policies, plans, procedures, laws, regulations.
- o Information – To ensure the reliability and integrity of management and financial information processes, including the means to identify, measure, classify and report such information.
- o Security – To ensure safeguarding of assets.

Compliance testing

Risk based audit work is complemented by a robust set of compliance testing. The compliance element of the audit programme can be split into the following sub-headings:

Financial Control Assurance Testing

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.

Firstly, a controls evaluation takes place to assess what controls are in place and whether these controls, if operated as documented, should reduce risk of error to an acceptable level. Secondly controls compliance testing takes place on a sample basis to obtain and assess evidence of whether controls in place have been adhered to.

Schools Audit

Each maintained school will be subject to an audit every three years, or more frequently if necessary. The scope of school audits in based on the following core areas:

- o Governance
- o Risk Management
- o Financial Planning & Budgetary Control
- o Payroll / HR Management
- o Expenditure
- o Income

Internal Audit Plan 2023/24

  o   Unofficial Funds
  o   Security Of Assets
  o   Core Assurance Testing

Settings / Establishment Visits

Each establishment / setting will be subject to an audit every three years, or more frequently if necessary. Whilst the areas of coverage included in the scope will be tailored to the type of setting the overarching areas of coverage is as follows:

  o   Financial Controls
  o   Operational Controls
  o   Staffing
  o   Health and Safety
  o   Security

Contract Audit

The objective of contract audits is to ensure that contracts are being effectively managed and adhered to. They also include wider project management arrangements to ensure that steps are being taken to ensure contract delivery on time and within budget. Where external funding has been obtained to fund the contract, compliance with the terms of the funding agreement will also be considered.

The in-house team includes an auditor who has received training on contract auditing and therefore has the capability to carry out these audits and provide support and guidance to the wider team.

IT Audit

The objective of each IT audit is to identify potential security risks and provide assurance on the adequacy and effectiveness of the associated controls in the following areas:

  o   Management
  o   Value
  o   Regulatory
  o   Information
  o   Security

Should specialist IT auditor resource be required to deal with complex technical issues, then arrangements are in place via a framework agreement to access such support from Mersey Internal Audit Service.

Grant Certification

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

Internal Audit Plan 2023/24

Follow-Ups

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. Progress against these is reported in summary form to CLT and Audit Committee as part of the Audit and Risk Services Quarterly Report. In order to ensure that priority two and three recommendations are implemented the Audit Committee pick a sample of completed audit reports and calls the relevant Head of Service to Committee to provide an update in terms of progress made.

Consultancy, Advice and Project Support

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. 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.

Strategic Audit Work

The Head of Audit and Risk is involved in a number of work streams including corporate governance, risk management and corporate investigations, which are included in the plan. Time is also allocated for audit management which is predominately the operational management of the audit team and file review which is carried out by the Senior Auditors.

External work

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

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Reporting and Performance Management

As the responsible officer for the Council's independent assurance service, the Head of Audit and Risk will issue quarterly reports to the Section 151 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 2023/24 year will be available no later than June 2024.

For all planned audit work an assurance statement will be provided on the robustness of the controls based on the following criteria:

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

Where compliance testing has been undertaken an opinion will also be provided on whether or not the controls are complied with using the following terminology:

Internal Audit Plan 2023/24

- o Satisfactory
- o Minor lapses in controls
- o Major lapses in controls

All recommendations made are prioritised in accordance with the following grading system:

- o 1 = essential to address a high risk
- o 2 = necessary to address a moderate risk
- o 3 = represents best practice or addresses a low level of risk.

Performance indicators (PIs) are used for monitoring and managing the team. The PIs are intended to remain the same year on year to enable trends to be identified. The five PIs in place are:

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

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Appendix 1 – Internal Audit Plan 2023/24

Strategic Risk Category: Strategy				
Directorate	**Service / Topic**	**Timings**	**Allocated Days**	**Type of Audit**
Corporate	Cost of Living Crisis Support	Q1	20	Risk
Children's Services	Implementation of SEND Inspection Outcome including corporate approach and preparedness for adulthood	Q2	20	Risk
Community and Environmental	Housing Enforcement	Q2	20	Risk
Total Days	60			

Strategic Risk Category: Governance				
Directorate	**Service / Topic**	**Timings**	**Allocated Days**	**Type of Audit**
Corporate	Transparency Agenda	Q1	20	Risk
Corporate	Compliance with Corporate Arrangements	Q2	15	Compliance
Corporate	Whistleblowing Compliance	Q1	10	Compliance

Internal Audit Plan 2023/24

Directorate	Service / Topic	Timings	Allocated Days	Type of Audit
Governance and Partnerships	Partnership Governance	Q2	20	Risk
Total Days	**65**			

Strategic Risk Category: Operational

Directorate	Service / Topic	Timings	Allocated Days	Type of Audit
Adult Services	Mental Health Initial Response Service	Q3	20	Risk
Adult Services	CQC Inspection Self-Assessment Validation	Q1	20	Risk
Adult Services	Three Conversations Initiative	Q2	20	Risk
Children's Services	Implementation of Ofsted Inspection Outcome and Structure for Inspection Preparation	Q3	20	Risk
Children's Services	Safeguarding Arrangements	Q4	20	Risk
Community and Environmental	Integrated Transport	Q3	20	Risk
Children's Services	Highfurlong School	Q1	2	Schools
Children's Services	Our Lady of Assumption RC Primary School	Q1	2	Schools
Children's Services	St Nicholas C of E Primary School	Q1	2	Schools
Children's Services	St Johns C of E Primary School	Q1	2	Schools
Children's Services	Woodlands School	Q1	2	Schools
Children's Services	Pupil Referral Unit	Q1	2	Schools
Children's Services	Virtual School	Q1	5	Establishment Visit
Total Days	**137**			

Strategic Risk Category: Legal

Directorate	Service / Topic	Timings	Allocated Days	Type of Audit
Community and Environmental	Road Maintenance	Q3	20	Risk
Community and Environmental	Trading Standards	Q1	20	Risk
Community and Environmental	Taxi Licensing	Q4	20	Risk

Internal Audit Plan 2023/24

Communication and Regeneration	Bus Lane Cameras and Charges	Q3	10	Compliance
Total Days	**70**			

Strategic Risk Category: Property

Directorate	Service / Topic	Timings	Allocated Days	Type of Audit
Resources	Statutory Property Inspections	Q1	20	Risk
Total Days	**20**			

Strategic Risk Category: Financial

Directorate	Service / Topic	Timings	Allocated Days	Type of Audit
Children's Services	Financial Systems	Q2	20	Risk
Chief Executives	High Cost Placements and Sufficiency	Q3	20	Risk
Corporate	Contract Management	Q1	20	Contract
Corporate	Budget Pressures	Q2	20	Risk
Resources	Procurement and Supply Chain	Q2	20	Risk
Corporate	Grant Certification Work	Various	20	Grant Certification
Resources	Business Rates	Q1	20	Financial Control Assurance Testing
Adult Services	Social Care Financial Assessment	Q4	20	Financial Control Assurance Testing
Corporate	Payments (cash handling, payment card, customer first and post team)	Q2	20	Financial Control Assurance Testing
Community and Environmental	Layton Depot Stores	Q1	10	Compliance
Children's Services	Supported Families Grant Work	Various	10	Grant Certification
Public Health	Public Health Funding	Q2	20	Risk
Communication and Regeneration	Community Renewals Fund Grants	Q1	10	Grant Certification

Internal Audit Plan 2023/24

Directorate	Service / Topic	Timings	Allocated Days	Type of Audit
Total Days	**230**			

Strategic Risk Category: Commercial

Directorate	Service / Topic	Timings	Allocated Days	Type of Audit
Communication and Regeneration	Delivery of Town Deal Projects	Q3	20	Contract
Communication and Regeneration	Growth and Prosperity Asset Disposal Plan	Q3	20	Risk
Communication and Regeneration	Transition of Heritage Service	Q1	20	Risk
Total Days	**60**			

Strategic Risk Category: People

Directorate	Service / Topic	Timings	Allocated Days	Type of Audit
Chief Executives	Workforce Development and Planning	Q4	20	Risk
Corporate	Organisational Culture / Staff Survey Outcomes / Hybrid Working	Q1	20	Risk
Corporate	Succession Planning	Q3	20	Risk
Total Days	**60**			

Strategic Risk Category: Technology

Directorate	Service / Topic	Timings	Allocated Days	Type of Audit
Resources	Cyber Security - Passwords and Two Factor Authentication	Q4	20	IT
Resources	Impact of digital phone transition	Q2	20	IT
Governance and Partnerships	NHS Data Security and Protection Tool Kit (self-assessment validation)	Q1	10	IT

Internal Audit Plan 2023/24

Resources	Finance System Post Implementation Review	Q3	20	Risk
Corporate	HR and Payroll System Post Implementation Review	Q2	20	Risk
Total Days	**90**			

Strategic Risk Category: Information

Directorate	Service / Topic	Timings	Allocated Days	Type of Audit
Corporate	Dealing with Elected Member / MP enquires	Q1	10	Compliance
Communication and Regeneration	Tourist Information Centre	Q4	5	Establishment Visit
Total Days	**15**			

Strategic Risk Category: Security

Directorate	Service / Topic	Timings	Allocated Days	Type of Audit
No internal audits planned in this area for 2023/24.				
Total Days	**0**			

Strategic Risk Category: Project / Programme Delivery

Directorate	Service / Topic	Timings	Allocated Days	Type of Audit
Communication and Regeneration	Delivery of ZEBRA Programme	Q1	20	Risk
Corporate	Capital Project Management	Q2	20	Risk
Corporate	Transport Policy and Traffic Management Delivery	Q4	20	Risk
Corporate	Energy Consumption and Impact of Green Schemes	Q2	20	Risk
Total Days	**80**			

Strategic Risk Category: Reputational

Internal Audit Plan 2023/24

Directorate	Service / Topic	Timings	Allocated Days	Type of Audit
No internal audits planned in this area for 2023/24.				
Total Days	**0**			

Other

Directorate	Service / Topic	Timings	Allocated Days
Corporate	Corporate Governance	Various	10
Corporate	Risk Management	Various	10
Corporate	Audit Management and Advice	Various	200
Total Days	**220**		

External Work

Company	Allocated Days	Type of Audit
Blackpool Housing Company	20	As per company audit plan
Blackpool Coastal Housing	20	As per company audit plan
Blackpool Transport Services	20	As per company audit plan
Blackpool Entertainment Company	20	As per company audit plan
Blackpool Waste Services	20	As per company audit plan
Blackpool Airport	20	As per company audit plan
Lumen Housing	7	As per company audit plan
Clevr Money Credit Union	4	As per company audit plan
Schools Voluntary Funds	5	As agreed with school
Merlin	10	Delivered jointly with Merlin Internal Audit
Total Days	**146**	

Total Number of Audit Days	**1,253**