

Report of:	Meeting	Date	Item no.
Corporate Director Resources (Section 151 Officer)	Audit Committee	2 March 2021	5

INTERNAL AUDIT STRATEGY AND AUDIT PLAN PRIORITIES 2021/22
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1. Purpose of report

- 1.1 To review the Internal Audit Strategy and Audit Plan Priorities for the 2021/22 financial year.

2. Outcomes

- 2.1 An approved Internal Audit Strategy that sets out how the Internal Audit Team will implement the Audit Plan Priorities which is designed to take account of the characteristics and relative risks of the council's activities.

3. Recommendation

- 3.1 Members are asked to approve the Internal Audit Strategy and Audit Priorities attached at Appendix 1 and 2.

4. Background

- 4.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- 4.2 Professional standards for Internal Audit in local government specify that "The Chief Audit Executive (the Head of Governance) must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals." The standards also specify that "The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must be incorporated or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities."

- 4.3 In accordance with the standards an Internal Audit Strategy has been developed and approved by the Audit Committee and is incorporated into

the risk-based 2021/22 Audit Plan Priorities. Both documents are attached.

- 4.4** Given the pandemic and the need for Internal Audit to be flexible and responsive to emerging risks across the organisation, a decision has been taken to move to quarterly audit planning instead of the production of an annual plan at the beginning of the year. The plan attached at Appendix 2 is split into two main sections, the first section details audit work that will need to take priority in quarter one (April - June 2021). The second section documents potential forthcoming priorities for quarter's two to four. However at the time of publication, Internal Audit were still in the process of completing the annual risk workshops and collating the service assurance statements. The plan will be reviewed on a quarterly basis and audits will be added and removed according to risk. Any work that was not started / completed from the 2020/21 audit plan will not be automatically rolled to the new 2021/22 audit plan, unless the area of work has been deemed necessary following a further risk assessment.
- 4.5** Whilst in previous years, the support of Lancashire County Council has been utilised to support the internal audit team, owing to the pandemic and the change to audit planning, the plan for 2021/22 will be completed solely in house. Should additional audit resources be required, the Audit Committee will be advised and a decision made on the number of days needed.
- 4.6** The overall planning for 2021/22 is based on an estimated available resource of 390 days, this being delivered by the in-house auditor (220 days – 1 FTE) and the Head of Governance (170 days – 0.8 FTE). Assurances sought from the mapping exercise and the strategic / operational risk registers will allow confidence to be obtained that audit coverage is still sufficient to be able to deliver an overall opinion at the year end.
- 4.7** The contract with Lancaster City Council for the utilisation of the Head of Governance (one day per week) is due for renewal on the 31 March 2021. However it is anticipated that a rolling yearly contract will be agreed which will see the continuation of the current arrangements for a further year and an approximate net income of £20,000.

5. Key Issues and proposals

- 5.1** The Internal Audit Strategy and Audit Plan Priorities for 2021/22 is attached at Appendices 1 and 2.

Financial and legal implications	
Finance	The Audit Plan Priorities for 2021/22 are expected to be delivered within the timescales and previously agreed staffing budget. Whilst at the time of publishing, the budget for the provision of additional audit days was not required, the budget should be retained as a contingency going forward.
Legal	This will ensure good governance and probity.

Other risks / implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x	risks/implications	✓ / x
community safety	x	asset management	x
equality and diversity	x	climate change	x
sustainability	x	ICT	x
health and safety	x	data protection	x

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

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List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix 1 - Internal Audit Strategy

Appendix 2 - Audit Plan Priorities 2021/22

Internal Audit Strategy

1.0 Internal Audit Strategy

- 1.1. This strategy is the high level statement of how the internal audit service will be developed and delivered in accordance with its approved terms of reference (the Audit Charter) and how it links to the council's organisational objectives and priorities.

2.0 Service Purpose

- 2.1 The key purposes of the internal audit service are to:

- provide the council with independent assurance regarding the effectiveness of its systems of risk, governance and internal control;
- support the council in delivering organisational change and its development programme; and
- help the council secure and demonstrate value for money throughout its activities.

3.0 Strategic Aims and Objectives

- 3.1 Internal audit's strategic aims and objectives are defined as:

- promoting and helping develop standards of risk management throughout the council's operations;
- contributing to improving standards of internal control and governance within the authority and its key partnerships;
- developing the corporate 'assurance framework' and coordinating the capture and reporting of sources of assurance;
- developing and supporting managers in the management of risk;
- working closely with the council's corporate compliance team to develop programmes of work to combat and reduce the risk of fraud;
- supporting the council in identifying efficiencies and achieving value for money in service delivery; and
- continuing to develop the scope, robustness and effectiveness of internal audit's assurance work.

4.0 Identifying and Accommodating Significant Local and National Issues and Risks

- 4.1 Emerging local and national issues that might warrant internal audit attention will primarily be identified through:

- contributing to the development, updating and monitoring of the assurance framework;
- reviewing the business plan and individual service plans;
- carrying out strategic and operational risk workshops; and
- regular consultation and liaison with Corporate Management Team, other statutory officers, Heads of Service and the Council's External Auditors.

4.2 This approach will seek to ensure that significant risks are adequately identified, assessed and evaluated in terms of the level of assurance necessary and already available, and will involve:

- tracking corporate policy / priority developments and the decisions taken by the authority's decision-making bodies;
- regular consultation with the Corporate Management Team, Heads of Service and the Audit Committee Chairman;
- regular liaison with other review bodies, especially the Council's External Auditor;
- liaison with/considering the approach and work programmes of other internal review bodies, for example the Overview and Scrutiny function;
- liaison with other local government auditors and active participation in local/regional professional groups;
- consideration of key corporate risks; and
- maintaining a professional focus and taking advantage of opportunities for professional updates/development, including continuous professional development for key staff, where appropriate.

4.3 The risk-based audit plan seeks to provide assurance in areas of significant risk where alternative sources of assurance are not readily available. Typically this will tend to focus on the auditing of "underlying risks", being those risks which are not being addressed by a current corporate or service-based project or initiative. The plan will be reviewed and updated on a quarterly basis to accommodate any emerging significant risks and assurance needs identified through an ongoing review of the assurance framework.

4.4 Internal audit activity may involve any one, or a combination of the following:

- a specific piece of internal audit assurance work;
- efficiency / VFM or support work directed at improving the efficiency of existing procedures and/or standards of governance and control;
- contributing to corporate groups / projects / reviews (officer and/or Member based) established for a given purpose / objective.

AUDIT PLAN PRIORITIES - 2021/22

Category of Work	Detailed Rationale	Date Added	Source	Links to Risk Registers / Business Plan / Service Plans
General / Meetings / Non-Chargeable				
Internal Audit Planning, Management and Audit Committee work				
Advice and assistance				
Quarter 1 Priorities (April - June 2021)				
Risk Management - New System	Implementation of new Risk Software (GRACE) and the facilitation of strategic and operational workshops.	Feb-21	RB	Governance Service Plan
Preparation of the 2020/21 Annual Governance Statement and continuous monitoring of the minor issues action plan	Internal Audit will assist in identifying and documenting evidence to ensure compliance with CIPFA's Delivering Good Governance framework, which will include the update of last year's action plan and the continuous monitoring of the 2020/21 AGS.	Feb-21	M	Statutory requirement in line with the Accounts and Audit Regulations 2015
Assurance mapping exercise	To assist with the development of the audit plan priorities for the remaining year and ensure resources are maximised. Assurance mapping will be completed with each council service to identify other sources of assurance received. The results of this exercise will focus the priorities for Q2-4		M	Compliance with CIPFA's Delivering Good Governance Framework / Local Government Application Note and the Public Sector Internal Audit Standards
Inspection Regimes; Site Inspections - Follow-up	In line with the Audit Charter a follow-up review will be carried out to ensure the overall 'fair' assurance opinion awarded in October 2020 has been raised to an acceptable level of assurance.	Feb-21	RB	Operational Risk
Building Maintenance - Follow up	In line with the Audit Charter a follow-up review will be carried out to ensure the overall 'fair' assurance opinion issued in January 2021 has been raised to an acceptable level of assurance.	Feb-21	RB	Operational Risk

IR35 - Follow-up	In line with the Audit Charter a follow-up review will be carried out to ensure the overall 'fair' assurance opinion awarded in January 2021 has been raised to an acceptable level of assurance.	Feb-21	RB	Operational Risk
Council resilience	Following the council declaring a major incident in 2020, a number of significant changes have been made to the council's working practices. Assurances are therefore required to ensure that the council and its services can operate effectively and that adequate and effective procedures are appropriately documented to ensure that the council can respond and recover appropriately. This piece of work will include a review of the council's ICT disaster recovery plan, the council's emergency response plan and individual service business continuity arrangements.	Feb-21	RB	Strategic / Operational Risks
Data Protection - Policy and Process Review	Internal Audit will carry out a thorough review of the council's processes and procedures ensuring compliance with the General Data Protection Regulations.	Feb-21	RB	Strategic / Operational Risks
NFI Covid-19 Grants Post Assurance Testing	Following business grant payments totalling in excess of £37 million the council has a mandatory obligation to the Cabinet Office to carry out post assurance work to identify any fraudulent payments.	Feb-21	M	N/A
Beach Management Scheme	Internal Audit will continue to be part of the project group in a business assurance role until the project is completed.	Feb-21	S	
Other Head of Governance Responsibilities	Management of Elections, Insurance, Democratic Services and Business Continuity and carrying out the role of the council's Data Protection Officer.	Feb-21	M	N/A
Future Priorities (Q2-4)				
Civica Pay	Following the delay of the 'go live' date, which has also impacted on the implementation of the Citizen Access Portal and the new council website, a risk register has now been populated and will be kept under continuous review by Internal Audit. A position statement was issued in February 2021 and further statements will be issued at the end of each quarter to update the Audit Committee on the progress being made.	Feb-21	KFS	

Citizen Access Portal	This project will be kept under continuous review by Internal Audit with the 'issues log' being monitored to ensure the project continues to be moved forward and risks are identified, documented and mitigated. A position statement was issued February 2021 and further position statements will be issued at the end of each quarter to update the Audit Committee on the progress being made.	Feb-21	RB	
Beach Management Scheme	Audit will continue to be involved on this project group in a business assurance role until the project is completed. Any key risks to the council or services will be identified, documented and appropriately mitigated.	Feb-21	S	
National Fraud Initiative (NFI) - Administration of annual Single Person Discount (SPD) Data Matching exercise	Internal Audit will collate and upload SPD data in order to comply with the requirements of the mandatory annual NFI data matching exercise.	Feb-21	M	
Key Financial System work	Given the requirement to keep such systems under cyclical review, a risk based assessment will be carried out following review of assurance statements and completion of operational risk workshops to identify which systems will needs to be reviewed.	Feb-21	KFS	
Election Accounts (post assurance)	Following the County Council and Police and Crime Commissioner Elections in May 2021, Internal Audit will complete a post assurance review of the elections accounts prior to the final financial return being completed.	Feb-21	RB	

KEY

R Referral

KFS Key Financial System

M Mandatory

RB Risk Based

S Support work

Note

This plan will be reviewed on a quarterly basis following examination of assurance mapping declarations, risk registers and received referrals.