

| Report of:   | Meeting         | Date         | Item no. |
|--|-----------------|--------------|----------|
| Corporate Director<br>Resources<br>(Section 151 Officer) | Audit Committee | 1 March 2022 |          |

## INTERNAL AUDIT STRATEGY AND AUDIT PLAN PRIORITIES 2022/23

### 1. Purpose of report

- 1.1 To review the Internal Audit Strategy and Audit Plan Priorities for the 2022/23 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 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 2022/23 Audit Plan Priorities. Both documents are attached.

- 4.4** To enable Internal Audit to be flexible and responsive to emerging risks across the organisation, quarterly audit planning instead of the production of an annual plan at the beginning of the year will continue during 2022/23. 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 2022). 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, collating the service assurance mapping statements and working with the Head of Finance to document Key Financial System control matrices for the council's key financial systems. The plan will be reviewed on a quarterly basis and audits will be added and removed according to risk.
- 4.5** The plan for 2022/23 will be completed solely in house with no external support. However, the ICT support framework managed by Lancashire County Council is still available should additional expertise be required in this area.
- 4.6** The overall planning for 2022/23 is based on an estimated available resource of 440 days, this being delivered by the two in-house auditors. Assurances sought from the service assurance mapping statements 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.

## **5. Key Issues and proposals**

- 5.1** The Internal Audit Strategy and Audit Plan Priorities for 2022/23 is attached at Appendices 1 and 2.

| <b>Financial and legal implications</b> |   |
|---|---|
| Finance                                 | The Audit Plan Priorities for 2022/23 are expected to be delivered within the timescales and previously agreed staffing budget. |
| 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.

| <b>risks/implications</b> | <b>✓ / x</b> |
|---------------------------|--------------|
| community safety          | x            |
| equality and diversity    | x            |
| sustainability            | x            |
| health and safety         | x            |

| <b>risks/implications</b> | <b>✓ / x</b> |
|---------------------------|--------------|
| asset management          | x            |
| climate change            | x            |
| ICT                       | 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.

| report author  | telephone no. | email                      | date       |
|----------------|---------------|----------------------------|------------|
| Karen McLellan | 01253 8873    | Karen.mclellan@wyre.gov.uk | 16/02/2022 |

| <b>List of background papers:</b> |      |                                |
|-----------------------------------|------|--------------------------------|
| name of document                  | date | where available for inspection |
| None                              |      |                                |

### **List of appendices**

Appendix 1 - Internal Audit Strategy

Appendix 2 - Audit Plan Priorities 2022/23

## **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, Monitoring Officer, 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.

| This plan will be reviewed on a quarterly basis following examination of the service assurance mapping declarations, risk registers and any referrals received. |  |                   |               |   |
|---|--|-------------------|---------------|---|
| <b>AUDIT PLAN PRIORITIES - 2022/23</b>  | <b>Detailed Rationale</b>  | <b>Date Added</b> | <b>Source</b> | <b>Links to Risk Registers / Corporate Plan / Service Plans</b> |
| <b><i>General / Meetings / Non-Chargeable</i></b>   |  |                   |               |   |
| Internal Audit Planning, Management and Audit committee work  |  |                   |               |   |
| Advice and assistance   |  |                   |               |   |
| <b><i>Quarter 1 Priorities (April - June 2022)</i></b>  |  |                   |               |   |
| Grace Risk Management - ongoing development and training  | Implementation of new Risk Management Software (GRACE). Facilitation of strategic and operational workshops and training of staff.   | Feb-22            | RB            | Governance and Business Support Service Plan                    |
| Key Financial System control matrices   | A suite of control matrices are to be developed containing the key controls all the council's financial systems. These matrices will be completed with the finance team to identify the key risks within these systems to identify the audit work required in these areas. | Feb-22            | KFS           | Mandatory   |
| NFI Covid-19 Grants Post Assurance Testing  | Following completion of the various grant schemes, data was uploaded to the NFI portal in January 2022, return matches are due March 2022. A review of these matches will be completed.  | Feb-22            | M             | N/A   |
| Beach Management Scheme - ongoing   | Internal Audit will continue to be part of the project group in a business assurance role until the project is completed.  | Feb-22            | S             | Business Plan project   |

|   |   |        |     |                               |
|---|---|--------|-----|-------------------------------|
| Project Neptune - ongoing   | Internal Audit to attend the fortnightly project meetings to assess the governance processes and discuss if a business assurance role required. Expected completion date end of May 2022.   | Jun-21 | S   | Strategic / Operational Risks |
| Business Health Matters Programme - rolled from 2021/22   | The Business Health Matters Project commenced in September 2021. ESF grant funding has been obtained by Active Lancashire, the accountable body, to enable each authority within Lancashire to deliver a range of workplace health initiatives to small / medium sized businesses within their area. A review of the governance arrangements for the programme being delivered by Wyre Council to be completed. | Sep-21 | R   | Service plans                 |
| Audit and Risk Manager - other responsibilities   | Overseeing the management of Insurance and Business Continuity.   | Feb-21 | S   | N/A                           |
| <b>Future Priorities (Q2-4)</b>   |   |        |     |                               |
| National Fraud Initiative (NFI) - Full data upload of all datasets plus the annual Single Persons Discount (SPD) upload | Q3 - Internal Audit will collate and upload the 2022/23 data for the full national exercise and annual SPD data in order to comply with the requirements of the mandatory annual NFI data matching exercise.  | Feb-22 | M   | Mandatory                     |
| Key Financial System control matrices   | Following completion of the risk matrices in Q1, any key risks arising from the completion of these matrices will be reviewed and audit work completed to introduce additional controls to mitigate these risks.  | Feb-22 | KFS | Mandatory                     |
| Preparation for the internal audit PSIAS peer review in March 2023  | The Public Sector Internal Audit Standards require an external assessment of the internal audit function to be completed every 5 years. The council's assessment is due to be completed in March 2023 and preparation for this review will be carried out.  | Feb-22 | M   | Mandatory                     |

|   |  |        |    |   |
|---|--|--------|----|---|
| Risk Management - New System  | On-going monitoring of the Risk Software (GRACE) and the facilitation of strategic and operational workshops.  | Feb-22 | RB | Governance and Business Support Service Plan  |
| Performance Management - development of new process   | Revision of the Performance Management procedures and processes and reporting of performance.  | Feb-22 | S  | Business Plan projects  |
| Grant schemes compliance audits   | The council have received various sources of grant funding during 2021/22 for different projects / schemes. Assurances are required that where the council is the accountable body, the terms and conditions of the grant funding are complied with i.e. Holiday scheme, Household support fund. | Feb-22 | RB | Service plans   |
| Follow-up work  | In line with the Audit Charter, a follow-up review will be carried out to ensure all audits receiving a 'Limited' or 'Minimal' assurance opinion have implemented the required actions in order to raise the assurance opinion to an acceptable level.   | Feb-22 | M  | Mandatory   |
| Assurance mapping exercise  | To assist with the development of the audit plan for 2023/24 and ensure resources are maximised, assurance mapping will be completed with each council service to identify where other sources of assurance are being received and expose areas where audit assurance may be required.           | Feb-22 | M  | Compliance with CIPFA's Delivering Good Governance Framework / Local Government Application Note and the Public Sector Internal Audit Standards |
| <b>R = Referral</b><br><b>KFS = Key Financial System</b><br><b>M = Mandatory</b><br><b>RB = Risk Based</b><br><b>S = Support work</b> |  |        |    |   |