

Report of:	Meeting	Date	Item no.
Corporate Director Resources (Section 151 Officer)	Audit Committee	28 February 2023	

INTERNAL AUDIT STRATEGY AND AUDIT PLAN PRIORITIES 2023/24

1. Purpose of report

- 1.1 To review the Internal Audit Strategy and Audit Plan Priorities for the 2023/24 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 2023/24 Audit Plan Priorities. Both documents are attached at Appendix 1 and 2.

- 4.4** To enable Internal Audit to be flexible and responsive to emerging risks across the organisation, quarterly audit planning will continue during 2023-24. The plan attached at Appendix 2 is split into three main sections, the first section details other work and responsibilities that lie with the Audit and Risk Team. The second section lists the audit work that will need to take priority in quarter one (April - June 2023). The third section documents potential forthcoming priorities for quarter's two to four (July 2023 – March 2024). The plan will be reviewed on a quarterly basis and audits will be added and removed according to risk. The Audit Committee will receive regular updates on how work is progressing and if any considerable changes need to be made to the original agreed plan.
- 4.5** Whilst the plan for 2023/24 up to and including July 2023 will be completed in-house, additional resources will need to be sourced to complete this plan owing to the planned phased retirement of the Audit and Risk Manager. The Audit Committee will be kept informed of any changes to the resources within the team.
- 4.6** The overall planning for 2023/24 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 and operational risk registers will allow confidence to be obtained that audit coverage is still sufficient to be able to deliver an overall opinion at year end.

5. Key Issues and proposals

- 5.1** The Internal Audit Strategy and Audit Plan Priorities for 2023/24 is attached at Appendix 1 and 2.

Financial and legal implications	
Finance	The Audit Plan Priorities for 2023/24 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.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
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.

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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 2023/24

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 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 Committee;
 - 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 – 2023/24

This plan will be reviewed on a quarterly basis following examination of the assurance mapping declarations, risk registers and any referrals received.				
AUDIT PLAN PRIORITIES 2023/24	Detailed Rationale	Date Added	Source	Links to Risk Registers / Corporate Plan / Service Plans
General / Meetings / Non-Chargeable				
Internal Audit Planning, Management and Audit committee work	Ongoing review of the audit plan, completion of reviews and completion of audit committee reports.	Jan-23	M	Mandatory
Advice and assistance		Jan-23	M	Mandatory
Audit & Risk Team - other responsibilities				
Preparation for the Internal Audit PSIAS peer review	The Public Sector Internal Audit Standards (PSIAS) require an external assessment of the internal audit function to be completed every 5 years. The council's review is due to be completed during June - July 2023.	Jan-23	M	Mandatory
Management of Insurance and Business Continuity	Management of the council's insurance portfolio, enquiries and claims. Review of Business Continuity Plans and testing.	Jan-23	S	N/A
Risk Management - ongoing development and training	Facilitation of strategic and operational risk workshops and ongoing monitoring of the GRACE risk management system. Amended audit plan if and when significant risks materialise.	Jan-23	RB	Strategic and Operational Risk Registers
National Fraud Initiative (NFI) - Annual Council Tax Single Persons Discount (SPD) and Electoral Register upload	Quarter 3 - Internal Audit will collate and upload the 2022/23 data for the SPD exercise in order to comply with the requirements of the mandatory annual NFI data matching exercise.	Jan-23	M	Mandatory
Insurance Renewal	Pre-tender support and post tender assurance.	Jan-23	RB	Operational Risk Registers
Quarter 1 - Work carried forward from 2022/23				

Grant schemes compliance audits	The council have received various pots of grant funding for a number of projects / schemes, including the government's levelling up agenda. Where the council is the accountable body, assurances are required that the terms and conditions of the grant funding are complied with e.g. the holiday scheme.	Jan-23	RB	Strategic Risk Registers
Building Maintenance framework	Review of the new re-active repairs / maintenance framework used by the Building Maintenance Team to review the ongoing compliance with the terms and conditions of the framework.	Jan-23	RB	Operational Risk Registers
Election Accounts	A post assurance review of the elections accounts completed for the County Council and Police and Crime Commissioners elections in May 2021 to identify any control weaknesses which require consideration when compiling the accounts for the forthcoming 2023 elections.	Jan-23	M	Mandatory / Operational Risk Registers
Beach Management Scheme	Internal Audit will continue to be part of the project group in a business assurance role until the project is completed in 2026.	Jan-23	S	Business Plan Project
Quarter 1 - Audit Plan Priorities 2023/24 (April - June 2023)				
UK Shared Prosperity Fund (UKSPF)	Review of the council's 3 year UKSPF Investment Plan and utilisation of the HM Government funding of £3.9m.	Jan-23	RB	Business Plan Project / Strategic Risk Registers
Climate Change (position statement)	Review of the council's climate change action plan and achievement of success measures.	Jan-23	RB	Business Plan Project / Strategic Risk Registers
Information Asset Registers	Comprehensive review of the council's Information asset registers.	Jan-23	RB	Strategic Risk Register
Marine Hall / Thornton Little Theatre	Utilisation of assets / on-going monitoring of the control processes following the work completed in quarter 3 of 2022/23.	Jan-23	RB	Business Plan Project / Strategic Risk Registers
Household Support Fund / CHIL (Cosy Homes in Lancashire)	Review of the use of funding received from the Government's Household Support Fund, which has been established to help residents on low incomes with the essentials over winter.	Jan-23	RB	Business Plan Project / Strategic Risk Registers
Quarter 2-4 (July 23 – March 24)				

Key Financial System control matrices (Revenues and Benefits)	A suite of control matrices are to be developed containing the key controls of all the revenues and benefits financial systems (Council Tax, Business Rates, Housing Benefits and Council Tax Support). These matrices will identify the key risks within these systems to identify the audit work required in these areas going forward.	Jan-23	KFS	Mandatory
Recruitment and Selection	Audit to include advertising, application and selection process, new starter on-boarding processes and salary packages.	Jan-23	RB	Business Plan Project / Strategic Risk Registers
Asset Management	Following a significant loss in staff an audit of the controls in place with the Estates and Building Maintenance Team is required. The review will covers the controls around asbestos, legionella, fire and asset inspection regimes.	Jan-23	RB	Operational Risk Registers
Hybrid Working Arrangements (Post Pandemic)	Audit to include Crown recording and manager monitoring arrangements.	Jan-23	RB	Operational Risk Registers
Election Accounts	Local Elections - May 2023. The audit to include a review of the changes following the Election Act 2022 and the council's use of new burdens funding.	Jan-23	M	Mandatory / Operational Risk Registers
Planning Service	A piece of work is required within the Planning Service to ensure sufficient controls are in place following a recent re-structure, a change in Head of Service and the loss of a number of key staff.	Jan-23	RB	Operational Risk Registers
Assurance mapping exercise	To assist with the development of the audit plan for 2024/25 and ensure resources are maximised, assurance mapping will be completed with each council service to identify other sources of assurance received.	Jan-23	M	Compliance with CIPFA's Delivering Good Governance Framework / Local Government Application Note and the Public Sector Internal Audit Standards
Disaster Recovery / Cyber Security	A review of the council's Disaster Recovery plan / Cyber Security control measures and testing of these.	Jan-23	RB	Strategic Risk Registers
Annual Follow-up Work (Q1-4)				
Data Protection and Information Security	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	Jan-23	M	Mandatory
Site Inspections		Jan-23	M	Mandatory

KFS - Payroll / Main Accounting	the assurance opinion to an acceptable level. Where the opinion remains the same a further follow up will be completed within 3 months. Should the opinion remain the same after a second follow up, a referral to the Audit committee will be made.	Jan-23	M	Mandatory
Ongoing Investigations / Actions				
CCTV - Fleetwood Market	A follow up review is required of the actions arising from a review by the Data Protection Officer of the Fleetwood Market CCTV system.	Jan-23	M	Mandatory
<p><u>Source Key:</u></p> <p>R = Referral KFS = Key Financial System M = Mandatory RB = Risk Based S = Support / Assurance work</p>				