

Report of:	Meeting	Date
Head of Finance (Section 151 Officer)	Audit Committee	12 March 2019

INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2019/20
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1. Purpose of report

- 1.1 To review the Internal Audit Strategy and annual Audit Plan for the 2019/20 financial year.

2. Outcomes

- 2.1 An approved Internal Audit Strategy that sets out how the Internal Audit Team will implement the Audit Plan 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 Annual Audit Plan attached at Appendices 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 was developed and approved by the Audit Committee in March 2018 and has been incorporated into the risk-based 2019/20 Audit Plan. Both documents are

attached.

- 4.4** Although the plan is specific, it is important to note that it is flexible and should any new risks materialise during the year and following the review of the strategic and operational risks during the year, consideration will be given to making changes to this plan. The Audit Committee will be informed of any changes.

5. Key Issues and proposals

- 5.1** The Internal Audit Strategy and Annual Audit Plan for the 2019/20 financial year is attached at Appendices 1 and 2.

Financial and legal implications	
Finance	Key financial system audits are reviewed on a rolling basis. Full system based audits are normally completed every two – three years.
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 - Annual Audit Plan 2019/20

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 annual 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 rolling 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.

Category of Audit	Total Days	Head of Governance	In House Days
General / Meetings / Training / Non-Chargeable			
Audit Committee (preparation of report / attendance at meetings)	20	15	5
North West Chief Internal Audit Group Meetings / CIPFA North West Regional Meetings	3	3	0
Corporate Meetings / Senior Leadership Team Meetings / Team Briefs	13	10	3
Annual / Quarterly planning of audit work	4	2	2
Training and development (courses / seminars)	4	2	2
Annual Governance Statement (preparation / monitoring)	5	5	0
General audit advice and liaison	20	5	15
Audit Contingencies			
Contingency for Investigations / Whistleblowing	20	10	10
IT Audits			
Disaster Recovery - review of new plans	3.5	0.5	3
Financial Systems Audits			
Assurance of segregation of duties and resources capacity	10.5	0.5	10
Audits Rolled from 18/19 Audit Plan (owing to Insurance work)			
Grant Management - identification of other grants where WBC are the accountable body	3.5	0.5	3
Street Cleansing - performance management	5.5	0.5	5
Cross Organisational Work			
Follow-up work and re-issue audit opinions - to include sample of AGS actions	22	2	20
GDPR compliance audit	28	3	25
Assurance mapping	4	1	3
Operational / Core Audit Work (driven from risk registers)			
Inspection regimes - site inspections (inc. car parks, parks and open spaces)	10.5	0.5	10
Inspection regimes - external contractors	10.5	0.5	10
Recovery policy and procedures	10.5	0.5	10
Fleetwood Ferry - governance framework	5.5	0.5	5
Marine Hall - on-going support	5.5	0.5	5
Civica Pay - (replace Paris Cash Receipting from 1 April 2019)	3.5	0.5	3
Planning - Local Authority education contributions	10.5	0.5	10

Category of Audit	Total Days	Head of Governance	In House Days
Waste Management - contract renewal	3.5	0.5	3
FOI / EIR - changes to legislation	3.5	0.5	3
Strategic Work (driven from Business Plan / Strategic risk registers)			
Beach Management Scheme - project assurance work	5.5	0.5	5
Wyre Community Lottery	5.5	0.5	5
Better Care Fund (rolled from 2018/19)	10.5	0.5	10
Recruitment and Selection (inc. induction)	5.5	0.5	5
<i>Citizens' Access Portal</i>	5.5	0.5	5
Other areas of work / project work			
Risk Management (facilitation of strategic and operational workshops) - to include BREXIT preparation	20	5	15
Training of new Insurance / Governance post	20	10	10
PSIAS review - preparation for next review on behalf of North West Group Auditors	2	2	0
Maintaining the gifts and hospitality register / promotion	1	1	0
Lancaster City Council (Chief Internal Auditor role)	50	50	0
Other Head of Governance Responsibilities (Inc. Data Protection Officer)	80	80	0
Review and re-fresh Governance risk assessments / lone working	3	3	0
Anti-Fraud & Corruption / Bribery Act (development / awareness and monitoring)	2	2	0
GRAND TOTAL	440	220	220

Note

This plan is influenced by information contained within the Council's Strategic and Operational Risk Registers, Business Plan, Internal Audit intelligence and the Council's Annual Governance Statement. Although a contract with Lancashire Audit Services is in place to provide up to a total of 50 audit days, at the time of drafting the audit plan the additional resource was not required. This is due to the implementation of assurance mapping which has allowed the audit plan to be streamlined and re-focused on areas where no assurances are currently provided. The audit plan will therefore be completed solely by the in-house audit team.