

| Report of | Meeting | Date |
|------------------------|----------------------|--------|
| Director of Governance | Governance Committee | 1.4.21 |

Internal Audit Plan 2021 - 2022

Purpose of report

1. This report explains the content of the Internal Audit work programme for the 2021-2022 financial year which has been determined following a detailed risk assessment and consultation exercise. The Internal Audit Plan is the vehicle by which audit workload is identified and prioritised.

The main purposes of the report are to:

- Remind members of the respective roles of managers and Internal Audit to maintain a sound system of governance and internal control within the Council;
- Provide details of the Internal Audit Plan for 2021-2022 and associated performance indicators;
- Seek the Committee's approval of the Audit Plan;
- Seek the Committee's approval of the Internal Audit Charter;
- Highlight to the Committee the reporting arrangements for 2021-22.

The report also contains details regarding the Internal Audit Annual Opinion for 2020 – 2021.

Recommendation(s)

2. That the Committee approve the 2021-2022 Internal Audit Plan and associated indicators.
3. That the Committee approve the Internal Audit Charter.

| Confidential report Please bold as appropriate | Yes | No |
|---|-----|----|
| | | |

Corporate priorities

4. This report relates to the following Strategic Objectives:

| | | | |
|--|--|---|---|
| Involving residents in improving their local area and equality of access for all | | A strong local economy | |
| Clean, safe and healthy homes and communities | | An ambitious council that does more to meet the needs of residents and the local area | x |

The Role of Management and Internal Audit

5. The responsibility for implementing a strong system of governance and internal control within the Council lies primarily with the Shared Senior Management Team. Directors and Service Leads need to ensure that they maintain effective control procedures not least because services and business systems are subject to on-going change.
6. Internal Audit is an independent appraisal function whose core objective is to evaluate and report on the adequacy of the Council's system of governance, risk management and internal control. In the main this is achieved through an annual programme of reviews, following a detailed risk assessment of audit need.

Audit Plan

7. The 2021-2022 Internal Audit Plan contains the programme of reviews for the next financial year and is shown at **Appendix A**. This has been constructed following an assessment of audit need by considering a range of factors, such as significant changes in staffing, systems and procedures, the length of time since an area was last audited and items in the Strategic Risk Register. There has also been extensive consultation within each service and by the Shared Senior Management Team which has taken an overview of audit requirements.
8. The following paragraphs summarise the individual areas that will be subject to audit coverage in 2021-2022.

Corporate

- Undertaking corporate and service level governance reviews in support of the Annual Governance Statement;
- Review and update of Anti-Fraud and Corruption Policies. Raising Officers' and Members' awareness of fraud by publishing regular fraud bulletins;
- Co-ordinating the Council's input to the National Fraud Initiative (NFI) which enables specific data on the Council's computer systems to be collated and matched with similar data from other councils / public bodies, in order to identify any potential irregularities.
- Supporting the work of the Programme Board.

Risk Based Reviews of the following systems

- Council tax
- Business rates
- Sundry debtors
- ICT reviews x 2 (reviews to be determined)
- Plant inventories / contract management
- Section 106 Agreements
- Community Infrastructure Levy
- Commercial and Assets
- Market Walk
- Primrose Garden

- Leisure Centres
- Safeguarding (including Prevent arrangements)
- Integrated Home Improvement Service
- Recruitment and selection
- Payroll
- Budget monitoring and reporting
- Journals / Bank reconciliations
- Creditors
- Treasury management
- Income collection

Compliance Reviews

- Performance Management / Data Quality
- General Data Protection Regulations
- Health and Safety
- Risk Management
- Contract Procedure Rules

Project Team Support

- Revenues and Benefits aligning of processes
- Tatton Extra Care Scheme

General Areas

This aspect of the Plan is to enable Internal Audit to:

- Follow-up management actions agreed in earlier audit reports;
- Respond to requests from Management for unplanned reviews
- Assist with the Lancashire wide Public Sector Internal Audit Standards peer reviews
- Complete any residual work from 2020/21
- Undertake the review of effectiveness of Internal Audit
- GRACE system administrator role
- Prepare reports for and attend the Governance Committee.

In addition to the above, the Internal Audit plan also contains time to support the additional work placed on the Authority as a result of COVID. This work will consist of providing post assurance on the Business Support grants and other payments. Internal Audit will also provide support in development of any new process to ensure effective controls are in place and operational.

Audit Days

9. The Internal Audit Plan for 2021-2022 is based on a resource of 489 audit days. This is the number of chargeable days available within the existing budget (after deducting annual leave and other non-chargeable time) and includes both in house and bought in resource.

Reporting to Governance Committee

10. Currently, the Governance Committee receive quarterly reports from Internal Audit showing progress against the Internal Audit Plan. It is proposed to move to reporting progress 3 times per annum as shown below:

| Date | Report |
|------------|--|
| September | First progress report covering work completed between April and August. |
| January | Second progress report covering work completed between September and December |
| May / June | Annual report, including all completed work for the year. (NB – for the year 20-21, due to COVID impacting upon the work of internal audit during 19-20, a report will be provided of the progress of key quarter one reviews at the meeting in May 2021) |

11. In addition to the above reporting regime, any Internal Audit Reports with a limited assurance rating will be issued to all members of the committee once the review has been finalised.

Internal Audit Performance Indicators

12. Following a review of the performance measures and targets maintained by Internal Audit, it is proposed that the following indicators listed below are reported to the Governance Committee and will be included in the progress reports for 2021/2022 onwards.

| Performance Indicator | Target |
|---|--------|
| % of Planned time used | 90% |
| % of Audit Plan completed | 90% |
| % satisfaction rating (assignment level) | 90% |
| % of agreed actions implemented by management | 90% |

Internal Audit Charter

13. From 1st April 2013, the CIPFA Code of Practice for Internal Audit in Local Government 2006 was replaced by new UK Public Sector Internal Audit Standards (PSIAS). The Attribute Standard of the PSIAS “*Purpose, Authority and responsibility*” specifically requires the production of an Internal Audit Charter and for it to be periodically reviewed. The Charter was last reviewed in April 2018 and so it is now appropriate for it to be reviewed to ensure it is fit for purpose and compliant with the PSIAS.

14. The reviewed Internal Audit Charter is included at **Appendix B**.

Internal Audit Annual Report and Opinion 20/21

15. The production of an annual report including an annual opinion on the adequacy and effectiveness of the organisation’s framework of internal control, governance and risk management is a requirement of the Public Sector Internal Audit Standards.
16. It has however been recognised by CIPFA that due to the significant impact of COVID on public services, that for the year 20-21, there is the potential to be a limitation of scope for the annual opinion. A limitation of scope arises where the Head of Internal Audit is unable to draw on sufficient assurance to issue a complete annual opinion. This should not be confused with an adverse opinion, which arises when sufficient work has been completed to enable the HIA to conclude that arrangements are not adequate and effective.
17. CIPFA have issued guidance aimed at authorities who may have a limitation of scope and this is attached at **Appendix C**. The guidance sets out the requirements for an annual opinion and actions which can be taken in order to try and address the limitation of scope. It also gives three potential scenarios in which a limitation of scope may apply as:
- The HIA has obtained insufficient assurance across each of the three aspects of the opinion: governance, risk management and internal control, and is therefore unable to issue an opinion
 - The HIA has obtained insufficient assurance across one of the three aspects of the opinion: governance, risk management and internal control. The limitation of scope will be restricted to that aspect only.
 - The HIA has obtained insufficient assurance across a significant subset of risk or area of operation that is material
18. As previously reported to members, the Internal Audit Team were re-deployed into the Community Hubs for a period of time which clearly impacted upon the delivery of the Internal Audit Plan for 20-21. We are however, using the actions highlighted in the guidance and using all other available sources of assurance in order to reduce the potential for a limitation of scope across the 3 aspects of the opinion.

Implications of report

11. This report has implications in the following areas and the relevant Directors’ comments are included:

| | | | |
|--|---|--|--|
| Finance | | Customer Services | |
| Human Resources | | Equality and Diversity | |
| Legal | | Integrated Impact Assessment required? | |
| No significant implications in this area | X | Policy and Communications | |

Chris Moister
Director of Governance

| Report Author | Ext | Date |
|----------------------|------------|-------------|
| Dawn Highton | | 16.3.21 |