

Audit Committee – 27th July 2020

Internal Audit Work Plan 2020/21

1. Summary of report

- 1.1 This report details the recommended Internal Audit Plan for 2020/21 for Audit Committee's consideration.

2. Recommendations

- 2.1 That Audit Committee consider the recommended Internal Audit Plan for 2020/21 and suggest any other areas for inclusion in the plan, particularly in light of the Covid-19 pandemic.

3. Background

- 3.1 The audits in the plan have been proposed on the basis of the Council's current Strategic and Directorate Risk Registers; the Walsall Proud Programme, which will continue to give rise to significant change in the organisation in 2020/21; any emerging legislation which will impact the Council in 2020/21; and the recent impacts of Covid-19.

4. Resource and Legal Consideration

- 4.1 The Accounts and Audit Regulations require councils to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices.

5. Citizen Impact

- 5.1 Internal audit work is intended to ensure that effective systems of internal control are in place. This protects the Council and its officers and provides an assurance to stakeholders and citizens regarding the security of the council's operations.

6. Performance and Risk Management issues

- 6.1 Part of internal audit's role is to provide assurance on the Council's performance and risk management arrangements. Internal audit's programme of work is risk assessed to ensure areas most at risk are examined as a priority.

7. Equality Implications

- 7.1 Internal audit has full regard to equalities both within the internal audit service and in the services / activities under review.

8. Consultation

- 8.1 The development of the annual work plan 2019/20 has included discussions with key members of senior management.

9. Background Papers

- 9.1 Audit plan; risk registers; Council, Cabinet and CMT papers



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Walsall Council

Draft Internal Audit Operational Plan 2020/21

June 2020

This report has been prepared on the basis of the limitations set out on page 9.

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Status of our reports

This report ("Report") was prepared by Mazars LLP at the request of Walsall Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Walsall Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix B of this report for further information about responsibilities, limitations and confidentiality.

1. Background

This document sets out the draft Internal Audit operational plan for Walsall Council for discussion and approval by the Audit Committee. The purpose of this plan is to identify the work required to achieve a reasonable level of assurance to be provided by Internal Audit in compliance with the Code of Practice for Internal Audit.

The fundamental role of Internal Audit is to provide senior management and the Audit Committee with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control, and to report major weaknesses together with recommendations for improvement. This role is fulfilled by carrying out appropriate audit work in accordance with an annual operational plan as approved by the Audit Committee.

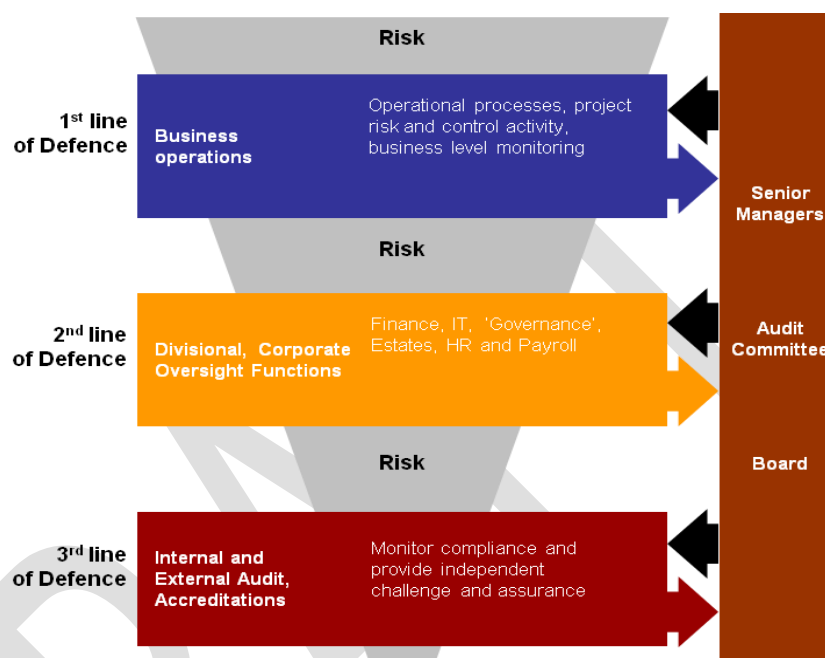
2. 2020/21 Audit Planning

As part of the audit planning for 2020/21, we have prepared a proposed plan of internal audit work for the period 1 April 2020 to 31 March 2021.

The Internal Audit Plan 2020/21 was developed based on:

- Discussions with Executive Directors and other Senior Management;
- Review of the risks and priorities contained in Walsall Council's Strategic, Covid-19 and directorate risk registers;
- Review of Walsall Council's key objectives, plans and frameworks; and
- Reference to previous audit and assurance work and the progress towards implementing recommendations.

At the time of drafting, discussions with key members of management had been completed and their suggestions included in the plan. However, while these suggestions may remain important following the Covid-19 pandemic, some aspects of service delivery and ways of working will have to be transformed and systems of internal control need to change along with these. We will adapt our approach to ensure that front line services are not impaired by our work, but we must continue to assure members and management that risks are being managed effectively. Our strategy is based upon a three lines of defence model of assurance. This is shown in the diagram below. Internal audit seeks to identify assurances provided through the first and second lines of defence, and selects the most appropriate method for obtaining assurance to support the Head of Internal opinion and the Council's governance requirements.



The Internal Audit Plan 2020/21 detailed in Appendix A particularly seeks to:

- Address areas of specific concern identified by management;
- Provide assurance over areas of high risk; and
- Provide independent assurance where high reliance is placed on specific controls by management in the first and second lines of defence.

The Internal Audit Plan will remain flexible during the current financial year to adapt, as required, to the changing needs of Walsall Council in light of Covid-19. Any proposed changes to the Internal Audit Plan, in year, will be presented to the Audit Committee/CMT for approval. Appendix A contains the proposed timings of the audits for 2020/21.

Internal Audit Plan 2020/21 Appendix A

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2019/20	Proposed Quarter 2019/20
Core Financial Systems	Main Accounting	Covering continuous auditing of the adequacy and effectiveness of controls including access control, journals, virements, etc	Key Financial Systems	Financial/ Operational	12	Q3
	Accounts Receivable	Covering continuous auditing of the adequacy and effectiveness of controls over the Accounts Receivable system.	Key Financial Systems	Financial/ Operational	12	Q3
	Accounts Payable	Covering continuous auditing of the adequacy and effectiveness of controls over the payment of creditor invoices.	Key Financial Systems	Financial/ Operational	12	Q3
	Budgetary Control	To cover of the strategic approach to co-ordinating budgetary control, monitoring and reporting, and also testing a sample of departments. CRSA to be applied.	Key Financial Systems	Financial/ Operational	10	Q4
	Council Tax	Covering of the adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	Key Financial Systems	Operational	8	Q4
	NNDR	Covering of the adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	Key Financial Systems	Operational / Business Change	8	Q4
	Housing Benefit & Local Council Tax Support	Covering of the adequacy and effectiveness of controls including new claims, size criteria, benefit caps, amendments, backdated benefits, payments and reconciliations. CRSA to be applied.	Key Financial Systems	Operational / Business Change	10	Q4
	Payroll and Pensions Administration	Covering of the adequacy and effectiveness of controls over starters, leavers, amendments, etc.	Key Financial Systems	Operational	12	Q4
Core Financial Systems Total					84	

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2019/20	Proposed Quarter 2019/20
Operational Risks	Resources and Transformation					
	HR – Grievance process	To cover controls in place in relation to HR procedures for responding to grievances in a timely manner	Covid-19 SRR6	Operational	10	Q2
	MTFS	Covering adequacy and effectiveness of controls in place for financial resilience and balancing the council budget, alongside impact of Covid-19.	SRR 7	Operational	10	Q3
	Growth Deal	Annual Audit	SRR 1	Regulatory	7	Q3
	Economy and Environment					
	Resilient Communities Implementation	Covering adequacy and effectiveness of the implementation of the new ways of working within Resilient Communities	Covid-19 SRR4	Operational/ Reputation/ Financial	10	Q2
	Capital Programme	Covering controls in place for management of large capital projects.	E&E 2	Operational/ Financial	10	Q3
	Community Safety Plan Follow Up	Follow Up	SRR3 Covid-19 SRR3		5	Q4
	Children's Services					
	Home to School Transport	Covering adequacy and effectiveness of controls in place over the newly implemented system.	SRR4 CS 2	Operational	10	Q2
	Troubled Families	Covering adequacy and effectiveness of controls in place over eligibility, payments and achievement of progress measures.	SRR4	Operational	12	Q2 & Q3
	Traded Services provided by Maintained Schools	Covering adequacy and effectiveness of controls in place over reporting requirements to ensure compliance with financial procedures	CS2	Operational	10	Q2
	Adult Social Care					
	Partnership Relationships	Covering adequacy and effectiveness of controls in place to manage market provision, safeguarding and Care Act Easement.	SRR3 & 4 Covid-19 SRR3 & 4	Operational	10	Q3
Operational Risks Total					94	

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2019/20	Proposed Quarter 2019/20
Strategic Risks	Commercialism	Review of the controls in place to implement the Council's Income & Commercial Policy and Investment Strategy	SRR7	Operational	10	Q3
	Procurement	Covering adequacy and effectiveness of the Council's corporate approach to procurement.	SRR 3 & 7	Operational/ Regulatory/ Financial	15	Q3
	Walsall Proud Programme	Covering adequacy and effectiveness of controls in place over transformation projects.	SRR 2 Covid-19 SRR2	Operational/ Business Change	30	Q2-Q4
	Review of Covid-19 Governance and Controls	Covering adequacy and effectiveness of governance arrangements and controls in place to manage Covid-19 impacts.	Covid-19 SRR7	Operational/ Business Change	7	Q2
	Payments to Suppliers	Review of the controls in place to support the Council's suppliers in line with PPN guidance issued.	Covid-19 SRR1 & 3	Operational/ Regulatory/ Financial	5	Q2
	One Source: Self Service	Review of the controls in place within the new self service application and management/staff compliance across the Council.	SRR7	Business Change	10	Q4
	Reset Support	Resources used for advice/input to support the development of Reset Plans	Covid-19 SRR6	Business Change	5	Q2/3
	To be used as necessary during and following Covid-19 pandemic.				10	
Strategic Risks Total					92	
Schools	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend		SRR 4 SRR 7 CS 3	Operational/ Financial	115	Q1-Q3
Schools Total					115	

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2019/20	Proposed Quarter 2019/20
ICT	The specific audits and scopes will be agreed with management.		SRR 2	Operational / Business Change	30	Q3-Q4
ICT Total					30	
	Governance and Risk Management	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities. Risk Management Workshops for staff and Members. Review of individual risks registers as agreed with management.	All	All	40	Q1-Q4
	Counter Fraud	Internal Audit will work with the Council in the development of fraud risk, attendance at Midlands Fraud Group meetings and carry out the role of key contact for the NFI and data match reviews	All	All	20	Q2-Q4
	Assurance Mapping	Mapping assurances against risks across the Council and identifying assurance gaps.	All	All	20	Q3-Q4
Governance, Fraud & Other Assurance Methods Total					80	
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.			25	
	Management, Advice and Planning	Including attendance at Audit Committee			70	
Other Total					95	
Plan Total					590	
	Ad Hoc/Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer.			70	
Total					660	

Key Contacts

Appendix B

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Statement of Responsibility

We take responsibility to Walsall Council for this report, which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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