

## **Audit Committee – 19 February 2018**

### **INTERNAL AUDIT PLAN 2018/19**

#### **Summary of report**

This report details the recommended Internal Audit Plan for 2018/19 for Audit Committee's approval. The total number of audit days has reduced by 81 days. The fact that this is the third year of our contract, and previous assurances in relation to core financial systems makes the reduction possible without reducing the level of assurance that can be placed on IA work by the Committee.

#### **Background papers**

Audit plan; risk registers; Council, Cabinet and CMT papers.

#### **Recommendation**

1. To approve the recommended Internal Audit Plan for 2018/19.

#### **Resource and legal considerations**

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.

#### **Governance issues**

The Audit Committee's activities include ensuring that an effective internal control environment is maintained and regular and ongoing scrutiny of internal audit work undertaken. This report supports the Audit Committee in exercising that role.

#### **Citizen impact**

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.

#### **Performance and risk management issues**

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.

## **Equality implications**

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

## **Consultation**

The development of the annual work plan 2018/19 has included discussions with key members of senior management, and the proposed plan was presented to the Corporate Management Team on 8<sup>th</sup> February.



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# Walsall Council

## Draft Internal Audit Operational Plan 2018/19

February 2018

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 5 of this report for further information about responsibilities, limitations and confidentiality.

## 1. Background

Following a competitive tender exercise, Mazars LLP were appointed as internal auditors to Walsall Council from the 1<sup>st</sup> April 2016.

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. 2018/19 Audit Planning

As part of the audit planning for 2018/19, we have prepared a proposed plan of internal audit work for the period 1 April 2018 to 31 March 2019.

The Internal Audit Plan 2018/19 was developed based on:

- Discussions with key members of management;
- Review of the risks and priorities contained in Walsall Council's Corporate 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.

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 2018/19 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. Any proposed changes to the Internal Audit Plan, in year, will be presented to the Audit Committee for approval. Appendix A contains the proposed timings of the audits for 2018/19.

## Internal Audit Plan 2018/19

## Appendix A

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2018/19	Proposed Quarter 2018/19
<b>Core Financial Systems</b>	Main Accounting	Covering continuous auditing of the adequacy and effectiveness of controls including access control, journals, virements, etc.	Key Financial Systems	Financial/Operational	13	Q1-Q4
	Treasury Management, Cash & Bank	Covering of the adequacy and effectiveness of controls over investments, loans, management information, etc. CRSA to be applied.	Key Financial Systems	Financial/Operational	10	Q4
	Accounts Receivable	Covering continuous auditing of the adequacy and effectiveness of controls over the Accounts Receivable system.	Key Financial Systems	Financial/Operational	13	Q1-Q4
	Accounts Payable	Covering continuous auditing of the adequacy and effectiveness of controls over the payment of creditor invoices.	Key Financial Systems	Financial/Operational	13	Q1-Q4
	Budgetary Control	To cover of the strategic approach to co-ordinating budgetary control, monitoring and reporting, and also testing a sample of departments.	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	9	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	9	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	13	Q4
	Payroll and Pensions Administration	Covering of the adequacy and effectiveness of controls over starters, leavers, amendments, etc.	Key Financial Systems	Operational	10	Q4
<b>Core Financial Systems Total</b>					<b>100</b>	

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2018/19	Proposed Quarter 2018/19
Operational Risks	<b>Resources and Transformation</b>					
	Workforce Planning	To cover controls over the revised Corporate Workforce Strategy, including the succession planning, recruitment and retention and links to the Transformation programme.	CRR1	Operational	13	Q3
	IR35	To cover the controls over the Council's compliance with 'Off-payroll working through an intermediary (IR35)' regulations, including Declarations of Interests and impact on rates.	CRR 3	Regulatory	7	Q1
	Money, Home, Job Emergency Payments	Covering controls in respect to expenditure and use of crisis funds.	-	Operational/ Financial	7	Q1
	Catering Contracts	To provide assurance and oversight of the new catering contracts and charging arrangements.	-	Operational/ Financial	5	Q1
	CRC Energy Efficiency Scheme	Annual audit and sign off.	-	Financial	10	Q2
	<b>Economy and Environment</b>					
	Lichfield Street Hub Project	To provide assurance regarding the effectiveness of project management governance and controls.	CRR 1 CRR 5	Operational/ Reputation/ Financial	10	Q4
	Saddler's Centre Management	Covering adequacy and effectiveness of the centre, including management and oversight, roles & responsibilities and centre operations.	CRR 8	Operational/ Reputation/ Financial	10	Q3
	Planning	Covering adequacy and effectiveness of controls in place over planning applications, in light of the 20% national fees uplift.	CRR 8	Operational/ Financial	9	Q1
	Licencing	Covering the controls in place to ensure compliance with the new licencing regulations and the adequacy and effectiveness of licencing applications.	CRR 3	Operational/ Regulatory/ Financial;	8	Q1
	<b>Children's Services</b>					
	Troubled Families	Covering adequacy and effectiveness of controls in place over eligibility, payments and achievement of progress measures.	CS 3 CS 8	Operational	10	Q2 & Q4
	LAC – Home to School Transport	Covering adequacy and effectiveness of controls in place over the new provider framework.	CS 3	Operational	10	Q2

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2018/19	Proposed Quarter 2018/19
	Schools Capital Programme	Covering adequacy and effectiveness of controls in place over the schools capital programme, including roles & responsibilities and joint working.	CRR 5	Operational/ Financial	14	Q3
	Transition to Education Health and Care Plans	To cover controls in place over the transition to education health & care plans, including Walsall's transition plan, EHC needs assessments, decision making and EHC plan approval.	CS 5 CS 9	Operational/ Regulatory	10	Q1
	Commissioning of Placements	Covering adequacy and effectiveness of controls in place over the commissioning of looked after children placements and SEND placements.	CS 2 CS 3 CS 8	Operational/ Reputational/ Financial	13	Q3
	Schools Governance	Providing assurance over the controls in place to ensure sufficient governance and control arrangements in schools.	CRR 1 CRR 3	Operational	8	Q1
<b>Adult Social Care</b>						
	Integrated Health & Social Care	To cover controls in place over the compliance with the policy framework for 2018/19 Better Care Fund, including future proofing of service provision and arrangements, governance, leadership and risk. Areas to be covered will be agreed with senior management.	CRR2 ASC 10	Operational/ Regulatory	15	Q3
	Residential and Nursing Care	To cover controls in place over expenditure and income received, and to ensure legal requirements are met and assets are safeguarded.	CRR 2 ASC 8	Operational/ Financial	15	Q2
	Transformation Programme	Covering adequacy and effectiveness of controls in place over transformation projects led by ASC, including demand management and Channel Shift.	ASC 11	Operational	17	Q3
<b>Operational Risks Total</b>					<b>191</b>	
<b>Strategic Risks</b>	Communications and Staff Engagement	Covering adequacy and effectiveness of controls in place in relation to communication and staff engagement.	CRR 1 CRR 3 CRR 5	Business Change	10	Q3
	Corporate Review of Agency Staff	Review the use of agency staff, processes for approval and needs analysis.	CRR 1 CRR 5	Operational/ Reputational/ Financial	12	Q1
	GDPR	To review the current controls and arrangements in place for ensuring compliance with the General Data Protection Regulations.	CRR 3	Operational/ Regulatory	10	Q4

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2018/19	Proposed Quarter 2018/19
	Partnerships – Localities Delivery Model	To cover the adequacy and effectiveness of controls in place in relation to the new localities delivery model.	CRR 7	Operational/ Business Change	10	Q3
	Follow up of Information Commissioners Office Recommendations relating to Subject Access Requests	To provide assurance that recommendations made following the ICO inspection have been addressed.	CRR 3	Regulatory	5	Q2
	Programme/Project Management	Programme/Project management assurance in respect of Transformation. A sample of projects in the programme will be selected.	CRR 1	Operational	20	Q2
	Procurement	Covering adequacy and effectiveness of the Council's corporate approach to procurement.	CRR 7	Operational/ Financial	13	Q4
	Performance Framework	To provide assurance that the performance measures set out in the Corporate Plan are being reported on in a timely and effective manner.	CRR 6	Operational	15	Q4
<b>Strategic Risks Total</b>					<b>95</b>	
<b>Schools</b>	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend.		CRR 4 CS 4	Operational/ Financial	120	Q1-Q3
<b>Schools Total</b>					<b>120</b>	
<b>ICT</b>	The specific audits and scopes will be agreed with management. Suggested audits include, Mosaic financials, Capita, Leisure centre CRM, Integrated HR/Finance System and Money, Home Job cloud based system.		CRR 6	Operational / Business Change	40	Q1-Q4
<b>ICT Total</b>					<b>40</b>	
<b>Governance, Fraud &amp; Other Assurance Methods</b>	Counter Fraud	Internal Audit will work with the Council in the development of fraud risk, the review of policies and procedures and the provision of fraud awareness training.	-	All	30	Q1-Q4
	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. Risk register reviews as agreed with management.	All	All	30	Q1-Q4

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2018/19	Proposed Quarter 2018/19
	Benefit/Savings Realisation	To provide assurance that processes are in place to measure such initiatives, including LED street lighting.	CRR 1	Operational/ Financial	15	Q1-Q4
<b>Governance, Fraud &amp; Other Assurance Methods Total</b>					<b>75</b>	
<b>Other</b>	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.			30	
	Management and Planning	Including attendance at Audit Committee.			75	
<b>Other Total</b>					<b>105</b>	
<b>Plan Total</b>					<b>726</b>	
	Ad Hoc/Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer.			70	
<b>Total</b>					<b>796</b>	

## 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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