

Walsall Council

Internal Audit Plan 2023/24

Draft

Prepared by: Mazars LLP

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Contents

- 1 Introduction
- 2 Internal Audit Operational Plan 2023/24
- 3 Internal Audit Charter 2023/24

Statement of Responsibility

Disclaimer

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.

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01

Section 01: **Introduction**



Introduction

Mazars LLP was re-appointed as internal auditors to Walsall Council from 1 July 2020. This annual Internal Audit Operational Plan (Plan) is in line with the Internal Audit Strategy and operational plan presented in our tender documentation.

The Strategy is used to direct Internal Audit resources to those aspects of the organisation that are assessed as generating the greatest risk to the achievement of its objectives. This is subject to review and update on at least an annual basis to ensure it meets the needs of the Council, including taking account of any areas of new and emerging risk within the Strategic Risk Register.

The purpose of this document is to provide the Audit Committee with the proposed 2023/24 Plan for consideration and approval.

In considering the document, the Audit Committee is asked to consider:

- whether the balance is right in terms of coverage and focus;
- whether we have captured key areas that would be expected; and
- whether there are any significant gaps.

Scope and Purpose of Internal Audit



IA's Role

Internal Audit provides independent and objective assurance to the organisation, its Members, the Chief Executive, the Corporate Management Team, and in particular the Chief Finance Officer to help him discharge his responsibilities relating to the proper administration of the Authority's financial affairs under S151 of the Local Government Act 1972.




IA Plan

Completion of the internal audits proposed in the 2023/24 Plan should be used to help inform the Council's Annual Governance Statement.



Objective

The Accounts and Audit Regulations 2015 specifically require the provision of an internal audit service. In accordance with UK Public Sector Internal Audit Standards (PSIAS), as produced by the Internal Audit Standards Advisory Board, Internal Audit provides independent assurance on the adequacy and effectiveness of the Authority's governance, risk management and internal control system. Internal auditing is 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. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.



Charter

The Internal Audit Charter sets out terms of reference and serves as a basis for the governance of the Council's Internal Audit function, establishing our purpose, authority, responsibility, independence and scope, in accordance with the Chartered Institute of Internal Auditor's (IIA) standards.





Preparing the Operational Plan for 2023/24

As part of our approach, it is important we consider the Council's corporate priorities, as well as the key strategic risks identified, as we seek to align our risk-based approach accordingly.

In preparing the plan we have undertaken the following:

- Discussions with Executive Directors and other senior management;
- Reviewed risks and priorities contained in Walsall Council's Strategic and directorate risk registers;
- Reviewed Walsall Council's key objectives, plans and frameworks;
- Referred to previous audit and assurance work and the progress towards implementing recommendations;
- Considered areas which are not necessarily high risk (such as core operational controls), but where the work of internal audit can provide a tangible input to assurance; and
- Considered the results of internal audit across our wider client base.

The proposed 2023/24 Plan is included in Section 02. This also includes a proposed high level scope for each review and which will be revisited as part of the detailed planning for each review.

Preparing the Operational Plan for 2023/24 (continued)

We have narrowed this list from a wider starting point, which will allow flexibility if there are changes required during the year. The plan seeks to prioritise against the key risks.

Prior to conducting each internal audit, we will undertake a more detailed planning meeting in order to discuss and agree the specific focus of each review.

Following the planning meeting, we will produce Terms of Reference, which we will agree with key representatives at the Council prior to commencement of the fieldwork.

The results of our work will be communicated via an exit meeting. A draft report will then be issued for review and management comments and in turn a final report issued. Progress against the plan will be reported to each Audit Committee and to the Corporate Management Team every 6 months.

Following completion of the planned assignments and the end of the Financial Year, we will summarise the results of our work within an Annual Report, providing an opinion on the Council's governance, risk management and internal control framework.



02

Section 02:

Internal Audit Operational Plan 2023/24

Internal Audit Operational Plan 2023/24

An overview of the Internal Audit Operational Plan 2023/24 is set out below:

Proposed Operational Plan for Approval						
Assurance Requirement	Audit Area	Scope	Risk Number	Risk Category	Planned Days 2023/24	Proposed Quarter 2023/24
Core Financial Systems	Main Accounting	Covering continuous auditing of the adequacy and effectiveness of controls including access control, journals, virements, etc	Key Financial System	Financial / Operational	10	Q3
	Accounts Payable	Covering continuous auditing of the adequacy and effectiveness of controls over the payment of creditor invoices.	Key Financial System	Financial / Operational	10	Q3
	Accounts Receivable	Covering continuous auditing of the adequacy and effectiveness of controls over the Accounts Receivable system.	Key Financial System	Financial / Operational	10	Q3
	Budgetary Control	To cover the strategic approach to co-ordinating budgetary control, monitoring and reporting, and also testing a sample of departments.	Key Financial System	Financial / Operational	10	Q4
	Council Tax	Covering the adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting.	Key Financial System	Operational	8	Q4
	NNDR	Covering the adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting.	Key Financial System	Operational / Business Change	8	Q4
	Housing Benefit and Local Council Tax Support	Covering the adequacy and effectiveness of controls including new claims, size criteria, benefit caps, amendments, backdated benefits, payments and reconciliations	Key Financial System	Operational / Business Change	10	Q3
	Payroll and Pensions Administration	Covering the adequacy and effectiveness of controls over starters, leavers, amendments, etc.	Key Financial System	Operational	10	Q4

Internal Audit Operational Plan 2023/24 (continued)

Proposed Operational Plan for Approval						
Assurance Requirement	Audit Area	Scope	Risk Number	Risk Category	Planned Days 2023/24	Proposed Quarter 2023/24
Operational Risks	Planning and Building Control	Covering adequacy and effectiveness of key controls over customer service processes, investment benefits and demand management	SRR1 EEC 12	Business Change	10	Q2
	Cultural Services	Covering adequacy and effectiveness of key controls over staffing, procurement and income generation.	SRR1 EEC 21	Operational / Financial	12	Q1
	Night Time Economy	Covering adequacy and effectiveness of key controls within licensing, community safety, regeneration and PROTECT	SRR1 and 6	Operational / Reputational	12	Q3
	Workforce Strategy	To cover controls over the revised Corporate Workforce Strategy, including succession planning, recruitment and retention.	SRR2	Operational	10	Q2
	One Source Self-service Compliance	Review of the controls in place within the self service application and staff compliance across the Council	SRR7	Business Change	10	Q3
	Supporting Families	Covering adequacy and effectiveness of controls in place over eligibility, payments and achievement of progress measures.	SRR4a	Operational	10	Q1-4
	Lighthouse Federation	Covering adequacy and effectiveness of controls in place over reporting requirements to ensure compliance with financial procedures.	SRR4a and 7	Operational / Financial	10	Q2
	Family Hubs	Resource allocated to understanding the Family Hub programme and carrying out the annual auditing process.	SRR4a	Business Change	10	Q1 & Q4
	Early Intervention	Covering adequacy and effectiveness of controls in place over “front door” and prevention services within Adult Social Care.	SRR4b	Operational	13	Q3

Internal Audit Operational Plan 2023/24 (continued)

Proposed Operational Plan for Approval						
Assurance Requirement	Audit Area	Scope	Risk Number	Risk Category	Planned Days 2023/24	Proposed Quarter 2023/24
Strategic Risks	Walsall Proud Programme	Covering adequacy and effectiveness of controls in place over transformation projects including WR4C	SRR2	Business Change	15	Q3
	Contract Management	Covering adequacy and effectiveness of the controls over the Council's corporate approach to contract management.	SRR3	Operational / Regulatory / Financial	15	Q2
	Development of Walsall Local Plan	Covering adequacy and effectiveness of the Council's controls in respect of the corporate approach to future planning policy following the end of the Black Country Plan 2039. To include Local Development Scheme timetable and decision making processes.	SRR1	Operational / Regulatory / Financial	15	Q4
	HR Transactional	Covering adequacy and effectiveness of the Council's corporate processes including HR (recruitment) and Finance	SRR7	Operational / Financial	10	Q3
	ASC Charging Policy – End to End Process	Covering adequacy and effectiveness of the end to end process including financial assessments, data quality and debt management.	SRR4b & 7	Operational / Financial	15	Q1
	Grant Sign-off work	Annual Sign Offs	SRR7	Financial	22	Q1 – Q4

Internal Audit Operational Plan 2023/24 (continued)

Other Considerations		Risk Number	Risk Category	Planned Days 2023/24	Proposed Quarter 2023/24
Schools	To provide the Chief Finance Officer with adequate assurance over standards of financial management and the regularity and probity of spend	SRR4	Operational / Financial	105	Q1-3
ICT	The Digital and Transformation risk register continues to show cyber security as a key risk. The last cyber security audit in April 22 assessed a range of essential cyber security controls, but omitted some that are still important. Furthermore migration of services into Azure creates new risks. We therefore propose to do a single audit of key security controls with a scope yet to be determined that will complement the audit work previously completed.	SRR8	Operational / Business Change	25	Q2-4
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	30	Q1-4
National Fraud Initiative	Internal Audit will work with the Council and carry out the role of key contact for the NFI and data match reviews	All	All	10	Q1-4
Management and Reporting Activities					
Follow Up	Follow-up of all High and Medium priority recommendations made in final reports issued.			20	
Management, Advice and Planning	Including attendance at Audit Committee			70	
Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer.			50	
Total				575	

03

Section 03:

Internal Audit Charter 2023/24

Internal Audit Charter

1. Introduction

The Internal Audit (IA) Charter is a formal document that defines Internal Audit's purpose, authority and responsibility in accordance with UK Public Sector Internal Audit Standards (PSIAS). The IA Charter establishes IA's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of IA's activities. The Charter will be reviewed and updated periodically by the Head of the Internal Audit Function and formally presented to the Audit Committee at least every year. IA acts in accordance with the Institute of Internal Audit (IIA) Code of Ethics, Standards and Guidelines.

2. Purpose

Walsall Council has developed a risk management framework which includes:

- Identification of the significant risks in the Authority's operations and allocation of a risk owner to each;
- An assessment of how well the significant risks are being managed; and
- Regular reviews by the Corporate Management Team of the significant risks, including reviews of key risk indicators, governance reports and action plans, and any changes to the Authority's risk profile.

A system of internal control is one of the primary means of managing risk and consequently the evaluation of its effectiveness is central to Internal Audit's responsibilities.

Walsall Council's system of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support the Authority's effective operation in the pursuit of its objectives. The risk management, control and governance processes enable the Authority to respond to significant business risks, be these of an operational, financial, compliance or other nature, and are the direct responsibility of the Chief Executive and Executive Directors.

The Authority needs assurance over the significant business risks set out in the risk management framework. In addition, there are many other stakeholders, both internal and external, requiring assurance on the management of risk and other aspects of the Authority's business - these including Members, regulators etc. There are also many assurance providers. The internal audit function is the third line of defence in the Council's 'three lines of defence approach' to risk and assurance. The first line of defence comprises the Council's core operational services, and the second line comprises the oversight functions such as risk management.

IA is defined by the IIA's International Professional Practices Framework (IPPF) as '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.'

In a local authority, IA provides independent and objective assurance to the organisation, its Members through the Audit Committee, the Chief Executive, the Corporate Management Team and in particular to the Chief Finance Officer to help him discharge his responsibilities relating to the proper administration of the Authority's financial affairs under S151 of the Local Government Act 1972.

The Accounts and Audit Regulations (2015) specifically require the provision of an IA service. In line with regulations, IA provides independent assurance on the adequacy and effectiveness of the Authority's governance, risk management and internal control systems.

IA carries out assurance and consulting activities across all aspects of Walsall Council's business, based on a programme agreed with the Audit Committee, and coordinates these activities via the assurance framework. In doing so, IA works closely with the Authority's risk owners, service line risk teams, and the Corporate Management Team. In addition to providing independent assurance to various stakeholders, IA helps identify areas where the Authority's existing processes and procedures can be developed to improve the extent with which risks in these areas are managed; and public money is safeguarded and used economically, efficiently and effectively. In carrying out its work, IA liaises closely with the Corporate Management Team and management in the service lines (including risk teams).

The independent assurance provided by IA also assists the Authority to report annually on the effectiveness of the system of internal control included in the Authority's Annual Governance Statement.

3. Authority and Access

IA has unrestricted right of access to all Authority records and information, both manual and computerised, cash, stores and other property or assets it considers necessary to fulfil its responsibilities. IA may enter Authority property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Right of access to other bodies funded by the Authority should be set out in the conditions of funding.

Any restriction (management or other) on the scope of IA's activities will be reported to the Audit Committee.

IA is accountable for the safekeeping and confidentiality of any information and assets acquired in the course of its duties and execution of its responsibilities.

IA will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, and which external audit would need to discharge their responsibilities.

Internal Audit Charter (continued)

4. Responsibilities

The Authority's Head of Internal Audit is required to provide an annual opinion to the Authority and to the Chief Finance Officer and the Chief Executive, through the Audit Committee, on the adequacy and the effectiveness of the Authority's risk management, control and governance processes. In order to achieve this, IA will:

- Coordinate assurance activities with other assurance providers (such as the service line quality and risk teams, the external auditors, the auditors of the Authority's Quality Management, Environmental Management and Information Security accreditations etc.) such that the assurance needs of the Authority, regulators and other stakeholders are met in the most effective way.
- Evaluate and assess the implications of new or changing systems, products, services, operations and control processes.
- Carry out assurance and consulting activities across all aspects of the Authority's business based on a risk-based plan agreed with the Audit Committee.
- Provide the Chief Finance Officer, Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of risk in the area being audited.
- Issue periodic reports as requested, to the Audit Committee, and the Corporate Management Team summarising results of assurance activities.
- Promote an anti-fraud, anti-bribery and anti-corruption culture within the Authority to aid the prevention and detection of fraud;
- Assist in the investigation of allegations of fraud, bribery and corruption within the Authority and notifying management and the Audit Committee of the results;
- Assess the adequacy of remedial action to address significant risk and control issues reported to the Audit Committee. Responsibility for remedial action in response to audit findings rests with line management.

There are inherent limitations in any system of internal control and thus errors or irregularities may occur and not be detected by IA's work. Unless specifically requested and agreed, IA will not perform substantive testing of underlying transactions.

When carrying out its work, IA will provide line management with comments and report breakdowns, failures or weaknesses of internal control systems together with recommendations for remedial action. However, IA cannot absolve line management of responsibility for internal controls.

IA will support line managers in determining measures to remedy deficiencies in risk management, control and governance processes and compliance to the Authority's policies and standards and will monitor whether such measures are implemented on a timely basis.

5. Independence

The Head of Internal Audit has free and unfettered access to the following:

- Chief Executive;
- Chief Finance Officer;
- Monitoring Officer;
- Chair of the Audit Committee; and
- Any other member of the Corporate Management Team.

The independence of the Head of Internal Audit is further safeguarded as his/her annual appraisal is not inappropriately influenced by those subject to IA.

IA may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit Committee. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for a period of at least 12 months.

6. Reporting

For each engagement, Internal Audit will issue a report to the appropriate Audit Sponsor and Chief Finance Officer or his nominee, and depending on the nature of the engagement and as agreed in the engagement's Terms of Reference, with a summary to the Audit Committee. CMT will also be provided with reports on request.

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The Internal Audit Charter is presented to the Audit Committee annually for formal approval.
- The annual risk-based plan is compiled by the Head of Internal Audit taking account of the Authority's risk management / assurance framework and after input from members of the Corporate Management Team. It is then presented to the Corporate Management Team annually for noting and comment, and Audit Committee for approval.
- The IA budget is reported to Cabinet and Full Council for approval annually as part of the overall Authority budget.
- The adequacy, or otherwise, of the level of IA resources (as determined by the Head of Internal Audit) and the independence of IA will be reported annually to the Audit Committee.

Internal Audit Charter (continued)

6. Reporting (continued)

- Performance against the annual risk-based plan and any significant risk exposures and breakdowns, failures or weaknesses of internal control systems arising from IA work are reported to the Corporate Management Team every six months, and Audit Committee on a quarterly basis.
- Any instances of non-conformance with the Public Sector Internal Audit Standards must be reported to the Corporate Management Team and the Audit Committee and will be included in the annual Head of Internal Audit report. If there is significant non-conformance, this may be included in the Authority's Annual Governance Statement.

7. Quality Assurance

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, on-going performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor. An external assessment was carried out in December 2019 which concluded that Mazars Risk Assurance Services conforms to the requirements of the International Professional Practices Framework for Internal Audit and the Public Sector Internal Audit Standards.

A programme of Continuous Professional Development CPD is maintained for all staff working on internal audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies to deliver the risk-based plan. Both the Head of Internal Audit and the Engagement Manager are required to hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

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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