

Walsall Council

# Internal Audit Plan 2021/22

Draft

Prepared by: Mazars LLP

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## 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.

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 on the final page of this report for further information about responsibilities, limitations and confidentiality.

# 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 3 year 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 an update of the Strategy and the proposed 2021/22 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 her discharge her 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 2021/22 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 Strategy Update and Operational Plan for 2021/22

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 Strategy update we have undertaken the following:

- Discussions with Executive Directors and other senior management;
- Reviewed risks and priorities contained in Walsall Council's Strategic, Covid-19 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 2021/22 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 Strategy Update and Operational Plan for 2021/22 (continued)

We have narrowed this list from a wider starting point, which will allow flexibility if there are changes required during the year; we have sought to prioritise against the key risks and for this reason, we can refer to the Strategy to discuss other potential internal audit areas for consideration within Section 02.

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 2021/22**



# Internal Audit Operational Plan 2021/22

An overview of the Internal Audit Operational Plan 2021/22 is set out below:

Proposed Operational Plan for Approval						
Assurance Requirement	Audit Area	Scope	Risk Number	Risk Category	Planned Days 2021/22	Proposed Quarter 2021/22
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
	Treasury Management	Covering of the adequacy and effectiveness of controls over investments, loans, management information, etc.	Key Financial System	Financial / Operational	8	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	8	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	12	Q4

# Internal Audit Operational Plan 2021/22 (continued)

Proposed Operational Plan for Approval						
Assurance Requirement	Audit Area	Scope	Risk Number	Risk Category	Planned Days 2021/22	Proposed Quarter 2021/22
Operational Risks	One Source: Hierarchy Controls	Management of the Integrated System	SRR2	Business Change	12	Q1
	Asset Management	Corporate Landlord: Asset Management Strategy, Asset Management System, Asset Register	SRR1	Operational	12	Q2
	Workforce Planning	To cover controls over the revised Corporate Workforce Strategy, including the succession planning, recruitment and retention and links to the WPP.	SRR2	Operational	10	Q3
	Regulation of Investigatory Powers Act 2000 (RIPA)	Covering adequacy and effectiveness of key controls over the use of RIPA.	SRR5	Operational/ Reputation/ Financial	8	Q1
	Growth Deal	Annual Audit	SRR1	Regulatory	8	Q3
	Mental Health and Learning Disabilities	Covering control over the service provided to vulnerable clients.	SRR4	Operational	10	Q2
	Governance Arrangements for Monitoring Public Health Outcomes	Review the arrangements in place for the governance, monitoring and reporting of Public Health outcomes		Operational	10	Q3
	Children's' Services / IFM Capital	Capital planning, procurement, project management and delivery etc for schools expansions and builds	SRR4	Operational / Financial	12	Q2
	Youth Justice	Covering control over the service provided to vulnerable clients.	SRR4	Operational	8	Q1
	Troubled Families	Covering adequacy and effectiveness of controls in place over eligibility, payments and achievement of progress measures.	SRR4	Operational	10	Q3

# Internal Audit Operational Plan 2021/22 (continued)

Proposed Operational Plan for Approval						
Assurance Requirement	Audit Area	Scope	Risk Number	Risk Category	Planned Days 2021/22	Proposed Quarter 2021/22
Strategic Risks	Walsall Proud Programme	Covering adequacy and effectiveness of controls in place over transformation projects.	SRR2	Operational / Business Change	30	Q2-4
	Information Governance	Covering controls over handling, storing and sharing data, reporting data breaches and management reporting.	SRR5	Operational	16	Q2
	Contract Management	Covering adequacy and effectiveness of the Council's corporate approach to contract management.	SRR3	Operational / Regulatory / Financial	15	Q1
	Commissioning Strategy	Relationships with the Community and Voluntary Sector	SRR3	Operational	15	Q4
	Covid-19 Controls	To be used as necessary during and following Covid-19 pandemic.	SRR5	Operational	10	Q1-4
	Business Continuity	Covering adequacy and effectiveness of the Council's arrangements for Business Continuity	SRR5	Operational	15	Q2



# Internal Audit Operational Plan 2021/22 (continued)

Other Considerations		Risk Number	Risk Category	Planned Days 2021/22	Proposed Quarter 2021/22
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	110	Q1-3
ICT	The specific audits and scopes will be agreed with management – to include Cyber Security.	SRR8	Operational / Business Change	30	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	40	Q1-4
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	15	Q1-4
Management and Reporting Activities					
Follow Up	Follow-up of all priority 1 and 2 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.			55	
<b>Total</b>				<b>625</b>	

# 03

Section 03:

**Updated Internal Audit Strategy 2021/22 – 2023/24**

# Updated Internal Audit Strategy 2021/22 – 2023/24

Our updated Internal Audit Strategy 2021/22 – 2023/24 is provided below and sets out our risk based considerations, followed by other considerations and finally our management and reporting activities.

Risk Based Considerations				
Strategic Risks	Previous Coverage	2021/22	2022/23	2023/24
1. Threats to the Economic Growth of Walsall are not identified and mitigated, together with opportunities for sustainable growth being missed.	<ul style="list-style-type: none"> <li>• Growth Deal</li> <li>• Capital Programme</li> <li>• Payments to Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Growth Deal</li> <li>• Asset Management</li> </ul>	✓	Follow up
2. The Proud Programme does not achieve the outcomes and benefits required to ensure that available resources are directed to deliver the greatest outcomes for the community.	<ul style="list-style-type: none"> <li>• Walsall Proud Programme</li> </ul>	<ul style="list-style-type: none"> <li>• One Source: Hierarchy controls</li> <li>• Workforce Planning</li> <li>• Walsall Proud Programme</li> </ul>	✓	✓
3. Partnership relationships with other sectors and our major suppliers fail to deliver on shared objectives and therefore outcomes for the community.	<ul style="list-style-type: none"> <li>• Community Safety Plan Follow Up</li> <li>• Partnership Relationships</li> <li>• Procurement</li> <li>• Payments to Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Commissioning Strategy</li> <li>• Contract Management</li> </ul>	✓	✓
4. The Council is unable to maintain statutory service standards to support the most vulnerable in society.	<ul style="list-style-type: none"> <li>• Home to School Transport</li> <li>• Troubled Families</li> <li>• Community Services Provided by Maintained Schools</li> <li>• Partnership Relationships</li> <li>• Schools</li> </ul>	<ul style="list-style-type: none"> <li>• Mental Health and Learning Disabilities</li> <li>• Children's Services / IFM Capital</li> <li>• Youth Justice</li> <li>• Troubled Families</li> </ul>	✓	✓



# Updated Internal Audit Strategy 2021/22 – 2023/24 (Continued)

Risk Based Considerations				
Strategic Risks	Previous Coverage	2021/22	2022/23	2023/24
5. External changes in political and / or legislative environment including ongoing impact of Covid-19.	• Review of Covid-19 Governance & Controls	<ul style="list-style-type: none"> <li>• RIPA</li> <li>• Information Governance</li> <li>• Covid -19 controls</li> <li>• Business Continuity</li> </ul>	✓	✓
6. There is a lack of community cohesion and resilience placing increased pressure on public sector resources.	• Resilient Communities Implementation	-	✓	Follow up
7. Failure to achieve the savings required or manage demand pressures to enable a balanced budget and Medium Term Financial Plan to be delivered.	<ul style="list-style-type: none"> <li>• MTFS</li> <li>• Commercialism</li> <li>• Procurement</li> <li>• One Source – Self Service</li> </ul>	<ul style="list-style-type: none"> <li>• Budgetary Control</li> <li>• Key Financial Systems</li> </ul>	✓	✓
8. Risk of Cyber Security Attacks	• Cyber Security (19/20)	• Cyber Security	Follow up	✓

# Updated Internal Audit Strategy 2021/22 – 2023/24 (Continued)

Other Considerations				
Auditable Area	Previous coverage	2021/22	2022/23	2023/24
Governance and Risk Management	✓	✓	✓	✓
Operational Risks	✓	✓	✓	✓
Core Financial Systems	✓	✓	✓	✓
Schools, including SFVS	✓	✓	✓	✓
Counter Fraud	✓	✓	✓	✓
IT	<ul style="list-style-type: none"> <li>• Covid Impact Lessons Learnt review</li> <li>• IT Operating model</li> </ul>	✓	✓	✓
Follow Up	✓	✓	✓	✓
Management and Control (including attendance at Audit Committee and Committee training)	✓	✓	✓	✓
Contingency				
<b>Total</b>		<b>625</b>	<b>TBC</b>	<b>TBC</b>

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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