

## **Audit Committee – 24 April 2017**

### **INTERNAL AUDIT PLAN 2017/18**

#### **Summary of report**

This report details the recommended Internal Audit Plan for 2017/18 for Audit Committee's approval. In line with the contract, the total number of audit days has reduced by 43 days. The fact that this is the second 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 2017/18.

#### **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 2017/18 has included discussions with key members of senior management.

A handwritten signature in black ink, appearing to be 'Narinder Sandher', written in a cursive style.

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# Walsall Council

## Internal Audit Operational Plan 2017/18

April 2017

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

# CONTENTS

## PAGE

<b>1. Background</b>	<b>1</b>
<b>2. 2017/18 Audit Planning</b>	<b>1</b>
<b>Appendix A - Internal Audit Plan 2017/18</b>	<b>3</b>
<b>Appendix B – Key Contacts</b>	<b>8</b>
<b>Statement of Responsibility</b>	<b>9</b>

### **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.

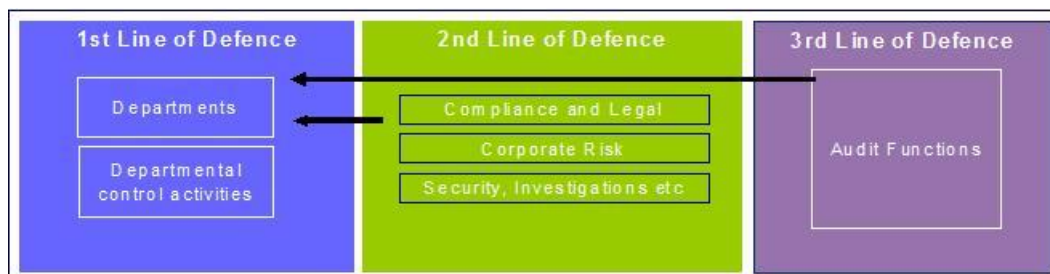
## 2. 2017/18 Audit Planning

As part of the audit planning for 2017/18, we have prepared a proposed plan of internal audit work for the period 1 April 2017 to 31 March 2018.

The Internal Audit Plan 2017/18 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 2017/18 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 2017/18.

## Internal Audit Plan 2017/18

## Appendix A

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2017/18	Proposed Quarter 2017/18
Core Financial Systems	Main Accounting	Covering adequacy and effectiveness of controls including access control, journals, virements, etc. CRSA to be applied.	Key Financial Systems	Financial/Operational	10	Q4
	Treasury Management, Cash & Bank	Covering 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 adequacy and effectiveness of controls over the Accounts Receivable system. CRSA to be applied.	Key Financial Systems	Financial/Operational	10	Q3
	Accounts Payable	Covering adequacy and effectiveness of controls over the payment of creditor invoices. CRSA to be applied.	Key Financial Systems	Financial/Operational	10	Q3
	Budgetary Control	To cover 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 adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	Key Financial Systems	Operational	10	Q4
	NNDR	Covering 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	10	Q4
	Housing Benefit & Local Council Tax Support	Covering 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	15	Q3
	Payroll and Pensions Administration	Covering adequacy and effectiveness of controls over starters, leavers, amendments, etc.	Key Financial Systems	Operational	10	Q3
	Asset Management	Assurance over the design and application of controls relating to areas such as asset management strategy, capital accounting.	Key Financial Systems	Operational	10	Q3
<b>Core Financial Systems Total</b>					<b>105</b>	

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2017/18	Proposed Quarter 2017/18
Operational Risks	<b>Change and Governance</b>					
	Declarations of Interest	Covering adequacy and effectiveness of controls over identifying, reporting and updating declarations of interest in accordance with the Council's Code of Conduct.	CRR 5	Operational	15	Q2
	Individual Performance Management and Development	Covering adequacy and effectiveness of key controls over professional training and development, including links from the Employee Performance Review and monitoring of outcomes. To include advice regarding the changes to the existing procedures.	CRR 1	Operational	15	Q3
	CRC Energy Efficiency Scheme	Annual audit and sign off	-	Financial	15	Q2
	<b>Economy and Environment</b>					
	Streamlining Services	To cover controls over delivering the proposals for the long term future of libraries	E&E 3	Operational/ Reputation	15	Q4
	Regulation of Investigatory Powers Act 2000 (RIPA)	Covering adequacy and effectiveness of key controls over the use of RIPA.	CRR 3	Operational/ Reputation/ Financial	5	Q2
	Local Growth Fund	Annual audit and sign off	-	Financial	5	Q2
	<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	15	Q2 & Q4
	Early Years	Covering controls to ensure arrangements are in place for the increase in 3-4 year old funding from September 2017.	CS 2	Operational	15	Q3
	Local Authority Designated Officer (LADO)	Covering controls to ensure allegations are investigated promptly and fairly, decision making is clearly recorded and comprehensive training is available to staff and partners regarding the role.	CS 6 CRR 4	Operational	5	Q1
	School Admissions Planning	Covering controls to ensure sufficient school places are available to meet the Borough's needs.	CRR 7	Operational/ Business Change	16	Q2



Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2017/18	Proposed Quarter 2017/18
	<b>Adult Social Care</b>					
	Domiciliary Care	To cover controls in place over expenditure and income received, and to ensure legal requirements are met and assets are safeguarded.	CRR 7 ASC 17 ASC 1	Operational	15	Q1
	Deprivation of Liberty Safeguarding	To cover controls in place over the processes in place for assessing DoL applications.	ASC 23	Operational/ Financial	15	Q3
	Health and Social Care Integration	Covering controls over areas impacted by social care partnership arrangements such as hospital discharges.	CRR 7 ASC 10	Operational	15	Q3
	Community Capacity Grant	Annual audit and sign off	-	Financial	5	Q2
<b>Operational Risks Total</b>					<b>171</b>	
<b>Strategic Risks</b>	Combined Authority	The specific audit and scope will be agreed with management	-	Business Change	15	Q4
	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 – focussing on issues identified in the 2016/17 audit	CRR 7	Operational/ Financial	20	Q1-Q4
	Partnership Arrangements	Review the arrangements in place for the governance, monitoring and reporting of Partnerships activities. A sample of Partnership arrangements will be selected	CRR 7	Operational/ Business Change	20	Q2
	Performance Management	Covering adequacy and effectiveness of the Council's strategic approach to performance management (including management information, target setting, reporting, roles and responsibilities)	CRR 1	Financial/ Operational	15	Q3
	Business Continuity and Emergency Planning	Covering adequacy and effectiveness of the Council's arrangements for Business Continuity	CRR 9	Operational	15	Q1
	General Data Protection Regulation	Covering controls over the preparations for the adoption of GDPR, including the 12 steps to take now guidance from the ICO	CRR 3	Regulatory	16	Q3

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2017/18	Proposed Quarter 2017/18
<b>Strategic Risks Total</b>					<b>121</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			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 a fraud risk register, the provision of fraud awareness training, pro-active fraud exercises and reactive investigations.		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.	All	All	30	Q4
	Continuous Auditing/Data Mining	Data analysis scripts will be written on which both identify anomalies as well as comparing the number of anomalies occurring on a period by period basis. Suggested areas of review are Payroll, Accounts Payable or Asset Management.		Operational/ Financial	20	Q1-Q4
	Benefit/Savings Realisation	To provide assurance that processes are in place to measure such initiatives.	CRR 1	Operational/ Financial	20	Q3
	CRSA	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities. To be utilised on a number of the core financials and will be issued prior to fieldwork and used to scope the audit.		All	20	Q3-Q4
<b>Governance, Fraud &amp; Other Assurance Methods Total</b>					<b>120</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			80	
	Advisory	Resources used for advice such as project boards			20	
<b>Other Total</b>					<b>130</b>	
<b>Plan Total</b>					<b>807</b>	

Walsall Council

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2017/18	Proposed Quarter 2017/18
	Ad Hoc/Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer.			70	
<b>Total</b>					<b>877</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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