

Audit Committee – 14 January 2019

INTERNAL AUDIT DRAFT WORK PLAN 2019/20

Summary of report

This report details the recommended Internal Audit (ia) Plan for 2019/20 for Audit Committee's consideration. The total number of audit days has reduced slightly when compared to the 2018/19 plan. The fact that this is the fourth 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. 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 give rise to significant change in the organisation in 2019/20, and any emerging legislation which will impact the council in 2019/20.

Background papers

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

Recommendation

Audit Committee are requested to consider the recommended Internal Audit Plan for 2019/20 and suggest any other areas for inclusion in the plan.

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 2019/20 has not yet included discussions with key members of senior management, and this is scheduled for the first three weeks in January, as such may be subject to some changes.

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Vicky Buckley – Head of Finance

3 January 2019

Walsall Council

Draft Internal Audit Operational Plan 2019/20

December 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 1st 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.

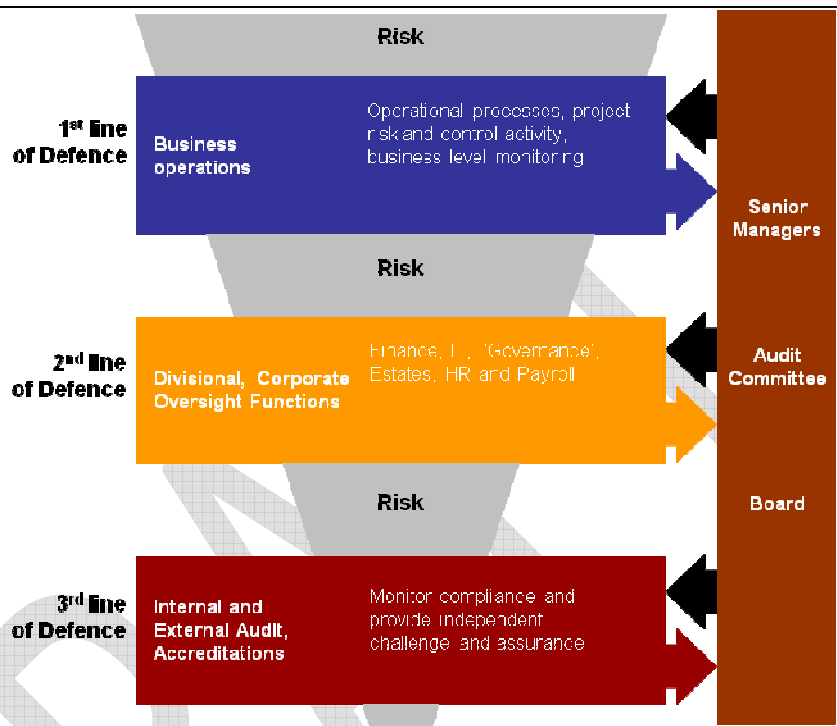
2. 2019/20 Audit Planning

As part of the audit planning for 2019/20, we have prepared a proposed plan of internal audit work for the period 1 April 2019 to 31 March 2020.

The Internal Audit Plan 2019/20 was developed based on:

- Review of the risks and priorities contained in Walsall Council's Strategic 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 are not yet completed, but their views will be included in the final version of the plan. 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 2019/20 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 2019/20.

Internal Audit Plan 2019/20 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. CRSA to be applied.	Key Financial Systems	Financial/Operational	14	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. CRSA to be applied.	Key Financial Systems	Financial/Operational	14	Q1-Q4
	Accounts Payable	Covering continuous auditing of the adequacy and effectiveness of controls over the payment of creditor invoices. CRSA to be applied.	Key Financial Systems	Financial/Operational	14	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	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	12	Q4
	Payroll and Pensions Administration	Covering of the adequacy and effectiveness of controls over starters, leavers, amendments, etc.	Key Financial Systems	Operational	10	Q4
Core Financial Systems Total					100	

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2019/20	Proposed Quarter 2019/20
Operational Risks	Resources and Transformation					
	Homelessness	To cover controls in place in relation to Homelessness including the Homelessness Reduction Act 2017 and Homelessness Prevention Strategy.	SRR4	Operational	15	Q1
	Community Safety	Covering adequacy and effectiveness of controls over community safety.	SRR 6	Operational	7	Q2
	Apprenticeships	Covering controls in place over compliance with the scheme requirements, maximisation of take up and integration into organisation	R&T 1	Operational	10	Q1
	CRC Energy Efficiency Scheme	Annual audit and sign off.	-	Regulatory/ Financial	10	Q2
	Economy and Environment					
	Health & Safety (Depot)	Covering adequacy and effectiveness of controls in place over health & safety and compliance with legislation and standards.	E&E 7	Operational/ Reputation/ Financial	10	Q2
	Growth Deal	Annual Audit	SRR 1	Regulatory	7	Q2
	Children's Services					
	Children's Social Care Caseload	Covering adequacy and effectiveness of controls in place to manage caseloads and associated recruitment needs.	SRR4 CS 1	Operational	12	Q2
	National Funding Formula	Covering the controls in place to comply with the revised National Funding Formula conditions, including subsidising funding for 'high needs block' from 'schools block'	SRR4	Operational	10	Q2
	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	15	Q3
	Adult Social Care					
	Adult's Social Care Caseload	Covering adequacy and effectiveness of controls in place to manage caseloads and associated recruitment needs.	SRR4 ASC 20	Operational	15	Q3

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2019/20	Proposed Quarter 2019/20
		Remaining Days to be allocated following discussions with Senior Management			49	
Operational Risks Total					160	
Strategic Risks	Governance Role of Overview & Scrutiny Committees	Review of the scrutiny function in its governance role, in light of the 2017 DCLG recommendations.	All	Operational	10	Q3
	VAT – Making Tax Digital	To confirm the Council's systems and processes are MTD compliant.	SRR 5	Operational/ Regulatory/ Financial	15	Q1
	Supplier Resilience	To review the current controls and arrangements in place for due diligence and approval of supplier set up, monitoring of supplier resilience and contract monitoring.	SRR 3 R&T 7 CS 9	Corporate/ Operational/ Financial	15	Q2
	Transformation Programme	Covering adequacy and effectiveness of controls in place over transformation projects.	SRR 2	Operational/ Business Change	40	Q1-Q4
	Procurement	Covering adequacy and effectiveness of the Council's corporate approach to procurement.	R&T 7	Operational/ Financial	15	Q4
Strategic Risks Total					95	
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	120	Q1-Q3
Schools Total					120	
ICT	The specific audits and scopes will be agreed with management.		SRR 2	Operational / Business Change	40	Q1-Q4
ICT Total					40	
Governance, Fraud & Other Assurance Methods	Counter Fraud	Internal Audit will work with the Council in the development of fraud risk, the provision of fraud awareness training, pro-active fraud exercises and reactive investigations.	-	All	30	Q1-Q4

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2019/20	Proposed Quarter 2019/20
	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-Q4
	Assurance Mapping	Mapping assurances against risks across the Council and identifying assurance gaps.	All	All	20	Q1-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.			30	
	Management and Planning	Including attendance at Audit Committee			70	
Other Total					100	
Plan Total					695	
	Ad Hoc/Contingency	Contingency allocation to be utilised upon agreement of the Chief Finance Officer.			50	
Total					745	

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.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. 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 reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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