

West Northamptonshire Council

2022-23

Draft Internal Audit Plan



Audit and Risk Management

March 2022

1. Introduction

- 1.1. The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.
- 1.2. The ongoing impact from Covid19 and transitioning of Council Services mean the 22-23 Plan will remain flexible to incorporate emerging issues during the year, whilst delivering the IA professional requirements.
- 1.3. The role of internal audit is that of 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'.
- 1.4. Specifically, within a local government context, the Accounts and Audit Regulations (2015) sets out that:
A relevant authority must ensure that it has a sound system of internal control which:
 - a) *facilitates the effective exercise of its functions and the achievement of its aims and objectives;*
 - b) *ensures that the financial and operational management of the authority is effective; and*
 - c) *includes effective arrangements for the management of risk.*And that:
A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
A relevant authority must, each financial year:
 - a) *conduct a review of the effectiveness of the system of internal control required by regulation 3; and*
 - b) *prepare an annual governance statement*
- 1.5. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.
- 1.6. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

- 1.7. The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business, activities, systems or processes under review that:
 - the framework of internal control, risk management and governance is appropriate and operating effectively; and
 - risk to the achievement of the Council's objectives is identified, assessed and managed to a defined acceptable level.
- 1.8. The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure the most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.
- 1.9. Internal Audit focus should be proportionate and appropriately aligned with corporate risks. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant stakeholder(s), to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through Internal Audit's continued contact and liaison with those responsible for the governance of the Council.

2. Internal Audit Resource

- 2.1. The WNC Chief Internal Auditor performs the role of the Chief Audit Executive as defined in the PSIAS and he/she ensures that internal audit resources are appropriate, sufficient and effectively deployed to achieve the Internal Audit Plan.
- 2.2. The shared service partners (Milton Keynes, West Northants, North Northants and Cambridgeshire County Council) agreed to dissolve the shared service on 31st March 2022.
- 2.3. The audit team comprises of individuals with a wide range of experience and skills, but the dissolution of the Shared Service will mean a need to develop areas of expertise that were previously delivered as part of the shared service resource, e.g. IT Audit, contracts management.
- 2.4. The amount of work that can be completed under the Audit Plan is determined by the level of resource available to the team; currently it is expected that the 2022/23 internal audit plan of 1129 days will be delivered by three principal Auditors, three senior auditors, a part time auditor and a graduate trainee.
- 2.5. It is assumed that the audit team will deliver a service at a minimum of 90% productivity after allowing for leave etc. The proposed Audit Plan has been designed to ensure that resources are utilised on those areas of highest risk and provides for approximately 1129 annual audit days and the resource is appropriate to meet professional standards.

3. Conformance with Internal Audit Standards

3.1. The Public Sector Internal Audit Standards (PSIAS) issued in April 2017 defines the service and professional standards for public sector internal audit services. These include the need for risk-based audit plans to be developed and to receive input from management and the 'Board' (usually discharged by a Council's Audit Committee) on those plans. For West Northamptonshire Council, the Board functions would be discharged through both the Senior Management Team and the Council's Audit and Governance Committee.

3.2. Key, specific PSIAS provisions include:

PSIAS : 2010 - *"The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."*

PSIAS : 2450 – *"The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control."*

3.3. The Internal Audit service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services

- to have an external quality assessment every five years
- To operate with an Audit Charter that is reviewed and approved annually

3.4. In 2017 the Service commissioned Tilia Solutions to complete an external quality assessment of the LGSS Internal Audit Service against the PSIAS, Local Government Application Note and the International Professional Practices Framework. This external assessment identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. There were some specific areas where recommendations have been made for improvement and these have been actioned or are being addressed on an on-going basis.

3.5. In accordance with PSIAS, a further self-assessment was to be completed in 2021, to provide on-going assurance that the Internal Audit Service continues to comply with all aspects of the IPPF, PSIAS and LGAN. The planned 2021 external assessment was deferred in the light of the decision to close the shared service. With the new target of closure being 31st March 2022 it is considered sensible to undertake the required external assessment in summer 2022 within each individual Council after closure of the shared service.

3.6. Internal Audit Standards also require that any potential conflicts of interest that may impair the objectivity or independence of the team are disclosed. We are not aware of any relationships that may impair the objectivity or independence of the team.

4. Developing the Plan

- 4.1. The Public Sector Internal Audit Standards (PSIAS) issued in April 2017 requires a risk-based audit plan to be developed and to receive input from management and the 'Board' (usually discharged by a Council's Audit Committee) on those plans.
- 4.2. The Audit Plan must also consider the relevant Risk Register information and the Council's current Executive Risk Register data is set out at Section 9 below.
- 4.3. The Council has a clear framework and approach to risk management. The Strategic and Director risks assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation's assurance needs and contributes to the achievement of their objectives. We will monitor the Strategic and Director Risk registers closely over the course of the year to ensure our plan remains agile and reacts to the rapidly changing landscape.
- 4.4. We have used various sources of information and discussed priorities for internal audit with members the Executive Leadership Team and continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained. Sources reviewed include:
 - Executive Risk Register
 - Directorate Risk Registers
 - Corporate Strategies and Committee Minutes
 - Previous Internal Audit work
- 4.5. Based on these conversations with key stakeholders, our Audit Universe, review of key corporate documents and risk registers, and our understanding of the organisation we have developed an annual audit plan for the coming year. The Council is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation
- 4.6. The professional requirements placed on Internal Audit do not change due to the current covid 19 pressures. These are reflected through the Council's risk environment to inform the work of IA during 2022/23, though of course the issues may be significant individually in their own right.

5. Control Assessment Methodology

- 5.1. The Chief Internal Auditor's overall annual opinion on the control environment will be based on the Control Assessment methodology used to form the required Audit Opinion for each audit assignment included in the plan. In summary it has three key elements:
 - Assess and test the CONTROL ENVIRONMENT,
 - Test COMPLIANCE with those control systems, and
 - Assess the ORGANISATIONAL IMPACT of the area being audited.
- 5.2. In simple terms, to achieve the above every audit:

- Identifies / documents the agreed objectives of the audited system / service purpose
 - Evaluates the control systems / governance arrangements to ensure they:
 - align to the delivery of the service purpose
 - measure performance effectively
 - mitigate the threats to achieving the service purpose
 - Tests the adequacy of operation of controls to achieve the agreed objectives / service purpose.
- 5.3. Audit findings are reported to the relevant Manager / Service area and the Executive Director of Finance. Periodic summary reports will be issued to the Management Team and Audit Committee.
- 5.4. An Annual Audit Opinion is then constructed based upon the years' work and formally reported as appropriate.

6. Shared Services

- 6.1. Services provided under any shared service arrangements should be audited under a joint audit approach. The most obvious example of this will be ERP across the MKC, NW, NN and CCC, where the audit of the system and associated processes will be undertaken once and shared across the audit clients.
- 6.2. However, with the decision to dissolve the Shared Service on 31 March 2022, it is assumed that the WNC 2022/23 Plan will be delivered by WNC resources with no contribution from other Partner Councils.

7. Follow Up of Reports and Actions

- 7.1. A key element of any audit regime is to undertake follow up work. Follow ups are an important step that provides assurance to management that the agreed actions have been completed and thus the control environment has been improved as agreed.
- 7.2. A proportionate approach is applied rather than a repeat of the audit. The depth of a follow up is determined by the nature of the original report to both provide sufficient assurance to management and to manage an efficient audit service.

8. The 2022/23 Internal Audit Plan

- 8.1. The 2022/23 Audit plan is likely to continue the trend in 2021/22 of being very dynamic, due to the unique challenges arising from the pressures of managing the on-going impact of Covid 19 emergency crisis, the crystallization of Brexit conditions on UK and the continued changes related to work to consolidate Services within the new Council.

- 8.2. The plan is underpinned by a consultation exercise and submitted to the Audit Committee for approval. Any plan must be flexible to enable assurance over current risk areas, as well as emerging risks, and those risks which are yet to be identified.
- 8.3. The plan set out below is therefore indicative / flexible as it:
- Identifies the known knowns to be audited e.g. governance and financial systems. *(20-30% of expected work, mostly key financials)*
 - Takes account of the known unknowns i.e. those new or emerging issues within an organisation
 - Can be flexible for the unknown unknowns that may arise during the year.
- 8.4. The Audit Plan reflects the wider public and private sector issues, recognising that the environment within which WNC (owners and customers) operate, has changed considerably over the past few years. The planned audit coverage is intended to ensure stakeholders receive a valuable assurance and that the audit service tangibly adds value to the organisation. The Plan is set at 1129 days and **ANNEX A- Page 9** provides brief scope for each Audit.

Table1 – Summary of Audit Plan areas for 2022/23

Assurance Block	Directorate	Audit Days
Key Financial Audits		130
Core Revenue Systems		80
Service Area	Finance	100
Service Area	Corporate	105
Service Area	People	130
Service Area	Place, Economy, Environment	95
Service Area	Children Services	80
Prior year Audits		100
Follow up work		45
Grants Verification		80
Counter Fraud work		50
Audit Management & Reporting		100
Contingency		34
Total		1129

- 8.7 The Audit Plan is more than ever dynamic and designed to be flexible if new risks emerge, as illustrated by the C19 issues. Progress against the plan is monitored throughout the year and key issues reported to Executive Leadership Team and the Audit and Governance Committee regularly. This will include any requests for additional work, which are always welcomed, and any Audits that are removed from the Plan to make way for additional work.
- 8.8 **Core Annual Assurance** - The Plan incorporates annual assurances over core elements of the Council's overall control system, these reviews provide assurance around the framework that ensures that policies and procedures are up to date; fit for purpose; effectively communicated and routinely complied with across the Council.

- 8.9 **Compliance** – The Plan includes compliance work that is fundamental as it provides assurance across all Directorates and therefore supports the Head of Internal Audit opinion on the control environment.
- 8.10 **Project and Contract Management** – The Council delivers a lot of projects and has a wide range of significant contracts. It is important that there is audit coverage in these areas to provide assurance that a specific project is being effectively managed, or that a contract has sufficient oversight to ensure that contract terms are complied with.

9 Plan Summary and Risk Register

- 9.1 In summary, the Internal Audit Plan maintains a focus on risk based and compliance audits as well as providing assurance over key financial systems to ensure the continued operation of key controls within the Council’s governance arrangements, systems and processes.
- 9.2 In addition, the Plan has been designed to focus on key risk areas and areas that are of specific concern to management. Table 2 below shows the strategic risks that were considered.
- 9.3 The Plan is intended to remain flexible throughout the year and where necessary audits can be swapped out of the Plan to reflect new and emerging issues.

NB Whilst C19 does not appear as a specific risk below, it was managed as a specific emergency response in line with best practice. The risks set out below documented C19 risks within each area as appropriate.

Table 2 -Strategic Risks and risk scores as at October 2021

Ref.	Risk	Risk Manager	Current risk score	Target risk Score
E01	Financial Resilience & Sustainability	Executive Director of Finance	12	
E02	Statutory functions	Deputy Chief Executive and Executive Director for Adults, Communities and Wellbeing	12	
E03	Children’s Trust	CEO - NCT	12	
E04	Workforce Capacity and skills.	Executive Director, Corporate	9	
E05	West Strategic Plan	Assistant Director, Economic Growth and Regeneration	12	



E06	Economic Recovery	Assistant Director, Economic Growth and Regeneration	16	
E07	Strategic Community Partners	Assistant Director, Housing and Communities	9	
E08	Critical Incidents	Executive Director, Corporate	12	
E09	Health & Safety	Assistant Director, HR	9	
E10	Information Security	Chief Information Officer	15	
E11	Local Government Reorganisation closure	Transformation Director	9	
E12	Corporate Governance	Director of Legal and Democratic.	6	

ANNEX A

2022-23 Draft Internal Audit Plan

Audit	Corp Risk Link	Indicative Timing/status		Scope / Coverage
Key Financial Systems: 130 Days				
Providing assurance that the Council has made arrangements for the proper administration of its financial affairs, these system audits focus on the systems with the highest financial risk. These reviews give an opinion as to the effectiveness of financial management procedures and arrangements to ensure the integrity of the account				
General ledger/Main Accounting	E01	Q4 - Feb		Review of controls over management and recording of key financial transactions and key account reconciliations processes.
Accounts Payable	E01	Q3 - Dec		To provide management with assurance on controls over purchase to pay process.
Accounts Receivable/Debtors	E01	Q3 - Dec		Review of controls over collection of sundry income to ensure income is maximised
Bank Reconciliations	E01	Q4 - Dec		Review of robustness of arrangements for ensuring timely and appropriate reconciliations
Treasury Management & Chaps/BACs payments	E01	Q4 - Jan		Controls over investments and borrowing to ensure adherence to approved prudential code
VAT	E01	Q3 - Jan		To provide assurance on process for ensuring returns submitted are complete and accurate and PE not exceeded.
Payroll	E01/E04	Q4 - Jan		Review of controls over processing of payroll transactions and payments.
Debt Recovery	4	Q3 - Dec		To provide assurance on the effectiveness of system for Sundry debt recovery
ERP IT user Access controls	E01/E10	Q3 - Dec		Checks on effectiveness of system controls over access to key financial system
Core Systems: 80 days				
Providing assurance that the Council has made arrangements for the proper administration of its financial affairs, these system audits focus on the systems with the highest financial risk, but which are WNC specific. These reviews give an opinion as to the effectiveness of financial management procedures and arrangements to ensure the integrity of the accounts.				
				A review of the processes in place relating to the core systems operated by the Council and that represent key income streams. The purpose of these reviews is to provide assurance that levels have been set in in line with the agreed Council policy and that processes are in place to ensure that billings have taken place and collection is maximised and arrears minimised
HB & Council Tax Reduction	E01	Q4 -Mar		
Council Tax	E01	Q4 - Jan		
NNDR	E01	Q4 -Jan		
Corporate: 105 days				

Customer Services – Complaints Management	E12			To provide assurance on the effectiveness of complaints resolution before formal process.
GDPR -Records Retention	E02/E10			To provide assurance that records retention arrangements and compliance meet best practice.
IT Active Directory management	E08/E10			To provide assurance that arrangements for managing active directory for WNC network are in line with ITIL best practice guidance.
IT Privileged Access Management	E08/E10			Review IT Cybersecurity controls including those managed by the new post of Senior Security and Compliance Officer
Performance Management	E12			To provide Assurance on the effectiveness of PM framework.
Recruitment & Retention, Redundancy	E04			To provide assurance on adequacy of processes for ensuring recruitment and retention of best candidates and redundancies are valid and properly approved.
RIPA	E02			To provide assurance that the legal framework around RIPA authorisations is in line with legislation and is robust.
External Legal Spend	E01/E02			To provide assurance on the robustness of arrangements for monitoring spend, to ensure that cases referred to Legal Services are being dealt with on a timely basis and at the best price
Finance --100 days				
Pension Fund Administration	E01			To provide assurance that effective arrangements in place with regards to the management and administration of the Northamptonshire Pension Fund, including the accuracy and timeliness of associated financial transactions.
IFRS 16 - Leases - Preparation	E01/E02			To provide assurance on adequacy of arrangements for ensuring readiness for compliance with IFRS 16
Legacy Debt Migration Project	E01/E11			Review to provide assurance on the effectiveness of post-BREXIT Right to Work arrangements including compliance
Contract Monitoring – critical contracts	E06			To provide assurance that there is effective oversight and reporting on Council contracts at both a service and corporate level
Adherence to key policies-probity	E02			Review of procedure rules along with sample testing to assess compliance with key policies and procedures. -Policy TBC
Contract Procedure Rules -Waivers probity	E01/E12			To provide assurance that use of Waivers across the Council complies with Contract Procedure Rules.
Project Cost Management	E01			To provide assurance over arrangements for managing/monitoring project budgets to minimise overspends.
People Services –130 days				

Housing Delivery – NPH contract Monitoring	E06/E07			To provide assurance on arrangements for monitoring the agreement in place and to follow up on implementation of issues raised 2021.
Independent Care payments	E02/E01			To provide assurance that the process for assessing and monitoring payments to individuals is robust and effective.
Assessments, reviews, & Care planning	E02			To provide assurance that care assessments and reviews are promptly completed, support plans are met and approval is obtained (older people)
Commissioning -Placement Contracts	E01/E06			Review to provide assurance on adequacy of commissioning and contract management arrangements– contracts yet to be selected.
Mental Health Professional Service	E02			To provide assurance on the process for ensuring effectiveness and timeliness of the assessment process – Target of 24 hrs to complete an assessment from an individual being detained by Police under S136 of MH Act.
Access Sign posting-probity	E02			To assess promptness of referral decisions (time between customer’s initial contact and referral/signpost to another service). - Accuracy of referral/signposting decisions (lessons learnt from returned referrals)
Continuing Health care	E02/E01			To provide assurance over the process for ensuring Income maximisation - Accuracy and timeliness of invoicing - Recovery of overdue/disputed debts
Homelessness Prevention	E02/E06			To provide assurance on the process for assessing homelessness applications.
Leasehold Management	E01/E06			To provide assurance on lawfulness of arrangements for billing and collection of service charges for leaseholders and shared owners and for variation of lease applications. Including s20 consultations
Housing Allocations	E06/			To provide assurance on the robustness of the housing allocations process
Public Health - Contract Management	E09/E08			To provide assurance that arrangements for monitoring contract performance and finances are robust.
Children’s Services -80 days				
Children Missing Education	E02			To provide assurance on adequacy of systems for liaising with schools on monitoring and tracking children’s movements, given levels of home tutoring and non- attendance arising from Covid 19 related issues.
Early years providers	E01/E02			To provide assurance on arrangements for checking/monitoring claims submitted by Providers - Portal
School Audits:	E02			Specific school’s audits to be determined during the year in consultation with Finance and Children's Education Services.

Dedicated Schools Grant – High Needs Block	E02/E01			To provide assurance that arrangements for administration/split of the High Needs element of the Dedicated Schools Grant, is robust.
NC Trust Contract Monitoring	E03/E02			To provide assurance that arrangements for monitoring performance of the Children’s Trust are robust.
Place Economy Environment -95 days				
Development Planning	E05/E06			To provide assurance that the process for development of the local Plan is robust and complies with corporate processes/policies and reporting and that there are appropriate management and monitoring controls in place.
Waste Management	E09			To provide assurance on the effectiveness of arrangements for monitoring contract and service delivery
Housing- Planned Investment	E06/E07			To provide assurance on arrangements for monitoring delivery of planned maintenance on Council housing and ensure delivery of the Capital Investment Programme particularly any elements that supports energy efficiency of council homes.
Highways (inc. Contract Management)	E01/E06			To ensure the Highways Capital Programme ensure the asset is maintained safely and both improves and extends the life of the asset. That delivery of the programme is on track.
Housing Development (building new council homes) -Regeneration	E06/E07			To provide assurance that the processes for ensuring estate renewal and regeneration projects are being delivered as per the Council Strategy is robust.
Highways Network Management – Road Adoptions and section 38	E06			To provide assurance that the process for adoption, pre-adoption and maintenance of new roads ensures timely actions and appropriate completion.
S106 Income collection & Monitoring	E06/E01			To provide assurance that the process in place for ensuring collection of S106 contributions agreed with developers is robust and effective.
Leisure Centre Management				To provide assurance on the adequacy of processes for managing/monitoring of leisure centre management contracts to ensure effective delivery.
Completion of prior year work - 100 days				
NNDR				
Payroll Transactions				
Corporate Health & Safety				
Information Governance				
Safeguarding vulnerable Adults				
Various Grants - former NCC				
Grant Certification: 80 days				

Internal Audit is required to certify a range of grants over the year, to support declarations submitted by the Council to Central government.			
Electric Vehicle Charge Points		Monthly	Probity review to ensure that grant applications follow Financial Procedures. This includes approval from finance; ensuring that revenue implications/matching funding are understood and what is being grant funded matches the Council Plan.
Local Transport Capital Block Funding		Q2	
Local authority bus subsidy ring-fenced (revenue)		Q1 -Q3	
Bus Recovery Grant (BRG)			
Restart Grants -CBBSG		Q1	
Omicron grant		Q1	
Test & Trace Grant1			
Containment Outbreak management Fund		Q2/Q4	
Disabled Facilities Grant		Q3	
Weight Management PH grant			
Counter -Fraud Initiatives: 50days			
Allocation of time for the risk assessment and investigation of fraud referrals. If significant fraud is identified in year ELT will be consulted as to the best way to investigate as well as, where appropriate, how to improve the control environment to reduce the risk of re-occurrence			
National Fraud Initiative- to be undertaken by the WNC fraud team			It is understood that during the year a new data matching release will be made and we will undertake data matching to identify any potential investigations.
Reactive Fraud investigations			Allocation of time to assess alleged fraud and complete any investigation that has not been referred to local management
Fraud policy and procedure review			- Annual review of key fraud related policy and procedure for referral to the Audit Committee
Strategic Risk Management: 0 days			
Assurance over the Council's risk management framework in addition to support, advice and facilitation of the strategic risk management process.			
Assurance from Internal Controls Team			Review of the effectiveness of the risk management framework during the year for feeding into the Annual Governance Statement
Assurance from Internal Controls Team			Supporting the risk management process within the Council and the production of risk management reports to ELT. This should include one facilitated session with ELT to refresh the Executive Risk Register. The intention is to provide additional focus on the action plans put in place to reduce risks.
Assurance from Internal Controls Team			Checks on effectiveness of controls on the register in mitigating risks
Governance, Advice and Reporting: 145 days			
To effectively manage the service time needs to be allocated to ensure that management activity can be completed.			

Annual Governance Statement			Production of the Annual Governance Statement on behalf of the Council.
Follow-Up of Agreed Actions			A key aspect of effective audit is ensuring that the actions that have been agreed are followed up to ensure that they have been implemented to reduce key organisational risks
Ad Hoc Requests for Advice and Guidance			Providing support and guidance to staff and management on internal control and audit matters, potentially including attendance at key meetings relating to control and assurance
Audit Management			Ongoing QA of processes and team support.
Audit Committee Support			Attendance at Audit Committee, preparation of papers for Committee and Member Training
Management Reporting			Reporting on Audit, Risk and Fraud matters to ELT, including attendance at ELT and the DMT's to present progress and to maintain an effective understanding of local pressures that may affect the Audit Plan. This includes an allowance for the Internal Audit Annual Opinion.
Audit Planning			Development of the 2023/24 Audit Plan and in-year audit plan amendments.
Contingency	34 days		
TOTAL AUDIT PLAN	1129		