

2020/21

Internal Audit Plan



- 1.1 This document summarises the results of Internal Audit’s planning work. It sets out details of the:
- Responsibilities and scope of internal audit
 - Resourcing and delivery of the Council’s internal audit service
 - Arrangements for reporting internal audit work
 - Proposed programme of work for 2020/21 (the Audit Plan)
- 1.2 The Audit Plan for 2020/21 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The PSIAS represent mandatory best practice for all internal audit service providers in the public sector.
- 1.3 The Council has adopted the PSIAS definition of internal auditing:
- ‘Internal auditing is 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 In accordance with PSIAS, the mission of internal audit is to ‘enhance and protect organisational value by providing risk-based and objective assurance, advice and insight’.
- 1.5 The work of internal audit is a key element in delivering the Council’s strategic priority of corporate effectiveness and business efficiency, but also supports the Council in achieving all the aims and objectives set out in the Corporate Plan.
- 1.6 The PSIAS require that the internal audit service is delivered and developed in accordance with the internal audit charter. The Council has formally agreed that the provisions relating to internal audit set out in section 6.2 of Finance Standing Orders constitute the Council’s internal audit charter.

INTERNAL AUDIT – RESPONSIBILITIES AND SCOPE

2.1 Responsibilities of internal audit

The internal audit function is responsible for:

- Reviewing and developing the Council’s governance processes. Specifically, this includes:
 - Promoting appropriate ethics and values within the Council
 - Supporting effective organisational performance management and accountability
 - Communicating risk and control information to appropriate areas of the organisation
 - Coordinating the activities of, and communicating information among, the Business Efficiency Board, external audit, internal audit and management
- Evaluating the effectiveness of the Council’s risk management processes and contributing to their improvement
- Assisting in the maintenance and development of an effective control environment by providing robust independent assurance over its operation.

2.2 Responsibilities of management

The establishment and maintenance of adequate control systems is the responsibility of management. Recommendations made by internal audit can reduce risk and improve systems of control. However, the implementation of audit recommendations cannot eliminate risk entirely.

2.3 Responsibilities of the Business Efficiency Board

In regard to internal audit, the Business Efficiency Board is responsible for:

- Approving, but not directing, internal audit’s strategy and plan
- Monitoring the performance of internal audit
- Reviewing summary internal audit reports and the main issues arising, and seeking assurance that action has been taken where necessary

INTERNAL AUDIT – RESPONSIBILITIES AND SCOPE

- Receiving and considering the Head of Internal Audit's annual report.

2.4 Responsibilities for fraud prevention and detection

The primary responsibility for the prevention and detection of fraud rests with management. Management's responsibilities include creating an environment where fraud is not tolerated, identifying fraud risks, and taking appropriate actions to ensure that controls are in place to prevent and detect fraud.

It is not the role or responsibility of internal audit to detect fraud. However, internal audit will evaluate the potential for the occurrence of fraud in each assignment and review how the Council manages the risk of fraud.

The Council operates a dedicated Investigations Team that works alongside internal audit. The team is responsible for all fraud-related work and HR investigatory work. As such, this work does not form part of the Internal Audit Plan and the results of this work are reported separately to the Business Efficiency Board.

2.5 Scope of internal audit activities

The scope of internal audit work includes:

- The entire control environment of the Council, comprising financial and non-financial systems.
- Reviewing controls that protect the interests of the Council in its dealings with partnerships in which the Council has an involvement.

Internal audit may also provide assurance services to parties outside the Council with the prior agreement of the Business Efficiency Board.

INTERNAL AUDIT – RESOURCING

3.1 Resource requirements

The level of resource required to deliver an effective internal audit service to the Council has been assessed based on the need to provide adequate audit coverage of the Council's:

- Key financial systems
- Risk management and governance arrangements
- Front line services
- Support services
- Procurement and contract management activity
- Information management arrangements
- Schools

Account has also been taken of the need to be able to resource:

- Unplanned work which may arise during the year
- Follow up work to provide assurance that previously agreed recommendations are implemented
- Provision of advice and consultancy to internal customers

3.2 Delivery of the internal audit service

The 2020/21 Internal Audit Plan will be delivered predominantly by an experienced and suitably qualified in-house team of approximately 6.0 FTE auditors. This is a slight increase in capacity from 2019/20 due to the team now being fully staffed. The level of available resource is considered sufficient to deliver a robust annual internal audit opinion to the Board.

As in recent years, external support to assist the audit of information management systems will be provided by Salford City Council. Additional external support may also be sought to assist with the completion of planned audit work if required.

Where opportunity arises, the internal audit team will also collaborate with internal audit colleagues from other local authorities in regard to the approach and delivery of particular audit assignments.

INTERNAL AUDIT – RESOURCING

3.3 Mitigation of any potential impairment to independence and objectivity

The internal audit team is managed by the Divisional Manager – Audit, Procurement & Operational Finance, who also has management responsibility for the following functions:

- Purchase to Pay
- Procurement
- Income control (collection and reconciliation of income)
- Insurance
- Corporate appointeeships and deputyships
- Direct Payments
- Income & Assessment
- Debtors

The arrangements to mitigate any potential impairment to independence and objectivity regarding the audit of these areas that were previously approved by the Business Efficiency Board remain in place.

3.4 Approach to placing reliance on other sources of assurance

When planning specific audit assignments, other sources of assurance may be taken into consideration in order to ensure the best use of the audit resource. Any work that is necessary in order to place reliance on other sources of assurance will be determined as required for each assignment and reference made to it in the resulting audit report.

3.5 Assurance services to other organisations

The only planned assurance service to be provided to an external party is an annual audit provided to Manchester Port Health Authority (MPHA), which is the governing body for the Manchester Ship Canal and River Weaver. Halton Borough Council is one of the funding authorities of MPHA. 2020/21 is the second year of the current three year SLA. This work has only a minimal impact on the audit work undertaken for the Council.

INTERNAL AUDIT – REPORTING

4.1 Distribution of internal audit reports

At the conclusion of each audit assignment, a draft report is issued to the manager responsible for the area which has been audited. A final report containing management responses to any issues identified is subsequently distributed to:

- The Chief Executive
- The Strategic Director – Enterprise, Community & Resources
- The Operational Director – Finance (s151 officer)
- The Strategic Director, Operational Director and Divisional Manager responsible for the area reviewed
- The Council’s external auditor

4.2 Overall assurance opinion

In each audit report, an overall assurance opinion is provided on the area audited. The opinion is based on the information obtained in the course of the audit and represents an assessment of the effectiveness of the risk management, control and governance processes in the area audited.

The range of opinions provided in audit reports is set out in the following table:

Assurance Opinion	Explanation
● Limited	Improvements in procedures and controls are required to strengthen the management of risk(s) fundamental or material to the activities reviewed.
● Adequate	In the main there are appropriate procedures and controls in place to mitigate the key risks to the activities reviewed. However, some opportunities were identified to improve the management of some risks.
● Substantial	Effective procedures and controls in place to mitigate the key risks to the activities reviewed.

4.3 Grading of Recommendations

Recommendations made in individual internal audit assignments are categorised according to the following priorities:

Priority	Definition
High	Deficiencies in control where the potential risk impact is fundamental or material to the activity audited
Medium	Deficiencies in control where the potential risk impact is of lesser significance and not material to the activity audited.
Low	Opportunities to improve practice, efficiency or further reduce exposure to risk.

4.4 Reporting to elected members

Throughout the year regular internal audit progress reports are presented to the Business Efficiency Board summarising the outcomes of internal audit work and any significant matters identified. Such matters may include risk exposures, governance weaknesses, performance improvement opportunities and value for money issues.

4.5 Annual Audit Opinion

An annual report is presented to the Business Efficiency Board which includes the Head of Internal Audit's overall opinion on the Council's risk management, control and governance processes. This opinion forms one of the sources of assurance in support of the Council's Annual Governance Statement. The opinion is based upon the collective findings from the internal audit work completed during the year.

INTERNAL AUDIT – PLANNING METHODOLOGY

5.1 Requirements of the Public Sector Internal Audit Standards

The PSIAS state that the ‘chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals’.

5.2 Development of the Audit Plan

In developing the Audit Plan, account has been taken of:

- Senior management’s views on risk in their areas of responsibility
- The results of previous internal audit work
- The Council’s assurance framework, including the work of external audit
- New or emerging risks affecting the Council or local government as a whole
- Known changes to the Council’s business, operations, programs, systems, and controls
- Issues identified in the Corporate Risk Register, Annual Governance Statement and the LGA Peer Review
- The requirement to ensure sufficient and wide ranging coverage in order to provide a robust annual audit opinion
- Planned work deferred from the 2019/20 Audit Plan that is still considered important

5.3 Links to the Council’s Corporate Priorities

The Internal Audit Plan supports the delivery of all the Council’s priorities by promoting probity, integrity, accountability, efficiency and effective management of public funds. The achievement of corporate priorities is dependent on the Council making efficient and effective use of its resources and in operating robust and transparent governance arrangements.

The Audit Plan sets out a series of risk-based assignments that will provide assurance over the adequacy of the arrangements established to mitigate risks that may threaten the delivery of the Council’s priorities.

INTERNAL AUDIT – PLANNING METHODOLOGY

5.4 Budgeted time allocations

A budgeted time allocation has been set for each assignment included in the Audit Plan. It is recognised that the exact resource requirement for each assignment cannot be forecast with certainty, as the time required will be influenced by the scope of the audit agreed with management.

The plan therefore represents the best estimate of the way in which the Council's internal audit resources will be deployed. It may therefore be necessary to adjust the budgeted allocations for specific assignments during the year.

5.5 Timing and prioritisation of audit work

The intention is to complete all planned work within the year. However, the timing and respective prioritisation of work will take account of:

- The need to finalise any work from 2019/20 that remains incomplete at year-end
- The need to prioritise the reviews deferred from the 2019/20 Audit Plan
- The views of management of the service areas in regard to the timing of work
- Any other factors that may be relevant to the timing of a particular piece of work
- Any urgent unplanned work arising
- Changes in the level of audit resources available

5.6 Significant interim changes to planned work

The Audit Plan will be kept under review during the year and it may be necessary to make revisions to planned work in order to respond to changes in priorities or changes in the level of internal audit resources. As in previous years, minor changes will be agreed with the Operational Director – Finance. Any significant interim changes will be reported to the Business Efficiency Board.

SUMMARY INTERNAL AUDIT PLAN – 2020/21

Planned coverage	Days
Use of Resources	385
Finance	165
People	55
Land and Property	50
Information	20
Commercial and Regulatory Activities	95
Governance Arrangements	80
Children & Young People	250
Adult Services	245
<u>Other:</u>	165
Completion of outstanding 2019/20 audits	60
Contingency	100
Manchester Port Health Authority	5
Total Planned Days	1,125

Internal Audit Plan – Use of Resources

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Grant claims	50	A general provision is included for a range of grant claims for which the Head of Audit is required to sign a declaration confirming that the amounts claimed are eligible and in accordance with the conditions of grant.	Grant claims audits	Audit report for each claim
Housing Benefit and Council Tax Reduction	25	Housing Benefit and Council Tax Reduction are a material area of expenditure. Changes have been introduced to the system following the introduction of an online application process in 2019/20.	Full system review	Audit report
Corporate Card Programme	20	The Council's corporate credit and debit card has been expanded with a significant increase in the number of supplier payments being made by card rather than BACS. The reason for this is to take advantage of the rebate on total expenditure across the card programme.	The review will focus upon the controls relating to the use of corporate debit and credit cards and reconciliation procedures.	Audit report
VAT	20	As a result of Making Tax Digital there have been recent changes in the way in which the Council's VAT return is submitted. There is also an expectation from HMRC that local authorities' VAT arrangements are subject to regular internal audit.	The audit review the procedures and controls relating to the submission of the Council's VAT return. It will also involve testing across a wide range of income and expenditure to provide assurance as to whether VAT is being calculated correctly.	Audit report

Internal Audit Plan – Use of Resources

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Reconciliation of bank accounts	25	Regular reconciliation of the Council's main banks accounts is a key control that helps in the identification of errors in the accounting records and assists cash flow forecasting.	The audit will review and test the procedures relating to the reconciliation of the Council's main bank accounts.	Audit report
Emergency payments to members of the public	25	The Council makes emergency payments to members of the public through the Discretionary Support Scheme. Emergency financial support is however also provided in other areas of the Council. The purpose of the audit would be to provide assurance that a consistent and effective approach is in operation.	The audit will involve reviewing all areas of the Council that provide emergency financial support to individuals and families and review the efficiency, effectiveness and consistency of the arrangements in place.	Audit report
Recruitment and selection procedures	25	Effective recruitment and selection procedures are essential in ensuring that the Council recruits the right people with the right skills to deliver its corporate priorities. The Council's recruitment and selection processes have recently been reviewed and subject to significant change to address previous backlogs in the process.	Full review and testing of the recruitment and selection process.	Audit report
Agency workers	30	The employment of agency staff is a significant cost for the Council and there has been a recent increase in usage in some areas of the Council.	The audit will review usage of agency staff and seek to provide assurance that placements are made through the Council's approved arrangements and that effective procedures are in place in regard to control costs.	Audit report

Internal Audit Plan – Use of Resources

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Term maintenance contracts	25	The existing maintenance and minor works term contracts for mechanical, electrical and building elements are due to end on 31 May 2020. The total annual value of the contracts is likely to be up to £2m.	The audit will review the procurement processes followed relating to the award of the new contracts. It will also examine the arrangements in place to manage those contracts.	Audit report
Leisure Centre development	25	In September 2019, Executive Board approved the funding of the development of a new Leisure Centre at Moor Lane, Widnes. This is a major and significant investment for the Council forecast to cost in the region of £20m.	A current contract audit approach will be adopted to the audit and will examine the arrangements relating to funding, risk management, procurement and forecast revenue implications.	Audit report
Cemeteries & Crematoria <i>(deferred from 2019/20)</i>	20	The Council's cemeteries and crematorium are areas that generate a significant amount of income. The service is also required to manage a number of potential risks in terms of the maintenance and operation of equipment and the maintenance of the grounds and management of potential risks from failed headstones and memorials.	The audit will focus on the income management systems in place and the ways in which the service manages potential risks to employees and the public relating to the operation of equipment and management and maintenance of the grounds.	Audit report
Catering & Bars <i>(deferred from 2019/20)</i>	25	The Council's catering and bars are discretionary activities which ought to be at least self-funding. Management is aware of issues in regard to the accounting arrangements for income and difficulties in accurately monitoring financial performance.	The audit will examine the catering activities and bars provided by the Council and review the arrangements for accounting for income, expenditure and stock.	Audit report

Internal Audit Plan – Use of Resources

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
School Meals Service	30	The provision of the School Meals Service is a significant financial undertaking which generates income in excess of £5m per year.	The audit will cover the arrangements relating to procurement, staffing, school meal grants and recovery of income.	Audit report
Pest Control	20	The Council is not legally required to provide a pest control service; however, under the Prevention of Damage by Pests Act 1949 it is required to ensure, as far as practicable, that the district is kept free from rats and mice. This activity is an income generating area that operates in direct competition with private sector providers.	The audit would examine how the Council meets its statutory responsibilities in regard to pest control and review the financial management arrangements relating to the service.	Audit report
ICT – Remote Access	10	The Council operates an agile working policy. This increasingly results in employees working from a range of locations using Virtual Desktop Infrastructure (VDI) technology. Key challenges presented by VDI include network capacity, server capacity and adequate storage.	Review of the arrangements in place to manage the risks presented by increased remote access and the increased use of VDI technology.	Audit report
ICT – Office 365: Move to Cloud	10	The Council is planning to transfer to Microsoft Office 365, which is a cloud based application. It is therefore necessary for the Council to plan the migration effectively to ensure the same level of security and performance provided with the current on-premises hosting of Office.	The audit will review the project implementation plans and the adequacy of the proposed arrangements to ensure effective security, performance and administration arrangements.	Audit report
Total	385			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Council Constitution	5	Need to ensure that the Council Constitution reflects changes in the legislation, policies and procedures.	Internal Audit contributes to a working party that meets each year to review and propose changes to the Council's Constitution.	Updated Council Constitution
Annual Governance Statement	5	Statutory requirement for the Council to produce an Annual Governance Statement.	Internal Audit input to the Corporate Governance Group which develops the Annual Governance Statement.	Publication of Annual Governance Statement
Reporting to the Business Efficiency Board	15	The Council Constitution requires Internal Audit to report to the Business Efficiency Board.	Attendance at, and preparation of reports for, the Business Efficiency Board on internal audit and governance related matters.	Audit Plan Regular progress reports Internal Audit Annual Report Annual Fraud & Corruption report
Follow up of internal audit recommendations	50	To provide assurance that agreed internal audit recommendations are implemented.	Follow up of agreed internal audit recommendations to determine whether or not they have been implemented.	Follow up audit reports
Attendance at the Information Governance Group	5	Information governance refers to the structures, policies, procedures, processes and controls implemented to manage information at an organisational level.	Internal audit input to the work of the Information Governance Group	Further development of the Council's information governance arrangements
Total	80			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Education, Health and Care Plans	30	<p>All Halton children and young people who have significant special educational needs and meet specific criteria may undergo an Education Health and Care (EHC) Assessment, which could lead to an EHC Plan and an offer of a personal budget.</p> <p>The Council must comply with statutory timescales for the completion of EHC assessments.</p>	The audit will review the processes relating to the completion of EHC assessments and compliance with statutory timescales. It will also review processes and data quality within the Synergy management information system.	Audit report
School transport	30	This is a significant area of spend with demand for the service increasing creating budgetary pressures.	The audit will examine the financial and budgetary control arrangements in place and also examine the commissioning of services and contract monitoring.	Audit report
Payments to Early Years Providers	20	In Halton, all 3 and 4 year olds, and eligible 2 year olds, have access to 15 hours per week of Free Early Years Childcare Entitlement through a range of early years providers, which include pre-schools, SEN, nursery schools/classes, day nurseries and eligible childminders.	The audit will seek to provide assurance that payments made to early years providers are processed correctly and in accordance with eligibility conditions.	Audit report
Integrated Contact and Referral Team (iCART)	30	<p>Effective arrangements for child protection are of vital importance and require effective liaison between a range of partner agencies.</p> <p>iCART is the integrated front door to children and families' services. The team comprises multi-agency staff and plays a crucial role in accepting</p>	The audit will seek to provide assurance over the efficiency and effectiveness of the procedures for receiving and responding to safeguarding referrals or requests for early interventions.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
		safeguarding referrals & early intervention requests.		
Children in Care – External Placements	30	The Council continues to face significant budget pressures resulting from the number and cost of external placements relating to children in care.	The audit will examine the approval, commissioning, procurement and monitoring arrangements for children in residential placements in order to provide assurance that the arrangements balance suitable provision with cost.	Audit report
<p>School audits:</p> <p>Hallwood Park Primary (<i>deferred from 2019/20</i>)</p> <p>Oakfield Community Primary</p> <p>St Gerard's Roman Catholic Primary & Nursery</p> <p>St Michael's Catholic Primary</p> <p>Victoria Road Primary</p> <p>Hill View Primary</p> <p>Lunts Heath Primary</p> <p>Our Lady Mother of the Saviour Catholic Primary</p> <p>Ashley School</p> <p>Pewithall Primary</p> <p>St. Martin's Catholic Primary School</p>	110	<p>The frequency of school audit visits is determined by the audit assurance rating from the previous audit:</p> <ul style="list-style-type: none"> • Substantial – 4 year cycle • Adequate – 3 year cycle • Limited – Annual cycle 	A standard audit programme has been developed for school audits, which is tailored to each school as required.	Audit report for each school
Total	250			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Tele-healthcare <i>(deferred from 2019/20)</i>	25	This use of remote monitoring is increasingly enabling people to lead more independent lives. The Council's use of Tele-healthcare is to be expanded to help more people to be supported to live at home or in extra care housing schemes.	The audit will examine the implementation of the Tele-healthcare strategy and the associated financial management arrangements. It will also examine the arrangements to measure and record the savings generated, and consider options for the wider use of this type of technology in regard to supporting people to maintain independence.	Audit report
St Luke's and St Patrick's Care Homes	30	<p>During 2019/20 the Council acquired two further two care homes as a result of the previous operators ran into financial difficulties.</p> <p>As the care homes are new entities, the financial management and risk management arrangements in operation in the homes have not previously been audited.</p>	The audit will focus on the financial management, accounting, client billing, staffing and risk management arrangements established at the two homes.	Audit report
Transport of service users	30	Transport costs have been increasing across both Adults and Childrens.	The audit will examine eligibility, commissioning, financial management and charging arrangements.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Transfers of care from hospital	30	<p>Schedule 3 of The Care Act 2014 sets out the responsibilities of the various parties involved in the discharge of hospital patients with care and support needs. Once notification of a proposed discharge date is received the local authority must carry out an assessment to identify any community care services required to allow for the safe discharge of the patient.</p> <p>The Act makes provision for local authorities to make delayed discharge payments to the NHS where the sole reason for the delay lies with the local authority and the delay relates to an acute patient.</p>	The audit will review the systems in place regarding transfers of care from hospital and seek to provide assurance that appropriate procedures are in place to ensure that any delays are minimised.	Audit report
Halton Supported Housing Network	25	<p>Halton Supported Network comprises 19 houses. The network provides accommodation with support in the community for adults with learning/physical disabilities, challenging behaviour and complex needs.</p> <p>Each property is supported by care workers up to 24 hours per day depending on the needs of the service users. Support staff are required to maintain and reconcile records of the service users' financial transactions.</p>	The audit will examine the overall arrangements for the provision of the service and the procedures in place to manage and safeguard service users' finances.	Audit report
Meals Service	20	This is a discretionary service that many other local authorities in the region are now addressing in different ways.	The audit will review the operational and financial management arrangements relating to the provision of the meals service.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Direct Payments	25	There has been significant growth in the number of Direct Payments users in recent years which has led to a corresponding increase in expenditure in this area. Direct Payments are inherently high risk as they involve paying funds to individuals in order to address their own care and support needs.	The audit will review the overall management of the scheme and explore the reasons for the increase in uptake and examine costs compared to commissioned services.	Audit report
Adult Social Care Referrals and Assessments	30	This is the gateway to the Adult Social Care system and it is therefore important that a robust and consistent assessment process is in place.	The audit will involve a full system review and seek to provide assurance that there is appropriate documentation held in support of all individuals assessed as having care and support needs.	Audit report
Homelessness	30	The Homelessness Reduction Act 2017, implemented on 3 April 2018, placed new duties on local authorities to intervene earlier to prevent homelessness and to take reasonable steps to relieve homelessness.	Full review of the Homelessness service examining how the Council meets its statutory duties. The audit will include the review of the two single homelessness supported accommodation services in Halton (Brennan Lodge in Widnes and Halton Lodge in Runcorn) and the Homeless Health Support pilot.	Audit report
Total	245			