



Internal Audit Plan

2021/22

Presented to the Business Efficiency Board – 24 March 2021

Section One

INTRODUCTION

- 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 2021/22 (the Audit Plan)
- 1.2 The Audit Plan for 2021/22 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. The plan has therefore been designed to reflect the changing risk landscape of the Council, including those risks arising from the COVID-19 pandemic.
- 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.

Section Two

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

Section Two

INTERNAL AUDIT – RESPONSIBILITIES AND SCOPE

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.

Section Three

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 2021/22 Internal Audit Plan will be delivered predominantly by an experienced and suitably qualified in-house team of approximately 6.0 FTE auditors. It is based on the same level of available resource as the 2020/21 Audit Plan and 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.

Section Three

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. 2021/22 is the final year of the current three year SLA. This work has only a minimal impact on the audit work undertaken for the Council.

Section Four

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 level is provided on the area audited. This 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 assurance levels in internal audit reports is set out in the following table:

Assurance Level	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.

Section Four

INTERNAL AUDIT – REPORTING

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.

Section Five

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:

- Planned work deferred from the 2020/21 Audit Plan due to the impact of COVID-19 and is still considered important
- 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 Medium Term Financial Strategy
- The requirement to ensure sufficient and wide ranging coverage in order to provide a robust annual audit opinion

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.

Section Five

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 2020/21 that remains incomplete at year-end
- The need to prioritise the reviews deferred from the 2020/21 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.

Section Six

SUMMARY INTERNAL AUDIT PLAN – 2021/22

Planned coverage	Days
Enterprise, Community & Resources Directorate	385
People Directorate	360
Corporate Support	35
Follow Up Audits	30
COVID-19 related work	150
General contingency	50
Provision for completion of work in progress forward from 2020/21	45
External work	5
Total Planned Days	1,060

Internal Audit Plan – Enterprise, Community & Resources Directorate

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	20	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
Reconciliation of bank accounts	20	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
Concessionary Travel	20	Concessionary travel costs the Council in excess of £2m a year and has not previously been audited.	The audit will examine the processes and financial management arrangements relating to concessionary travel.	Audit Report

Internal Audit Plan – Enterprise, Community & Resources Directorate

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Development Control	25	Development Control is responsible for the determination and monitoring of planning applications, and other associated applications submitted to the Council under the Planning Acts.	In 2020 Transparency International published a good practice guide for local authorities in regard to how risks in planning decision are managed. This will be used to inform the audit and to assess the Council's policies and procedures against the good practice standards.	Audit report
Agency workers	25	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
Home working	20	As a result of the COVID-19 pandemic, the vast majority of the Council's workforce has worked from home since 23 March 2020. Home working on this scale is obviously new for the Council and presents various challenges from a technology perspective and also in terms of service delivery and employee wellbeing.	The audit will be wide ranging and will examine the various challenges presented by home working in terms of IT infrastructure, information governance, employee wellbeing, health and safety, performance management and communications.	Audit report
Solar Farm	20	The Council awarded a contract to build a 1.25 MW solar farm in 2019. The electricity from the farm will be used at Council facilities, including the proposed new Leisure Centre in Moor Lane.	The audit will review the procurement and subsequent management arrangements relating to the operations of the solar farm and examine its financial performance.	Audit report

Internal Audit Plan – Enterprise, Community & Resources Directorate

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Property Valuations	20	<p>Keeping an accurate and up-to-date schedule of properties protects the Council from underinsurance in the event of a claim. Under-estimates of property reinstatement values could therefore potentially result in the Council having to self-fund some of the reinstatement costs in the event of a claim.</p> <p>CIPFA has also recently issued updated guidance around the requirements of International Financial Reporting Standard (IFRS) 13 for property asset valuations.</p>	The audit will examine the adequacy of the Council’s arrangements for revaluing its property portfolio by reference to the updated CIPFA guidance on property asset valuation.	Audit report
Borough of Culture	20	The LCR Borough of Culture is a celebration of arts and culture being hosted by Halton in 2021. It will involve a varied programme of events, exhibitions, festivals, concerts and activities throughout 2021.	The review will examine the funding, financial management, budgetary control and procurement arrangements relating to the Borough of Culture. It will also examine the planning, delivery and business continuity arrangements relating to the programme of events.	Audit report
Strategic Asset Management	25	Like many authorities, the Council owns a wide range of land and buildings. Some assets are used for operational purposes and other assets may be held for strategic purposes or to generate rental income. The value of the Council’s assets is significant and it is therefore important that they are managed effectively, particularly following the pandemic which may have significant implications in terms of the Council’s future property requirements.	The audit will review the strategic management of the Council’s land and property portfolio and seek to provide assurance that it meets the organisational objectives of the Council.	Audit report

Internal Audit Plan – Enterprise, Community & Resources Directorate

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
School Meals Service	30	The provision of the School Meals Service is a significant undertaking which involves material sums of income and expenditure.	The audit will cover the arrangements relating to procurement, staffing, school meal grants and recovery of income.	Audit report
Cemeteries & Crematoria	20	The provision of the Council’s cemeteries and crematorium is an important public service and involves the management of a number of potential risks. Specifically there are risks relating to the maintenance and operation of equipment, maintenance of the grounds and management of potential risks from failed headstones and memorials.	The audit will focus on the financial 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
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

Internal Audit Plan – Enterprise, Community & Resources Directorate

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
BACS Processing	20	The Council uses BACS for creditor payments, housing benefit payments and payroll, in addition to providing a bureau processing service for external organisations. Processing involves significant sums of money.	The aim of the review is to provide assurance over security controls and risk management procedures that ensure the integrity and ongoing availability of the BACS service.	Audit report
Eclipse Project Board	5	A project board has been established to oversee the development and implementation of The Eclipse social care system. Internal Audit has permanent representation on the project board.	Contributing to the work of the Eclipse Project Board	Contributing to the ongoing development of the Eclipse social care system
Total	385			

Internal Audit Plan – People Directorate

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
Home to School transport	30	This is a significant area of spend with demand for the service increasing creating budgetary pressures.	The audit will examine eligibility, the commissioning and contract management arrangements.	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
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
Children’s Centres	25	The Council operates eight Children’s Centres across the borough. It is important that provision is sustainable and meets the needs of the community served.	The audit will examine the operational efficiency, financial performance and utilisation rates across the various Centres.	Audit report

Internal Audit Plan – People Directorate

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
<p>School audits:</p> <p>Hallwood Park Primary Westfield Community Primary Our Lady Mother of the Saviour Catholic Primary St. John Fisher RC Primary School Halebank CE Primary School Moorfield Primary School Gorsewood Primary School St. Berteline’s CE Primary School Beechwood Primary School</p>	90	<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
St Luke's and St Patrick's Care Homes	30	<p>During 2019/20 the Council acquired two further care homes as a result of the previous operators facing financial difficulties.</p> <p>As the care homes are relatively new entities, the financial management and risk management arrangements in operation in these two 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

Internal Audit Plan – People Directorate

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Domiciliary Care	30	<p>The domiciliary care contract was retendered in 2017 and runs to 2025. It was let to a single provider, which represented a significant change from the previous multi-provider model.</p> <p>This is a key service area that enables individuals to live independently in their own homes. However, delivery of the service is operationally complex given the large client base and regular changes in needs of service users.</p> <p>Nationally care providers are facing significant financial pressures.</p>	The audit will focus on the contract management and financial management arrangements relating to the contract.	Audit report
Transport of service users	30	<p>Transport costs have been increasing across both Adults and Childrens Services.</p> <p>The arrangements relating to the transport of Adult service users has not previously been audited.</p>	The audit will examine eligibility, commissioning, financial management and charging arrangements.	Audit report
Direct Payments	25	<p>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.</p>	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

Internal Audit Plan – People Directorate

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Adult Safeguarding	20	The Council has statutory responsibilities to work with other parts of the health and care system to work together to protect adults at risk of abuse or neglect. This is obviously an important responsibility and is an area which has not previously been audited.	The audit will examine the arrangements established by the Council to fulfil its statutory responsibilities and provide an effective service in regard to adult safeguarding.	Audit report
Total	360			

Internal Audit Plan – Corporate Support

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
General advice	10	Throughout the year the Internal Audit function receives regular requests from client departments for advice and support	Reactive advisory and consultancy work	Maintenance and development of the Council's risk management, control and governance framework
Total	35			

Internal Audit Plan – Other work

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Follow up of internal audit recommendations	30	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
COVID-19 related work	150	A general provision has been included for ongoing assurance work in respect of the various support schemes established by Government in respect of COVID-19.	Assurance work relating to various grant and financial support schemes	Grant claim certifications /Audit reports
General contingency	50	A general contingency is provided to allow Internal Audit to respond to requests for audit work that arise during the year	Not known at this stage	Not known at this stage
Provision for completion of work carried forward from 2020/21	45	Inevitably some 2020/21 audits will still be in progress at year-end. This provision is made to allow completion of those audits in 2021/22.	Completion of work in progress.	Audit reports
External work	5	Fee earning assurance work undertaken as part of an SLA for Manchester Port Health Authority	To be agreed with MPHA	Audit report to MPHA
Total	280			