



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	
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DRAFT INTERNAL AUDIT ANNUAL PLAN 2020/21

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1. Summary

This report provides Members with the proposed risk based Internal Audit Plan for 2020/21. The annual plan will provide coverage across all Council services and deliver internal audit services to a range of external clients. It takes account of issues identified by the clients' risk management frameworks, including the risk appetite levels set by management for the different activities or parts of the organisations audited. The proposed plan considers the requirement to produce an annual internal audit opinion and assurance framework. Some minor adjustments may be needed before the plan is finalised; if significant, these will be agreed by the Section 151 Officer and reported to a future Audit Committee.

2. Recommendations

The Committee are asked to consider and endorse, with appropriate comment, the approach taken to create the proposed Internal Audit Plan for 2020/21 and approve its adoption.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Under the Audit Committee's terms of reference, reviewing the risk based audit plan, including internal audit resource requirements, the approach to using other sources of assurance and any other work upon which reliance is placed, is an important responsibility. In considering this plan Members should be assured that it is linked to the Council's key risks and provides sufficient coverage to ensure a reasonable opportunity to identify any weaknesses in the internal control environment. Risks

identified as being critical to the Council's operations will be reported and rectified where possible and viable.

- 3.2 Areas to be audited within the plan have been considered taking into account risk register information both operational and strategic.
- 3.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.
- 3.4 The Internal Audit Annual Plan satisfies both the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015 part 2. The latter sets out the requirements on all relevant authorities in relation to internal control, including requirements in respect of accounting records, internal audit and review of the system of internal control. Specifically:

‘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.’

4. Financial Implications

- 4.1 Costs associated with the proposed plan will be met from within the approved Internal Audit budget. The budget has been reduced to contribute savings to the Council and the impact of this has been considered when identifying audits for inclusion in the plan.

4 Climate Change Appraisal

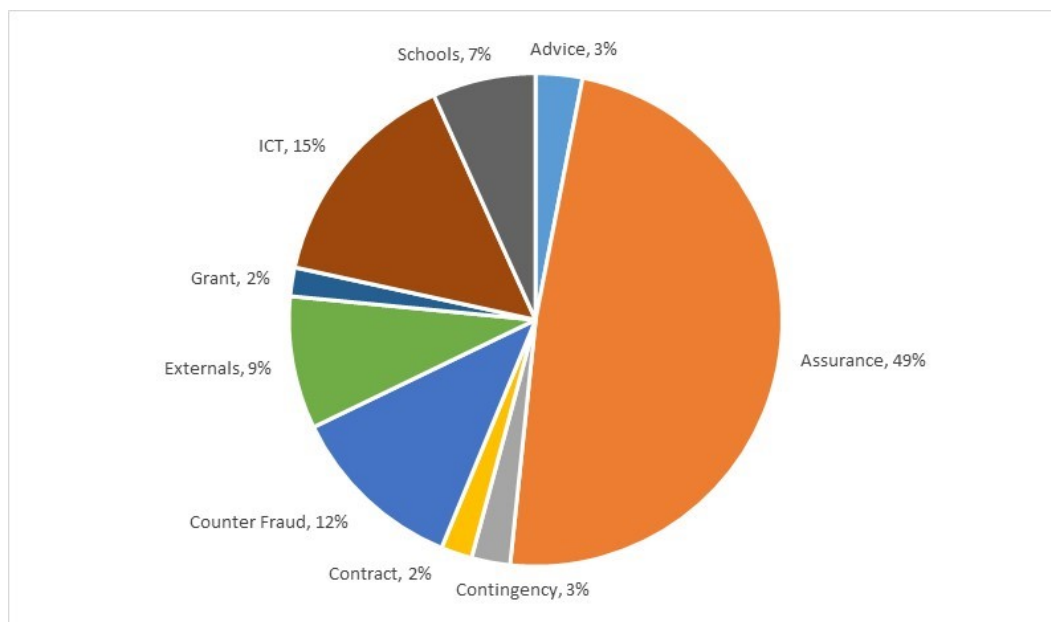
- 5.1 Energy and Fuel Consumption – This report does not directly make decisions on energy and fuel consumption. Therefore, no effect.
- 5.2 Renewable Energy Generation – This report does not directly make decisions on renewable energy generation. Therefore, no effect.
- 5.3 Carbon offsetting or mitigation – This report does not directly make decisions on carbon offsetting or mitigation. Therefore, no effect.
- 5.4 Climate Change Adaption – This report does not directly make decisions on climate change adaption. Therefore, no effect.

5. Background

- 5.1 The provision of a risk based Internal Audit Plan consistent with the Council's goals is an essential part of ensuring probity and soundness of the Council's internal controls, risk exposure and governance framework. The plan has been devised to ensure that it delivers against the PSIAS and the requirement to produce an annual Head of Internal Audit opinion and assurance framework. In so doing it can be confirmed that the plan covers the following activities:
- Governance processes
 - Ethics
 - Information technology governance

- Risk management and
- Fraud management.

- 5.2 The audit risk assessment is reviewed annually with the Chief Executive, Directors, Heads of Service and the Section 151 Officer to ensure that it remains robust and relevant to the needs and risk profile of the Council. The process also recognises that the Council is continuing to strive to improve services and use innovative approaches in addressing service delivery against a background of reducing resources and the transformation into a digitally enabled commissioning organisation.
- 5.3 When considering the risks affecting audit areas, account has been taken of:
- changes to and the introduction of new services;
 - the redesign/transformation programme and business plans of the Council;
 - budget pressures and saving commitments;
 - previous audit findings;
 - opening and closure of establishments;
 - comments from the external auditors on scope and coverage to ensure the work of Internal Audit does not duplicate that of the external auditor;
 - Audit Committee terms of reference;
 - increased partnership working or different delivery models for future service delivery;
 - risks identified by the risk management process;
 - budget deficits in relation to schools;
 - large contracts likely to be undertaken; and
 - assurances from services, internal governance and external parties.
- 5.4 Top risks facing councils continue to include pressures on finances and increasing demand on services; demands on social care functions continue to grow and with losing staff and experience elsewhere there is a risk that controls are cut increasing the risk of waste, losses and inefficiencies. Risks to be considered include: financial resilience; adult and children's social care funding gaps; workforce retention and stress management; alternative delivery models; supplier resilience and risk; cyber security; deprivation of liberty safeguards; affordable new homes; crime; fraud and business as usual. all of which have been considered when formulating the plan.
- 5.5 **Appendix A** provides the summarised Internal Audit plan and identifies a planned day requirement of 1,794 days for Shropshire Council audit work and 171 days of work for external clients. These days are broken down by type in the chart below.



Resources

- 5.6 The Council continues to go through a period of unprecedented change which is impacting on a high number of service areas, processes, risks and therefore controls. In addition, because of the changing control environment, areas reviewed continue in part to attract lower assurance levels than previously. Follow up of these is a must do in respect of unsatisfactory audits, with only a proportion of limited assurance audits being revisited within current resources.
- 5.7 The team has 12 full time equivalents and has retained a rich mix of skills in finance, information technology, contract management, governance, establishments, systems, counter fraud, investigations and project management. There are currently four trainees supported in the team completing a variety of qualifications. This has an impact on the remaining auditors in mentoring, coaching and supervising these staff, but the intention is to continue investing now for the future. Skills continue to be developed across the wider team and following budget cuts there is no planned funding for external contractors. If demands require and funds are made available, the framework contract with Staffordshire County Council remains in place to accommodate such events.
- 5.8 The Audit Plan for 2020/21 based on a risk analysis identified approximately 3,288 days to review all high-risk areas. Review areas attracting a lower risk have not been considered in this year's planning process but if they were an estimated 3,968 days would be required. Resources available after deducting allowances for non-chargeable time (leave, management meetings, administration, etc.); and chargeable time (attendance at corporate officer and member meetings, responding to legislation, s151 officer work requests, training etc.) amount to 1,965 days of which 171 are to be used on providing services to customers other than Shropshire Council leaving a balance of 1,794 days.
- 5.9 To match the plan to resources, it has been necessary to take out a few reviews identified as high priority, details of which appear at **Appendix B**. This appendix also includes areas highlighted by managers for inclusion in the plan that cannot be resourced in the current year. Contingencies for fraud, unplanned audits and advice, if

not required in full this year, can be re-allocated and these higher priority reviews brought back into the plan.

5.10 In considering the plan for 2020/21 the key items to note are:

- Included in the plan are several key strategies that have been refreshed and fundamental systems that have seen significant changes with the introduction of the Enterprise Resource Planning (ERP) system. The Payroll system, which is of a high material value to the Council's operations, continues to be reviewed every year.
- A separate risk based analysis of the IT audit areas has been conducted and assessments of applications, projects, developmental changes, new technology, changes to guidance and follow ups in areas requiring improvements are planned. IT continues to form a significant part of the internal audit plan reflecting the Council's reliance on technology and digital transformation requirements as services are redesigned.
- The fraud contingency is being maintained at 200 days; based on the current year experience and with ongoing changes to controls, management structures and job responsibilities, this is not considered to be an area of reducing risk.
- Internal Audit will continue to request schools to complete a self-assessment process on a three-year basis. The Headteacher will be asked to share the self-assessment with both the Chair of Finance and Governors and seek their sign off to it. This approach will enable provision of a more rounded assessment of processes to support the s151 Officer's wider assurance of the school environment.

Establishment audits of schools will be based on the responses within self-assessments; follow a direct request from the Director of Children's Service or their nominated representative where there are known specific issues; where there is suspicion of wrong doing; where there are known concerns around the financial management of the school; or where a senior statutory officer raises concerns in respect of processes that need to be reviewed. Issues such as deficits; changes to the risk environment; non-return of SFVS (Schools Financial Value Standard) or self-assessments may also instigate a review.

In addition, a few school audits will be completed to verify the contents of the self-assessment returns. Cross cutting audits will also include school data in their sampling process. For example, payroll, creditors, imprest. to build upon the assurance process.

Therefore, with a mix of self-assessments, cross cutting reviews and targeted school audits, the necessary assurances can be demonstrated to satisfy the Section 151 Officer's requirements.

- Resources are allocated to provide internal audit services to external clients: Shropshire Towns and Rural Housing, Shropshire Pension Fund, West Mercia Energy, Oswestry Town Council and various honorary, voluntary and grant funds. In addition, audit time is allocated to review areas of significant risk which are being considered for transfer to other delivery models.

- Procurement, commissioning and contract management continue to be priority areas and, as such, there are planned initiatives in these areas. Work is planned on financial evaluations of companies tendering for work and reviews of governance processes on the client side. In addition, where services are moving to new delivery models, exit reviews will be conducted to ensure that transfers are conducted appropriately and at minimum risk to the Council. A number of these will be met from the unplanned contingency as the specific business areas and timings become known.
- Discussions with senior managers have identified a few areas considered low risk, from an internal controls/ materiality perspective, where managers are receiving a mix of assurances from their systems, personnel and/or third parties on which they can place reliance. These areas are identified as part of **Appendix C** and will not be considered for review by Internal Audit on a rolling risk basis. Members may wish to ask senior managers to provide assurance directly (first line of assurance) to Committee on these areas as appropriate.
- The plan provides continual professional development and training for auditors during the year. This helps to retain staff, future proof the skills of team members and build skills in areas where updated knowledge is required for the benefit of the Council, external clients and the auditors. To reflect the number of Auditors new to the Council and in some cases Audit, the plan continues to allow for inclusion of review areas to support professional training courses that based on risk alone would not be covered in the plan.

- 5.11 A copy of the draft plan for Shropshire Council and those of our external clients will be forwarded to the appropriate external auditors inviting their comments on coverage and to maximise any shared learning from each other's work.
- 5.12 Every effort has been made to include all key audit areas required in the plan. If other items are identified from discussions with colleagues from External Audit, or as knowledge becomes available from other sources, these will be agreed with the Section 151 Officer and reported to a future Audit Committee.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Audit universe and resources analysis
Public Sector Internal Audit Standards
CIPFA Audit Committees, Practical Guidance for Local Authorities and Police, 2018 edition
Accounts and Audit Regulations

Cabinet Member (Portfolio Holder) Peter Nutting (Leader of the Council) and Peter M Adams (Chairman of Audit Committee)

Local Member n/a

Appendices

Appendix A: Summary of Draft Internal Audit Plan by Service
Appendix B: Audit areas of high priority for which no provision is made in this year's Internal Audit plan and areas requested by managers for which no provision is made.

Appendix C: De Minimis Audit areas where managers will seek and provide any necessary assurance

APPENDIX A**2020/21 SUMMARY OF DRAFT INTERNAL AUDIT PLAN BY SERVICE**

	Days
CHIEF EXECUTIVE	
Governance	14
Finance, Governance and Assurance	420
Workforce and Development	361
Legal and Democratic	26
Total Chief Executive	821
ADULT SERVICES	
Social Care Operations	122
Social Care Efficiency and Improvement	12
Bereavement	8
Public Health	29
Public Protection	23
Total Adult Services	194
PLACE AND ENTERPRISE	
Culture and Heritage	12
Business Enterprise and Commercial Services	46
Economic Development	50
Infrastructure and Communities	113
Total Place and Enterprise	221
CHILDREN'S SERVICES	
Safeguarding	84
Learning, Employment and Training	10
Learning and Skills	154
Total Children's Services	248
CONTINGENCIES	
ICT Contingency	20
Advisory Contingency	40
Fraud Contingency	200
Unplanned Audit Contingency	50
Other non-audit chargeable work	272
Total Contingencies	582
Total Shropshire Council	2,066
External Clients	171
Total Audit Plan	2,237

Appendix B

2020/21 Audit areas of high priority for which no provision is made in this year's Internal Audit plan and areas requested by managers for which no provision is made – management assurances may be sought by the Committee

Adaptations Adult Placements Agency & Consultancy Staff Asset Management Strategy Bank Contract Bankline Benefit Options Team Blue Badge Scheme BT Contract Monitoring Business Continuity and Disaster Recovery - non IT CALM Carbon Emissions (NI 185) & Trading Care Bill / Better Care Fund/Public Health plans Case Management IKEN court bundling CASPAR Central Customer Services CHARMS Adoption Service (IT) Chelmaren Children's Home Children Safeguarding Policies & Procedures Communications Community Infrastructure Levy Community Mental Health Team Community Safety Complaints and Compliments Contaminated Land Continuing Health Care Funding Coroners and Mortuary Service Corporate Landlord (Estate Management) Corporate Programme and Project Management Council Tax Collection Counter Terrorism Prevent Duty Covenants Credit Union Client Customer Service Points Database Access / Admin / Management Decommissioning of Children's centres (five) Disability Facility Grants Diversity Arrangements Domiciliary & Respite Services Drug and Alcohol Misuse Contract Economic Growth Projects Education Admission Policy	Education Welfare Service Elections Administration & Charging Grant Claim Energy Efficiency Energy Grants Energy Provider Project Environmental Maintenance Grants e-Procurement ERDF Grant Claims External Catering Contracts Flood Risk Management Arrangements Governors Unit Greenacres Rural Unit Haven Brook Home Helena Lane Day Centre Highways Development Control Highways Land Search Highways Maintenance - Southern Area Highways Other Major Contracts Highways Permits Highways Specialist Contracts Holiday Pay HR Host Operator Processing System (HOPS) Housing & Planning Delivery Grant Housing Capital Client Housing Options / Homelessness Housing Rents Client Side Housing Strategy Human Resources - JD's, PS's and Contracts, Leavers Guidance for PT Workers Idsall Sports Centre - Joint Use ILLY Substance Misuse Application Information Governance Arrangements Integration Hub ISO 27001 IT Security Joint Use Leisure Facilities Key Supply Contracts Leisure Services Contract Local Joint Committee (LJC) Lone Working Arrangements Mail Room Management of Workshops & Industrial Units Meole Brace Golf Course	Microsoft Mobile Applications Modern.Gov WSP Contract Network Routing Networks and Connectivity Online Bankline On-line payments Out of County Education / Placements Partnership with Severnside & Shropshire Council Partnerships Passenger Transport Compliance Arrangements Passenger Transport Procurement Arrangements Performance Plus Online Register Personal Allowances Planning Plans & Deeds- Security Positive Activities Projects - Youth Service Primary School Income Collection Procurement Arrangements Procurement Strategy Property Maintenance Select Lists Property Sales and Acquisitions Property Services Public Health Projects (Include CCG links) Pump House Quarry Swimming Pool Recharges - Internal Market Recruitment / redeployment arrangements Redundancy Process CR Refugee Action Grant Registrars Booking System Zipporah Application Rent of Council Owned Property Residential Care - Out County Placements Respite Care Safeguarding Support Service - Administration & Monitoring Salary Sacrifice Schemes (Childcare, AL etc) School Based Procurement School Nursing Service Secondary School Income Collection Section 106 Agreements Security Management and Cyber Response
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2020/21 Audit areas of high priority for which no provision is made in this year's Internal Audit plan and areas requested by managers for which no provision is made – management assurances may be sought by the Committee

<p>SEN Hubs e.g. Kettlemere Centre Shire Services Staff in Schools Shrewsbury Library Shrewsbury Museums General (including regimental) ShropDoc Services Sixth Form Schools Calculation SNOW IT Software Asset Management Social Enterprises Social Prescribing Bronze Labs Tribe Software Inventories / Licensing Solar Winds Network Monitoring Sports Development</p>	<p>START Street Lighting Street Works Survey Monkey Sustainability Sustainability and Transformation Plan (STP) Teachers' Pension Scheme Technology Forge Application TOMS-ITU Trading Standards University UNIX</p>	<p>Various primary schools Vice Versa Pro (Backup for Digital Images) Virtual Desktop Virtual Infrastructure - VMWARE Virtual Reality Project Igloo Waste - Veolia Contract</p>
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2020/21 De Minimis Audit areas where managers may be requested by members to provide any necessary assurances

Abbots Wood Comforts Fund Albert Road Day Centre Comforts Fund Albrighton Library Animal Health & Welfare AONB (Areas of Outstanding Natural Beauty) - Craven Arms Aquamira Comforts Fund Arcview GIS Application Arts Developments & Grants Arts Festivals & Events Avalon Comforts Fund Bayston Hill Library Benefits Administration Grant Bio Digester Bishops Castle Library Bridgnorth Library Broadband Contract / Grant Broseley Library Carbon Management Plan Chelmaren Comforts Fund Church Stretton Library Cleaning DSO General Systems Cleaning Equipment Maintenance Cleobury Mortimer Library Community Transport Initiatives (SCOTI, OCTI etc.) Community Working Countryside Access General Craven Arms Library Culture & Leisure Business Development Culture & Leisure Grants Culture & Leisure Marketing and Performance Datawright Planning Development Design Team Domestic Abuse Ecology & Biodiversity Ellesmere Library Employee Authentication Service Enterprise and Business Grants Environmental Enforcement & Byelaws Fair Trading & Education Fishing and Sporting Rights	Four Rivers Nursing Home Comforts Fund Gobowen Library Greenacres Rural Unit Trading Account Haven Brook Comfort Fund Helena Lane / Friars Walk Day Centre Comforts Fund Highley Library Historic Environment & Listed Buildings Internal Catering arrangements Inventories Management Land Drainage Leasing Arrangements Libraries General Library Fines & Charges Library HQ Library Procurement through WM Consortium Library RFID Self Service Machines Library Stock Management & Control Local Bus Network Ludlow Library Ludlow Museum & Resource Centre Man-8Man (Permissions Reporting) Market Drayton Library Maytas 5 Much Wenlock Library Multi Agency Teams Museum on the Move Museums & Audience Development Grant Arrangements NHS Joint Funding Arrangements North Shropshire Countryside Rangers NRSWA - Road Openings & S278 Occupational Therapy One App Online Planning Portal Application Oswestry Library Parks & Countryside Sites General Passenger Transport Efficiency Operations Performance Management & PI's Pest Control PLUMS - Planning Policy Control Pontesbury Library Public access mapping server/e-planning	Public Transport - Publicity Records Management Recruitment & Management of Volunteers Register of Electors Regulation of Investigatory Powers Act (RIPA) Road Safety Roman Road Sports Centre - Joint Use School Census Schools Business Support Services Schools Library service Severn Valley Park Shifnal Library Shirehall Lettings Shirehall Restaurant Shrewsbury Training & Development Centre (Exit) Shropshire Archives Shropshire Children's Trust Shropshire Music Service Shropshire Partners in Care (SPIC) Shropshire Youth - Central Administration SLA's & Invoicing Arrangements SMR - Sites & Monuments Record Social Care & Health Training Standards Fund Supporting People Surestart Surplus Seats Tell Us Once Processes The Gateway Education & Arts Centre Traffic Schemes Transparency Agenda Tree Safety Waste - Policy & Management Arrangements Waste - Statistics & Administration Wayfarers Comforts Fund Wayfarers Day Opportunities Wem Library Whitchurch Library Whitchurch Training Centre Youth Activities / Community Hubs and Commissioning
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