

Internal Audit Plan 2021/22

1. Introduction

- 1.1. This report sets out the internal audit plan for 2021/22. The Audit, Risk and Governance Committee is asked to consider and approve it under the committee's terms of reference.
- 1.2. The plan is supported by the Internal Audit Strategy for 2021/22 which sets out the relevant statutory and professional requirements, the planning principles and inputs to the process, and the audit approach employed by the Internal Audit Service.
- 1.3. The plan is also supported by a service charter, which defines the purpose, authority, scope and responsibility of internal audit activity, establishes the service's position within the organisation, and authorises access to all relevant records, personnel and physical properties.
- 1.4. The Internal Audit Service aims to achieve the core principles set out by the Chartered Institute of Internal Auditors and reiterated in Public Sector Internal Audit Standards, which are that the service:
 - Demonstrates integrity
 - Demonstrates competence and due professional care
 - Is objective and free from undue influence (independent)
 - Aligns with the strategies, objectives, and risks of the organisation
 - Is appropriately positioned and adequately resourced
 - Demonstrates quality and continuous improvement
 - Communicates effectively
 - Provides risk-based assurance
 - Is insightful, proactive, and future-focused
 - Promotes organisational improvement

2. The purpose of the audit plan

- 2.1. The council is responsible for a wide range of services across the county, and it is expected that the council's members and senior management are aware both of the risks to achieving their service objectives and the risks inherent in their work. Each of these risks should be managed by controls designed to reduce it to a corporately acceptable level, and which operate effectively and consistently in practice. The Chief Executive, Audit, Risk and Governance Committee, and ultimately the council, need assurance that these controls are adequately designed and operating effectively. At the end of the financial year the Chief Executive and the Leader will jointly sign an annual governance statement that is published with the council's financial statements.

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2.2. The Head of Internal Audit is required by professional standards to provide an opinion addressing the council's frameworks of governance, risk management and control and thereby to provide assurance that the risks to the council's objectives are being adequately and effectively controlled. The Audit, Risk and Governance Committee is required by its terms of reference both to consider the Head of Internal Audit's annual report and opinion and to review the council's annual governance statement. The committee should therefore consider and approve an internal audit plan designed to provide the assurance that the council, committee, Leader and Chief Executive need.

2.3. Because the overall opinion covers a twelve-month period, the evidence to support it must relate to the controls in operation for that period. The plan therefore chiefly addresses work for just one year, but projections may be made into audit requirements for future years. The work in any annual plan will rarely be fully complete at the end of the year but will be sufficient to inform the council's annual governance statement shortly after the year end.

3. Obtaining the evidence to support an overall opinion for 2021/22

3.1. An internal audit plan designed to provide the evidence necessary to support an opinion on governance, risk management and control should arguably encompass the following:

- Coverage of the key components of each part of the opinion: aspects of the council's governance; risk management; and control.
- Sufficient coverage of controls across the council's operations as a whole, so that a fair assessment may be made across the organisation.
- Coverage of the controls that serve to mitigate the council's most significant risks to an acceptable level, and particularly those that operate most widely across the council.
- Assessment of the actions being taken to develop improved controls in the areas of greatest unmitigated risk.

3.2. It will therefore be necessary as a minimum to audit aspects of the council's governance and risk management processes, as well as a range of control processes. However, information will also be available from less formal sources than planned audit engagements and this will also inform the overall opinion.

3.3. A control framework applicable to the council's governance, risk management and control is shown on the following page. The internal audit plan is designed to address, proportionately, the coverage required across this controls framework for the whole organisation. It addresses each of the areas of the overall opinion, each of the areas of control set out in the control framework, and each of the major areas of service delivery. A number of individual audits address some common themes, including contract monitoring, safeguarding, health and safety, and improvement plans that may also inform a more corporate view. The plan also includes work to follow up the action plans agreed by managers as a result of audit work over previous years.

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A framework for governance, risk management and control						
Governance and democratic oversight						
Corporate governance	Decision-making	Oversight and scrutiny	Policy setting			
Business effectiveness						
Risk management	Performance management	Organisational design	Financial governance and planning	Working in partnership		
Service delivery						
Growth, Environment & Transport		Education & Children's Services	Adult Services and Health & Wellbeing	Resources		
Service support						
Legal services	Skills, learning & development	Core ICT systems	Property management	Health & safety	Programme management	Customer access
Business processes						
Financial systems & processes		Procurement	Facilities management	Human resources		
Information management		Contract monitoring & management		Payroll processing		
Business continuity				Investment	ICT systems	

- 3.4. A detailed list of each audit in the plan is provided at Appendix B to this report, setting out how they fit into this framework. It should be noted that the plan will almost certainly be subject to some change during the year as the council's priorities alter and as the work set out here in outline is scoped in more detail. The committee will be informed of any significant changes as progress is reported during the year.
- 3.5. An ICT audit service provider was appointed in 2018 and a programme of ICT audit work began in 2018/19. The plan of ICT audit work for 2021/22 is included in the plan set out at Appendix B.
- 3.6. The county council is the administering authority for the Lancashire Pension Fund and the plan therefore incorporates the need to provide assurance over the operation of the fund. It is administered and its pooled assets are managed by Local Pensions Partnership Ltd (LPP). The subsidiary company that undertakes the administration function has established an in-house compliance team that undertakes controls testing throughout the year. The work of that team will be assessed annually by Deloitte, who will provide assurance that the team's work is adequate and effective. The investment subsidiary has retained Deloitte as its internal auditor.
- 3.7. The in-house team's reports, Deloitte's assessment of that team's work and Deloitte's own internal audit work will be made available to the council although, as previously, Deloitte disclaims any liability to the council and the Pension Fund for any reliance they may place on this.
- 3.8. An indication of the scale of work by control area and service is also provided in the table on the following page. The type of work is shown as:

'1' for phase one/ consultancy work '1+2' for full risk and control evaluation
 '2' for phase two/ compliance testing 'F' for follow-up work

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Control category and service area	Number of audits by type				
	'1'	'2'	'1+2'	'F'	Total
Governance and democratic oversight		2	1	2	5
Corporate Services			1	2	3
Finance (Pension Fund)		1			1
Growth, Environment and Planning		1			1
Business effectiveness			6	2	8
All services			1		1
Strategy and Performance			1	1	2
Corporate Services			1	1	2
Finance			1		1
Organisational Development and Change			1		1
Public Health			1		1
Service delivery	5	6	26	8	45
Adult Services and Health and Wellbeing		1	6		7
Adult Services			1		1
Adults Disability and Care Services			3	1	4
Public Health			1		1
Education and Children's Services	1	1			2
Children's Social Care	1	3	2	3	9
Education and Skills	1		1		2
Growth, Environment and Transport			1		1
Growth, Environment and Planning			1		1
Highways and Transport	1		4	2	7
Organisational Development and Change			1	1	2
Finance	1	1	3		5
Finance (Pension Fund)			2	1	3
Service support		2	10	6	18
Strategy and Performance			5	1	6
Corporate Services		1	1		2
Finance			2		2
Core Systems		1	2	5	8
Business processes	1	7	5	2	15
Finance	1	7	5	2	15
Total	6	17	48	20	91

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4. The context of the audit work for the year

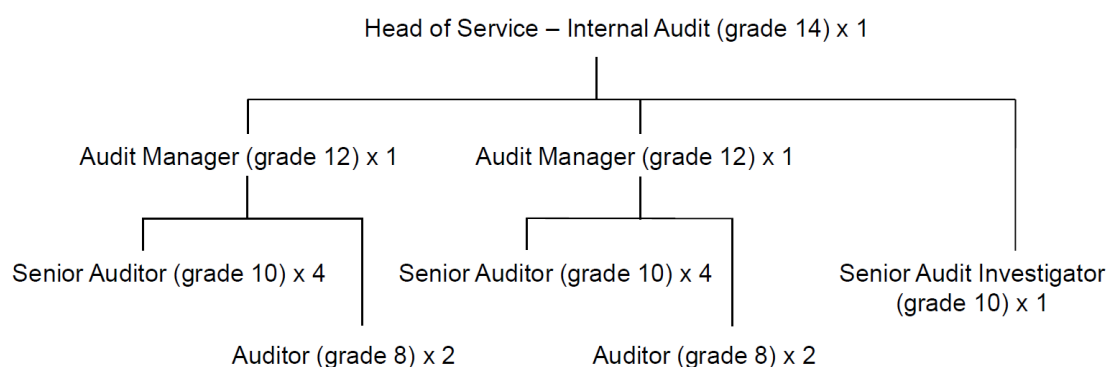
- 4.1. After a year in which very little internal audit work was undertaken, the audit plan has again been constructed to include potentially any area of the council's operations and any service, system or process. Full audits have been planned across each control area and each of the main service directorates.
- 4.2. It is expected that the council will continue to be affected by the COVID-19 pandemic during the year, although it is hoped that this will involve a shift to recovery rather than further emergency responses. The changes made to some services and systems during 2020/21 will remain and become permanent in some cases. Where services or systems are changing the audit response varies from work to provide input as new policies and control frameworks are developed, audits of the implementation of improvement plans, and maintenance of a watching brief until plans have been implemented and the service, system or process can be audited in future.

5. The assurance we will provide

- 5.1. The assurance we will provide falls into four categories: substantial, moderate, limited and no assurance.
- Substantial assurance: the framework of control is adequately designed and/ or effectively operated overall.
 - Moderate assurance: the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system or process.
 - Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.
 - No assurance: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.

6. Internal Audit Service resources

- 6.1. The plan takes account of the internal audit resources available. The service employs 16 staff in the structure set out below:



- 6.2. The Internal Audit Service also provides an out-sourced internal audit function to the Office of the Police and Crime Commissioner and Lancashire

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Constabulary, Lancashire Fire and Rescue Service and Rossendale Borough Council. This work accounts for approximately 2.4 full-time equivalent staff but is undertaken by individuals across the service.

7. Funding and grant certification work

- 7.1. The Internal Audit Service is required under the funding requirements of certain central government departments to certify certain aspects of the way funding has been spent. This provides little direct assurance to the county council but is necessary to secure elements of its funding.
- 7.2. The Ministry for Housing, Communities and Local Government requires the Internal Audit Service to test funding claims submitted by the council's Troubled Families Programme and we work with the Children and Family Wellbeing Service to process the council's funding claims under this programme.
- 7.3. We are also aware of the need to certify funding claims in relation to capital improvements to the county's highways and various strands of economic development. However, although we seek to understand in advance what funding may be subject to such certification, new requirements occasionally emerge during the year and these will be accommodated.

8. The Internal Audit Service's responsibilities in relation to fraud and investigations

- 8.1. In addition to our audit work, the Internal Audit Service provides support to the council's management team in managing the risk of fraud. It provides a small investigatory service (one senior audit investigator) to support management in responding to instances of suspected fraud or impropriety, and also undertakes proactive work to identify and pursue indications of potentially fraudulent activity, both through corporate systems testing and through additional testing of other areas particularly susceptible to fraud.
- 8.2. There are some synergies in the skills required of both internal audit and investigations work, and the information arising around the investigation of allegations of fraud or impropriety may also indicate potential lapses in controls or of the culture of the organisation which are of interest to the Internal Audit Service.
- 8.3. Our audit plan integrates our assurance work (specifically our compliance testing) with our proactive counter fraud testing, particularly in areas susceptible to fraud and misappropriation of assets.