

# Annual Audit Planning Process 2021/22

Audit & Standards Committee

13<sup>th</sup> July 2021

Proposed Internal Audit Plan &  
Counter Fraud Plan 2021/22



# Aims of Today's Presentation

1. To **demonstrate** to the Audit & Standards Committee that a robust methodology has been adopted in formulating the Plan for 2021/22;
2. To provide **comfort** that the Plan focuses on the key risks facing the Council;
3. To confirm that the Plan **achieves a balance** between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year;
4. To provide assurance that there are **sufficient resources** within Internal Audit to deliver the Plan for 2021/22.



# The Internal Audit Strategy

What is the Internal Audit Strategy?

- Key governance document
- Produced annually and formally endorsed by the Audit & Standards Committee
- Sets out:-
  - The risk assessment process;
  - Key principles applied; and
  - Resources needed to deliver the plan.



# How is the Plan Formulated

- Fundamental to a good plan is **consultation** with the organisation at all levels.
- Consultation/discussions with key officers (OMT/WLT/SLT) – 60 + Officers;
- Liaison with the HIA & ACFS
- Liaison with the County Treasurer.
- \* We all need to contribute to the Plan to ensure it is aligned to the Council's priorities and to ensure it adds value to the organisation\*

# Key Principles Applied

- Assurance reviews with a high risk (i.e. >60%) ranking are completed.
- Identification of 'Top Risk' Audits/Reviews.
- Key Financial systems are conducted.
- A Schools' audit programme is developed based upon a formal risk assessment & specific fraud risk assessment.
- An initial allocation of 200 days to conduct Special Investigations is made.
- An initial contingency allocation – variable year on year is included in the Internal Audit Plan.
- Time is included to undertake pro-active counter fraud work.
- Compliance reviews are also included in the Internal Audit Plan.
- The Internal Plan and Counter Fraud Plan 2021/22 is attached to the Audit Strategy and Plan paper at **Appendices B and C**



# Resource Requirement 2021/22

- Continue to focus on the County Council in 2021/22.

| Total Resource Requirement                | Days 2021/22        | Days 2020/21         | Days 2019/20        |
|---|---------------------|----------------------|---------------------|
| Staffordshire County Council Plan         | 2095.00 days        | 2100.00 days         | 2100.00 days        |
| External Clients                          | * 382.50 days       | 234.50 days          | 331.50 days         |
| <b>Total Resource Requirement 2021/22</b> | <b>2477.50 days</b> | <b>2,334.50 days</b> | <b>2431.50 days</b> |

- Successful in tendering for and winning the contract to provide IA services to South Staffordshire Council (240 days).
- Sufficient resources are available to deliver the Plan including the ability to procure the required level of support from the Private Sector under the Internal Audit framework Contract and other existing frameworks available to us.



# Top Risk Audits/Reviews 2021/22

The top risk audits/reviews faced by the County Council in 2021/22 have been assessed as:

- Digital Strategy and transformation – Digital First including Care Director Software Upgrade & Microsoft 365.
- COVID 19 Response & Recovery including Contact Tracing, ASC Rapid Testing Funding (Lateral Flow) & Back to Business – the Additional Restriction Grant programme.
- Quality Audits – Assessments.
- SEND Transformation – Governance and High Needs Block.
- Remote Working – Cyber Security.
- Brokerage.
- Entrust Contract Arrangements.
- Delivering Good Governance - Culture, Values & behaviours & Corporate Decision Making Arrangements.
- Equality, Diversity & Inclusion.
- Community Renewal Fund.
- Proactive Counter Fraud: Bus Operators and Taxi Contractors (schools transport and other).
- Business Continuity Management - Organisational Resilience (Supply Chain).



# Key Financial Audits 2021/22

The key financial audits in 2021/22 which are included in the Internal Audit Plan are:

- Liberata - Payroll System;
- Budgetary Control (Revenue);
- VAT
- Sales to Cash – Debt Recovery Function & Debt Management (My Finance);
- Procure to Pay (MyFinance); and
- E-payments.

BACS security controls – creditors and payroll will also be reviewed in year.





# Governance Audits 2021/22

- **Culture, Values & Behaviours** – An assessment of how well the organisation expresses its values and defines expected behaviours; how cultural attributes are measured; how well values are aligned with policies and processes; and how well culture is emphasised in senior.
- **Delivering Good Governance** – To provide assurance that the Council's corporate decision-making arrangements are being complied with along with assurance over the completion of Community Impact Assessments (CIAs) and their on-going monitoring.
- **Assurance Mapping** – continued development of an Assurance Framework for the top 10 risks facing the Council. \*\*\*Based on 3 Lines of Defence.
- **Local Government Pension Scheme (LGPS)** - To continue to lead on the assurance framework for the Pensions Pooled arrangements covering governance, financial and operational risks and investments as well as continuing to provide comfort over the Pension Fund local governance arrangements.
- **Equality, Diversity & Inclusion** – Area that has gathered traction since the traction since 2020 with the 'black lives matter' movement and is important to us.

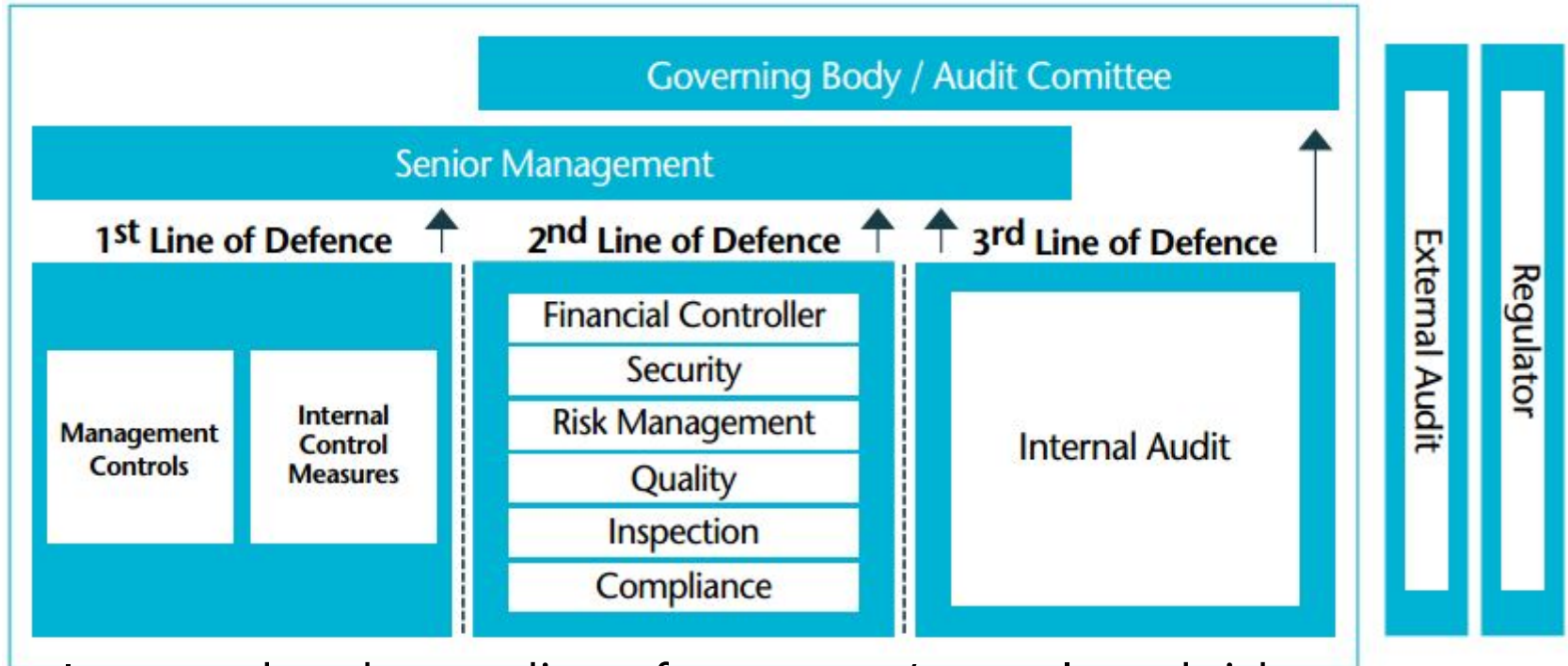


# COVID 19 – IA Support 2021/22

- In 2021/22, Internal Audit will continue to proactively support the Council's response and recovery activities connected to the COVID 19 pandemic.
- COVID 19 Grant Work (62 days)
- General COVID 19 audit work (65 days).
- Other inter-connected audit reviews which relate to COVID 19 i.e. remote working - cyber assurance, volunteer management; and various audits related to the Communities Principle and Delivery Plan.



# Three Lines of Defence (Assurance) Model



- Improved understanding of processes/controls and risk management – Answers why “we do what we do” and “where we fit in to the organisation”
- Improved behaviours in some cases

Feeds in to the organisation’s culture



# Counter Fraud Plan 2021/22

Counter Fraud Work plan – based on the CIPFA Counter Fraud Code of Practice.

- Strategic Development
- Creating an anti fraud Culture
- Prevent & Deter
- Detection
- Investigations



465 days



# Continuous Controls Monitoring (CCM)

- **What is CCM ?**

Regular monitoring of the Council's data for '**Red Flags**' that may indicate Fraud.

- Use data analytical and file interrogation software, **IDEA**
- Typical areas to review: expenses claims; purchasing cards; creditor payments; mileage claims, additional hours claimed
- **Increased** time assigned to CCM in 2021/22 following past successes – Significant PCard Fraud detected
- **NEW** – Development of CCM – Schools Programme to compliment our schools compliance programme

\*\*Messaging/communicating our CCM programme and results will have a fraud deterrent effect too!



# Fraud Risks 2021/22

Our top **fraud risks** currently faced by the Council are:

- Cyber, including theft of data, assets, extraction of ransom, or disruption.
- Failure to Prevent Bribery.
- Abuse of Position in Procurement processes (including Purchase Card misuse).
- School transport, appointment, billing and exploitation of subcontractors /employees.
- Schools – Abuse of processes by Headmasters or bursars.
- Bank Mandate Fraud.
- Payment of pensions to deceased.
- Payments to residential care homes for deceased service users.
- Direct payments, misuse and exploitation of recipients/financial advisors.
- Payroll.

**New in 2021/22** - Development of Specific School Fraud Risk Assessment which has fed into annual audit planning process for Schools. \*\*\*Learning from School Investigation

Also **on-going support** and working with the Transport Team to develop better financial processes with those operators that the Council has contracts with to aid transparency and to ensure compliance with Council contractual conditions following proactive exercise in 2020/21 on COVID 19 supplier relief payments.



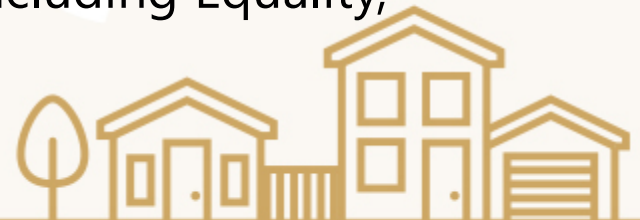
# How is the Plan Delivered?

- In House Team
- Commitment to 'grow our own' with use of Apprenticeship Levy – 2 Apprentices so far
- Use of External Staff via our framework contract/other frameworks
- 'Mixed' economy allows flexibility/ability to respond to urgent requests/ access to specialist skills/ Benchmarking.



# Key Highlights 2021/22

- Emphasis on **strong financial management** and controls – cyclical programme of financial systems audits in place.
- **Focus on** key corporate transformational, IT and digital projects including:
  - M365 and Sharepoint;
  - Care Director V6 upgrade;
  - Recruitment Applicant Tracking System; and
  - Remote working – Cyber Assurance.
- On-going support for the Council's **COVID 19 response and recovery** arrangements – grant work and other.
- **Delivering Good Governance** – review of the Council's culture, values and behaviours as well as compliance with Corporate decision making arrangements.
- Identification of **new and emerging risks** including Equality, Diversity and Inclusion.





# Key Highlights 2021/22

- **Continued focus** on the Council's procurement and contract management activities.
- Attention given to **key partnerships** including Entrust, Amey, MPFT, SSLEP and Midland Engine.
- On-going visibility & prominence **over information and data management** including compliance with GDPR, complimenting the work of; and working with the Information Governance Unit.
- **Full Programme** of ICT audit reviews and regular Liaison between ICT and IA to discuss ICT control related matters.
- **Expansion of Continuous Controls Monitoring** – Corporate and Schools.
- Staffordshire's counter fraud arrangements complimented with our active participation in the regional **Staffordshire's Counter Fraud Partnership**.



# Responding to Emerging Risks

- Regular discussions with the WLT/OMT on audits carried out and audits coming up.
- Embracing 'Agile Auditing' - fostering faster response to emerging issues; closer and continuous collaboration with stakeholders; a just-in time and proactive approach to the "right projects at the right depth/focus" and streamlined reporting;
- Real-time recommendation tracking
- Identification of emerging risks
- Contingency time



# Achievement of the key Aims Today?

- Q1. Have I satisfied you that there is a robust methodology adopted in formulating the Plan for 2021/22?
- Q2. Have I provided you with **comfort/assurance** that the Plan focuses on the key risks facing the Council?
- Q3. Have I demonstrated to you that the Plan **achieves a balance** between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year?
- Q4. Have I provided assurance to you that there are **sufficient resources** within Internal Audit to deliver the Plan for 2021/22?

