



# Pendle Borough Council


Draft Internal Audit Plan 2022/2023


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# 1 Executive Summary

## 1.1 Working in partnership with you

MIAA Assurance, providing cost effective assurance, insight and foresight. These services are delivered in partnership with you to ensure they are personal and responsive, ensuring the best possible customer experience.



### Working with you

- ✓ Strong relationships
- ✓ In depth knowledge and understanding of Councils
- ✓ Strong risk assessment
- ✓ Tailored plan focused on your risks
- ✓ Core assurances integral to your Strategic Risk Register
- ✓ Focus on areas for improvement
- ✓ Flexible and responsive
- ✓ Strong service KPIs and delivery
- ✓ Insights from our wider client base, at both organisation and system levels
- ✓ Benchmarking insights
- ✓ Events and Networking
- ✓ Advisory support
- ✓ Fully compliant External Quality Assessment

## 1.2 Your Risk Assessment

A strong risk assessment underpins the Internal Audit Plan. This has focused upon your Strategic Risk Register as this represents **Pendle Borough Council (the Council)** own assessment of the risks to achieving its strategic objectives. These are summarised in Appendix A. We have clearly set out the risks which have been prioritised within the audit plan and those which are not.

## 1.3 Your Internal Audit Plan

Your Internal Audit service includes core assurances, national and regional risk areas and strategic risks from your Strategic Risk Register. The draft plan is based on an initial risk assessment and provides indicative coverage for the Council. The plan will remain flexible to allow for responses to emerging challenges that the Council may face.

Your operational annual plan in Section 5 forms part of the Council's three year Strategic Plan (shown in Appendix A). This will be reviewed as part of our ongoing risk assessment process to ensure that it remains focused on the Council's key risks and challenges and adds value.

We will actively engage across the organisation to ensure we have a full and detailed understanding of your risks and can ensure we focus our work to best effect.

MIAA insights, including benchmarking, briefings and events will be integral to your plan.

Your fees for 2022/23 are £82,800.



## 1.4 Your Internal Audit Team



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# 2 Your Assurance and Solutions Services

The Local Government landscape along with Health & Social Care in England continues to change, and the impact of COVID-19 is likely to be felt for many years to come.

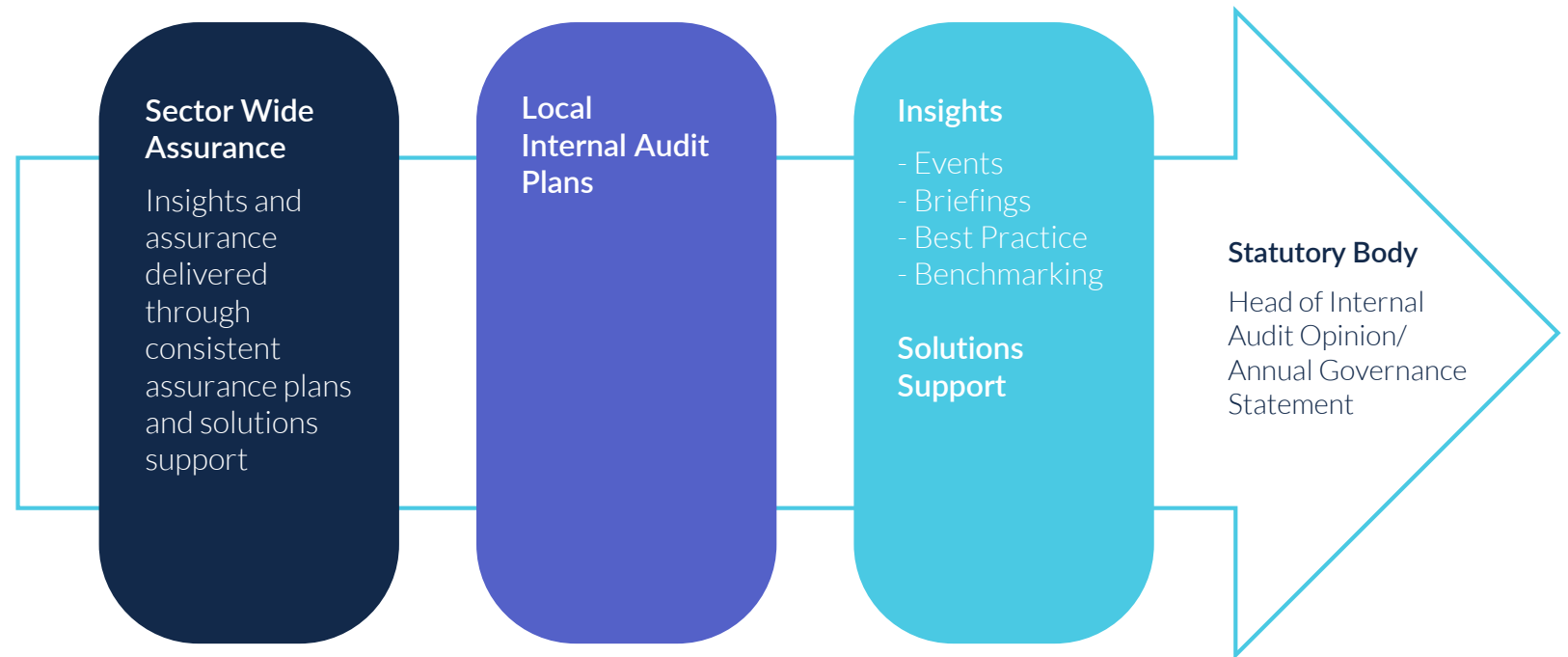
Our vision is for MIAA to continue to be a Trusted Advisor through the retention of personalised, local focus and relationships with the added benefits provided by an at scale provider.

This is about MIAA continuing to build on its shared services capability to create a comprehensive offering, which provides insight and supports transformational change whilst operating efficiently.

MIAA continue to review and re-engineer our audit service and the way we provide assurance to meet your needs in the changing landscape.

This is about risk assessment at every level and regrouping audit, anti-fraud plans and advisory commissions to support organisations and local systems.

## Internal Audit, Assurance and Solution Plans



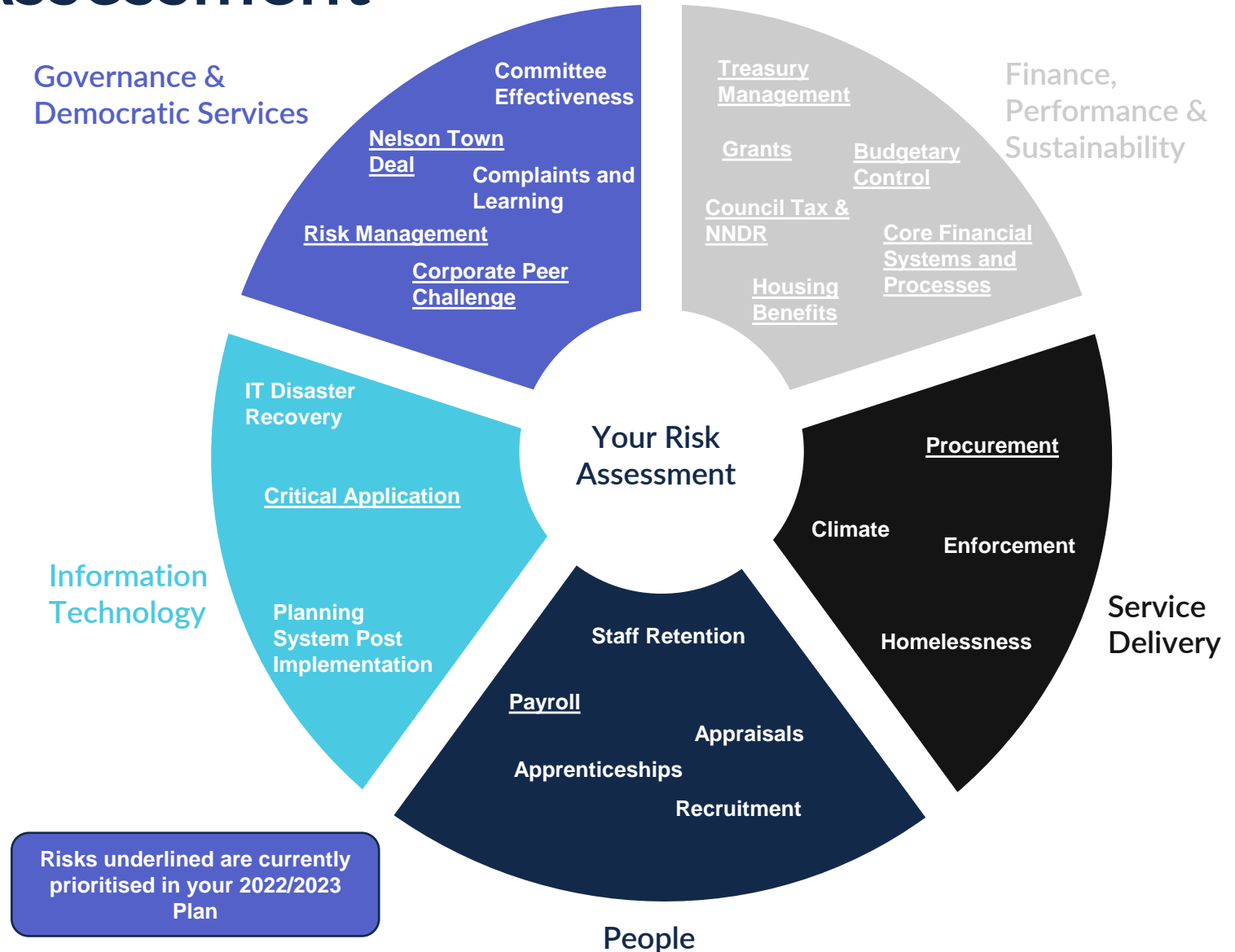
# 3 Internal Audit Risk Assessment

The Pendle Borough Council internal audit plan is built from a risk assessment which has considered national and local system risks, place based developments and your local strategic risk assessment, along with our breadth of experience and understanding of the challenges you face.

A key focus of our strategic risk assessment is understanding your vision and ensuring that the internal audit plan contributes to your objectives. This in turn ensures that the assurances provided are built around your risks.

The initial strategic risk assessment and internal audit risk assessment has considered:

- **Organisation intelligence** – including review of your Strategic Risk Register, Strategy and Committee papers.
- **Assurance mapping** – utilisation of the 3 lines of assurance model and professional standards to ensure focused coverage.
- **Core assurance** – including core systems assurances, and Public Sector Internal Audit Standards requirements.
- **Previous Internal Audit coverage** – we have reviewed your previous Internal Audit coverage to ensure the proposed plan does not duplicate coverage.
- **Follow Up** – Internal Audit coverage will also include follow up of outstanding internal audit actions.



# 4 Internal Audit Plan on a Page

For Pendle Borough Council, this is the planning approach we will adopt:

## Planning Approach

- Risk Assessment of the external environment, system and organisation (including the Strategic Risk Register).
- Engagement of Accounts & Audit Committee, Directors and management to refresh and confirm the plan.
- Use of MIAA's client risk database to inform planning.
- Coverage of Critical Business Systems to support organisation's objectives through the strategic internal audit plan.
- Provision of sufficient resources and expertise.
- Compliance with Public Sector Internal Audit Standards (PSIAS).

## Your Plan

The outcome of your risk assessment is summarised below:

**Organisational Reviews**  
Provision of assurances across core and risk based reviews

- Risk Management
- Key Financial Systems
- Nelson Town Deal
- Corporate Peer Challenge
- Key Financial Systems
- Budgetary Control
- Council Tax & NNDR
- Housing Benefits
- Grant payments
- Procurement
- Treasury Management
- Payroll
- Critical Application - Payroll

## Follow Up and Contingency

## Outcomes

Head of Internal Audit Opinion to inform the AGS

Assignment assurance levels

Recommendations, advice, and guidance to enhance the control environment

Insights through briefings, thought leadership events and benchmarking.

# 5 Operational Internal Audit Plan 22/23

Review & Scope	Strategic Risk / Rationale	Planned Delivery	Executive Lead
<b>Governance &amp; Democratic Services</b>			
<b>Risk Management – Core Controls:</b> To provide assurance that core risk management controls have established and maintained.	<b>HOIA Opinion Requirement/ PSIAS requirement</b>	Q2	
<b>Nelson Town Deal:</b> To evaluate the governance processes in place for the identification and monitoring of agreed plans.	<b>Core Assurance</b>	Q3	Corporate Director
<b>Corporate Peer Review:</b> To provide assurance that the recommendations raised as part of the 2022/23 Corporate Peer Challenge have been identified, monitored and implemented.	<b>Core Assurance</b>	Q1	
<b>Finance, Performance &amp; Sustainability</b>			
<b>Key Financial Controls:</b> To provide assurance that the most significant key controls are appropriately designed and operating effectively in practice. In addition, to ensure that the financial position of the organisation is being reported appropriately during the financial year.	<b>Core Assurance</b>	Q4	
<b>Budgetary Controls:</b> To evaluate the systems and processes the organisation has in place for Budgetary Control and the monitoring of financial performance.	<b>Funding Cuts Strategic Risk</b>	Q3	
<b>Council Tax &amp; NNDR:</b> To evaluate the effectiveness of the processes in place for Council Tax and NNDR collection.	<b>Core Assurance</b>	Q4	Chief Finance Officer
<b>Housing Benefits:</b> To ensure the system for benefit payments aligns to the appropriate regulations, are processed timely, supported by detailed evidence, and recouped when necessary.	<b>Core Assurance</b>	Q4	
<b>Grants:</b> To ensure payments made are valid, accurate and timely.	<b>Core Assurance</b>	Q2	



Review & Scope	Strategic Risk / Rationale	Planned Delivery	Executive Lead
Procurement:	Core Assurance	Q2	Chief Finance Officer
Treasury Management:	Core Assurance	Q2	
<b>People</b>			
<b>Payroll:</b> To evaluate the robustness and effectiveness of controls that support the Payroll system to ensure validity, accuracy, and timeliness of payments to employees.	Core Assurance	Q2	Corporate Director
<b>Information and Technology</b>			
<b>Critical Application – Payroll:</b> A critical system and associated data flows must be appropriately controlled and protected to minimise the likelihood of inadvertent or deliberate disruption and exposure of person identifiable and special category data.	ICT Strategic Risk	Q3	Corporate Director
<b>Follow up &amp; Contingency</b>			
Follow up and Contingency	PSIAS requirement	Q1 – Q4	
<b>Planning &amp; Reporting</b>			
Planning, Management, Reporting & Meetings	PSIAS requirement	Q1 – Q4	
<b>Anti-Fraud Support:</b> based on a core service support, with additional call-off days if required	-		

*The Internal Audit Risk assessment and plan will be reviewed on an ongoing basis throughout the year and any requests for change discussed and approved via the Audit Committee. A formal 6 month review of the plan will also take place.*



The following risk areas were identified as part of the annual risk assessment (refer above), but are not currently prioritised within the Internal Audit Plan coverage.

Risk Area	Review Origin	Rationale
Covid – 19		This will be included as a consideration in all audit reviews, rather than a separate review
Homelessness		Not considered to be a priority. To be considered for future plans
Climate Change	Strategic Risk Register	Plans and actions not mature enough to be reviewed. To be considered in future plans.
Levelling Up		Not considered to be a priority. To be considered in future plans.
Planning Management Review		To be subject to an LGA external review.

*The Internal Audit Risk assessment and plan will be reviewed on an ongoing basis throughout the year and any requests for change discussed and approved via the Accounts and Audit Committee. A formal 6 month review of the plan will also take place.*

# Appendix A – 3 Year Strategic Internal Audit Plan

We have mapped your strategic objectives and strategic risks to the 3 Year Strategic Internal Audit Plan. This will be reviewed as part of the risk assessment process to ensure that it remains focused on the Council's key risks and challenges and adds value.

Strategic Risk	Risk Score	2022/23	2023/24	2024/25
<b>Strategic Objective: Strong Services and Strong Organisation</b>				
Core Strategy <i>Failure to embrace the Core Strategy</i>	A2		Core Strategy Review	
Management of key assets <i>Failure to manage council owned key assets</i>	-		Stock and Stores Review	Asset Management
Recruitment / Succession Planning <i>Failure to have a skilled workforce to deliver council priorities</i>	B2		Recruitment Review	Apprentices Review
ICT Systems <i>Failure to support Council priorities through ineffective ICT systems</i>	A2	Cyber/Infrastructure Review	System Review Cyber/Infrastructure Review	System Review Cyber/Infrastructure Review
<b>Strategic Objective: Strong Communities</b>				
Enforcement <i>Increased pressure on enforcement resource in relation to licensing / PSPOs / beggars / Travellers / planning issues</i>	-		Enforcement Review	CCTV & Surveillance Review
Climate change <i>That the authority fails to assess the relative significance of climate change risks</i>	-			Climate Strategy

Strategic Risk	Risk Score	2022/23	2023/24	2024/25
<b>Principal Objective: Strong Economy</b>				
Funding Cuts <i>Funding cuts impacting upon PBC residents and partners (e.g. Leisure Trust)</i>	A1	Key Financial Controls  Budgeting Review  Housing Benefits	Key Financial Controls  Capital Review  Leisure Trust	Key Financial Controls
Pendle Borough Council / Lancashire County Council <i>Potential for a unitary council. Levelling Up White paper expected with options for local government reorganisation</i>	B2		Electoral Services Review	
<b>Principal Objective: Strong Response and Recovery</b>				
COVID 19 <i>Failure to react to the changing service demand due to the recovery of COVID 19 (incorporating our role to support employees / the community / businesses / financial impacts)</i>	A1			

# Appendix B – Internal Audit Key Performance Indicators

An efficient and effective internal audit service is delivered in partnership. It is important that clear expectations are established and a range of KPIs are in place to support this. It is important that organisations ensure an effective Internal Audit Service. Whilst input and process measures offer some assurance, the focus should be on outcomes and impact from the service. Our annual Head of Internal Audit Opinion will provide you with a range of impact and effectiveness measures, as well as confirmation of our compliance with Public Sector Internal Audit Standards and accreditations.

In addition, the following operational KPIs have been proposed for you.

Operational KPI	Target	Measurement and Frequency
Agreement of Annual Plan prior to the start of the year	100%	Annual (measured as per agreed Accounts & Audit Committee date / Workplan)
Completion of annual plan within agreed timetable and budget	100%	Annual (measured through HOIA opinion) plus in year reporting to Accounts & Audit Committee
Presentation of the Head of Internal Audit Opinion to the Accounts & Audit Committee	100%	Annual (measured as per agreed Accounts & Audit Committee date / Accounts & Audit Committee Workplan)
Delivery of audit reports to audit and standards committee as per the plan	100%	Bi monthly (measured as per annual operational delivery plan)
Terms of reference agreed with management at least 10 working days before commencement of audit	100%	Quarterly (measured as per TeamMate system) – requires MIAA and Council to deliver KPI (for urgent requests this may be shorter depending on the nature of the request)
Draft reports issued within 10 days of completion meeting	100%	Quarterly (measured as per TeamMate system)
Final audit report issued within 10 days of receiving management response	100%	Quarterly (measured as per TeamMate system)
Final audit reports are agreed by the nominated executive director, who will ensure consultation has taken place with relevant Council officers	100%	Quarterly (measured as per annual operational delivery plan)
Receipt of all internal audit reports in accordance with timelines for Accounts & Audit Committee publication with completed cover sheets as required	100%	Bi monthly (measured as per agreed Accounts & Audit Committee dates)
Proportion or recommendations accepted by management	95%	Quarterly (measured as per TeamMate system) – the target allows for advisory recommendations (we would expect 100% of high risk recommendations).
Monitor and Follow Up implementation of accepted recommendations by due date	95%	Quarterly (measured through follow up reports) - requires Council and MIAA to deliver KPI
Issue of client satisfaction survey following completion of each review	100%	Quarterly (measured as per agreed Accounts & Audit Committee dates)
Operation of systems to ISO Quality Standards and compliance with Public Sector Internal Audit Standards.	100%	Bi monthly (measured as per agreed Accounts & Audit Committee dates)
Commitment to training and development of audit staff. Maintenance of 65% Qualified (CCAB, IIA etc) 35% Part Qualified	100%	Bi monthly (measured as per agreed Accounts & Committee dates)

## Public Sector Internal Audit Standards

Our work was completed in accordance with Public Sector Internal Audit Standards and conforms with the International Standards for the Professional Practice of Internal Auditing.

## Limitations

Our work does not provide absolute assurance that material errors, loss or fraud do not exist. Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Reports prepared by MIAA are prepared for your sole use and no responsibility is taken by MIAA or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit and shall not have any rights under the Contracts (Rights of Third Parties) Act 1999.