

Council Report

Audit Committee Meeting – 24th March 2020.

Title

Internal Audit Plan 2020/21.

Is this a Key Decision and has it been included on the Forward Plan?

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director, Finance and Customer Services.

Report Author(s)

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Ward(s) Affected

All wards.

Report Summary

This report refers to the Internal Audit Plan for 2020/21. The report explains Internal Audit's approach to the development of the plan, as well as detailing the specific activities we plan to review during the year. The plan reflects a comprehensive risk assessment process, which has also included discussions with Strategic Directors and Assistant Directors to obtain their views of key risks and areas for audit coverage.

Recommendations

1. The Audit Committee is asked to consider the Internal Audit Plan and to comment on its content with regards to the areas covered and the level of audit resources.
2. The Audit Committee is requested to approve the Internal Audit Plan for 2020/21.

List of Appendices Included

Appendix 1: Internal Audit Plan 2020/21.

Background Papers

Public Sector Internal Audit Standards.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No.

Exempt from the Press and Public

No

Internal Audit Plan 2020/21.

1. Background

1.1 Internal Audit is required to comply with Public Sector Internal Audit Standards (PSIAS). The Standards require Internal Audit's plans to be risk based and to take into account the need to produce an annual internal audit opinion. It needs to be flexible to reflect changing risks and priorities of the organisation.

2. Key Issues

2.1 The plan has been prepared after a full refresh of the 'audit universe' (i.e. the comprehensive list of all areas potentially subject to audit across the Council) and a thorough review of the Council's risk registers. It has also taken into account:

- Reports by management to the Audit Committee on the management of risks.
- Cumulative audit knowledge and experience of previous work undertaken.
- Discussions with Strategic Directors and Assistant Directors.
- Knowledge of existing management and control environments.
- Professional judgement on the risk of fraud or error.
- Examination of Corporate Plans.
- Review of external inspection reports.

2.2 As well as identifying all of the proposed pieces of work to be carried out during the year, the plan:

- Explains the statutory requirements for Internal Audit
- Describes the approach and methodology adopted in producing the plan
- Shows the level of resources available to deliver the plan is 1,140 days
- Includes a contingency for responsive work.

2.3 In line with auditing standards, the plan does not become fixed when it is approved. It remains flexible and will be revised to take into account any significant emerging risks facing the Authority. It will be subject to a half year review in consultation with Strategic Directors and Assistant Directors.

3. Options Considered and Recommended Proposal

3.1 This report is presented to enable the Audit Committee to fulfil its responsibility for overseeing the work of Internal Audit, in particular to review and approve the risk-based plan.

3.2 The Audit Committee is asked to support the Internal Audit Strategic Annual Plan for 2020/21.

4. Consultation on Proposal

4.1 As part of the process for producing this Audit Plan, the Head of Internal Audit has held discussions with the Council's Strategic Directors and their teams to obtain their views of key risks and areas for audit coverage.

5. Timetable and Accountability for Implementing this Decision

5.1 The Audit Committee is asked to receive this report at its 24th March 2020 meeting.

6. Financial and Procurement Advice and Implications

6.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

7. Legal Advice and Implications

7.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. This states:

“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.”

7.2 PSIAS state:

“The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals. The risk-based plan must take into account the requirement to produce an annual internal audit opinion.”

7.3 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are:

“each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”

8. Human Resources Advice and Implications

8.1 There are no direct Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 This document constitutes a report of the Internal Audit Plan for 2020/21. A significant proportion of the Plan is devoted to the examination of risks facing Children and Young People’s Services and Adult Social Care.

10. Equalities and Human Rights Advice and Implications

10.1 There are no direct Equalities and Human Rights Implications arising from this report.

11. Implications for Partners

11.1 Internal Audit is an integral part of the Council's Governance Framework, which is wholly related to the achievement of the Council's objectives, including those set out in the Corporate Improvement Plan and Children's Services Improvement Plan.

12. Risks and Mitigation

12.1 The following risks have been identified.

Risk	Likelihood	Impact	Mitigation
<p><i>Not having/failing to deliver a risk-based Plan. Audit Plan does not reflect current risks/threats to Council.</i></p> <p><i>Unforeseen demands upon audit resources, e.g. increase in frauds/investigations and/or requests from management (responsive work).</i></p> <p><i>Insufficient resources to complete work to support the annual opinion.</i></p>	Low	Medium	<p><i>Risk-based approach to audit planning, including consultation with management. Robust task/time management process. Audit Plan kept under review to ensure it reflects key risks across Council. Half-yearly meetings with all Directorate management teams to ensure plan is up to date. Progress reports provided to Audit Committee. Recruitment to fill any vacancies.</i></p>

13. Accountable Officer(s)

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Rotherham Metropolitan Borough Council

Internal Audit Plan 2020/21

1. Introduction

This document provides a summary of the Internal Audit Plan for 2020/21.

Definition of Internal Audit

The UK Public Sector Internal Audit Standards defines Internal Audit as follows:-

“Internal audit 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”.

Requirement for Internal Audit

The requirement for Internal Audit is set out in the Accounts and Audit (England) Regulations 2015:

“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.”

PSIAS state:

“The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals. The risk-based plan must take into account the requirement to produce an annual internal audit opinion.”

The overall opinion issued each year by Internal Audit on the adequacy and effectiveness of the control environment is used as a key source of assurance to support the Annual Governance Statement.

S.151 Officer responsibility

Internal Audit also has an important role to support the Strategic Director of Finance & Customer Services in discharging her statutory responsibilities, which include:-

- S151 Local Government Act 1972 – to ensure the proper administration of financial affairs.
- S114 Local Government Act 1988 – to ensure the Council’s expenditure is lawful.

Development of Internal Audit Plan

The plan has been prepared after a full refresh of the ‘audit universe’ (i.e. the comprehensive list of all areas potentially subject to audit across the Council) and a thorough review of Council risk registers. It has also taken into account the views of Directors and Assistant Directors as to where audit resource is most needed, however the plan and its contents are entirely the responsibility of Internal Audit. In line with the PSIAS, this plan should enable Internal Audit to maximise the value and assurance it provides the Council, while ensuring it fulfils its statutory obligation to review and report on the Council’s internal control environment.

Ongoing Revision of Internal Audit Plan

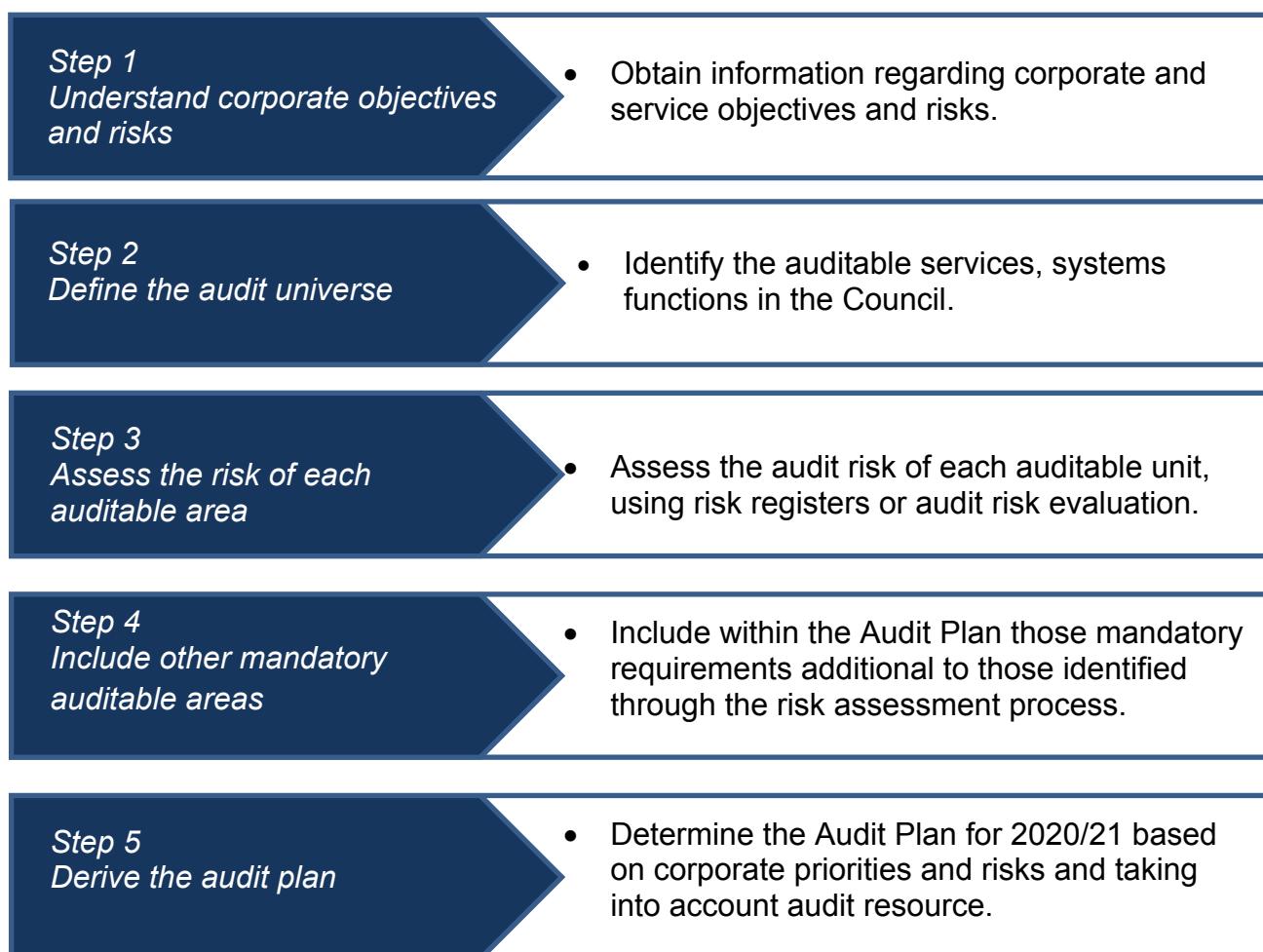
It should be noted that this is an iterative plan that will be kept under review on an ongoing basis, taking into account local and national issues where necessary. It is also intended to undertake a half year review. Any significant changes to it will be reported to the Audit Committee for consideration and approval.

2. Approach

The internal audit function will be delivered in accordance with the Internal Audit Charter, as presented to the Audit Committee in September 2019. The Charter defines the role, scope, independence, authority and responsibility of the internal audit department. Audits will be delivered in accordance with that Charter. The team will also be developed during the year in accordance with the Charter and Service Plan. Development will be predominantly by the further embedding of integrated audit software and the use of Computer Aided Audit Techniques (CAATs) to increase the efficiency of the department.

3. Methodology

A summary of our approach to the development of the Audit Plan for 2020/21 is set out below. The Plan is driven by the Council's organisational objectives and priorities and the risks that may prevent the Council from meeting these objectives.



Approach

We have examined all the Council's Strategic and Directorate risk registers. We have also reviewed the Council's plans to identify objectives and priorities. We have reviewed the discussions for previous year's plans and looked at the reviews carried out this year, and also those deferred. In this way we have sought to ensure that risks are addressed over successive annual audit cycles. We have reviewed the findings from recent external reviews and have also used sector knowledge to gain a wider understanding and perspective on risk. We have considered the previous year's plans from other Councils to ensure wider issues were picked up.

Step 2 – Define the audit universe

Approach

Using that information we have updated the 'audit universe', the possible areas for audit within the Council based on the risk registers, Council plans objectives and priorities, Performance Management framework and our accumulated knowledge and experience.

Step 3 – Assess the risk of each auditable area

Approach

This is a function of the estimated impact and likelihood of risk occurring for each auditable unit within the audit universe. It also takes into account our understanding of the strength of the control environment of each area. Where the auditable area is included in a risk register, the risk rating was used. Where the auditable area was not in a risk register the risk was assessed in terms of:

- The importance of the auditable area
- The level of risk of the auditable area

Step 4 – Include other auditable areas

Approach

In addition to the audit work identified through the risk assessment process, we also work on fundamental financial systems to assist the Responsible Finance Officer to meet her statutory responsibilities under s.151 of the Local Government Act 1972. We are required to provide certification of a small number of grant claims. We include an allowance for the investigation of suspected fraud and irregularity, and a contingency for management requests and emerging issues. Finally, we have committed to provide an internal audit service to a small number of academy schools in the Rotherham area, from which we generate a small income stream.

Step 5 – Derive the Audit Plan.

Approach

From the above a 'long-list' of potential areas for audit was produced. Discussions were then held with all Strategic Directors and their teams. The plan was then derived to account for competing priorities, the need to provide an opinion at the end of the year and the resources available. It was presented to the Senior Leadership Team for information and any comment.

4. Basis of our annual audit opinion for 2020/21

Internal audit work will be performed in accordance with the Public Sector Internal Audit Standards (PSIAS) and the associated Local Government Application Note (LGAN).

Our annual internal audit opinion will be based on the internal audits we have completed over the year and the control objectives agreed for each individual internal audit. Progress against our Plan will be reported to the Audit Committee during the year.

In producing this Plan, we have considered carefully the level of audit coverage required to be able to form an evidenced annual internal audit opinion. There are a number of risks to the delivery of this Plan:

- The plan includes a realistic provision for investigations. However, there is no guarantee that it is accurate. If further resource is needed it may impact on the plan. Conversely, if this amount is not required then it will be allocated to other specific audit tasks.
- The team is now at full capacity, but the plan could be affected by staff vacancies or sickness during the year.

Audits covered within the plan

Outline scopes for each review are given in the attached table. The following types of audit work will be completed.

1. Risk based work

This work is based on the strategic or operational risks. The audits examine the objectives of the area under consideration, the risks that may affect the achievement of those objectives and the adequacy and effectiveness of the controls to mitigate those risks.

2. System based work

Predominantly of key financial systems to give assurance that they are operating effectively. Reviews will take place each year but will look at specific controls on a rolling basis.

3. Follow up audits

Specific follow up audits have been planned where there have been a number of recommendations made in previous reviews.

4. Advisory work

Audit time to take part in specific projects or developments, as already requested / agreed with management.

5. Value for money

Value for money is considered as part of each audit review.

6. Grant claims

Time has been assigned to carry out reviews of grant claims.

7. Schools

During 2019/20 we used Control and Risk Self-Assessment for all maintained schools. This was designed to provide a level of assurance about the standards in schools, whilst at the same time minimising audit time in the schools by eliminating the need for traditional school audit visits. We used the results to complete themed school-based reviews on risks identified from the self-assessment. A sample of schools was visited to assess the identified risks.

There is a decreasing number of maintained schools within RMBC, which may mean the CRSA exercise is not viable. In addition, recent Department of Education consultation on Financial Transparency of Local Authority maintained schools and academies recommended a return to audits of individual schools. The results of the consultation are not yet known. The provision of school audits will therefore remain under review during the year.

8. IT Audit

The Internal Audit team completes audits of the IT section but does not have the expertise to carry out technical audits of IT systems. Salford City Council Internal Audit Services specialise in this area and provide audit services to councils in Greater Manchester, the north-west and north-east of England and north Wales. They have been engaged to perform an Audit Needs Assessment of RMBC IT, with the review taking place on 23rd March. The results of the review will highlight any areas where detailed IT audits should be completed. This may mean that the plan will be amended. If so, the amendments will be presented to the Audit Committee at its meeting in June.

9. Counter Fraud work

We will continue to conduct investigations in fraud and irregularity during the year. In addition, we will continue to participate in the National Fraud Initiative. This matches data across organisations and systems to help identify potentially fraudulent or erroneous claims and transactions.

Resources

The audit plan will be delivered by the in-house team and has been based on the current complement of the team.

There is a contingency of 40 days for further audits of risks as they arise, or for requests from management for advisory work.

Not shown within the plan is a small allocation of days for the provision of an audit service to a number of academy schools in the Rotherham area, from which we generate a small income stream.

The level of available resources for the Internal Audit function for 1st April 2019 to 31st March 2020 is 1,140 days and is based on an establishment structure of 8 FTE. This is sufficient to allow the Head of Internal Audit to give his annual opinion at the end of the year. However, a

greater resource would enable the team to provide a better service and greater assurance to the Council. The plan depends on maintaining the current level of resource.

5. Internal Audit Plan 2020/21

The internal audit plan has been derived as shown below to reflect the core areas of our Internal Audit programme determined by our risk assessment and consultation process.

Internal Audit Plan 2020-21

<u>CORPORATE</u>						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
Risk Management		Risk Based	Review of the effectiveness of risk management.	10	2	
Annual Governance Statement		Advisory	Review of the process for the production of the AGS.	10	4	
Schemes of Delegation		Advisory	Review 'sub-schemes' of delegation across each directorate / service for compliance with policy and processes.	10	3	
Total Planned Days – Corporate						30

<u>ASSISTANT CHIEF EXECUTIVE</u>						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
Payroll	Directorate Risk ACX20	Risk Based	Fundamental system. Ongoing review of system and to provide assurances on procedures for carrying out reconciliations and error resolution and prevention.	20	3	
Tackling Family Poverty	Strategic Risk SLT 03	Risk Based	Review of new contract for provision of crisis loans and provide assurances that the contract is operating as prescribed.	10	3	
Establishment Control		Follow Up	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	4	
Organisational Development		Risk Based	Review of policies and procedures in place to ensure an efficient and effective Entry Level apprenticeship scheme.	10	2	
Complaints		Risk Based	Review of the arrangements for dealing with complaints.	10	4	

HR Policies		Risk Based	Review of policies and procedures for the new payroll system to provide assurances that they are fit for purpose.	20	1
Leavers		Risk Based	Provide an assurance on the procedures in place for ensuring leavers are processed efficiently and that all aspects across respective Directorates are complied with (return of equipment; recycling of software licences etc).	15	
Members Allowances		Risk Based	Review of policies and procedures in place to gain assurance that allowances are approved, controlled and monitored.	10	4
Performance Management		Risk Based	Review of policies and procedures in place to gain assurances on the accuracy of performance management measurements reported.	15	
Total Planned Days – Assistant Chief Executive					115

ADULT CARE HOUSING AND PUBLIC HEALTH						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
Mental Capacity Act	Strategic Risk SLT22	Risk based	Review of policies and procedures and provide assurance on compliance with the Mental Capacity Act.	20	3	
Target Operating Model	Directorate Risk ACOP15	Follow Up	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	4	
Health and Safety – Repairs and Management	Directorate Risk H7	Risk Based	Review of policies and procedures in place to gain an assurance that the Council complies with health and safety regulations in relation to replacement of Council House fire doors throughout the Borough.	15	4	
Rothercare Service	Operational Risk ACOP11	Risk Based	Review the policies and procedures in place to ensure the effective and efficient operation of the Rothercare Service and Assistive Technology.	20	3	
Liquid Logic		Follow Up	Follow up of audit findings and recommendations from full audit carried out in 2018-19.	5	1	

Direct Payments	Operational Risk ACOP10	Follow Up	Follow up of audit findings and recommendations from full audit carried out in 2019-20 where a partial assurance was reported.	10	4
Housing Management System	Operational Risk 2	Risk Based	Review the policies and procedures for the new housing management system and provide an assurance that they are fit for purpose.	10	3
Charging Policy		Risk Based	Review of charging including benchmarking and compliance with the Care Act.	10	4
Court of Protection (Appointees)		Risk Based	Review the policies and procedures in place to ensure the effective and efficient provision of a Court of Protection Appointeeship Service.	15	1
Homelessness	Operational Risk 18	Risk Based	Review of policies and procedures and provide assurance on compliance with the Homeless Reduction Act 2017.	15	2
Housing Rents		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	10	1
Total Planned Days – Adult Care and Housing					135

CHILDREN AND YOUNG PEOPLES SERVICE						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
Safeguarding	Strategic Risk SLT01	Risk Based	Review of the application of processes around safeguarding children.	15		
Placements	Directorate Risks CYPS4 CYPS11	Risk Based	Review policies and procedures for sourcing and agreeing placements to ensure that placements are correctly considered; authorised and costed	20	1	
Unregistered and Unregulated Placements	Directorate Risk CPQ43	Risk Based	Review of policies and procedures and provide assurance that unregulated or unregistered placements are authorised and monitored.	20	2	

Traded Services for Schools	Directorate Risk CPQ45	Risk based	Review the processes in place to ensure traded services are controlled and accounted for correctly.	20	
Virtual School Pupils	Directorate Risk ES15	Risk Based	Review of policies and procedures in place to ensure that all virtual school pupils make progress in line with their peers.	10	
Fostering / Adoption / SGOs		Risk Based	Review of the controls around the allowance payments systems and linkages with the financial information system, E5.	15	
Cash Handling		Risk Based	Review of the policies and procedures in place for requisitioning cash, including Section 17 payments, and alternative methods of payments to clients.	20	
SEND – Moving and Handling	Operational Risk CPQ39	Follow Up	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	
Schools		Risk Based	Sample visits to schools.	20	
Total planned days - Children and Young People's Services					145

<u>FINANCE AND CUSTOMER SERVICES</u>						
<u>Finance</u>						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
Contract Renewals	FCS13	Follow Up	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5		
Procurement Governance	Operational Risk	Risk Based	Review procurement procedures and assess Directorate adherence to them.	20		
Council Tax		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	10		
NNDR		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	10		

Debtors		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	10	
Creditors		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	10	
Treasury Management	Operational Risk	Risk Based	Review of policies and procedures in place to ensure an efficient treasury management service.	10	
Capital Programme		Risk Based	Review new procedures due in May and gain assurance that expenditure is appropriately approved, controlled and monitored.	15	4
Purchasing Cards		Risk Based	Review policies and procedures and gain an assurance that expenditure on procurement cards is appropriate and supported by receipted records.	10	
Procurement "Feeder" Systems		Risk Based	Examine feeder systems, e.g. ContrOcc, and gain assurance that payments generated through systems are approved, controlled and monitored.	20	

Customer Information & Digital Services

Cyber Security Attacks	Directorate Risk FCS14	Risk Based	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	
GDPR		Risk Based	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	
Data Loss	Operational Risk	Risk Based	Review of the controls around the security of data transferred to mobile devices (via InTune Portal and 365).	10	2
Asset Management		Risk Based	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	
Active Directory		Risk Based	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	
Customer Services & Efficiency Programme Board		Advisory	Audit contribution to projects designed to increase efficiency.	30	

Access to Systems		Risk Based	Review “super user” access rights to computer systems and audit trails of “super user” actions.	10	
<u>Legal Services</u>					
Child Protection Litigation Service to CYPS	Directorate Risk FCS6	Risk Based	Provision of an effective child protection litigation service to CYPS	10	
Adult Care Protection Legal Support	Operational Risk	Risk Based	Provision of an effective adult care protection legal support	10	
Total Planned Days – Finance and Customer Services					210

<u>REGENERATION AND ENVIRONMENT</u>						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
Estate Management	Strategic Risk SLT27	Risk Based	Review policies and procedures and gain an assurance that the Council maintains a safe and operational property estate.	10	3	
Enforcement & Regulatory Functions	Directorate Risk R&E2	Risk Based	Review policies and procedures and gain an assurance that the Council delivers an effective enforcement and regulatory function.	10		
Home to School Transport	Directorate Risk R&E9	Follow Up	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	4	
Sales and Participation targets	Directorate Risk R&E31	Risk Based	Provide an assurance on the processes for controlling and accounting for sales and income.	15	2	
Food Safety	Operational Risk PR38	Risk Based	Review policies and procedures and gain an assurance that all catering units manage food safety for all customers.	10		
Vehicle Fleet		Risk Based	Review the policies and procedures for the insourcing of the fleet maintenance service by September 2020 and provide assurance on the benchmarking and performance data collected to allow full consideration of appropriate future delivery model for fleet maintenance.	25	2 & 4	

Highway Network		Risk Based	Provide an assurance on the performance results of the completed Roads2020 roads programme and for arrangements for control and monitoring of the latest 36m funding.	15	1
Private Rented Housing		Risk Based	Review policies and procedures and gain an assurance that the Council are compliant with the regulations surrounding Selective Licencing and administration of the scheme.	10	3
Household Waste Recycling Centres	Operational Risk CSS18	Risk Based	Review of contract management arrangements to ensure contractor compliance with the agreed contract and new 7 day opening arrangements.	10	
Section 106 and Community Infrastructure Levies (CIL)		Risk Based	Review of the policies and procedures and gain an assurance on the collection and utilisation of Section 106 and CIL contributions.	15	
Markets Income		Risk Based	Review policies and procedures and gain an assurance that there are effective arrangements in place for the collection of income due from markets.	10	
Total Planned Days – Regeneration and Environment					135

OTHER	Provision
Grants	50
Provision for investigations	250
Pro-active fraud	30
Contingency	40
	Total 370
	Overall Plan Total 1140

