

Council Report

Audit Committee Meeting – 23rd March 2021.

Title

Internal Audit Plan 2021/22.

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 2021/22. 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. It includes a contingency to allow for the impact of Covid-19 and will need to remain flexible to respond to future developments.

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 2021/22.

List of Appendices Included

Appendix 1: Internal Audit Plan 2021/22.

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 2021/22.

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 The plan has been designed to allow for actions taken as a result of Covid-19, including the current reallocation of audit staff and the need to remain flexible throughout the year.

2.3 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 1000 days
- Includes a contingency for responsive work

2.4 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, in particular any future developments as a result of Covid-19. 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 2021/22.

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 23rd March 2021 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 2021/22. 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 2021/22

1. Introduction

This document provides a summary of the Internal Audit Plan for 2021/22.

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

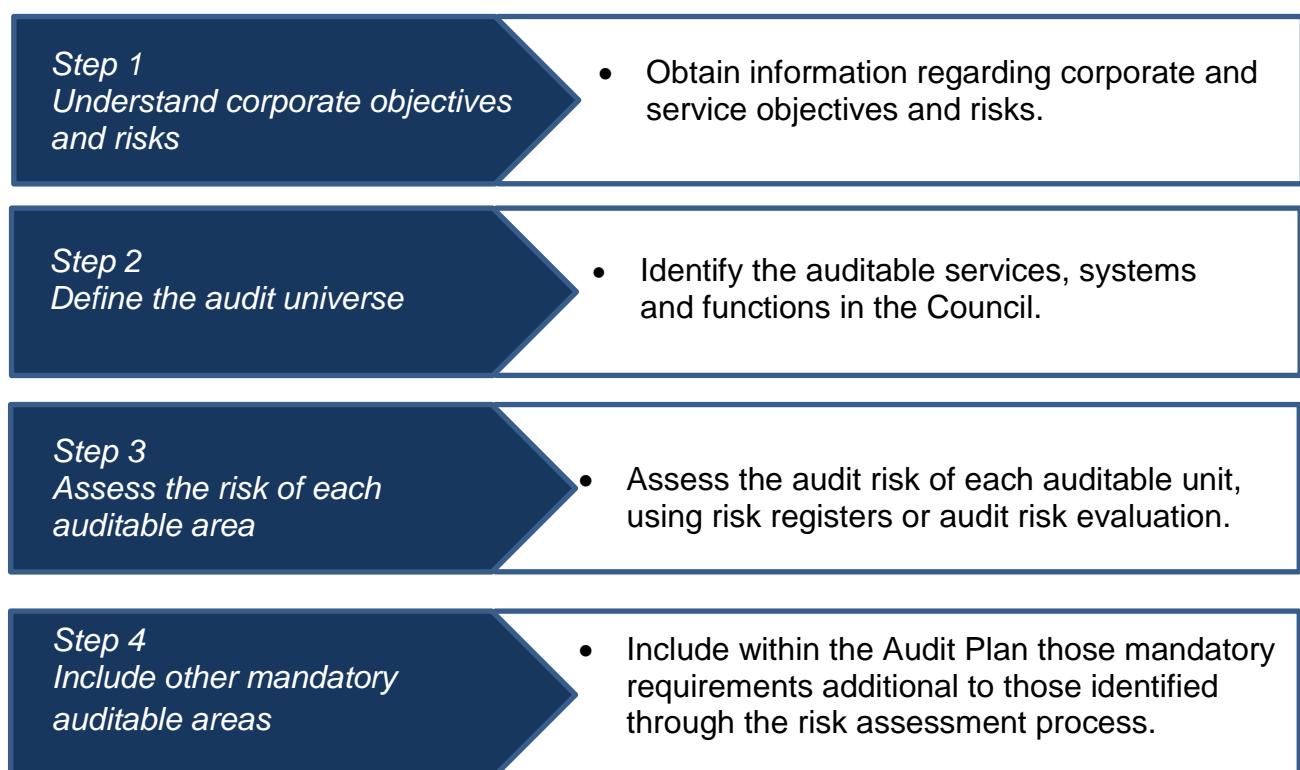
It should be noted that this is an iterative plan that will be kept under review on an ongoing basis, taking into account local and national issues where necessary, in particular any future developments as a result of Covid-19. It is also intended to undertake a half year review. Any significant changes 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 2020. 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 and the findings of the external review against PSIAS. Development will be predominantly by 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 2021/22 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.



Step 5
Adjust the plan for Covid-19

- Include contingencies within the plan to allow for the impact of Covid-19.

Step 6
Derive the audit plan

- Determine the Audit Plan for 2021/22 based on corporate priorities and risks and taking into account audit resource.

Step 1 – Review objectives and risks

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

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

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

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 – Update the Audit Plan to allow for the impact of Covid-19.

The onset of Covid-19 and the lockdown, the audit plan for 2020/21 was not completed as audit resource was redeployed and used more flexibly. The uncompleted reviews from 2020/21 have been considered and where appropriate the plan updated to include them.

Step 6 – Derive the Audit Plan.

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 2021/22

Internal audit work will be performed in accordance with the Public Sector Internal Audit Standards (PSIAS) and the associated Local Government Application Note (LGAN). The department was externally assessed in early 2021 as Generally Conforming with PSIAS.

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. Despite the impact of Covid-19 there is still sufficient resource available throughout the year to support an 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.
- There may be a further impact from Covid-19.

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. Grant claims

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

6. Schools

During 2021/22 we will again use Control and Risk Self-Assessment for all maintained schools. This is 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 will use the results to complete themed school-based reviews on risks identified from the self-assessment. A sample of schools will be visited to assess the identified risks.

7. 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. In late 2020 they completed an Audit Needs Assessment of RMBC IT. The results of the review highlighted areas where detailed IT audits could usefully be completed. These are also shown in the Plan although they will be completed by the Salford team.

8. 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 with the exception of some specialised IT audits completed by Salford City Council Internal Audit, and has been based on the current complement of the team.

There is a contingency of 80 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 2021 to 31st March 2022 is 1000 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 2021/22

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 2021-22

<u>ASSISTANT CHIEF EXECUTIVE</u>						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
Payroll	Dir Risk ACX20	Fundamental System	Fundamental system. Ongoing review of system and to provide assurances on procedures for carrying out reconciliations and error resolution and prevention.	35	3	
Risk Management		Risk Based	Review of the effectiveness of risk management.	10	2	
HR Policies		Risk Based	Review of policies and procedures to provide assurances that they are fit for purpose.	20		
Performance Management		Risk Based	Review of policies and procedures in place to gain assurances on the accuracy of performance management measurements reported.	15		
Members Allowances		Risk Based	Review of allowances paid to members following May 21 Borough Elections, including a follow-up of 2020/21 audit actions.	10	2	
Establishment Control		Follow up	Follow-up of 19/20 Audit	5		
Total Planned Days – Assistant Chief Executive						95

<u>ADULT CARE HOUSING AND PUBLIC HEALTH</u>						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
Liberty Protection Safeguards	Strat Risk SLT22 ACS22	Risk Based	Review of compliance with new legislative changes and requirements. Detailed scope to be agreed in Q3 / Q4 after new procedures have been embedded.	10	3 / 4	

Public Health		Risk Based	Scope to be agreed for a review of elements from the What Good Looks Like (WGLL) Programme.	10	3
Homecare and Support Delivery Model	Op Risk ACHC16	Risk Based	Review new delivery model to ensure services are being delivered to vulnerable people on date of contract implementation.	15	4
Direct Payments	Op Risk ACOP10	Risk Based	Review the updated policies and procedures and ensure that all previous Internal Audit recommendations, covering this service, have been addressed and incorporated into these policies and procedures.	20	1 / 2
Repairs & Maintenance Contract	Op Risk No.8	Risk Based	Review and provide assurance on the new repairs and maintenance contract; and ensure that previous Internal Audit recommendations have been addressed within the new contract.	20	2
Housing Rents		System Based	Audit examines key areas within the system on a cyclical basis.	10	4
Rothercare Service	Op risk ACOP11	Risk Based	Support Housing's internal review of systems and operations of Rothercare and Assistive Technology	20	3
Homelessness	Op Risk No 18	Risk Based	Review of findings from Housing's internal review of processes.	10	1 / 2
Transition from Children's Care to Adult Care	Op Risk ACOP9	Risk Based	Review of the process, including meeting the financial commitments. Linked to CYPS.	15	
Total Planned Days – Adult Care and Housing				130	

CHILDREN AND YOUNG PEOPLES SERVICE						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
Early Years Education	Op Risk ES6	Risk Based	Review of policies and procedures to ensure compliance with statutory duties. Detailed scope and brief to be agreed with CYPS Management prior to commencement of audit.	20		
School Exclusions		Risk Based	Review the Council's procedures in respect of permanent exclusions to	15	4	

			ensure compliance with statutory requirements		
Schools CRSA and Themed Audits		Risk Based	Reviews based on the results of the schools' Control and Risk Self-Assessment. Includes School Visits.	30	3
Special Education Needs and Disability	Dir Risk CYPS03 Op Risk CPQ39	Risk Based	Review of SEND. Detailed scope and brief to be agreed with CYPS Management prior to commencement of audit.	20	4
LAC Sufficiency (Children's Homes)	Op Risk CPQ42	Risk Based	To provide an independent risk based review on progress with the LAC Sufficiency Strategy. This review can be used to support any further project changes and provide independent assurance on any changes in delivery post Covid.	15	
Rating of Schools	Op Risk ES2 / ES14		Review of the arrangements to ensure maintained schools are rated highly.	10	
Fostering and Adoption Allowances		Follow up	Follow up of review in 2020/21	5	
Total planned days - Children and Young People's Services					115

FINANCE AND CUSTOMER SERVICES						
Finance						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
Annual Governance Statement		Risk Based	Review of the process for the production of the AGS.	10	4	
NNDR	Op Risk	Systems Based	Fundamental system. Previously no concerns, audit resources to examine changes to the system.	10	3	
Debtors		Systems Based	Assess the degree of compliance with Finance Procedures by Directorates.	15	2	

Capital Procedures		Risk Based	Review the updated capital procedures and provide assurance that they are being complied with and that expenditure is appropriately approved, controlled and monitored.	15	4
Procurement Social Values	Op Risk	Risk Based	Review of compliance with Social Value policy requirements for procurement and provide assurances that controls are in place to ensure the policy is embedded.	15	1
Procurement Governance	Op Risk	Risk Based	Review procurement procedures and assess Directorate adherence to them.	20	4
IR35 Anti-Avoidance Tax Legislation		Risk Based	Review procedures and provide an assurance on compliance with IR35 legislation	15	3
<u>Customer Information & Digital Services</u>					
Cyber Attacks	Dir Risk FCS14	Risk Based	Provide assurance on how the Council manages the risk of threats from cyber-attack in terms of preventative & reactive measures.	10	3/4
Physical Security of servers / data		Risk Based	Provide assurance that the Council's server / data areas are secure and resilient to withstand physical & environmental attack.	10	
Hardware Asset Management		Risk Based	Confirm the adequacy of arrangements for managing the issue of new IT equipment (laptops) and any items that are returned and overall stock management.	15	
Vulnerability Management		Risk Based	Confirm that vulnerabilities in the IT 'estate' are effectively managed in a timely & controlled manner.	10	
Network Management	Op Risk	Risk Based	Provide assurance that the Council's IT infrastructure (network, server and storage) is robust, fit for purpose, secure & resilient.	10	
Customer Services & Efficiency Programme Board		Advisory	Audit contribution to projects designed to increase efficiency.	30	
<u>Legal Services</u>					

Adult Care Protection Legal Support	Op Risk	Risk Based	Provision of effective Adult Care Protection legal support to Adult Care, Housing and Public Health Services.	10	
Whistleblowing		Risk Based	Provide assurance that reported cases are investigated and there is supporting evidence to justify the investigations overall findings.	15	
Contract Sealing		Risk Based	Partial Assurance level reported in 2021 audit review, follow up audit to ensure agreed actions are in the process of, or have been, implemented.	5	
Right to Buy		Risk Based	Review of Right to Buy procedures from receiving instructions to completion of sales to highlight any delays in the processes and reduce risk of complaints.	10	
Total Planned Days – Finance and Customer Services					205

REGENERATION AND ENVIRONMENT						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
Property Estate Management	Strat Risk SLT27 Dir Risk R&E13	Risk Based	Review Health & Safety arrangements in management of property estate & follow-up previous audit actions from 20/21 audit.	10		
Enforcement	Dir Risk R&E2	Risk Based	Ensure the arrangements around community-based enforcement and environmental health meet statutory requirements.	10		
Historic Sites	Dir Risk R&E8 Op Risk CST15	Risk Based	Review the adequacy of arrangements for the management of the health & safety programme for maintenance of the Council's historic sites.	10		
Building Security	Dir Risk	Risk Based	Ensure adequate building security arrangements are in place across the	15		

	R&E26 Op Risk PRT39		property estate. To include follow-up of agreed actions relating to security at Hellaby Depot.		
Private Rented Housing	Op Risk CSS1	Risk Based	Review policies & procedures and gain assurance that the Council is compliant with regulations surrounding selective licensing and administration of the scheme	10	
Household Waste Recycling Centres	Op Risk CSS18	Risk Based	Seek assurance adequate contract management arrangements are in place & operating effectively.	10	1
Catering / Cleaning (Facilities Services)	Op Risk PRT45	Risk Based	Review adequacy of health & safety arrangements around catering & cleaning and that appropriate PAT testing is in place.	15	
Home to School Transport	Dir Risk R&E9	Follow up	Follow up of review in 2020/21	5	
S106 & Community Infrastructure Levy		Follow-up	Follow-up of review in 2020/21	5	4
Total Planned Days – Regeneration and Environment					90

<u>OTHER</u>	Provision
Follow Up reviews	20
Grants	50
Provision for investigations	100
Pro-active fraud	30
Contingency	90
Covid – grant work	75

	Other Work Total	365
	Overall Plan Total	1000