

Council Report

Audit Committee Meeting – 15th March 2022.

Title

Internal Audit Plan 2022/23.

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)

David Webster, Head of Internal Audit
Internal Audit, Finance and Customer Services
Tel: 01709 823282 Email: david.webster@rotherham.gov.uk

Ward(s) Affected

All wards.

Report Summary

This report refers to the Internal Audit Plan for 2022/23. 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 is designed to enable the Head of Internal Audit to give his annual opinion at the end of the year on the adequacy and effectiveness of governance, risk management and the control framework. The plan will remain flexible and will be reviewed during the year to ensure it remains relevant.

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 2022/23.

List of Appendices Included

Appendix 1: Internal Audit Plan 2022/23.

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 2022/23.

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:

- Council Plan and Year Ahead Delivery Plan
- 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 1000 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 2022/23.

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 15th March 2022 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 2022/23. 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 CO2 Emissions and Climate Change

11.1 There are no direct CO2 and Climate Change implications arising from the report.

12. Implications for Partners

12.1 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.

13. Risks and Mitigation

13.1 The following risks have been identified.

Risk	Impact	Probability	Mitigation
Not having/failing to deliver a risk-based Plan. Audit Plan does not reflect current risks/threats to Council. Unforeseen demands upon audit resources, e.g. increase in frauds/investigations and/or requests from management (responsive work). Insufficient resources to complete work to support the annual opinion.	Low	Low	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 Leadership Teams to ensure plan is up to date. Progress reports provided to Audit Committee.

14. Accountable Officer

David Webster, Head of Internal Audit.
Tel 01709 823282. E mail david.webster@rotherham.gov.uk

Rotherham Metropolitan Borough Council

Internal Audit Plan 2022/23

1. Introduction

This document provides a summary of the Internal Audit Plan for 2022/23.

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 2021. 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.

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 1 – Review objectives and risks

We have examined all the Council's Strategic and Directorate risk registers. We have also reviewed the Council Plan and Year Ahead Delivery Plan 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 pro-active fraud prevention work and 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.

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 2022/23

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.

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 will be completed where there has been a partial or no assurance audit opinion.

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 2022/23 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. 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 50 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 2022 to 31st March 2023 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 2022/23

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 2022-2023

Assistant Chief Executive					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Payroll	ACX20	Systems Based	Provide assurance on key processes for carrying out reconciliations and error resolution and prevention.	20	
Big Hearts Big Changes (BHBC)	ACX23	Risk Based	Provide assurance on the governance arrangements to ensure the effective delivery of the BHBC programme.	15	
Year Ahead Plan	ACX27	Risk Based	Provide assurance on the governance arrangements and that performance measures are being accurately reported.	20	
Agency Staff / Relief Workers		Risk Based	Provide assurance on the effectiveness of governance arrangements to ensure agency/relief staff are being sourced in accordance with approved contract(s).	15	
Use of Volunteers		Risk Based	Review the process for evaluating volunteers is robust and the collection and use of personal data is GDPR compliant.	10	
Declarations of Interest		Risk Based	Provide assurance on the effectiveness of policies & procedures and ownership and accountability for the process.	10	
Leavers		Follow-up	Carry out a Follow-up of the Jan 2022 Audit (partial assurance)	5	Q1/2
Total planned days – Assistant Chief Executive				95	

ADULT CARE HOUSING AND PUBLIC HEALTH

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Liberty Protection Safeguards.	ACHPH R3 (ACI R5)	Risk Based	Provide an assurance on the Council's readiness to transfer to the new Liberty Protection Safeguards regulations.	15	4
Public Health	ACHPH R7 (PH R5)	Risk Based	Management request for a further review of additional Elements of the What Good Looks Like (WGLL) programme.	10	2 / 3
Health & Safety Legislation and Corporate Responsibilities for Council Homes.	ACHPH R9 Housing RR No.1	Risk Based.	Management request for a review to be carried out when changes to Social Housing Regulations framework have been finalised. The audit will revisit the Council's compliance with Health and Safety regulations.	10	3
Assistive Technology	ACHPH R11 & 12)	Risk Based	Review of Assistive Technology procedures; including approval pathway for purchasing new equipment; decision making for specialist equipment and compliance with contractual / procurement processes.	15	
Health Funded Clients	ACI R1	Risk Based	Review the Council's use of the RAFT tool in determining client's assessment of their level of health need, and subsequent level of health funding for their needs.	10	
Housing Disrepair Claims	Operational Risk	Risk Based	Provide assurance on the controls in place to reduce the number of Disrepair claims logged with the Council and deal with those received.	10	
Housing Management System		Risk Based	Review and provide assurance on the adequacy of the new housing management system.	15	3 / 4
Care Provision Deferred Payment Agreements & Unpaid Debt.		Risk Based	Review of compliance with procedures for deferring payment for care provision and recovery of unpaid debt.	10	
Transition from Children's Care to Adult Care		Follow Up	Follow up of 2020-2021 audit review. Audit deferred from 2021-2022 plan.	5	
Rothercare		Follow Up	Follow up of 2021-2022 audit review reporting a partial assurance level.	5	Q3

Total Planned Days – Adult Care and Housing	105
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CHILDREN AND YOUNG PEOPLES SERVICE					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Commissioning Services	CPQ43	Risk Based	Review of commissioning policies in place to support safeguarding of children and young people; health and safety and Governance, which need to be in place by all contract holders. Assurance would assist Commissioning develop their quality assurance framework.	10	
Direct Payments	CPQ44	Risk Based	Review the procedures for making direct payments to personal budget holders and provide an assurance on the quality of annual audits carried out on individual client's accounts.	15	
Safeguarding	SCF4	Risk Based	Review the processes for maintaining robust safeguarding arrangements – detailed scope to be agreed.	20	
Schools CRSA		Risk Based	Conduct the annual school's Control and Risk Self-Assessment to form the basis for school visits.	10	3 / 4
Schools Themed Audits		Risk Based	Sample visits to schools, based on the results of the self-assessment.	20	3 / 4
Joint Funding of Care Packages		Risk Based	Review of the new Joint Funding strategy and provide a level of assurance on compliance with the new strategy.	15	3 / 4
Commissioning		Follow Up	Follow up audit of commissioning of emergency provision supplier.	5	2
Special Education Needs and Disability (SEND).	CYPS03 ES16	Risk Based	Review progress in implementing the Ofsted action plan and provide an assurance on the processes taken to address the weaknesses highlighted within the action plan.	15	
Total Planned Days - Children and Young People's Services				110	

FINANCE AND CUSTOMER SERVICES					
Finance					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter

NNDR	FCS2	Systems Based	Fundamental System. Review of new processes in respect of NNDR reliefs to provide a level of assurance of compliance with these.	10	
Council Tax Support	FCS10	Systems Based	Review of changes in Council Tax Support System and provide a level of assurance of compliance with these.	10	
Procurement Governance	Operational Risk.	Risk Based	Review procurement procedures and assess Directorate adherence to them. To include, where applicable, a review of Directorate procedures.	30	
Social Values	Operational 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 by contract managers.	15	
Debtors		Systems Based	Review debtors procedures and assess Directorate adherence to them. To include, where applicable, a review of Directorate procedures.	30	
Treasury Management		Risk Based	Review of Treasury Management Strategy to ensure compliance with recent changes.	10	Q3
Covid Grants		Risk Based	Further reviews of new Covid Grant Schemes, including the Council's use of the Spotlight tool.	15	
<u>Customer Information & Digital Services</u>					
Hosted & Cloud-based systems	Operational Risk	Risk Based	Provide assurance on the IG policies & procedures for cloud-based storage platforms, including recovery, protection & security arrangements.	10	
3 rd Party Supplier Access Management	Salford risk assessment	Risk Based	Provide assurance on the effectiveness of policies & procedures to allow/remove access for 3rd parties.	10	
Back-up Management	Salford risk assessment	Risk Based	Provide assurance that IT 'back-up' arrangements are operating effectively, e.g. servers, 365.	10	
Blue Badge Scheme		Risk Based	Provide assurance on effectiveness and application of policy and procedures.	10	
Hardware Asset Management		Follow-up	Follow-up of 21/22 Audit (partial assurance)	5	Q1/2
Customer Digital Programme		Advisory	Audit contribution to projects designed to increase efficiency.	30	
Technical IT Audits	Salford risk assessment	Risk Based	Provide assurance on the management and effectiveness of key technical IT systems and processes.		

Legal Services					
Electoral Services		Risk Based	Review the processes used as part of the Mayoral Election to provide assurances that processes are efficient and fit for future elections.	10	Q2
Adult Care Protection Legal Support		Risk Based	Provision of effective Adult Care Protection legal support to Adult Care, Housing & Public Health	10	Q3 / Q4
Housing Disrepair		Risk Based	Review of procedures for handling claims in respect of Housing Disrepair within Legal Services.	10	
Registrars		Risk Based	Provide an assurance on the performance of the Council's contract with Dignity Crematoria Ltd.	15	Q3 / Q4
Total Planned Days – Finance and Customer Services				240	

Regeneration and Environment					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Licensing	R&E1 (CSS8)	Risk Based	Review and provide assurance on the implementation of actions arising from the Local Government Association's review of Licensing.	15	
Waste	CSS13	Risk Based	Scope to be confirmed / agreed.	20	
Health & Safety Policy	CSS24	Risk Based	Review of policies / procedures in place to ensure compliance with statutory requirements / Health and Safety at Work Act.	10	
Drainage	CSS35 / 36	Risk Based	Provide assurance on the arrangements in place to maintain the safety of the highway network from surface water & flooding.	10	
Museum Collections	CST11	Risk Based	Review arrangements for the control, management and security of valuable collections to protect them from loss or damage.	10	

Planning Decisions & Complaints	PRT4	Risk Based	Provide assurance on timeliness of planning decisions performance and review the arrangements for determining planning complaints & objections.	15	
Cash collection and income		Risk Based	Review the arrangements for the collection, monitoring, reconciliation of cash and other forms of income from various establishments.	20	
Estate Management		Risk Based	Review Health & Safety arrangements in management of the property estate relating to LEA Schools and Neighbourhoods properties.	15	
S278 Agreements		Risk Based	Provide assurance on the proper execution of Section 278 Agreements.	10	
Total Planned Days – Regeneration and Environment				125	

<u>OTHER</u>	Provision
Follow Up reviews	20
Grants	50
Provision for investigations	150
Pro-active fraud	25
Contingency	50
Software development	30
Other Work Total	325
Overall Plan Total	1000