

Council Report

Audit Committee Meeting – 14th March 2023.

Title

Internal Audit Plan 2023/24.

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 2023/24. 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 2023/24.

List of Appendices Included

Appendix 1: Internal Audit Plan 2023/24.

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 2023/24.

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 1045 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 2023/24.

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 14th March 2023 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 2023/24. 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

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Rotherham Metropolitan Borough Council

Internal Audit Plan 2023/24

1. Introduction

This document provides a summary of the Internal Audit Plan for 2023/24.

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 2022. 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 2023/24 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 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.

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 2023/24

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. 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 currently recruiting an Internal Auditor to bring it to 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 2023/24 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 60 days for further audits of risks as they arise, or for requests from management for advisory work.

The level of available resources for the Internal Audit function for 1st April 2023 to 31st March 2024 is 1045 days and is based on a full establishment for the team. 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 2023/24

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 2023-2024

CORPORATE					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Contract Management		Risk Based	A review of the tracking and management of contract delivery by contract managers, to provide assurance on how outcomes and outputs are tracked.	15	2
Total planned days – Corporate				15	

ASSISTANT CHIEF EXECUTIVE					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Payroll	ACX20	Systems Based	Annual review of payroll as a fundamental system.	20	4
Council Plan	ACX27	Risk Based	Review of the accuracy of KPI's in support of the Council Plan	15	4
Workforce Plan	ACX32	Risk Based	Review of the impact of the Workforce Plan on the workforce	10	2
Establishment Control		Risk Based	Review of the management of vacancies and their disestablishment, and the match between HR and Finance establishments.	15	3
Risk Management		Risk Based	Review of the effectiveness of Risk Management.	15	4
Annual Governance Statement		Risk Based	Review of the process for the production of the AGS, after changes introduced in 2023.	10	4
HR Policies		Risk Based	Review of the implementation of selected policies.	20	3
Declarations of Interest		Risk Based	Review of officers' Declarations of Interest, after the introduction of new procedure.	10	2
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
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.	20	2
Health & Safety Legislation and Corporate Responsibilities for Council Homes.	ACHPH R9 (H-R12)	Risk Based	To review compliance with Health and Safety regulations with regard to smoke and carbon monoxide alarms.	10	4
Rothercare Service and Assistive Technology	ACHPH R21	Risk Based	Review of the new business and financial service models and a follow up on previously made recommendations following an audit of the Rothercare service.	20	2
Housing and Estates – Anti Social Behaviour	H – R10	Risk Based	Review of current procedures and to ensure compliance with legislation.	10	1
Housing and Estates – Management of Estate Environment	H – R11	Risk Based	Review of procedures in place to ensure effective management of the estate environment.	10	1
Local Government Ombudsman's Reports		Risk Based	Management request to examine Ombudsman's report for the last two years and report on how the Council responded to any findings and if any lessons learned were acted upon.	15	2
Public Health		Risk Based	Review of drug and alcohol working partnerships including needs assessments and plans.	15	3
Health Funded Clients		Follow Up	Follow up of Partial Assurance audit in 2022/23	5	2
Homes England		Risk Based	Review of grant funding drawdowns after new processes have been implemented.	5	2
CQC Assurance Framework		Risk Based	Provide assurance on the action plan after a mock inspection.	10	2
Total Planned Days – Adult Care and Housing				120	

CHILDREN AND YOUNG PEOPLES SERVICE

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Early Years Provision	EH1	Risk Based	Consider the recently published independent review of children's social care report by J MacAlister and where areas of concern could be applicable to RMBC. Review to also consider Universal and Targeted help.	15	1
Early Years Education Provision	ES6	Risk Based	Examination of reasons for low take up of eligible 2- 3- and 4-year-old early years education with findings feeding into the Early Years Strategy.	10	4
Social; Emotional and Mental Health Needs (SEMH)	ES17	Risk Based	Scope of the audit to be finalised with CYPS, based upon Local Area Provision and inclusion pathways.	15	3
Safeguarding	SCF3	Risk Based	Review of procedures for placing 16+ children with external provider regulated accommodation	10	2
Unaccompanied Asylum Seeking Children (UASC)	SCF6	Risk Based	Review of procedures for age assessments of UASC.	10	1
Special Education Needs and Disability (SEND)	CYPS03	Risk Based	Review of Education, Health and Care Plans (EHCP) across all the domains, including Health and Social Care Partners.	20	3
Fostering		Risk Based	Examination of the success of work undertaken across all directorates to promote the fostering service and increase number of foster carers.	10	4
Elective Schooling		Risk Based	Review of procedures to ensure compliance with legislation.	10	4
Schools CRSA		Risk Based	Conduct the annual school's Control and Risk Self-Assessment to form the basis for school visits.	10	2
Schools Themed Audits		Risk Based	Sample visits to schools, based on the results of the self-assessment.	20	4
Total Planned Days - Children and Young People's Services				130	

<u>FINANCE AND CUSTOMER SERVICES</u>					
<u>Finance</u>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Council Tax		Systems Based	Fundamental System. Scope of the audit to be agreed with Assistant Director Finance, to include core systems not currently being externally stored.	10	4
NNDR		Systems Based	Fundamental system. Audit resources to examine changes to revaluation process and compliance with these. Also examine awarding of reliefs.	10	4
Contract Renewals and Expiry		Systems Based	Review of Directorate compliance with procedures for planning for renewing contracts, in line with Cabinet Office Best Practice.	20	1
Creditors		Systems Based	Fundamental System. Audit resources to examine procedures regarding move towards “faster payments”, scope to be finalised with the Assistant Director Finance.	10	4
Rents		Systems Based	Fundamental system. Audit resources to examine changes to the rents settings in the system and ensure calculated rents are feeding through the system.	10	4
Capital Programme		Systems 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	2
<u>Customer Information & Digital Services</u>					
Service Desk Management	Salford Risk Assessment	Risk Based	Provide assurance on processes for dealing with problems / incidents and change management.	10	4
IT Governance	Salford Risk Assessment	Risk Based	Provide assurance on the management of policies and procedures.	10	4
Application Management	Salford Risk Assessment	Risk Based	Review of controls around access control, system availability. Specific applications to be agreed.	10	2
To be agreed			Technical audit to be carried out by Salford IAS	10	3
Customer Digital Programme			Audit contribution to projects designed to increase efficiency.	20	n/a
<u>Legal Services</u>					

Litigation Service		Risk Based	Review of the legal support provided to Adult Care and Child Protection	20	1
Land Terrier		Risk Based	Review of the registration of Council land	10	3
Governance		Risk Based	Review of the operation of processes around decision-making within the Council.	15	4
Total Planned Days – Finance and Customer Services				180	

Regeneration and Environment

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Home to School Transport	R&E 8 & CST 15	Risk Based	Provide assurance on the effectiveness of the Home to School Transport service.	10	1
Vehicle Operators Licence	R&E39 & CSS44	Risk Based	Review compliance with regulatory requirements	10	2
Business Growth	R&E20 & SLT10	Risk Based	Review the operation of Business Centres	10	3
Fire Strategy	R&E25 & PRT38	Risk Based	Provide assurance that RMBC as the corporate landlord has an effective fire strategy.	10	2
Carbon Reduction	R&E50 & SLT36	Risk Based	Review the measures in place to reduce carbon emissions.	10	4
Mapping System	PRT46	Risk Based	Provide assurance on the operation of the mapping system, linked to the Land Terrier.	10	3
Building Control		Risk Based	Provide assurance after changes in regulations around payments and inspection visits.	10	1
Trading Standards		Risk Based	Review of the operation of Trading Standards.	15	4
Green Spaces		Risk Based	Review over the Health and Safety controls around Green Spaces.	15	4
Tree Service follow-up	R&E52 & CST9	Risk Based	Follow up of No Assurance audit in 2022/23	10	3
Museum Collections follow-up	CST11	Risk Based	Follow up of Partial Assurance audit in 2022/23	5	3
Total Planned Days – Regeneration and Environment				115	

<u>OTHER</u>	Provision	Used
Follow Up reviews	20	
Grants	100	
Provision for investigations	150	
Pro-active fraud	40	
Contingency and Responsive work	60	
Other Work Total	370	
Overall Plan Total	1045	