

Internal Audit Plan

2019/2020



Background

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities 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”.

The guidance accompanying the Regulations recognises both the Public Sector Internal Audit Standards (PSIAS) 2017 and the CIPFA Local Government Application Note for the UK PSIAS as representing “public sector internal audit standards”. The standards define the way in which the Internal Audit Service should be established and undertakes its functions.

The standards also requires that an opinion is given on the overall adequacy and effectiveness of the Council’s control environment comprising risk management, control and governance, which is informed by the work undertaken by the Service.

The Shared Service Internal Audit function conforms to the International Standards for the Professional Practice of Internal Auditing.

What is Internal Auditing?

The role of the internal auditor is to provide *independent, objective assurance* to management that key risks are being managed effectively. To do this, the internal auditor will evaluate the quality of risk management processes, systems of internal control and corporate governance frameworks, across all parts of an organisation, and to provide an opinion on the effectiveness of these arrangements. As well as providing assurance, an internal auditor’s knowledge of the management of risk enables them to act as a consultant and provide support for improvement in an organisation’s procedures. For example, at the development stage of a major new system where the internal auditor can help management to ensure that risks are clearly identified and appropriate controls put in place to manage them.

Why is assurance important?

By reporting to senior management that important risks have been evaluated, and highlighting where improvements are necessary, the internal auditor helps senior management to demonstrate that they are managing the organisation effectively on behalf of their stakeholders. Hence, internal auditors, along with senior management and the external auditors are a critical part of the governance arrangements of our organisation, our work significantly contributing to the statutory Annual Governance Statement (AGS).

Development of the 2019/2020 Internal Audit Plan

To enable the above, the Chief Internal Auditor is required to produce an Annual Risk Based Internal Audit Plan to determine the priorities of the internal audit activity. The proposed activity should be consistent with the organisation’s priorities and objectives and taking into account the organisation’s risk management framework, including risk appetite levels set by management and internal audit’s own judgement of risks.

How did we develop the plan - Risk Based Internal Audit Planning (RBIAP)

To ensure our internal audit resources continue to be focussed accordingly, particularly during periods of organisational change, it is essential that we understand our clients' needs, which means building relationships with our key stakeholders, including other assurance/challenge providers, in order to gain crucial insight and ongoing 'intelligence' into the strategic and operational change agendas within our organisation.

This insight is not only identified at the initial development stages of the plan but dialogue continues throughout the financial year(s) which increases the ability for the Internal Audit Service to adapt more closely to meet the assurance needs of the Council, particularly during periods of significant change.

Our plan therefore needs to be dynamic and should be flexible to meet these needs.

How did we achieve the above?

To ensure that an effective plan is developed, a consultation process took place with the Audit and Standards Committee, Corporate Team, Heads of Service and Service Managers to establish priorities. The proposed activity from all sources was collated and matched against the internal audit resources available and prioritised accordingly.

A flexible audit plan - Risk and Control Assurance Programme

The Audit Plan is stated in terms of estimated days input to the Council of **463** audit days, which is comparable to last year. By continuing to apply RBIAP principles; this level of input, with the ability to commission internal audit resources from current audit framework agreements as required, is considered acceptable to provide the assurance the Council needs. We will however, continue to reassess our resources required against the Council's priorities and risks and will amend the plan throughout the year as required, reporting any key changes to the Audit and Standards Committee.

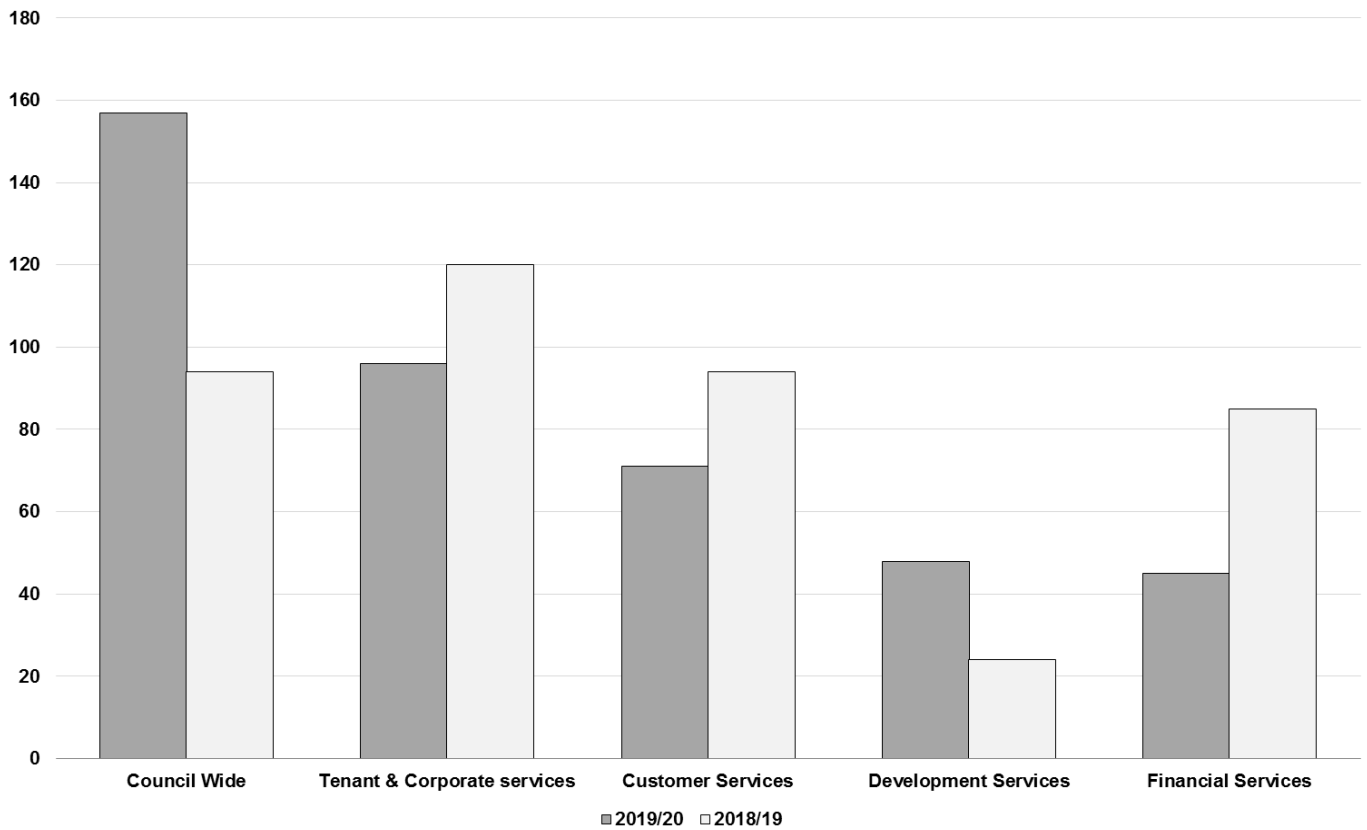
The Chief Internal Auditor will however, continue to reassess internal audit resources required against the Council's priorities and risks and will amend the Plan throughout the year as required, with any additional activity required above the core provision agreed with the S151 Officer, reporting any key changes to the Audit and Standards Committee.

Overview of Internal Audit's Risk and Control Assurance Programme

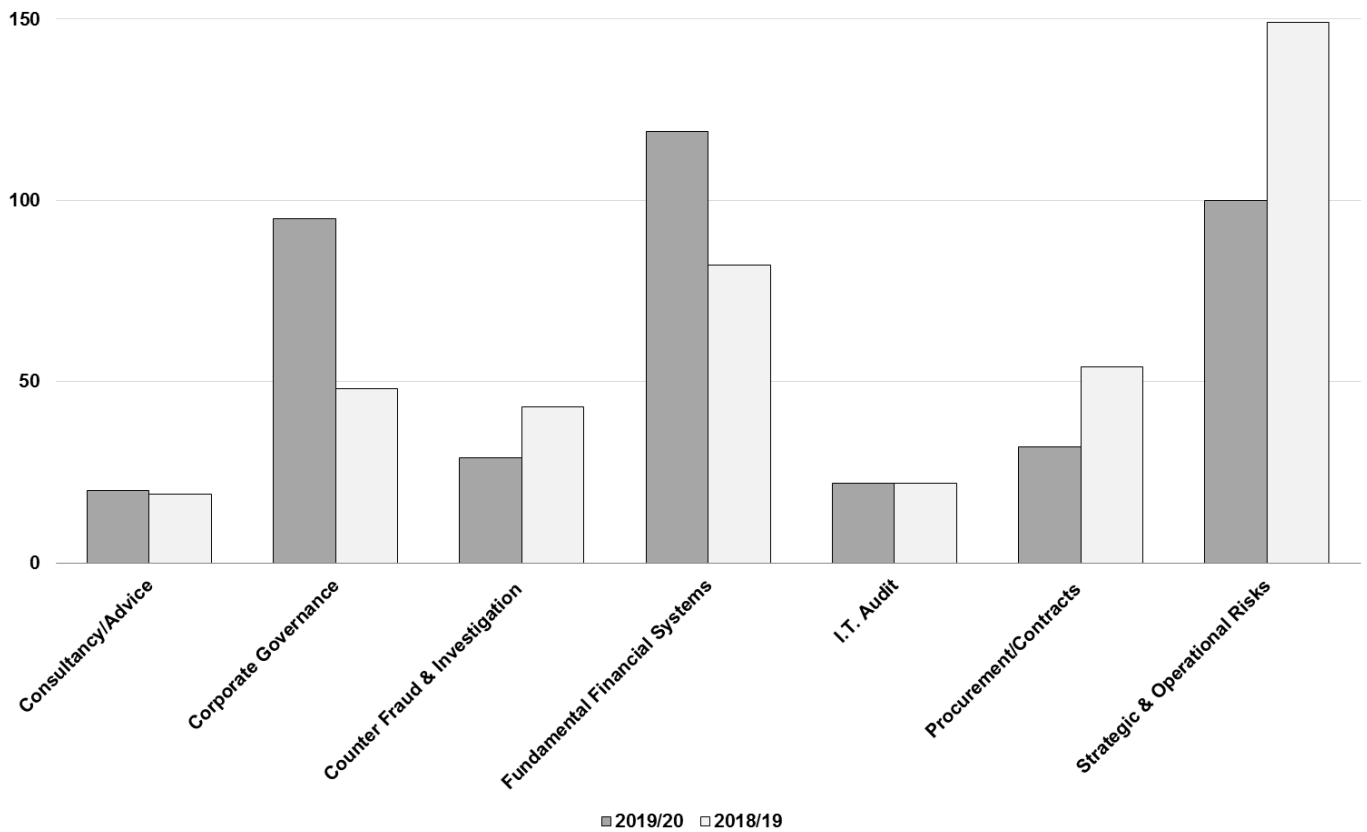
In order to provide a high level overview of the proposed Risk and Control Assurance Programme the charts below highlight the allocation of audit resources (excluding time allocated for management activities e.g. Committee report compilation; Committee attendance and other) per:

- Functional service area; and
 - Category of review.
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Number of audit days per functional service area



Number of audit days per category of review



The key points to note within the proposals are:

- There is a proportional split, based on risk, between each of the functional service and Council wide areas to enable the provision of the Chief Internal Auditor's annual audit opinion - due to the current transformational change programme being delivered by the Council, more focus has been directed to governance (including a review of the effectiveness of the governance arrangements for driving forward any key improvement actions / plans emanating from the Local Government Association Peer Review), fundamental financial systems and Council wide compliance with key corporate requirements;
- Continued focus on ICT risks and counter fraud activity, which includes the use of Data Analytics to help support more efficient and effective internal audit practices;
- Continued emphasis on providing assurance that the Council's key strategic and operational risks are being effectively managed;
- Undertaking follow up audits where a limited assurance opinion on the control environment was provided in 2018/19 (e.g. capital programme follow up review); and
- Taking into consideration other assurance providers.

The detail supporting this overview is attached at Attachment 1 which shows:

- Audit activity per service area;
 - Name of the audit activity;
 - Reason for the audit i.e. as a result of RBIAP and link to the Council's Strategic Risk Register, statutory requirements etc;
 - Outline scope of the review (please note that a detailed terms of reference is agreed with the client prior to the commencement of every audit to ensure audit activity is continually focused on the key risks and is undertaken within agreed time periods, to ensure our service adds value to the Council); and
 - The priority of the audit i.e. priorities 1 and 2. Priority 1 reflects statutory requirements i.e. grant certification, a limited assurance follow-up review, activities that may have been subject to a previous investigation / irregularity, or as deemed necessary by the Chief Internal Auditor to enable an opinion on the control environment to be provided. Priority 2 activities are the remaining identified activities. The aim being that all priority 1 activities would be delivered within the year with the priority 2 audits being reassessed in the eventuality of any new emerging risk areas highlighted where assurances may be required, or where additional fraud investigations/irregularities materialise.
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Council Wide

Audit	Reason for Audit	Outline Scope	Priority
Annual Governance Statement (2018/19)	<p>Identified as part of Risk Based Internal Audit Planning (RBIAP)</p> <p>Strategic Risk Register (SRR) Cross Cutting Risk (CCR) all</p>	<p>Local authorities are required to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.</p> <p>This review will seek to determine the robustness of the governance, internal control and risk management arrangements as detailed within the statements of compliance.</p>	<p>Priority 1</p>
Local Government Association (LGA) Peer Review	<p>Identified as part of RBIAP</p> <p>SRR CCR 1, 10, 17, 19</p>	<p>Peer Challenge is a core element of the LGA sector-led improvement offer to local authorities. The basis of the offer is that local authorities have a corporate peer challenge every 4-5 years. The Council has committed to participating in a peer review during the latter part of 2018/19. The peer challenge offers an opportunity to validate the direction of travel and approach being taken by the Council, and test, stretch and further evolve thinking for the future.</p> <p>This audit will seek to determine the effectiveness of the governance arrangements for driving forward any key improvement actions / plans emanating from the peer review.</p>	<p>Priority 1</p>

Audit	Reason for Audit	Outline Scope	Priority
Corporate Risk and Performance Reporting	Identified as part of RBIAP SRR all	<p>The Council's Excelsis system is used to record and report progress against the Council's Corporate Delivery Plan, Annual Service plans, Cross cutting plans, Performance Indicators and Risks.</p> <p>Internal Audit will review the operating effectiveness of the current corporate risk and performance management arrangements.</p>	Priority 1
Freedom of Information	Identified as part of RBIAP SRR CCR 4	<p>The Freedom of Information Act 2000 provides members of the public access to information that is held by local authorities. It does this in two ways:</p> <ul style="list-style-type: none"> ➤ The Council is obliged to publish certain information about its activities; and ➤ Members of the public are entitled to request information from the Council. <p>This audit will review the effectiveness of the control environment for handling requests to ensure that the Council is able to fulfil its legal obligations.</p>	Priority 2

Audit	Reason for Audit	Outline Scope	Priority
LGA and Workforce Plan transitional arrangements	Identified as part of RBIAP SRR CCR 1, 4, 10,17, 18, 19 Consultancy	<p>The Council has committed to participating in a peer review during the latter part of 2018/19. The peer challenge offers an opportunity to validate the direction of travel and approach being taken by the Council, and test, stretch and further evolve thinking for the future. In addition, a series of service reviews are being delivered as part of the Workforce Plan.</p> <p>Internal Audit will provide professional advice and support to the change programme to ensure that as part of the transformation programme the control environment is not compromised.</p>	Priority 2

Customer Services

Audit	Reason for Audit	Outline Scope	Priority
Creditors	Identified as part of RBIAP SRR CCR 1, FIN 27 (operational)	<p>The Council's creditor (accounts payable) function is maintained by the Revenue section. The objective of the accounts payable function is to pay valid supplier invoices in respect of goods or services received within agreed payment terms. In 2017/18 creditors were responsible for circa £31.7m of payments (inclusive of VAT), it is therefore important to have robust and effective controls.</p> <p>This audit will review the effectiveness of the arrangements for setting up new vendors, vendor changes and invoice control.</p>	<p>Priority 1</p>
Multi Services Contract	Identified as part of RBIAP SRR CCR 9	<p>The multi services contract provides for the provision of waste and recycling, street and building cleaning, grounds maintenance, fleet management and maintenance services and represents a significant service provision to the Council both in terms of financial and reputational exposure.</p> <p>During 2017/18 Internal Audit undertook a consultancy review to advise upon the effectiveness of the Council's contract management and monitoring arrangements. The findings emanating from the review resulted in a number of recommendations being made in order to strengthen the governance, financial, performance, and risk management arrangements.</p> <p>This review will seek to determine the effectiveness of the contract management arrangements.</p>	<p>Priority 1</p>

Audit	Reason for Audit	Outline Scope	Priority
Complaints Handling	<p>Identified as part of RBIAP</p> <p>SRR CCR 4</p>	<p>The Council defines a complaint as ‘an expression of dissatisfaction with the Council, its service or its staff’.</p> <p>It is important that complaints are taken seriously, promptly, and if justified, to put the matter right as soon as possible.</p> <p>This audit will review the effectiveness of the Council’s handling of complaints.</p>	<p>Priority 2</p>
Council Tax Support Scheme	<p>Identified as part of RBIAP</p> <p>SRR CCR 1, R & B 1 (operational)</p>	<p>The Welfare Reform Act 2012 abolished Council Tax benefit. Under the Local Government Finance Act 1992 local authorities are required to develop a local Council Tax Support scheme which protects pensioners.</p> <p>The Council has recently consulted on the scheme for 2019/20 as the current Council Tax Support Scheme was due to end on 31st March 2019.</p> <p>This review will seek to determine whether there are effective arrangements in place for administering the agreed 2019/20 scheme.</p>	<p>Priority 2</p>

Audit	Reason for Audit	Outline Scope	Priority
Small Business Rate Relief	Identified as part of RBIAP SRR CCR 1, R & B 1 (operational)	<p>Some business properties are eligible for discounts on their National Non Domestic rates (business rates) and this is called 'business rates relief'. Small business rate relief is applicable if the business:</p> <ul style="list-style-type: none">➤ Property's rateable value is less than £15,000; and➤ Only uses one property (however relief could still be applied if more than one property is used where certain criteria is met). <p>This review will seek to determine whether there are effective arrangements in place for administering the scheme.</p>	Priority 2

Development Services

Audit	Reason for Audit	Outline Scope	Priority
Planning Applications	Identified as part of RBIAP SRR CCR 1	<p>The Council is the area's local planning authority, responsible for determining whether development in the local environment (constructing or altering buildings, or use of land) is suitable and in accordance with local and national policy. National government is keen to ensure continuing improvement in the planning system, and measures the Council's performance on the speed and quality of decisions on applications for major development.</p> <p>This audit will consider the effectiveness of the arrangements in accepting, validating, publicising and determining planning applications.</p>	Priority 1

Audit	Reason for Audit	Outline Scope	Priority
Gloucestershire Building Control Partnership	Identified as part of RBIAP SRR CCR 1, DEV17 (operational)	<p>Stroud District Council and Gloucester City Council have collaborated to provide a shared local government building control service known as the Gloucestershire Building Control Partnership. The Partnership was established on 1st July 2015 through a Section 101 Agreement, with staff becoming employed by Stroud District Council acting as the host Authority. The Building Control function comprises of two elements:</p> <ul style="list-style-type: none"> ➤ Plan vetting and inspection of applications, which is a statutory Council function in direct competition with the private sector; and ➤ Enforcement of Building Control legislation and regulations. <p>This review will seek to determine whether there are effective governance, risk management and monitoring arrangements in place for the Partnership and that these are operating effectively.</p>	Priority 2

Audit	Reason for Audit	Outline Scope	Priority
Private Sector Housing - Empty Homes	Identified as part of RBIAP SRR CCR 1	<p>The Council's Private Sector Housing Renewal Team works towards warm, safe, healthy homes for all the district's homeowners and private tenants. The team covers all housing which is not owned by the Council, including leasehold properties, privately rented accommodation, housing association properties and those which are owner occupied. Most of Stroud District's residents (89%) live in properties which are privately owned or privately rented (source – Private Sector Housing Renewal Policy).</p> <p>Properties which are left vacant for extended periods of time can cause problems for the local environment, the surrounding community and attract anti-social behaviour, as well as being a wasted resource which could be used to provide much needed homes.</p> <p>This review will seek to determine whether there are effective arrangements in place to encourage owners to bring their properties back into use and ultimately to deter them from leaving their homes empty.</p>	Priority 2

Financial Services

Audit	Reason for Audit	Outline Scope	Priority
Capital Programme	<p>Identified as part of RBIAP</p> <p>Limited Assurance Follow Up</p> <p>SRR CCR 13, 16</p>	<p>A capital programme is a set of capital projects that a Council plans to undertake within a given timetable and should be based on an approved Capital Strategy, which in turn should be linked to the Council's Asset Strategy.</p> <p>During 2017/18 Internal Audit undertook a review of this area. The findings resulted in a limited assurance opinion being given in respect of the risk identification maturity and control environment, leading to a series of recommendations aimed at strengthening the governance framework and ensuring alignment with best practice.</p> <p>In light of the above, it was agreed that Internal Audit would undertake a follow-up review during 2019/20.</p>	<p>Priority 1</p>
Medium Term Financial Plan	<p>Identified as part of RBIAP</p> <p>SRR CCR 1, 3, 4</p>	<p>The Council's Medium Term Financial Plan (MTFP) sets out the Council's financial position for the next four years covering the period from 2019/20 – 2022/23. The MTFP is integral to the Council's financial planning since it forecasts how it will remain financially resilient as an organisation.</p> <p>This review will seek to determine the robustness of the governance framework, assumptions, and compilation process used for the development of the Council's Medium Term Financial Plan.</p>	<p>Priority 1</p>

Audit	Reason for Audit	Outline Scope	Priority
VAT outputs	Identified as part of RBIAP SRR CCR 1, FIN 3 (operational)	<p>Value added tax (VAT) is a tax on transactions affecting most entries in the Council's accounting system. It is the Council's responsibility to make correct VAT returns to HMRC detailing input and output tax. It is therefore essential that there are appropriate controls over the VAT that shall be charged on any supply of goods or services made in the United Kingdom, where it is a taxable supply, in the course of Council business.</p> <p>This review will seek to determine whether there are adequate internal control arrangements in place to ensure that output VAT is correctly applied.</p>	Priority 2

Tenant and Corporate Services

Audit	Reason for Audit	Outline Scope	Priority
Housing Revenue Account Delivery Plan	Identified as part of RBIAP SRR CCR 5, FIN 9 (operational)	<p>The Council's housing service delivers a variety of services to tenants and plays a key role in supporting the strategic aims of the Council, including: housing, economic development and health and well being.</p> <p>The Council has developed a business plan which sets out the Council's considered direction, service priorities, financial model and approach to the management of business risks and opportunities which includes an action plan.</p> <p>This review will seek to determine whether the agreed actions are being actively progressed in line with the stated target delivery dates.</p>	<p>Priority 1</p>
ICT	Identified as part of RBIAP Assurance required by Audit and Standards Committee SRR CCR 4	The ICT audits will be identified following the ICT audit needs assessment. The assessment will be compiled by the internal Audit Service ICT audit specialists and will consider input from both Council officers and External Audit.	<p>Priority 1</p>

Audit	Reason for Audit	Outline Scope	Priority
Leavers Process	Identified as part of RBIAP SRR CCR 4	<p>The Council recognises that employment may be ended for a variety of reasons. If handled effectively it can reduce any negative impact caused by such actions whether the ending of employment is initiated by the employee or the Council.</p> <p>It is important that a consistent and proactive approach is applied to managing the process of ending employment contracts for staff leaving the Council and ensuring compliance with current legislation.</p> <p>This review will seek to determine the effectiveness of the Council’s arrangements for managing the process for when employees leave the Council.</p>	<p>Priority 1</p>
Housing Stock - void management	Identified as part of RBIAP SRR CCR 1, TNS 20 (operational)	<p>The Council has circa 5,000 domestic properties. Void management is the term used to define how the Council deals with a vacant property to ensure that rent loss is minimised and the most effective use is made of the Council’s housing stock in order to meet housing need.</p> <p>This review will seek to determine whether there are effective arrangements in place to ensure good management of the Council’s void properties, to limit void periods in order to maximise rental income, and provide a quality service to meet housing need.</p>	<p>Priority 2</p>

Audit	Reason for Audit	Outline Scope	Priority
Littlecombe Scheme	Identified as part of RBIAP SRR CCR 1	<p>The Littlecombe development is a mixed-use regeneration scheme providing 600 new homes, community facilities and other commercial opportunities. The Council took ownership of the site from the South West Regional Development Agency in 2011. The Council has a partnership agreement with a national property development company and is entitled to 85% of the net development profit at completion of the scheme.</p> <p>This review will seek to determine whether there are effective governance and financial management arrangements in place and that these are in compliance with the development agreement.</p>	<p>Priority 2</p>
Local Government Transparency Code	Identified as part of RBIAP SRR CCR 4	<p>The Department for Communities and Local Government published the Local Government Transparency Code in 2015. Local authorities are required to publish various data online in a number of required formats e.g. expenditure exceeding £500, grants to voluntary, community and social enterprise organisations, senior salaries and fraud.</p> <p>The responsibility for posting accurate, complete and up to date data is spread across the Council. Often people submitting freedom of information requests are directed to this information to enable them to extract the information they require directly so it is important that this information is correct.</p> <p>This audit will review the arrangements established by the Council to meet the requirements of the Code.</p>	<p>Priority 2</p>

Counter Fraud

Audit	Reason for Audit	Outline Scope	Priority
Fraud Investigation / Detection	<p>To support the Annual Governance Statement (AGS)</p> <p>Protect the Public Purse</p>	<p>Allocation to continue the development and implementation of the Council's Anti-Fraud and Corruption arrangements based on latest best practice. This also includes an allocation for increasing the profile and awareness of anti-fraud, conducting proactive counter-fraud reviews and undertaking investigations as required.</p>	<p>Priority 1</p>
National Fraud Initiative (NFI)	<p>Statutory Requirement</p> <p>To support the Annual Governance Statement</p>	<p>To continue to co-ordinate activity as part of the Cabinet Office's NFI (a national data matching exercise that compares data/records i.e. payroll, licences, housing waiting list, single person discounts, creditors etc.) for a wide range of public services, including ensuring that matches are investigated promptly and thoroughly and reporting of results.</p>	<p>Priority 1</p>
Fraud Risk Management	<p>To support the Annual Governance Statement</p> <p>Informs the Risk Based Internal Audit Plan</p>	<p>The CIPFA Counter Fraud Centre has issued guidance on actions to be taken to 'Manage the Risk of Fraud and Corruption' within an organisation.</p> <p>This allocation is to continue to self assess against the criteria set out in the guidance and develop a fraud risk register in order to direct/prioritise our counter fraud and internal audit resources/activity accordingly.</p>	<p>Priority 1</p>

Management Activity to Support the Audit Opinion

Audit	Reason for Audit	Outline Scope	Priority
Audit and Standards Committee / Member / Officer and Chief Financial Officer Reporting	Public Sector Internal Audit Standards (PSIAS) Statutory Requirement	This allocation covers Member reporting procedures, mainly to the Audit and Standards Committee, plan formulation and monitoring and regular reporting to and meeting with, the Chair and Vice Chair of the Audit and Standards Committee and the Chief Financial Officer.	Priority 1
Provision of Internal Control / General Advice	To support an effective control environment	This allocation allows auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the Council.	Priority 1
Quality Assurance and Improvement Programme (QAIP) includes the annual review of the effectiveness of Internal Audit and the external assessment	Public Sector Internal Audit Standards (PSIAS) Statutory Requirement To support the AGS	The Accounts and Audit Regulations 2015 states that Internal Audit should conform to 'proper practices' and it is advised that proper practice for internal audit is currently set out in the Public Sector Internal Audit Standards (PSIAS) 2017. This allocation is to undertake an annual self assessment and when required, commission and deliver an external quality assessment, against the new standards. The next external assessment is due in 2020.	Priority 1

Audit	Reason for Audit	Outline Scope	Priority
External Working Groups	Activity to support the audit opinion	Attendance / work in relation to the Local Authorities Chief Auditor Network (National Group), Midland Counties and Districts Chief Internal Auditors Group and the Fraud and ICT Groups to enable networking and to share good practice.	Priority 1
External Audit Liaison	Management activity to support the audit opinion	The External Auditor and the Chief Internal Auditor regularly meet to discuss plans and audit findings, to ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services.	Priority 1
Carry Forwards	Audit Activity outstanding	This allocation provides for the completion of various 2018/2019 audits which require finalising.	Priority 1
Recommendation Monitoring	Activity to support the audit opinion	Whilst it is management’s responsibility to manage the risks associated with their outcomes/objectives, this allocation enables Internal Audit to monitor management’s progress with the implementation of high priority recommendations.	Priority 1
Internal Working Groups	Activity to support the audit opinion	Internal Audit is frequently asked to nominate representatives for working groups to advise on risk and control.	Priority 2