

Internal Audit Plan 2020-2021



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 undertake its functions.

The standards also require 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 2020/2021 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 take 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, Senior Leadership 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.

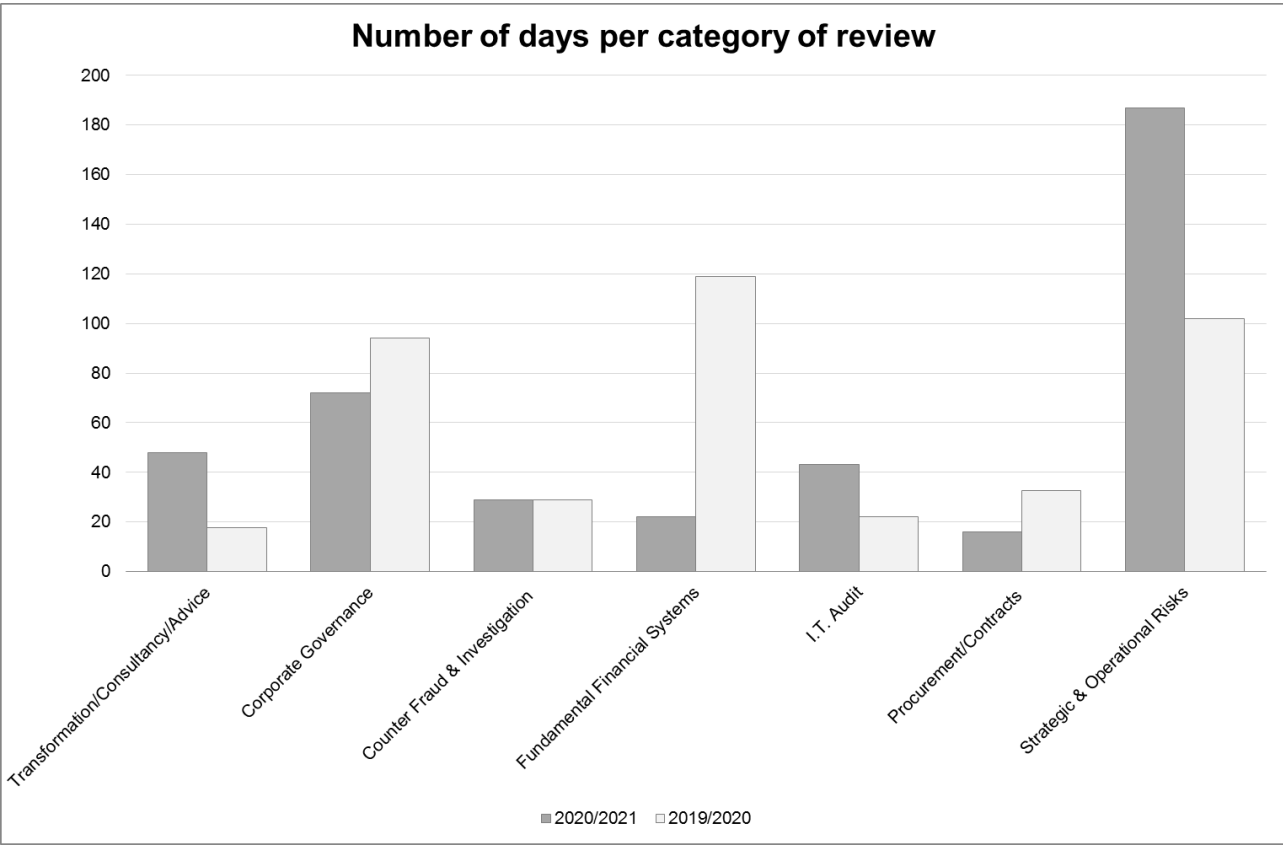
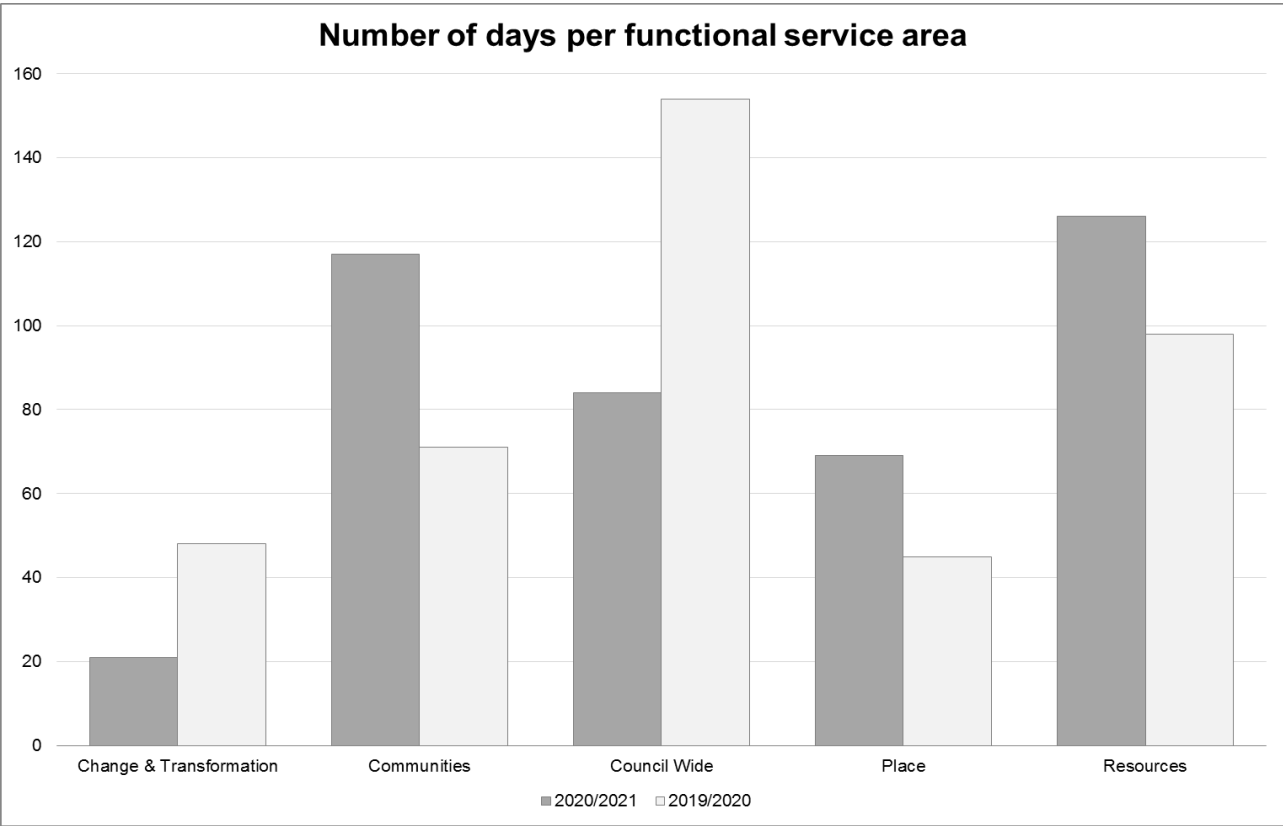
A flexible audit plan - Risk and Control Assurance Programme

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, particularly in respect of COVID-19 and will amend the plan throughout the year as required, 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.



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 position of the transformational change programme being delivered by the Council (following appointment to all Strategic Director posts within 2019/20), more focus has been directed to transformation and consultancy review with continued focus on corporate governance;
- Increased emphasis on providing assurance that the Council's key strategic and operational risks are being effectively managed;
- Audit days on fundamental financial system review have decreased, due to a significant focus on this area within 2019/20;
- 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;
- Undertaking follow up audits where a limited assurance opinion on the control environment was provided in 2019/20 (e.g. Gloucestershire Building Control Partnership 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, statutory requirements and/or link to Cross Cutting Risks from the Council's Excelsis (the Council's performance and risk management system) based risk register where relevant, 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.

Communities

Audit	Reason for Audit	Outline Scope	Priority
Electrical Works	<p>Identified as part of Risk Based Internal Audit Planning (RBIAP)</p> <p>Requested by Head of Contracts</p>	<p>The Council has a contract in place for the electrical rewire and remedial works for the Council’s residential properties. The contract was let in 2016. The initial term of the contract is four years with the option for two extension periods totalling 72 months. The annual contract value is circa £265k.</p> <p>The audit will review the effectiveness of the systems and processes in place for managing the contract.</p>	Priority 1
Housing Reactive Repairs and Maintenance	<p>Identified as part of RBIAP</p> <p>Requested by Head of Contracts</p> <p>Consultancy</p>	<p>Across all social housing providers nationally, repairs and maintenance is almost exclusively the number one priority for tenants. The Council’s overall experience with internalising services has been positive for both tenants and the Council. Following a detailed service review the Council agreed to in-source the Repairs and Maintenance Services function from 1st April 2020.</p> <p>Internal Audit will provide professional advice and support to management in the review and development of the operational systems and processes to ensure effective arrangements are in place for management and monitoring of the service.</p>	Priority 1

Audit	Reason for Audit	Outline Scope	Priority
Anti-social Behaviour Management	<p>Identified as part of RBIAP</p> <p>Requested by Head of Housing Services</p>	<p>Registered providers of social housing are required under the regulatory standards to work in partnership with other agencies to prevent and tackle anti-social behaviour in the neighbourhoods where they own homes.</p> <p>It is important that prompt, appropriate and decisive action is taken to deal with anti-social behaviour before it escalates, which focuses on resolving the problem having regard to the full range of tools and legal powers available.</p> <p>This review will seek to determine whether the current arrangements for handling reported anti-social behaviour issues are robust, operating effectively and in line with regulatory standards.</p>	Priority 2
Youth Service	<p>Identified as part of RBIAP</p> <p>Requested by a Councillor on the Audit and Standards Committee and the Head of Community Services</p>	<p>The Council has recently approved its revised four year Youth Strategy (2020-2024). A small team of specialist youth and community workers deliver youth participation projects and programmes with and for young people in their communities. This team typically works in partnership with various council officers, including Neighbourhood Wardens, plus many other community stakeholders across the district.</p> <p>This review will seek to determine whether the current systems and processes in place to support service delivery are robust and operating effectively.</p>	Priority 2

Audit	Reason for Audit	Outline Scope	Priority
Careline Service	<p>Identified as part of RBIAP</p> <p>Requested by Head of Community Services</p>	<p>The Careline service provides a means of support for vulnerable people within the property where they reside. The service is designed to allow people to continue to live at home with confidence that support will be provided in the event of an emergency arising.</p> <p>A pendant incorporating a small radio transmitter is provided to customers, which can be worn around the neck or on the wrist, allowing communication with a control centre that has 24 hour monitoring and who will establish what assistance is required if activated.</p> <p>The Careline service is currently provided to around 1,400 addresses including those in private accommodation as well as occupiers of Council housing.</p> <p>This review will seek to determine whether the current systems and processes for the delivery of the service are robust and operating effectively.</p>	Priority 2
Housing Benefits - Overpayments	<p>Identified as part of RBIAP</p> <p>Requested by Head of Revenues and Benefits</p>	<p>Housing benefit is available to those on a low income and who need help paying their rent. A change of circumstance may affect an individual's benefit entitlement and if these are not known or promptly actioned overpayments can be realised and should be recovered by the Council in a timely manner.</p> <p>The audit will review whether there are adequate systems and processes in place and that these are operating effectively for the identification, calculation, categorisation and recovery of housing benefit overpayments.</p>	Priority 2

Audit	Reason for Audit	Outline Scope	Priority
Tenancy Lettings	Identified as part of RBIAP Requested by Head of Housing Services	<p>There are regulatory standards that registered providers of social housing must meet. Under the Tenancy Standard, registered providers shall let their homes in a fair, transparent and efficient way. They shall take into account the housing needs and aspirations of tenants and potential tenants. They shall demonstrate how their lettings:</p> <ul style="list-style-type: none">a) Make the best use of available housing;b) Are compatible with the purpose of the housing; andc) Contribute to local authorities' strategic housing function and sustainable communities. <p>There should therefore be a clear application, decision-making and appeals processes.</p> <p>This review will seek to determine whether the current systems and processes in place for tenancy lettings are robust and operating effectively in line with regulatory standards.</p>	Priority 2

Place

Audit	Reason for Audit	Outline Scope	Priority
Brimscombe Port	<p>Identified as part of RBIAP</p> <p>Requested by Audit and Standards Committee</p>	<p>Brimscombe Port is a former inland port dating back to the 1780s which became redundant after the era of canals as a mode of transport came to an end. It was filled in during the 1960s, then developed as an industrial site and earmarked as in need of significant regeneration by Stroud District Council.</p> <p>The Council is promoting development of the site as it has the potential to deliver £30-35million of regeneration, and if redeveloped could support a minimum of 150 new homes, business premises, restored canal and a community centre.</p> <p>The audit scope is to review the effectiveness of the Council’s project management arrangements for progressing redevelopment of the site.</p>	<p>Priority 1</p>
Carbon Neutral 2030	<p>Identified as part of RBIAP</p> <p>Requested by Audit and Standards Committee</p>	<p>A Climate Emergency was announced by the Stroud District Council Administration on 16th November 2018 which pledged to ‘do everything within the Council’s power to make Stroud District Carbon Neutral by 2030’.</p> <p>This public call for action was followed up by a motion to the Environment Committee on 13th December 2018 that set out seven actions for delivery by the Council.</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>

Audit	Reason for Audit	Outline Scope	Priority
Gloucestershire Building Control Partnership – Follow Up	<p>Limited Assurance follow-up</p> <p>Identified as part of RBIAP</p>	<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>An audit review of this activity was undertaken during 2019/20. The audit concluded that only ‘Limited Assurance’ could be provided that the risks material to the achievement of the objectives for this area were being managed effectively. Limited assurance was provided for both risk identification maturity and control environment.</p> <p>This follow up audit will seek to provide assurance that the agreed actions to address the 2019/20 audit recommendations have been fully implemented and the partnership is operating effectively.</p>	Priority 1

Resources

Audit	Reason for Audit	Outline Scope	Priority
Review of the Council's Constitution	Identified as part of RBIAP LGA Peer Review Consultancy Cross Cutting Risk (CCR) 17 and CCR19 – from the Council's Excelsis (the Council's performance and risk management system) based risk register	<p>The Local Government Act 2000 (as amended), states a local authority is under a duty to prepare and keep up to date its constitution. The Constitution must contain:</p> <ul style="list-style-type: none"> • The standing orders/procedure rules; • The members' code of conduct; • Such information as the Secretary of State may direct; and • Such other information (if any) as the authority considers appropriate. <p>The LGA Corporate Peer Challenge Action Plan includes an action to undertake a review of the Council's Constitution to ensure that it remains fit for purpose and enables better decision making, in order to deliver the Councils' revised priorities and plans.</p> <p>Internal Audit will provide professional advice and support as required to aid the review of the Constitution.</p>	<p>Priority 1</p>

Audit	Reason for Audit	Outline Scope	Priority
Corporate Delivery Plan	<p>Identified as part of RBIAP</p> <p>This covers all Council Cross Cutting Risks.</p>	<p>The Council is not required to have a Corporate Delivery Plan however; it is a useful way of drawing together the political and managerial key actions and setting them in the context of the Council's priorities and four year focus.</p> <p>It enables the Council to set out what it is seeking to achieve and gives the public and partners a means by which they can be informed of progress and hold the Council to account. Following the LGA Peer Review, the Council's short term corporate priorities were refreshed for 2019/20 with plans to be put in place for the development of the next iteration of the four year Corporate Delivery Plan for 2021-2024.</p> <p>The audit will review the robustness of the arrangements for developing the next iteration of the Council's Corporate Delivery Plan.</p>	<p>Priority 1</p>

Audit	Reason for Audit	Outline Scope	Priority
Corporate Induction Process	Identified as part of RBIAP CCR10 and CCR11	<p>A corporate induction is the first step towards engaging a new hire and on-boarding them into the organisation. The objectives of staff induction are to integrate staff into the organisation and provide them with access to resources to perform their job efficiently and effectively within a short timeframe. Objectives also include providing support to enable staff to:</p> <ul style="list-style-type: none">• Understand their role within the organisation;• Contribute effectively to the success of the organisation;• Understand processes, procedures, structures and standards;• Develop a positive attitude to their work and the organisation;• Be aware of their legal responsibilities, including those relating to fellow staff and to health and safety; and• Enhance staff retention within the organisation. <p>The audit will review the robustness of the Council's corporate induction process and determine whether it is being consistently applied.</p>	Priority 1

Audit	Reason for Audit	Outline Scope	Priority
ICT	<p>Identified as part of RBIAP</p> <p>Consultancy</p> <p>Requested by Strategic Director of Change and Transformation and Strategic Director of Resources</p> <p>CCR4 and CCR16</p>	<p>One of the Council's corporate priorities is to invest in key ICT infrastructure that delivers better customer services, mobile working for staff and service efficiencies.</p> <p>Internal Audit will provide professional advice and guidance on risk and control during the period of modernisation of the Council's ICT arrangements, to include but not be exclusive to:</p> <ul style="list-style-type: none"> ➤ Infrastructure; ➤ Disaster Recovery/Business Continuity; ➤ Cyber Security; and ➤ Service Support/Incident Management. <p>The ICT audit needs assessment 2020/21 has been compiled by ARA's ICT audit specialists in consultation with and having input from the Council senior managers. The ICT audit needs assessment 2020/21 outcomes support the above noted streams of audit work.</p>	Priority 1

Audit	Reason for Audit	Outline Scope	Priority
Information Management (Data Breaches)	Identified as part of RBIAP CCR11	<p>The General Data Protection Regulation (GDPR) Regulation (EU) 2016/679 is a regulation by which the European Parliament, the Council of the European Union and the European Commission intend to strengthen and unify data protection for all individuals within the European Union.</p> <p>GDPR applies to all companies based in the EU and those with EU citizens as customers. It has an extraterritorial effect, so non-EU countries are also affected.</p> <p>The Data Protection Act 2018 is the UK's implementation of the GDPR and controls how personal information is used by organisations, businesses or government.</p> <p>The Information Commissioners Office (ICO) is the UK's independent authority set up to uphold information rights in the public interest, promoting openness by public bodies and data privacy for individuals. The ICO is responsible for promoting good practice in handling personal data and giving advice and guidance on data protection.</p> <p>There are specific regulations from the Information Commissioners Office that detail what is regarded as a data breach and what actions a company must take to report these 'breach events'.</p> <p>This audit will review the effectiveness of the Council's arrangements for reporting and managing data breach incidents to give assurance that an ICO regulations compliant breach reporting process is being followed.</p>	Priority 1

Audit	Reason for Audit	Outline Scope	Priority
Littlecombe Scheme – Follow Up	<p>Limited Assurance follow-up</p> <p>Identified as part of RBIAP</p>	<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>A review of this activity was undertaken during 2019/20, the audit concluded that only 'Limited Assurance' can be provided that the risks material to the achievement of the objectives for this area were being managed effectively. Limited assurance was provided for both risk identification maturity and control environment.</p> <p>This follow up audit will seek to provide assurance that the agreed actions to address the 2019/20 audit recommendations have been fully implemented.</p>	Priority 1
Processing new starters on Payroll	<p>Identified as part of RBIAP</p> <p>CCR1</p>	<p>The Council's payroll function is run in-house. The key objective of any payroll system is to pay employees correctly, on time and to account for personal data and payments completely and accurately.</p> <p>The audit will review the effectiveness of the system for processing new starters.</p>	Priority 1

Audit	Reason for Audit	Outline Scope	Priority
Procurement	Identified as part of RBIAP CCR1 and CCR11	<p>The Council's Contract and Procurement Procedure Rules set out the rules that must be followed by the Council when it procures all goods, services and works. They have three main purposes:</p> <ul style="list-style-type: none">• To ensure that the Council obtains value for money when procuring any goods, service and works;• To ensure that the Council complies with current UK and European law and this Council's policies that govern the procurement of goods, services and works; and• To establish procedures which, when followed, should protect the Council, its Officers and Members from any allegation of acting unfairly or unlawfully which may be made in connection with any procurement by the Council of any goods, services or works. <p>The audit will review a range of recent procurement activities to determine whether these have been made in compliance with the Council's Contract and Procurement Procedure Rules.</p>	Priority 1

Change and Transformation

Audit	Reason for Audit	Outline Scope	Priority
Modernisation Programme	Identified as part of RBIAP LGA Peer Review Requested by Strategic Director of Change and Transformation Consultancy CCR4, CCR16, CCR10	<p>The Council 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>The review identified a number of key areas that could aid the Council's continual improvement programme.</p> <p>Internal Audit will provide professional advice on the future internal control environment with a view to designing out risk as the modernisation programme progresses.</p>	<p>Priority 1</p>

Counter Fraud

Audit	Reason for Audit	Outline Scope	Priority
Fraud Investigation / Detection	To support the Annual Governance Statement (AGS) Protect the Public Purse	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 pro-active counter-fraud reviews and undertaking investigations as required.	Priority 1
National Fraud Initiative (NFI)	Statutory Requirement To support the AGS	To continue to co-ordinate activity as part of the Cabinet Office's National Fraud Initiative (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.	Priority 1
Fraud Risk Management	To support the AGS Informs the Risk Based Internal Audit Plan	The CIPFA Counter Fraud Centre has issued guidance on actions to be taken to 'Manage the Risk of Fraud and Corruption' within an organisation. 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.	Priority 1

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 quality assessment is due in May 2020 and will be undertaken by the Chartered Institute of Internal Auditors (IIA).	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 2019/20 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