

# East Staffordshire Borough Council

Internal Audit Plan – 2021/22

February 2021

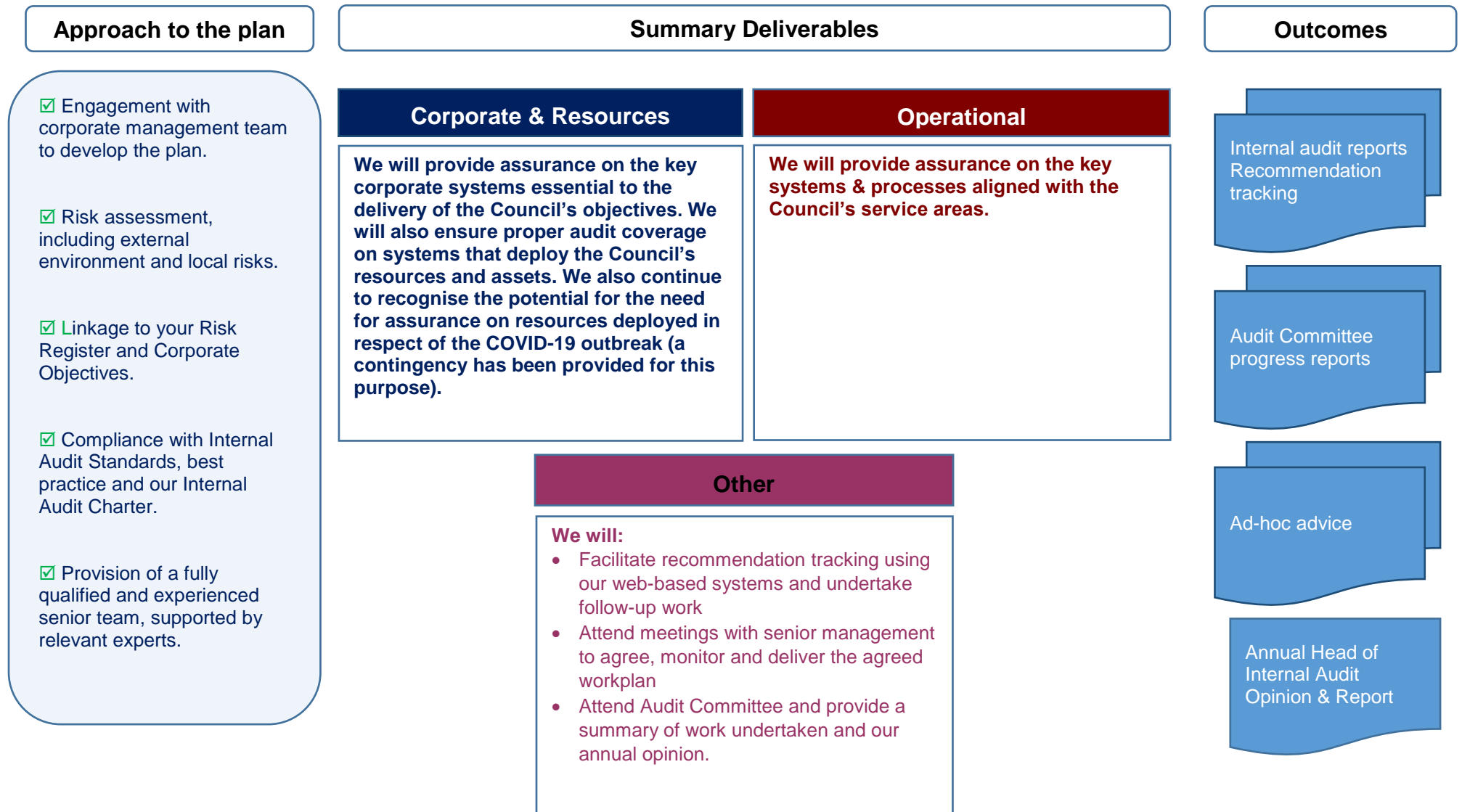


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Internal Audit services

# 1. Your Plan on a Page

The diagram below summarises how the plan has been developed and outlines the approach to be taken in 2021/22 to deliver the plan.



## 2. Risk Assessment

The plan has been prepared as follows:

- review of the current Corporate and Strategic Risk Register;
- review of the Council's corporate objectives;
- an assessment of the assurance required on work associated with the Council's COVID-19 response;
- input from members of the Corporate Management Team;
- Assessment of any risk areas emanating from Internal Audit reviews conducted in the 2020/21 financial year.

The internal audit plan is attached at Appendix One. Appendix Two sets out the links to the Corporate Risk Register and, where applicable the Council's corporate objectives.

## 3. The Team

Ruby Deo (CIA), will act as your Head of Internal Audit, supported by the Consortium Director (Paul Capener). Ruby will lead a team of auditors that have a wealth of experience in delivering audit services to local government organisations. Specialist auditors will also be utilised as appropriate, for example in respect of IT audit.

## 4. Public Sector Internal Audit Standards (PSIAS).

In conducting our work as your Internal Auditors we are required to adhere to the Public Sector Internal Standards (PSIAS). We have in place suitable policies and procedures to ensure full compliance against these standards. Our procedures include a comprehensive quality assurance programme to confirm that each audit assignment is delivered in accordance with PSIAS. The PSIAS require us to explicitly detail and agree the terms under which we deliver your internal audit plan in an Internal Audit Charter. This has been developed in accordance with relevant guidance and is attached at Appendix Three.

## **5. Conclusion**

This internal audit plan has been designed to meet the Council's assurance requirements and comply with Public Sector Internal Audit Standards. We therefore present it to the Audit Committee for final consideration and approval.

**Paul Capener**

**Consortium Director, CW Audit Services**

## 2021/22 Internal Audit Plan

Area	Audit Assignment	2021/22 Proposed time
Corporate reviews and support	Budgetary Control and Medium Term Financial Planning	10
	National Fraud Initiative	8
	Business Continuity Planning	10
	Health & Safety	10
	Emergency financial support eg flooding	8
	Contract Management	10
	<b>Sub total</b>	<b>56</b>
Chief Executive	Capital disposals assurance – Pennycroft Lane; Bargates.	8
	Creditors	10
	Payroll – key controls	6
	Stronger Towns Fund	8
	Small Business Fund	8
	GDPR Compliance	12
	Commercial property management	10
<b>Sub Total</b>	<b>62</b>	
Head of Service – Sal Khan	Council Tax	15
	Business Rates	15
	Benefits & Council Tax Support	15
	Supported Housing	10

Area	Audit Assignment	2021/22 Proposed time
	Debtors & Debt Recovery	10
	Financial Systems – key controls	10
	Waste Management – Shared Service Work	10
	Developer contributions/s106 agreements	10
	Street Cleaning	8
	<b>Sub Total</b>	<b>103</b>
Head of Service – Mark Rizk	Disabled Facilities Grants (including assurance to external funders)	10
	Leisure Contract Monitoring	10
	Climate change	6
	<b>Sub Total</b>	<b>26</b>
Audit Management	Recommendation Tracking	6
	Planning & Annual Report	5
	Audit Committee/External Audit	5
	Contract Management	15
	Contingency+	10
	<b>Sub Total</b>	<b>41</b>
<b>Total</b>		<b>288*</b>

\*Includes 29 days carried forward from 2020/21 internal audit plan.

+A contingency has been included to help enable response to unforeseen or changing work demands especially in the context of Covid-19 impacts.

Area	Rationale - Links to Objectives/Risks	Work outline
<b>CORPORATE ISSUES</b>		
Budgetary Control and Medium Term Financial Planning	Financial strategy and management is key in managing ongoing funding reductions. Various financial risks are reflected in the risk register, and the prudence, robustness and flexibility of the Council's MTFS and budget is vital in enabling the Council to respond to funding and other economic risks and pressures.	To consider the adequacy and robustness of the MTFS and managerial control processes regarding the medium term financial strategy, budget setting and management.
National Fraud Initiative	Mandatory national data matching exercise.	To provide key contact, project management and overview support to ensure progression of the NFI process to meet Cabinet Office requirements.
Business Continuity Planning	The Council's business continuity plans have been significantly tested in 2020/21 through the response to the Covid-19 pandemic. Management aims to refresh the plans during 2021 in light of this experience.	To review and assure on business continuity planning and the refresh of plans post-Covid 19.
Health & Safety	As an employer and a public body the Council has responsibilities to ensure the safety of its employees, customers/service users etc.	Assessment of arrangements to manage health and safety in relation to the Council's services, employees and service users/customers.
Emergency financial support e.g. flooding	The Council has utilised government funding sources (e.g. Community Recovery, DEFRA grant) to support local communities and businesses affected by flooding.	Review to assess and assure on the effective administration and usage of the various funding sources.
Contract Management	New contracts will be in place in 2021/22 in relation to some key service areas e.g. the vehicle fleet and grounds maintenance. Effective oversight of these contracts/services is key to ensuring their effectiveness and value for money.	Review of processes in place to ensure effective contract management.
<b>CHIEF EXECUTIVE</b>		
Capital disposals assurance –Pennycroft Lane; Bargates.	Council land/interests at these sites are potentially being disposed of subject to the relevant approvals. The potential capital receipts are expected to be a material sum. Certain sites also contribute to achieving relevant corporate objectives.	Review to assess the disposal process and assure on its suitability in relation to each of these sites/interests.
Creditors	Key financial systems – it is essential that ordering/invoice processing are effectively controlled.	Review of controls over this important system.
Payroll – key controls	Key financial system – it is essential that payroll is effectively controlled.	Review of key controls.
Stronger Towns Fund	The council has the opportunity to work with partners in relation to a range of government-funded projects re the regeneration of Burton. The Council plans to lead on one project and work with 7 other partner leads, so the Council as	To assess planned and ongoing governance arrangements to provide support and assurance to the Council on effectiveness.

Area	Rationale - Links to Objectives/Risks	Work outline
	accountable body will need to ensure sound governance arrangements are put in place and maintained.	
Small Business Fund	A fund has been established to support small businesses to aid their development.	To review the arrangements in place for administration of the fund.
GDPR Compliance	The Council is legally required to ensure personal data is suitably processed, published in accordance with the law and kept secure.	To review and assure on the arrangements for ensuring compliance with the Data Protection Regulations.
Commercial Property	The Council owns and operates a range of commercial property assets, and budgets for a significant level of income from these assets (c£620k). Effective management of these properties, the relationships with occupants and the collection of income is important in ensuring best value for money is obtained.	To assess and assure on the arrangements for managing contractual relationships with occupants of Council commercial properties and on the effective collection of relevant income.
<b>HEAD OF SERVICE – SAL KHAN (SECTION 151 OFFICER)</b>		
Revenue and Benefits- Council Tax; Business Rates; Benefits & Council Tax Support	Key financial and public facing systems requiring regular assurance. Review of key controls over Council Tax, Business Rates and Benefits/Council Tax support.	Review of controls over these important systems.
Supported Housing	The provision of supported housing within the Borough is increasing. This tenure form does not result in the Council receiving housing subsidy support, where the landlords are not registered social landlords, thus this is an expensive form of housing in terms of its effect on Council budgets.	To assess and assure on the processing of and management approach to supported housing cases.
Debtors & Debt Recovery	Key financial system requiring regular assurance. Continuing potential impact on income in discretionary areas in the current economic climate.	Review of key controls and highlight potential areas for improvement.
Financial Systems – key controls	Fundamental financial systems requiring regular assurance.	Review of key controls over general ledger/main accounting system, treasury management and central income management arrangements.
Waste Management - Shared Service Work	The Council is reviewing its waste management arrangements to ensure these continue to provide best value for money.	To provide ongoing management assurance as required, including assurance in respect of the vehicle procurement exercise and service review.
Developer contributions/s106 agreements	It is important that the Council appropriately oversees agreements with developers (in relation to granted planning permissions) regarding financial and other contributions, to ensure these obligations are met by developers, to support and contribute to balanced developments and the good of the wider community.	To review and assure on the effectiveness of arrangements to oversee and ensure compliance with agreements with developers.
Street Cleaning	The service is investing in new software to help maximise the efficiency of its operations.	Review to assure on the implementation of the new software.
<b>HEAD OF SERVICE – MARK RIZK</b>		



Area	Rationale - Links to Objectives/Risks	Work outline
Disabled Facilities Grants (including assurance to external funders)	The Council receives funding from the County Council through the Better Care Fund, to enable/support delivery of disabled facilities grants within the Borough.	Review to provide assurance on the processes to oversee disabled facilities grants, resulting in certifications to relevant funders (CLG if required, and the County Council).
Leisure contract monitoring	The Council's leisure centres are now operated by SLM under a contractual arrangement following a competitive process completed during 2018/19. Given the Covid-19 pandemic, the Council undertook renegotiation with the provider to ensure the service could be maintained for the future.	Review to assure on the oversight of the contract including the impact of renegotiated costs etc.
Climate Change	The Council will receive a report in February 2022 to assess the delivery to date of the Climate Change action plan following the declaration by the Council of a climate emergency.	Project assurance work in relation to the delivery of the climate change action plan, to support the reporting to Council.

## INTERNAL AUDIT CHARTER

### 1. Definition

Internal Audit is an independent and objective appraisal service within the organisation:

- Internal Audit primarily provides an independent and objective opinion to the Accountable Officer (Chief Executive), the Council and the Audit Committee\* on the degree to which risk management, internal control and governance arrangements support the achievement of the organisation's agreed objectives. In addition, Internal Audit's findings and recommendations are beneficial to senior management in the audited areas. Senior management is defined as any manager with responsibility for the system under review by Internal Audit. Risk management, internal control and governance comprise the policies, procedures and operations established to ensure the achievement of objectives, the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and compliance with the behavioural and ethical standards set for the organisation.
- Internal Audit also provides an independent and objective consultancy service specifically to help senior management improve the organisation's risk management, control and governance arrangements. The service applies the professional skills of Internal Audit through a systematic and disciplined evaluation of the policies, procedures and operations that management have put in place to ensure the achievement of the organisation's objectives, and through recommendations for improvement. Such consultancy work contributes to the opinion, which Internal Audit provides on risk management, control and governance. Approval for any significant additional consulting services not already included in the audit plan will be sought from the Audit Committee prior to accepting the engagement.

**\*In this case the VFM and Audit Scrutiny Committee**

### 2. Standards and Ethics

Internal Audit acknowledges the mandatory nature of the Definition of Internal Audit, the Code of Ethics and the Standards contained in the Public Sector Internal Audit Standards. Internal Audit shall also work in accordance with any performance measures agreed with the Audit Committee.

### 3. Independence, Objectivity and Conflicts of Interest

All internal audit activities shall remain free of influence by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports. CW Audit does not accept any roles that involve executive or direct operational responsibility or authority over any of the activities it reviews. The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting does not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.

Individual auditors will have an impartial, unbiased attitude, characterised by integrity and an objective approach to work, and should avoid conflicts of interest. Individual auditors must declare any conflict of interest to the Head of Internal Audit. Any conflicts of interest encountered by the Head of Internal Audit must be declared to the Section 151 Officer. Internal Auditors will have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

#### **4. Authority & Accountability**

Internal Audit derives its authority from the Council, the Accountable Officer and Audit Committee. The Head of Internal Audit reports on a functional basis to the Council via the Audit Committee. For administrative purposes, the Head of Internal Audit reports to the Section 151 Officer via the Chief Accountant. The Head of Internal Audit has a direct right of access to the Chair of the Audit Committee and the Leader of the Council if deemed necessary. The Audit Committee shall have regular private meetings with the Head of Internal Audit if required. The Audit Committee approves all Internal Audit plans and may review any aspect of its work.

#### **5. Internal Audit Team**

The Head of Internal Audit is responsible for ensuring the team is adequately staffed and that there is access to the full range of knowledge, skills, qualifications and experience to deliver the Internal Audit Plan in line with the PSIAS. The team will undertake regular assessments of professional competence through an on-going appraisal and development programme (i.e. Personal Development Plans and Continuing Professional Development) with training provided where necessary. Auditors also have responsibilities for applying due professional care when performing their duties. The Head of Internal Audit must hold a professional qualification.

If the Head of Internal Audit, Chief Executive, Section 151 Officer or the Audit Committee consider that the level of Internal Audit resources or the terms of reference in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the definition of internal auditing, they should advise the Council accordingly.

#### **6. Scope**

The Head of Internal Audit is responsible for developing and maintaining an Internal Audit Strategy for providing the Chief Executive, economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the organisation's risk management, control and governance arrangements. The Head of Internal Audit's opinion is a key element of the framework of assurance the Chief Executive needs to inform the completion of the Annual Governance Statement. This strategy will be realised through the delivery of a considered and approved annual risk based plan. To develop the risk based plan, the Head of Internal Audit consults with senior management and the Council and obtains an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes. The Head of Internal Audit reviews and adjusts the plan as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.

The audit plan will systematically review the policies, procedures and operations in place to:

- Establish, and monitor the achievement of, the organisations objectives.
- Identify, assess and manage the risks to achieving the organisations objectives.
- Ensure the economical, effective and efficient use of resources.
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations.
- Safeguard the organisation’s assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

## 7. Approach

To ensure delivery of its objectives, Internal Audit will develop and implement an Audit Strategy. This will be prepared each year and will describe arrangements for the delivery of the internal audit service based upon knowledge of the organisation’s objectives, risk assessment, and appropriate management consultation. The allocation of resources between assurance and consultative work will be set out. A detailed Annual Operational Plan will be prepared designed to implement the audit strategy. The audit strategy and annual plans shall be prepared to support the audit opinion to the Accountable Officer on the risk management, internal control and governance arrangements within the organisation. Both the strategy (where required) and annual plans will be approved by the Audit Committee and reported to the Council.

## 8. Reporting

Internal Audit will report formally to the Audit Committee through the following:

An annual report will be presented to confirm completion of the audit plan and will include the Head of Internal Audit opinion provided for the Accountable Officer that will support the Annual Governance Statement. The opinion must take into account the strategies, objectives and risks of the organisation and the expectations of senior management, the Council and other stakeholders. The Head of Internal Audit opinion will:

- a) State the overall adequacy and effectiveness of the Council’s risk management, control and governance processes;
- b) Disclose any qualification to that opinion, together with the reasons for the qualification;
- c) Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- d) Draw attention to any issues internal audit judge as being particularly relevant to the preparation of the Annual Governance Statement;
- e) Compare work actually undertaken with the work which was planned and summarise performance of the internal audit function against its performance measures criteria; and
- f) Comment where necessary on compliance with the Public Sector Internal Audit Standards and internal quality assurance arrangements.

For each relevant Audit Committee meeting a progress report will be presented to summarise progress against the plan. The findings arising from individual audit reviews will be reported in accordance with Audit Committee requirements. The Audit Committee members will be provided with copies of individual audit reports for each assignment undertaken unless the Head of Internal Audit is advised otherwise. The reports will include an action plan with target dates for completion.

Following the closure of fieldwork, Internal Audit will discuss findings with operational/local managers. Operational/Local management will receive draft reports which will include the action plans they have agreed following the discussion of findings. A copy of the draft report will also be provided to the relevant Head of Service. The draft report will give an "assurance" opinion on the area reviewed. The draft report will also indicate action ratings for individual report findings and recommendations.

Operational management will be required to respond to the draft report, stating their agreement or otherwise to the content of the report, identifying action, staff with responsibility for implementation and the dates by which action will be taken. Final reports inclusive of management comments will be issued by Internal Audit to the relevant Head of Service within 5 working days of management responses being received. The final report will be placed on the agenda for the next available Audit Committee.

Internal Audit will make provision to review the implementation of agreed action within the agreed timescales. However, where there are issues of particular concern provision maybe made for follow up review within the same financial year. Issue and clearance of follow up reports shall be as for other assignments referred to above.

## **9. Irregularities, Fraud and Corruption**

It is the responsibility of management to maintain systems that ensure organisation's resources are utilised in the manner and on activities intended. This includes the responsibility for the prevention and detection of fraud and other illegal acts.

Internal Audit shall not be relied upon to detect fraud or other irregularities. However, Internal Audit will give due regard to the possibility of fraud and other irregularities in work undertaken. Additionally, Internal Audit shall seek to identify weaknesses in control that could permit fraud or irregularity.

If Internal Audit discovers suspicion or evidence of fraud or irregularity, this will immediately be reported to the organisation's Counter Fraud Specialist in accordance with the organisation's Counter Fraud Policy & Fraud Response Plan.

## **10. Relationships**

In order to maximise its contribution to the Council's overall framework of assurance, Internal Audit will work closely with the organisation's Section 151 Officer and Chief Accountant in planning its work programme. Co-operative relationships with senior and line management enhance the ability of internal audit to achieve its objectives effectively. Audit work will be planned in conjunction with management as far as possible, particularly in respect of the timing of audit work.

Internal Audit will meet regularly with the external auditor to consult on audit plans, discuss matters of mutual interest, discuss common understanding of audit techniques, method and terminology, and to see opportunities for co-operation in the conduct of audit work. In particular, internal audit make available their working files to the external auditor for them to place reliance upon the work of Internal Audit where appropriate

The Head of Internal Audit will establish a means to gain an overview of other assurance providers' approaches and output as part of the establishment of an integrated assurance framework. In addition the Head of Internal Audit shall make provision to form an opinion where key systems are being operated by organisation's outside of the remit of the Accountable Officer, or through a shared or joint arrangement.

## 11. Access

Internal Audit shall have the authority to access all the organisation's information, documents, records, assets, personnel and premises that it considers necessary to fulfil its role. This shall extend to the resources of the third parties that provide services on behalf of the organisation. All information obtained during the course of a review will be regarded as strictly confidential to the organisation and shall not be divulged to any third party without the prior permission of the Accountable Officer. However, open access shall be granted to the organisation's external auditors. In any instances of conflict this will be referred for resolution to the Section 151 Officer, Chief Accountant, Chief Executive or Chair of Audit Committee as appropriate.

## 12. Quality Assurance

The work of internal audit is controlled at each level of operation to ensure that a continuously effective level of performance, compliant with the Public Sector Internal Audit Standards is being achieved. The Head of Internal Audit will establish a quality assurance programme designed to give assurance through internal and external review that the work of internal audit is compliant with the PSIAS and to achieve its objectives. A commentary on compliance against the Standards will be provided in the annual audit report to Audit Committee.

## 13. Approval, Review and Interpretation of the Charter

This Internal Audit Charter shall be reviewed annually and approved by the Audit Committee\*.

\* The Public Sector Internal Audit Standards require the Charter to be approved by the Board, however, for the Public Sector the following definition of Board is provided: *Audit Committee – the governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. In this case the 'Audit Committee' is the Scrutiny (VFM Council Services and Audit) Committee.*