

Rossendale Borough Council
Internal Audit Service
Internal Audit Plan 2017/18

1. The purpose of the internal audit plan

- 1.1. The council is responsible for a wide range of services across the borough and its members and senior management will be aware both of the risks to achieving their service objectives and the risks inherent in their work. Each of these risks should be managed by controls designed to reduce the risk to a corporately acceptable level and which operates effectively and consistently in practice. The chief executive, Audit and Accounts Committee, and ultimately the Council, need assurance that these controls have been adequately designed and are operating effectively. In due course the chief executive and the leader of the council will jointly sign an annual governance statement incorporating a statement on internal control, which will refer to the effectiveness of the system of internal control.
- 1.2. The council's Audit and Accounts Committee is required by its terms of reference to oversee the production of the authority's annual governance statement and to recommend its adoption. It is also required to consider the level of assurance the Internal Audit Service can give over the council's governance, risk management and internal control arrangements and environment, and anti-corruption arrangements. The head of internal audit is required by professional standards to provide an opinion addressing governance, risk management arrangements, internal control and thereby to provide assurance that the risks to the council's objectives are being adequately and effectively controlled.
- 1.3. The committee should therefore consider and approve an internal audit plan designed to provide the assurance that the Council, committee, leader and chief executive of the council need.
- 1.4. This plan has been discussed with the council's senior management team and is now submitted to the Audit and Accounts Committee for its approval. It sets out a number of areas of work designed to obtain the evidence to support an overall opinion for 2017/18 but, as the year progresses, it may be appropriate to adjust the plan and refocus the work that the Internal Audit Service will undertake. Any proposed adjustments will be brought to the committee as they are made.

2. The regulatory framework for internal audit

- 2.1. Internal audit's function is established by the Accounts and Audit Regulations 2015, which are supported by professional standards for internal audit in the public sector and specifically within local government in the United Kingdom.

Relevant regulations

- 2.2. Internal audit: "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." *Regulation 5. (1)*
- 2.3. Review of internal control system: "A relevant authority must, each financial year (a) conduct a review of the effectiveness of the system of internal control ... and (b) prepare an annual governance statement." *Regulation 6. (1)*

Accounts and Audit Regulations 2015

Definition of internal auditing and the requirement for an overall opinion

- 2.4. "Internal auditing 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."
- 2.5. "The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control."

*Public Sector Internal Audit Standards, 2016,
published by the Relevant Internal Audit Standard Setters*

3. Audit coverage required to support the overall opinion

- 3.1. An internal audit plan designed to provide the evidence necessary to support an opinion on governance, risk management and control should arguably encompass the following:
- Coverage of the key components of each part of the opinion: aspects of the council's governance, risk management and control.
 - Sufficient coverage of the council's operations as a whole, so that a fair assessment may be made across the organisation.
 - Coverage of the controls that serve to mitigate the council's most significant risks to an acceptable level, and particularly those that operate most widely across the council.
 - Assessment of the actions being taken to develop improved controls in the areas of greatest unmitigated risk.
 - Follow-up of the actions agreed by management to mitigate risks identified through the audit process.
- 3.2. The council's framework for governance, risk management and control has been summarised in the diagram shown overleaf. The internal audit plan for the coming year has been designed to address, proportionately, the coverage required above across this controls framework.
- 3.3. The Internal Audit Service may also work with the council's managers to analyse other areas of risk recorded on the risk register and develop additional action plans to address these. Whilst such work will inform the overall opinion, it will not be necessary to support the opinion, which could be formed without it.
- 3.4. Because the overall opinion covers a twelve month period, the evidence to support it must relate to the controls in operation for that period. However the plan will be directed in the light of prior knowledge and earlier years' audit results, as well as follow-up work in the current year.
- 3.5. Where it is known that assurance will be provided to the council by another body (for example the external auditor) the Internal Audit Service will not duplicate work in that area but will take it into account if it is relevant to the overall opinion on governance, risk management and control.

A framework for governance, risk management and control				
Governance and democratic oversight				
Corporate governance framework			Democratic processes	
Business effectiveness				
Risk management	Performance monitoring and management		Organisational design	Working in partnership
Service delivery				
Customer services		Operations and environmental health		Business
Benefits administration	Revenue collection	Refuse collection and recycling	Parks and open spaces	Housing Regeneration
Leisure services		Street sweeping	Planning	Licensing
Service support				
Contract monitoring and management			Public interface	
Business processes				
Financial processes		ICT	Facilities management	Human resources
Investment	Payroll	Procurement		Business continuity

4. Deployment of audit resources

- 4.1. This audit plan is stated in terms of estimated days input. The plan therefore represents only a best estimate of the audit resources and the ways in which they will be deployed.
- 4.2. It is vital that our resources are deployed as effectively as possible, and the audit plan must therefore focus on specific key areas of risk to ensure maximum benefit from the level of audit resource.
- 4.3. Although the annual plan enables both managers and members to see the overall scope and value of the audit work, work is ongoing throughout the year. A small number of audit reviews therefore inevitably straddle the year end as work continues to complete them, and some time will be spent on this work.
- 4.4. Any additional work will be undertaken at the expense of other planned areas of work, however, since the plan is at best an estimate it will be sufficiently flexible to change during the year. We will continually reassess our resources against the council's priorities and we will amend the plan throughout the year as required.
- 4.5. We have set out below the proposed audit coverage for 2017/18 in order to provide assurance over the most significant areas, and each of these potential areas is explained in more detail below.
- 4.6. The proposed programme of work for 2017/18 is set out in the table below.

CONTROLS ASSURANCE	Nature of audit work	Element within overall opinion	Estimated audit days	
Governance and democratic oversight				
Decision making and democratic oversight	Follow-up and revised assessment	Governance	3	3
Business effectiveness				
Performance monitoring and management	Full risk and control evaluation of the revised system	Governance	15	20
Operation of the Risk Management Strategy	Follow-up and revised assessment	Risk management	5	
Service delivery				
Licensing – taxis	Full risk and control evaluation following work undertaken by management	Broad coverage of the council's operations	15	32
Licensing – alcohol sales	Full risk and control evaluation	Broad coverage of the council's operations	10	
Town centre redevelopment	Follow-up of agreed actions and understanding the ongoing activity	Mitigation of the council's most significant risks	5	
Use of Disabled Facilities Grant funding	Follow-up of agreed actions	Professional requirement	2	
Service support				
Renewal of the long-term contract for revenues and benefits services	Full risk and control evaluation	Coverage of controls to mitigate significant risks	10	10
Business processes				
Accounts payable	Compliance testing of established controls and follow-up of agreed actions	Coverage of controls that mitigate significant risks	9	82
Accounts receivable			9	
Council tax			8	
General ledger, budget setting and monitoring			9	
Housing benefits			8	
Income collection and banking			8	
National non domestic rates	Compliance testing of established	Coverage of controls that mitigate	8	
Payroll			9	

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Procurement	controls and follow-up of agreed actions	significant risks	6	
Treasury management			8	
Counter fraud and investigation work				
Operation of the National Fraud Initiative			8	10
Support to the council's whistleblowing and counter fraud work			2	
Other work				
Management of the Internal Audit Service			15	43
Contingency			28	
Total resource for the council			200	