

**Rossendale Borough Council**  
**Internal Audit Service**  
**Internal Audit Plan 2018/19**

## 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 should 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 operate 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. At the end of the financial year the chief executive and the leader of the council will jointly sign an annual governance statement that is published with the council's financial statements.
- 1.2. The head of internal audit is required by professional standards to provide an opinion addressing governance, risk management and control and thereby to provide assurance that the risks to the council's objectives are being adequately and effectively controlled. The Audit and Accounts Committee is required by its terms of reference both to consider the head of internal audit's annual report and opinion and to review and approve the council's annual governance statement. 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. This plan has been discussed with the council's senior management team.
- 1.3. Because the overall opinion covers a twelve month period, the evidence to support it must relate to the controls in operation for that period. The plan therefore chiefly addresses work for just one year, but projections may be made into audit requirements for future years. The work in any annual plan will rarely be fully complete at the end of the year but the year's work will be sufficiently complete and reported by the time the council prepares its annual governance statement shortly after the year end.

## 2. Statutory and professional requirements relating to 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 an advisory note specifically for local government in the United Kingdom. The key requirements of the regulations and of the Public Sector Internal Audit Standards (PSIAS) are set out below.

### Relevant regulations

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)*

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

"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."

"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."

"Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes."

*Public Sector Internal Audit Standards, 2017  
published by the Relevant Internal Audit Standard Setters*

- 2.2. The regulations therefore establish the requirement for an internal audit function and its provision of an opinion on the council's governance, risk management and control processes, following public sector internal auditing standards. Professional standards likewise mandate the provision of such an opinion. They also recognise that internal audit involves the provision of both assurance and consultancy services, but assurance is its primary function and any consultancy work must inform the assurance opinion.

### **3. Planning principles**

- 3.1. Having identified the requirement to provide an overall opinion on governance, risk management and control processes, a number of principles guide the decisions regarding the work to include in the annual audit plan. These are set out below and address the practical interpretation and application of professional requirements within the council.

#### **Internal audit coverage to support an annual overall opinion**

- 3.2. 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 controls across 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.
- 3.3. It will therefore be necessary as a minimum to audit aspects of the council's governance and risk management processes, as well as a range of control processes.

3.4. A control framework applicable to the council's governance, risk management and control is shown in the diagram shown below. The internal audit plan will be designed to address, proportionately, the coverage required across this controls framework to cover the whole organisation. Where the council achieves its objectives in conjunction with partners we will also seek assurance over the work of those key partnerships.

#### 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. 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.

4.2. 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.

4.3. 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 and a small number of contingency days have been included. We will continually reassess our resources against the council's priorities and we will amend the plan throughout the year as required.

4.4. We have set out below the proposed audit programme of work for 2018/19 in order to provide assurance over the most significant areas:

| Controls assurance                         | Audit work   | Audit days |    |
|--|--|------------|----|
| <b>Governance and democratic oversight</b> |  |            |    |
| Improvement Plan delivery                  | Follow up on progress with delivery of Improvement Plan actions.           | 2          | 2  |
| <b>Business effectiveness</b>              |  |            |    |
| Performance management                     | Follow-up of 2017/18 audit and evaluation and testing of revised approach. | 5          | 7  |
| Operation of the risk management strategy  | Follow-up of 2017/18 audit and revised assessment.                         | 2          |    |
| <b>Service delivery</b>                    |  |            |    |
| Environmental health                       | Adequacy and effectiveness of the operation of service controls.           | 14         | 30 |
| Waste collection                           | Adequacy and effectiveness of the operation of service controls.           | 14         |    |
| Licensing: taxis                           | Follow up of 2017/18 audit.  | 1          |    |
| Licensing: alcohol sales                   | Follow up of 2017/18 audit.  | 1          |    |
| <b>Service support</b>                     |  |            |    |
| Project management                         | Adequacy and effectiveness of controls to deliver                          | 12         | 26 |

| Controls assurance   | Audit work  | Audit days |     |    |  |
|--|---|------------|-----|----|--|
|  | projects including compliance with policies and procedures, governance and decision making.   |            |     |    |  |
| System access controls   | Audit of controls to manage access to council systems, including by non-council staff.  | 10         |     |    |  |
| Revenues and benefits contract   | Risk and control evaluation of procurement activity to let the contract by the end of 2018.   | 4          |     |    |  |
| <b>Business processes (follow up and compliance)</b>   |   |            |     |    |  |
| Information security   | Adequacy and effectiveness of controls to ensure sensitive and personal data is managed securely, including initial assessment of General Data Protection Regulations policies. | 12         |     |    |  |
| Debt management  | Adequacy and effectiveness of controls over debt management.  | 10         |     |    |  |
| Procurement  | Compliance testing of established controls and follow-up of agreed actions from previous year's audit.  | 8          | 102 |    |  |
| Accounts payable   |   | 8          |     |    |  |
| Accounts receivable  |   | 8          |     |    |  |
| Council tax  |   | 8          |     |    |  |
| General ledger, budget setting and monitoring  |   | 8          |     |    |  |
| Housing benefits   |   | 8          |     |    |  |
| Income collection and banking  |   | 8          |     |    |  |
| Business rates/ national non-domestic rates  |   | 8          |     |    |  |
| Payroll  |   | 8          |     |    |  |
| Treasury management  |   | 8          |     |    |  |
| <b>Counter fraud and investigations</b>  |   |            |     |    |  |
| Operation of the National Fraud Initiative   |   | 8          |     | 10 |  |
| Support to the council's whistleblowing and counter fraud work   |   | 2          |     |    |  |
| <b>Other work</b>  |   |            |     |    |  |
| Management of the Internal Audit Service (includes maintaining organisational understanding, working with management team, reporting to committee, preparing annual plans and scheduling resources). |   | 15         | 23  |    |  |
| Contingency  |   | 8          |     |    |  |
| <b>Total resource for the council</b>  |   |            | 200 |    |  |