

**Rossendale Borough Council**  
**Internal Audit Service**  
**Internal Audit Plan 2019/20**



## 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 managers should be aware of the risks to achieving their service objectives and the risks inherent in their work. These risks should be managed by controls designed to reduce the risk to a corporately acceptable level. 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 the annual governance statement (AGS) published with the council's financial statements.
- 1.2. The head of internal audit is required by professional standards to give an annual assurance opinion on governance, risk management and control, over the adequacy and effectiveness of the management of risks to council objectives. The Audit and Accounts Committee's terms of reference require it to consider this annual opinion, and review and approve the AGS. The Committee should therefore consider and approve an internal audit plan which provides the assurance the council, committee, leader and chief executive need. We have discussed this plan with the council's senior management team.
- 1.3. The overall opinion covers twelve months and supporting evidence must relate to controls operating in that period, so the plan addresses work for one year but may make projections into future audit needs. The work will rarely be fully complete at the end of the year but will be sufficiently complete and reported by the time the council prepares its AGS 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, supported by professional standards for internal audit in the public sector and an advisory note for local government in the United Kingdom. Regulatory requirements and the Public Sector Internal Audit Standards (PSIAS) establish the requirement for an internal audit function and are set out below.

### Accounts and Audit Regulations 2015

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 PSIAS 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)*

### 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. Professional standards mandate the provision of an annual assurance opinion, recognising that internal audit provides assurance and consultancy services, but assurance is its primary function and consultancy work must inform this.

### 3. Planning principles

- 3.1. The following principles inform the content of the annual audit plan, addressing the practical interpretation and application of professional requirements.

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

- 3.2. As a minimum, aspects of governance and risk management processes and a range of control processes should be audited but the plan should include coverage of:
- The opinion's key components: governance, risk management and control.
  - Controls across operations, to support a fair assessment across the council.
  - Controls that mitigate the most significant risks to an acceptable level, particularly those that operate most widely across the council.
  - Actions being taken to improve controls in areas of greatest unmitigated risk.
- 3.3. The internal audit plan will address, proportionately, the coverage required in the control framework below.

A framework for governance, risk management and control						
<b>Governance and democratic oversight</b>						
Corporate governance framework	Decision-making		Oversight and scrutiny		Policy setting	
<b>Business effectiveness</b>						
Risk management	Performance monitoring and management		Organisational design	Financial governance and planning		Working in partnership with others
<b>Service delivery</b>						
Growth, environment, transport & community services			Children's services & education		Adult services, health & wellbeing	
Economic development & planning	Programmes & project management	Community services	Children's services	School improvement & services	Adult Services	Public health
<b>Service support</b>						
Legal services	Skills, learning & development	Core business systems	Property management	Programme management	Business intelligence	Customer access
<b>Business processes</b>						
Financial systems & processes		Procurement	Facilities management		Human resources	
Budget monitoring		Contract monitoring & management		Information management		Payroll processing
Investment				Business continuity		ICT systems

#### 4. Deployment of audit resources

- 4.1. This audit plan is based on estimated days input, and represents only a best estimate of audit resources. We will deploy our resources as effectively as possible, focussing on key areas of risk to achieve maximum benefit.
- 4.2. While the annual plan enables managers and members to see the overall scope and value of the audit work, we will spend some time on completing a small number of audits that are being worked on into the following year.
- 4.3. Additional work may be needed in-year at the expense of planned work, but the plan is sufficiently flexible to accommodate such changes and includes a number of contingency days. We will continually reassess resources against council priorities, amending the plan as required.

#### 5. Proposed audit programme for 2019/20

Controls assurance	Audit scope	Days	Total
<b>Governance and democratic oversight</b>			
Information security	Follow up of 2018/19 audit	1	14
LGA peer review	Contribution to peer review process	1	
Freedom of information and subject access requests	Arrangements for responding to requests and regulatory compliance.	12	
<b>Business effectiveness</b>			
ICT Strategy [Mersey Internal Audit Agency].	Initial overview of the adequacy of the ICT strategy in meeting the council's needs	5	26
Digital Strategy	Strategy implementation including tracking and monitoring.	5	
Risk Management	Compilation of corporate risk register.	6	
Procurement	Effectiveness of contract and procurement rules and controls in meeting council needs	10	
<b>Service delivery</b>			
Environmental health: follow up	Follow up of implementation of 2018/19 audit actions.	1	31
Waste collection: follow up	Follow up of implementation of 2018/19 audit actions.	1	
Homes England accelerated construction fund	Assessment of controls required to comply with grant conditions.	5	
Community safety: CCTV regulatory compliance	Regulatory compliance including corporate policy, signage, disclosure and retention.	12	
Community partnership grants and community fund	Process for approving grants including eligibility, use of funds, monitoring	12	
<b>Service support</b>			
Debt management	Follow up of 2018/19 audit	1	9
IT system access	Follow up of 2018/19 audit	1	

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Controls assurance	Audit scope	Days	Total
Project management	Follow up of 2018/19 audit	1	
Information security/ GDPR	Follow up of 2018/19 audit	1	
Purchase/ lease rental	Compliance with new process	5	
<b>Business processes (follow up and compliance)</b>			
Accounts payable	Compliance testing of established controls and follow-up of actions from previous year's audit.	8	81
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	
Debt management		Follow up of 2018/19 audit	
Industrial rent and arrears	Arrangements for maximising income from industrial properties.	8	
<b>Counter fraud and investigations</b>			
Operation of the National Fraud Initiative		6	8
Support to the council's whistleblowing and counter fraud work		2	
<b>Other work</b>			
Internal Audit management including planning, managing delivery, liaison with management team, committee reporting and scheduling resources.		15	31
Contingency		16	
<b>Total resource for the council</b>			<b>200</b>