Internal Audit Plan

2018-2019

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Background

All local authorities must make proper provision for internal audit in line with 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 undertakes its functions.

The standards also requires 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 2018/2019 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 taking 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, in addition to obtaining the views of the Audit and Governance Committee and internal audit's own risk assessment, a consultation process took place with the Corporate Directors, 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.

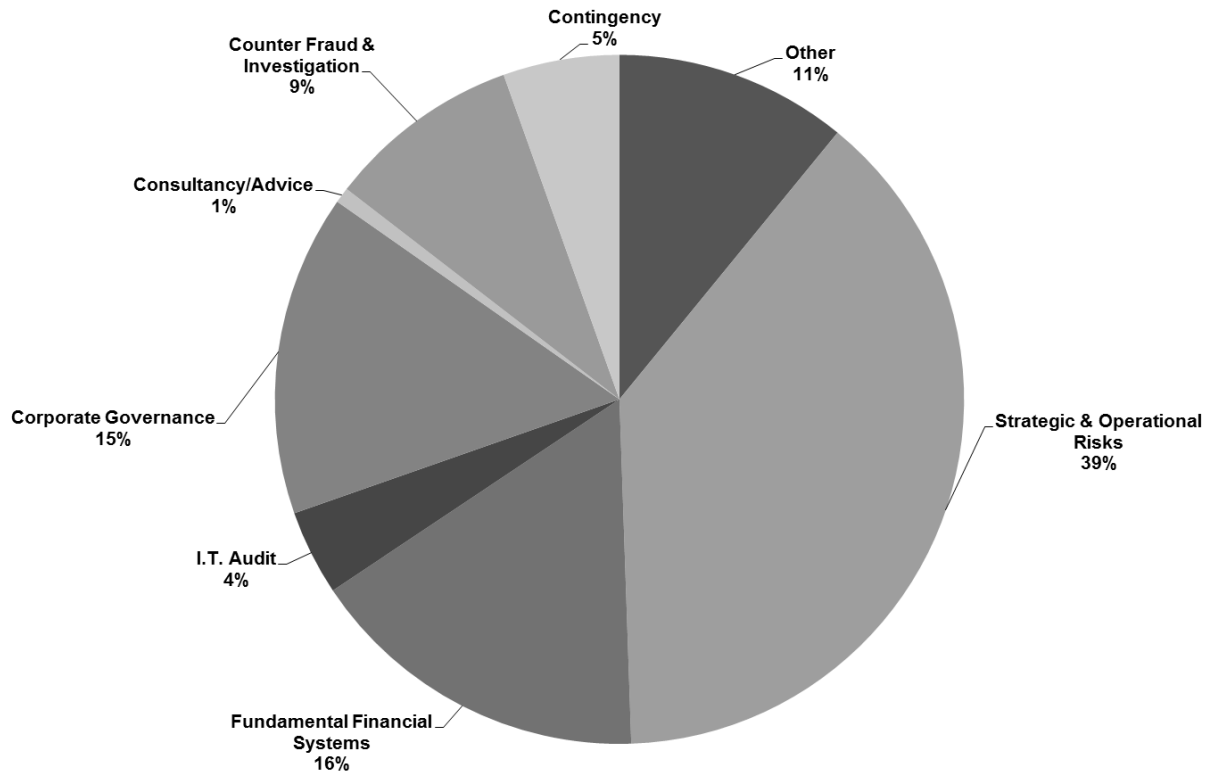**A flexible audit plan - Risk and Control Assurance Programme**

The audit plan is stated in terms of estimated days input to the Council of **550** 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, in year demand and risks and will amend the plan throughout the year as required, reporting any key changes to the Audit and Governance Committee.

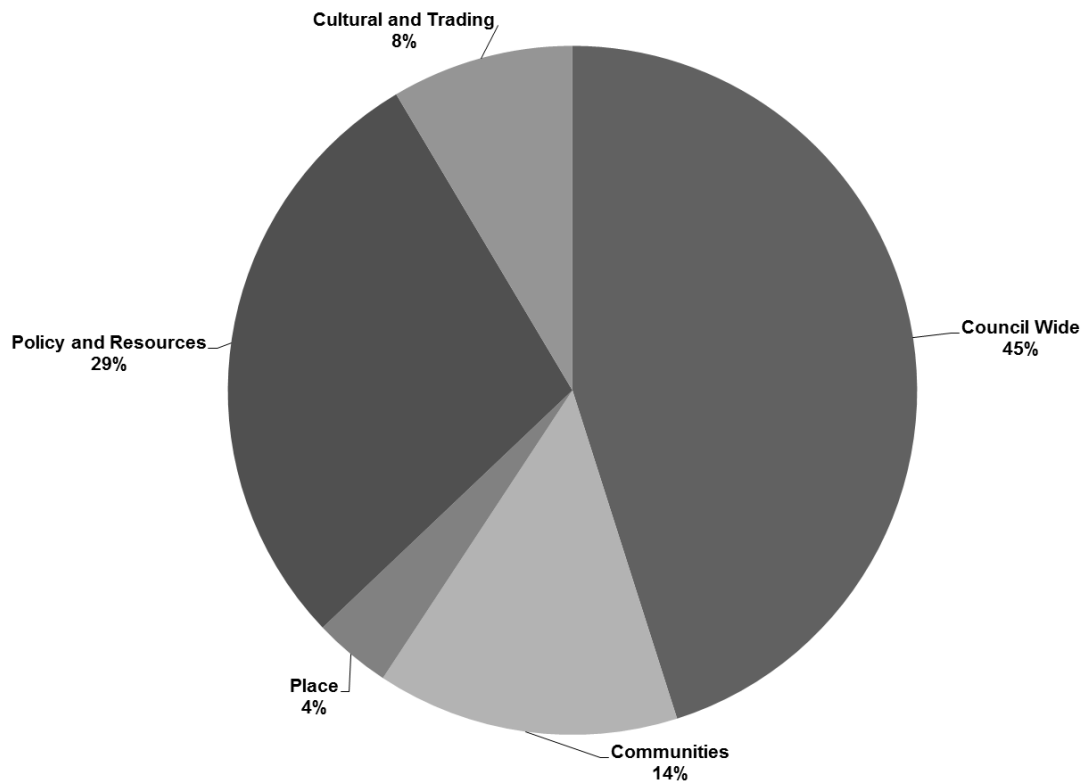**Overview of Internal Audit's Risk and Control Assurance Programme**

In order to provide a high level overview of the proposed Risk and Control Assurance Programme the pie charts below highlight the allocation of audit resources per:

> ➢ Category of review; and
> ➢ Functional service area.

Percentage of audit days per category of review

Contingency 5%

Counter Fraud & Investigation 9%

Consultancy/Advice 1%

Corporate Governance 15%

I.T. Audit 4%

Fundamental Financial Systems 16%

Other 11%

Strategic & Operational Risks 39%

Percentage of audit days per functional service area

Cultural and Trading 8%

Policy and Resources 29%

Place 4%

Communities 14%

Council Wide 45%

The key points to note within the proposals are:

➢ There is a proportional split, based on risk, between each of the functional service areas to enable the provision of an audit opinion;
➢ Continued focus on corporate governance, key financial systems and strategic risks due to the significant organisational change agenda;
➢ Continued emphasis on procurement and contract management and monitoring arrangements; and
➢ Taking into consideration other assurance providers.

The detail supporting this overview is attached at Appendix 1 which shows:

➢ Audit activity per service area;
➢ Name of the audit activity;
➢ Reason for the audit i.e. as a result of RBIAP and link to the Council's Strategic Risk Register, statutory requirements 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. The aim is to focus on priority 1 audits, 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.

Council Wide

Audit	Reason for Audit	Outline Scope	Priority
Business Continuity Planning	Identified as part of Risk Based Internal Audit Planning (RBIAP) Strategic Risk Register (SRR) 9	The Civil Contingencies Act 2004 requires all local authorities to have Business Continuity Management (BCM) arrangements in place, designed to ensure that as far as possible it can continue to operate the critical elements of the service in the event of disruption such as power loss, flooded premises or high staff absence. This audit will evaluate the effectiveness of the arrangements including a review of generic and departmental plans to ensure that they are appropriate, realistic and up to date.	**Priority 1**
Code of Conduct for Employees – Follow-Up	Identified as part of RBIAP Strategic Risk Register (SRR) 3 Limited Assurance Review	The purpose of this Code is to give all employees guidance on how the City Council and the public in general expect them to behave. If the Code is followed then staff should not find themselves in a situation where their conduct could create an impression of conflict of interest or corruption in the minds of the public. The 2017/18 audit reviewed the adequacy of the guidance and frameworks in place, related methodologies to manage and monitor ethical performance and review the effectiveness of compliance. Internal audit identified an absence of key controls and processes with only limited assurance being obtained that the risks relating this key governance area were being managed effectively. This follow-up review will confirm that the subsequent actions agreed with management have been implemented.	**Priority 1**

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Audit	Reason for Audit	Outline Scope	Priority
General Data Protection Regulations (GDPR)	Identified as part of RBIAP Strategic Risk Register (SRR) 8	The General Data Protection Regulation (GDPR) becomes enforceable from 25th May 2018 and is intended to strengthen and unify data protection for individuals within the European Union (EU) and to address the export of data outside the EU. Whilst many of the GDPR's main concepts and principles are much the same as those in the current Data Protection Act there are a number of new elements and significant enhancements. There is also the potential for hefty fines (up to £20m) to be imposed in the event that the Council is found to have broken the law. This audit will review the arrangements put in place by the Council to fulfil its obligations under this Regulation.	**Priority 1**
Health and Safety	Identified as part of RBIAP Strategic Risk Register (SRR) 3	Gloucester City Council is fully committed to achieving high standards of health and safety to protect the well being of employees, residents and anyone else who may be affected by the council's activities. This audit will review the governance control framework and procedures established by the Council to meet its commitment and fulfil legal requirements and to assess the level of understanding of and compliance with the council's published Health and Safety policy.	**Priority 1**
Leavers Processes	Identified as part of RBIAP Strategic Risk Register (SRR) 8	When an individual leaves the organisation, records for a number of systems require updating, including those for payroll, ICT and facilities. If this operation is fragmented the security of assets within the Council and associated data is decreased (particularly where an individual is not a direct employee) exposing the council to significant financial and reputational risk in the event misuse by the leaver. This audit will review the effectiveness of the controls in place to recover any physical assets allocated to the individual and prompt removal of access rights to Council's IT systems.	**Priority 2**

Audit	Reason for Audit	Outline Scope	Priority
Purchasing: Low and Intermediate Value Transactions	Identified as part of RBIAP Strategic Risk Register (SRR) 6	The Council undertakes a variety of purchasing activities to help deliver services and to meet its key aims and objectives. Failure to operate a transparent process for the procurement activity (coupled with any non-compliance with the requirements of the Public Contracts Regulations 2015) exposes the Council, Officers and Members to significant risks in the event that the contract award is subject to challenge or does not provide value for money. This audit will review lower to intermediate value purchases (i.e. up to £50k) made by the Council in order to evaluate the level of compliance with legislation and the Council's Constitution.	**Priority 2**

Communities

Audit	Reason for Audit	Outline Scope	Priority
Houses in Multiple Occupation (HMOs) – Licensing and Enforcement	Identified as part of RBIAP Strategic Risk Register (SRR) 2	The Housing Act 2004 introduced licensing for houses in multiple occupation (HMOs). The Act provides a detailed definition of HMOs and sets out standards of management for this type of property and licensing is mandatory for all HMOs which have three or more storeys and are occupied by five or more persons forming two or more households. Also, where a council considers that a significant proportion of these HMOs are being managed ineffectively (so as to give rise to one or more particular problems, either for the occupants of the HMOs or for members of the public) the council can impose a licence on other categories of HMOs in its area which are not subject to mandatory licensing. This audit will review the processes in place to (1) administer the licensing process and ensure compliance with Housing Act requirements / best practice, (2) identify unlicensed properties, and (3) inspect properties and enforce expected standards.	**Priority 1**

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Audit	Reason for Audit	Outline Scope	Priority
Homelessness	Identified as part of RBIAP Strategic Risk Register (SRR) 2	The homelessness legislation places a general duty on housing authorities to ensure that advice and information about homelessness, and preventing homelessness, is available to everyone in their district free of charge. The legislation also requires authorities to assist individuals and families who are homeless or threatened with homelessness. This audit will review the effectiveness of the systems in operation for processing applications and monitoring homelessness cases and select a sample of cases to review the application process, to ensure compliance with the guidance, and to establish the level of monitoring undertaken once the decision to accept a homeless case has been made.	**Priority 1**
Licensing	Identified as part of RBIAP Strategic Risk Register (SRR) 3	The Licensing Service supports the local economy by ensuring that businesses providing licensable services are regulated to protect the public or others from harm. Licences are generally subject to a fee designed to cover service costs. This audit shall review the fee-setting arrangements, administration and monitoring of licences relating to taxis and assess compliance with legislative requirements.	**Priority 1**

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Audit	Reason for Audit	Outline Scope	Priority
Urban Solace (formally known as Project Solace) – Follow-Up	Identified as part of RBIAP Strategic Risk Register (SRR) 4 Limited Assurance Review	Anti-Social Behaviour (ASB) covers a wide range of activity that can have a significant negative impact on people's lives on a daily basis, affecting them as an individual, their community or their environment. In Gloucester, a multi-agency team between Gloucester City Council (GCC) and Gloucestershire Constabulary brings agencies together to deal with ASB involving homeowners, private landlords and tenants, and in public places. Project Solace has been through a period of transition with GCC taking over (from Gloucester City Homes) the operational day-to-day running in 2016 and also from January 2018 it was extended when Cheltenham Borough Council (CBC) came on board. The 2017/18 audit concluded that whilst enhancement of the control environment is planned the ongoing delays and absence of corporate oversight and performance monitoring resulted in only a limited assurance opinion that the risks considered to be material to the achievement of the services objectives for this area under review are adequately managed and controlled. This follow-up review will confirm that the subsequent actions agreed with management have been implemented.	**Priority 1**
Disabled Facilities Grants	Identified as part of RBIAP Strategic Risk Register (SRR) 2	The Disabled Facilities Grant is for the provision of adaptations to disabled people's homes to help them to live independently in their own homes for longer. This funding is part of the Better Care Fund, allocated to County Councils (by the DCLG) to be further distributed to District Councils as the local housing authorities. In 2016/17 the Council awarded grants to the value of £304,553.12. This audit will review the effectiveness of the administration of these grants and provide assurance that the grants awarded are in accordance with the grant conditions.	**Priority 2**

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Cultural and Trading

Audit	Reason for Audit	Outline Scope	Priority
Great Place Funding	Identified as part of RBIAP Strategic Risk Register (SRR) 5	Gloucester City Council has been awarded £1.5m from the Great Place Scheme to support a three-year project entitled "Gloucester – a proud past: Culture at the heart of an ambitious future". Matched funding of £1.6m will also be available with Gloucester Cultural Trust being responsible for the management of the project. This audit will review the controls established by the Council to fulfil its role as the accountable body to ensure that the expenditure claims submitted from the Trust is appropriate.	Priority 1
Markets	Identified as part of RBIAP Strategic Risk Register (SRR) 1	A range of markets exist within the City: Eastgate Indoor Market, Farmers Market, Hempsted Meadow Market, and Kings Square Market. The Council directly manages the Eastgate Indoor Market and Kings Square markets and in addition any car boot sale or occasional market held within 6.1 miles of Gloucester Cross requires permission. This audit will review arrangements in place to ensure that income due is collected and accounted for in an effective and timely manner.	Priority 2

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Place

Audit	Reason for Audit	Outline Scope	Priority
Planning – Processing and Performance	Identified as part of RBIAP Strategic Risk Register (SRR) 3	The Council is the area's local planning authority, responsible for determining whether development in the local environment (constructing or altering buildings, or use of land) is suitable and in accordance with local and national policy. This audit will consider the arrangements in accepting, validating, publicising and determining planning applications. National government is keen to ensure continuing improvement in the planning system, and measures the Council's performance on the speed and quality of decisions on applications for major development. The Council's activities in monitoring and securing good performance shall also be reviewed.	**Priority 1**

Policy and Resources

Audit	Reason for Audit	Outline Scope	Priority
Accounts Receivable	Identified as part of RBIAP Strategic Risk Register (SRR) 1	In January 2017, the Council implemented a new Financial Management System (Civica Financials) which incorporated the replacement of the old debtors system. Accounts Receivable is identified as a key financial system and this audit will review the key high level controls to provide assurance that they continue to operate effectively in the new system.	**Priority 1**

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Audit	Reason for Audit	Outline Scope	Priority
Blackfriars Priory Turnover Certificate	A condition of the lease.	The rent charges paid by the Council to English Heritage are based on a percentage of the income generated from holding events at Blackfriars Priory. It is a condition of the lease that the Council provides a turnover certificate from a qualified auditor to confirm the level of income received. This audit will provide assurance that the turnover values stated to English Heritage are in accordance with and supported by documents and records held by the Council.	**Priority 1**
Capital Accounting	Identified as part of RBIAP Strategic Risk Register (SRR) 1	The Forecast Capital Programme identifies £7.5 million projected capital expenditure in 2017/18 across thirteen areas. Capital Accounting is identified as being a key financial system subject to regular review and this audit will assess the arrangements in place to monitor, vire and account for expenditure on capital projects within the Council.	**Priority 1**
Cash to Bank – Follow-Up	Identified as part of RBIAP Strategic Risk Register (SRR) 6	Cash to Bank is identified as being a key financial system which is subject to regular review by Internal Audit. In December 2017, Internal Audit reviewed the arrangements in place for banking and to secure and account for income (including: bank reconciliations, cash feeder systems, cash suspense, cash security and bank access/authorisation). Whilst overall (due to the wide scope of the review) a satisfactory assurance level for control was obtained, a number of concerns were also identified where further action was required to strengthen the control environment for some aspects of this high risk activity. This audit will ascertain whether the action agreed with management has been completed and has been effective.	**Priority 1**

Audit	Reason for Audit	Outline Scope	Priority
Gloucestershire Airport Limited	Identified as part of RBIAP Strategic Risk Register (SRR) 4	Gloucestershire Airport Limited is a wholly owned airport company which was established during 1992/93 by Gloucester City Council / Cheltenham Borough Council (using powers available under the Airports Act 1986) replacing the previous joint committee arrangements. Each authority owns 50% of the shares and this is classified within the Council's individual accounts as a long-term investment. This audit will review the effectiveness of the governance arrangements established to protect the Council's investments in this joint venture.	**Priority 1**
Local Taxation	Identified as part of RBIAP Strategic Risk Register (SRR) 1	Gloucester City Council (GCC) collects Council Tax on behalf of public sector bodies that issue a precept e.g. Gloucestershire County Council and Gloucestershire Police and Crime Commissioner. In addition National Non-Domestic Rates (NNDR), also known as Business Rates, are charged to non-domestic properties as a contribution towards local services. The calculation is based on the combination of a property's rateable value and a nationally-set multiplier.The service was outsourced to Civica Ltd in October 2011 with an initial contract term of seven years, which has recently been extended to October 2021. Due to timing, the detailed scope is still to be agreed with the service lead and this allocation is to enable Internal Audit to review the effectiveness of the controls in one or more of the following key functions delivered by this provider on behalf of the Council: • Valuation. • Liability. • Billing. • Collection and Refunds. • Recovery and enforcement.	**Priority 1**

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Audit	Reason for Audit	Outline Scope	Priority
Service Planning and Performance Reporting	Identified as part of RBIAP Strategic Risk Register (SRR) 14	A new service planning, performance management and reporting framework is being implemented to help manage performance across the Council and better ensure delivery against the Council's priorities and objectives. This audit will review the service planning process and how this feeds into the delivery of the Corporate Plan together with how key performance indicators are agreed, monitored and then subsequently reported.	**Priority 1**
Treasury Management	Identified as part of RBIAP Strategic Risk Register (SRR) 1	Treasury Management is defined as the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. This audit will review internal controls in operation for the day to day management of the function to ensure the Council's compliance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.	**Priority 1**
Civil Parking Enforcement	Identified as part of RBIAP Strategic Risk Register (SRR) 4	The Council owns and operates a number of pay and display car parks and collects fee income from members of the public using these facilities. The car parks are patrolled by Civil Enforcement Officers (employed by APCOA Ltd under contract to the Council) who will confirm that a valid ticket is clearly displayed on the vehicle. In the absence of a valid ticket being displayed a Penalty Charge Notice (PCN) will be issued requiring the vehicle's owner to pay the discounted amount due of £25 or £35 within 28 days. Failure to do so will result in an escalation process to effect recovery of the PCN. This audit will review the contract arrangements with the provider and to ensure that the payments due under the enforcement action are received by the Council.	**Priority 2**

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Audit	Reason for Audit	Outline Scope	Priority
Members Allowances and Expenses	Identified as part of RBIAP Strategic Risk Register (SRR) 3	Gloucester City Council has 39 elected members representing constituents across 18 wards. Each member receives an annual basic allowance and when appropriate, an additional special responsibility allowance. The amount paid to members during 2016/17 was £327k. This audit will provide assurance that the payments made to individual members are in line with the approved members allowances and expenses scheme.	**Priority 2**

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ICT to include audits provided by ICT external auditors

Audit	Reason for Audit	Outline Scope	Priority
ICT	Identified as part of RBIAP Strategic Risk Register (SRR) 11	The ICT audits will be identified following the ICT audit needs assessment. The assessment will be compiled by the Internal Audit Service ICT audit specialists and will consider input from both Council and Civica officers.	**Priority 1**

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Counter Fraud

Audit	Reason for Audit	Outline Scope	Priority
Fraud Investigation / Detection	To support the Annual Governance Statement Protect the Public Purse Strategic Risk Register (SRR) 6	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)	To support the Annual Governance Statement Strategic Risk Register (SRR) 6	To continue to co-ordinate activity as part of the 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 Annual Governance Statement 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 in order to direct/prioritise our counter fraud and internal audit resources/activity accordingly.	**Priority 1**

Management Activity to Support the Audit Opinion

Activity	Reason for Activity	Outline Scope	Priority
Annual Governance Statement (AGS)	Statutory Requirement	This allocation is to lead on the development and implementation of the governance assurance framework and to produce the 2018/19 AGS.	**Priority 1**
Audit and Governance Committee / Member / Officer and Chief Financial Officer Reporting	Management activity to support the audit opinion	This allocation covers Member reporting procedures, mainly to the Audit and Governance Committee, plan formulation and monitoring and regular reporting to and meeting with, the Chair and Vice Chair of the Audit and Governance Committee and the Head of Policy and Resources.	**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	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) 2016. This allocation is to undertake an annual self assessment and when required, commission and deliver an external quality assessment, against the new standards.	**Priority 1**
External Working Groups	Activity to support the audit opinion	Attendance / work in relation to the Counties 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**

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Activity	Reason for Activity	Outline Scope	Priority
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 2017/2018 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**