

Internal Audit Plan

2019-2020

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 2019/2020 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.

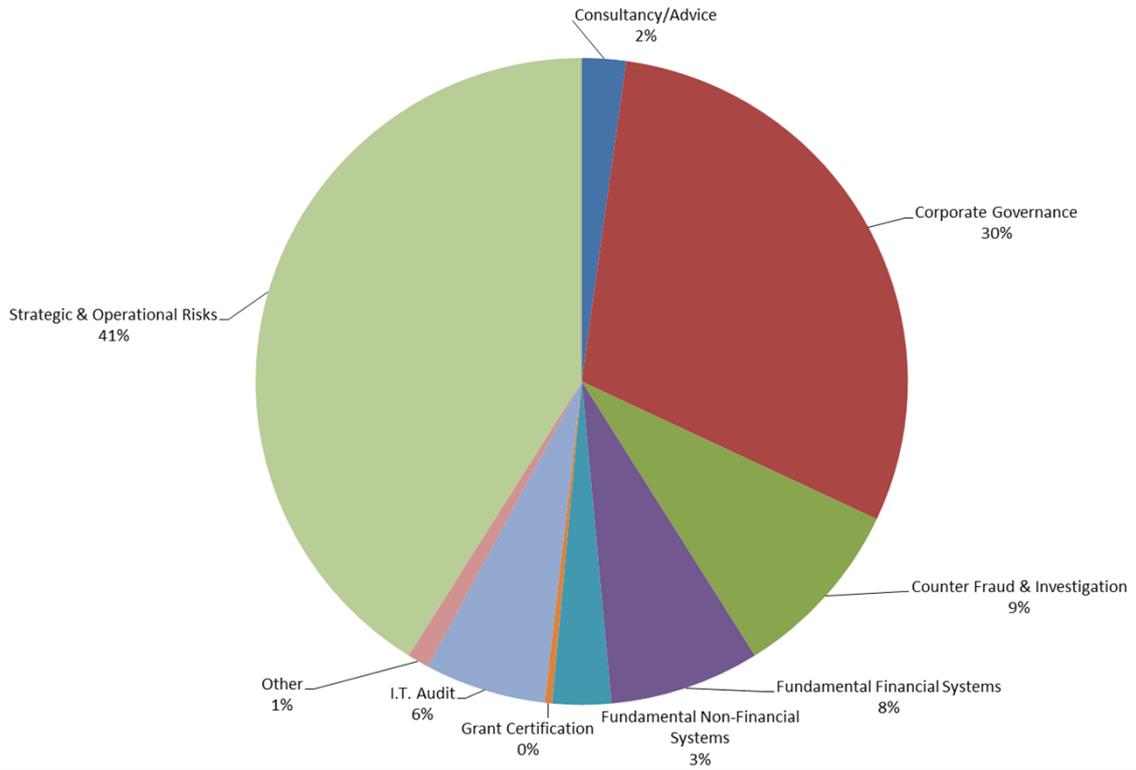
We will however, continue to reassess our resources required against the Council's priorities, in year demand and risks and will amend the plan throughout the year as required, reporting any key changes to the Audit and Governance Committee.

Overview of Internal Audit's Risk and Control Assurance Programme

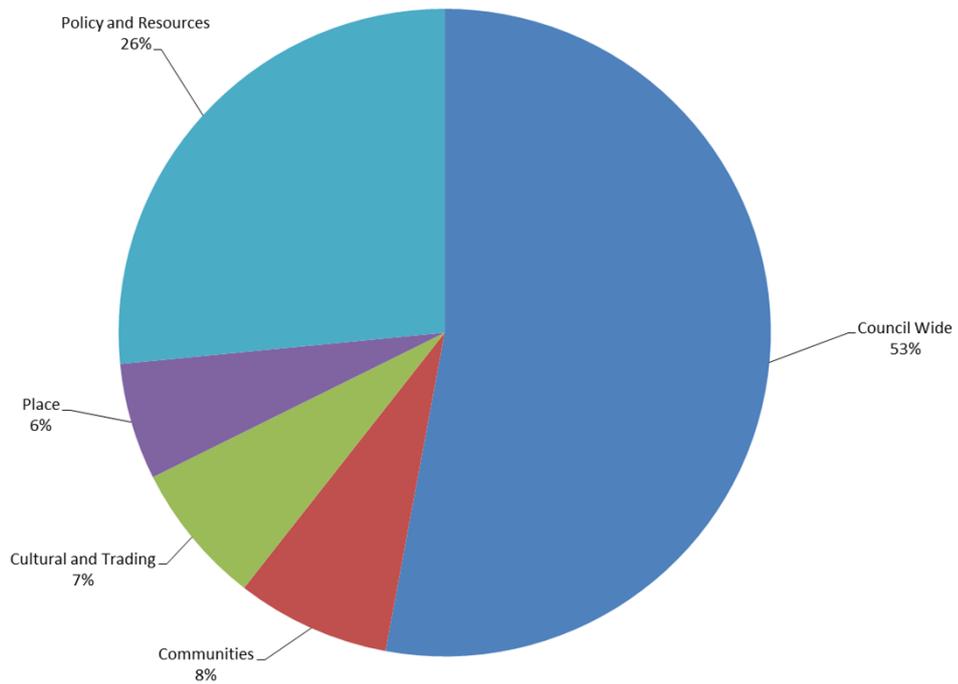
In order to provide a high level overview of the proposed Risk and Control Assurance Programme the pie charts below highlight the allocation of audit resources per:

- Category of review; and
- Functional service area.

Percentage of audit days per category of review



Percentage of audit days per functional service area



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, compliance with corporate policies, key financial systems and strategic risks due to the significant organisational change agenda; 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. Priority one reflects statutory requirements i.e. grant certification, a limited assurance follow-up review, activities that may have been subject to a previous investigation / irregularity, or as deemed necessary by the Chief Internal Auditor to enable an opinion on the control environment to be provided. Priority two activities are the remaining identified activities. The aim being that all priority one activities would be delivered within the year 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
Compliance with Corporate Policies	Identified as part of Risk Based Internal Audit Planning (RBIAP) Strategic Risk Register (SRR) 1.2 and 1.3	Failure by employees to follow agreed Council policies and procedures can expose the Council to unnecessary liability, losses or inappropriate expenditure and behaviour. If the non-compliance of corporate policies becomes the 'norm' and this position is allowed to remain unchecked it will, over a fairly short period of time, significantly undermine the Council's governance framework and potentially damage the Council's reputation. This allocation will enable ARA to review compliance with the following corporate policies: <ul style="list-style-type: none"> ➤ Travel by employees / reimbursement of expenses to employees; ➤ Disposal of assets; ➤ The award of an Honorarium or a Temporary Promotion; and ➤ The use of the Internet during working hours. 	Priority 1
Review of the Governance: Assurance Statements (2018/19 returns)	Identified as part of RBIAP SRR 1.1 to 1.14 (inclusive)	Local authorities are required to prepare an Annual Governance Statement (AGS) in order to report publicly on the extent to which they comply with their own Local Code of Corporate Governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. This review will seek to determine the robustness of the governance, internal control and risk management arrangements as detailed within a sample of the assurance statements. These statements underpin the declarations made within the AGS.	Priority 1

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Audit	Reason for Audit	Outline Scope	Priority
Health and Safety	<p>Identified as part of RBIAP</p> <p>Limited Assurance Follow Up</p> <p>SRR 1.3</p>	<p>The 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. The 2018/19 audit highlighted a number of control weaknesses in the current arrangements and a need to further clarify roles and responsibilities.</p> <p>This audit will provide assurance that the action plan agreed with management has been implemented and operating effectively.</p>	Priority 1
Complaints Procedures	<p>Identified as part of RBIAP</p> <p>SRR 1.2 and 1.3</p>	<p>The effective handling and wherever possible the satisfactory resolution of a complaint (together with identifying and acting on lessons learned) is key to good governance. This audit will review the process for handling expressions of dissatisfaction and provide assurance that these are handled in line with corporate policy and guidelines and that the level of corporate oversight is appropriate.</p>	Priority 2
Safeguarding	<p>Identified as part of RBIAP</p> <p>SRR 1.2 and 1.3</p>	<p>Safeguarding means protecting people's health, wellbeing and human rights and enabling them to live free from harm, abuse or neglect. The Council has a statutory responsibility and a duty of care to cooperate and report issues relating to safeguarding to the appropriate authorities and partner agencies. This audit will review the effectiveness of the arrangements established by the Council to fulfil its responsibility in this area.</p>	Priority 2

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Audit	Reason for Audit	Outline Scope	Priority
Sickness and Absence Procedure	Identified as part of RBIAP SRR 1.3	Sickness absence has an impact on the delivery of the Council's services and to the individual themselves and their colleagues. The Council wishes to ensure that the reasons for sickness absence are understood in each case, investigated where necessary and that, where needed, measures are taken to assist those who have been absent by way of sickness absence to return to work. Managers are responsible for the successful operation of the Absence Procedure within their service areas for which they are responsible, supported by the HR Service as appropriate. This audit will review how this procedure is operating in practice and that appropriate action is being taken by the managers.	Priority 2

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Communities

Audit	Reason for Audit	Outline Scope	Priority
Civil Penalties to Tackle Unsatisfactory Housing Conditions within the Private Rented Housing Sector	Identified as part of RBIAP SRR 1.2 and 1.13	<p>The Housing and Planning Act 2016, which amended parts of the Housing Act 2004, came into force during 2017 and introduced a range of new measures to tackle rogue landlords including:</p> <ul style="list-style-type: none"> ➤ Civil Penalties (Fixed Penalty Notices) of up to £30,000 as an alternative to prosecution for certain specified offences; ➤ Database of rogue landlords and property agents; ➤ Banning Orders for the most serious and prolific offenders; and ➤ Additional grounds to apply for rent repayment orders (RRO) under the Housing Act 2004. <p>In May 2014, Cabinet resolved to adopt the new powers. This audit will review compliance with the new policy and procedures established by the Council in respect of the imposition of Civil Penalties.</p>	Priority 2

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Audit	Reason for Audit	Outline Scope	Priority
Licensing	Identified as part of RBIAP SRR 1.2	<p>The Council 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 the monitoring of compliance with legislated requirements for the granting of licences relating to:</p> <ul style="list-style-type: none"> ➤ Gambling; ➤ Scrap metal merchants; and ➤ Animal welfare. 	Priority 2
Temporary Accommodation	Identified as part of RBIAP SRR 1.1, 1.2 and 1.13	<p>Due to increased demand by those who present as homeless the Council's numbers for increased temporary accommodation has increased. In May 2018 Cabinet considered plans to manage the demand for temporary accommodation that included operational service improvements, the development of incentives to access the private sector, more flexible use of Discretionary Housing Payments and the acquisition of property for temporary housing.</p> <p>This audit will review the effectiveness of the new arrangements.</p>	Priority 2

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Cultural and Trading

Audit	Reason for Audit	Outline Scope	Priority
Markets	Identified as part of RBIAP SRR 1.5	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 that support the Council's objectives to create a vibrant and prosperous city, and achieve value for money and ensuring that income due is collected and accounted for in an effective and timely manner.	Priority 1
Guildhall and Blackfriars Priory – Income received from events	Identified as part of RBIAP SRR 1	The Council generates substantial income (circa £500k) for hiring out areas / rooms to business and members of the public to hold meetings, live events, functions and weddings within the two buildings. This audit will review the controls to ensure that all income due to the Council is received and accounted for.	Priority 2
Shopmobility Fees and Charges	Identified as part of RBIAP SRR 1.1 and 1.2	This service provides battery powered scooters, wheelchairs, battery chairs, power chairs and rollators to help people who have limited mobility through permanent or temporary disablement, accident or age to use the facilities in the City Centre, the Gloucester Quays Designer Outlet Centre and the Docks. To use this service a customer will need to register with Shopmobility before being allowed to take out a vehicle. Both annual registration and hire fees are charged for this service. In February 2018 Cabinet agreed to adopt a new 'fees and charges' structure for the service effective from March. This audit will provide assurance that the fees are being collected as expected and correctly accounted for.	Priority 2

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Place

Audit	Reason for Audit	Outline Scope	Priority
Building Control Shared Service	Identified as part of RBIAP SRR 1.4	The Council agreed to enter into a shared service arrangement for the Building Control function with Stroud District Council in January 2015. A Section 101 agreement sets out the duties and functions to be delegated from one authority to another. It also incorporates the mechanism for day-to-day management, financial arrangements and dispute resolution. The audit will review the effectiveness of the governance arrangements in place and will follow-up on the agreed action areas highlighted by the previous audit review completed in November 2016.	Priority 2
Planning – Processing and Performance	Identified as part of RBIAP SRR 1.2 and 1.3	<p>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.</p> <p>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.</p>	Priority 2

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Policy and Resources

Audit	Reason for Audit	Outline Scope	Priority
Blackfriars Priory Turnover Certificate	Grant Certification SRR 1.4	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
Purchasing: Low and Intermediate Value Transactions	Identified as part of RBIAP Limited Assurance Follow Up SRR 1.6	The Council undertakes a variety of purchasing activities to 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. The 2018/19 audit highlighted a number of control weaknesses in the current arrangements and for enhanced corporate oversight. This audit will provide assurance that the action plan agreed with management has been implemented and operating as intended.	Priority 1
Budget Setting Monitoring and Reporting	Identified as part of RBIAP SRR 1.1 and 1.2	The Council's budget in 2018/19 is circa £14m revenue and £6m capital. This audit will review the revenue budget setting process to provide assurance that accurate and operationally reflective budgets are set at the start of the 2019/20 financial year and that the agreed budgets are then effectively monitored and accurately reported to budget holders and members.	Priority 2

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Audit	Reason for Audit	Outline Scope	Priority
Civil Parking Enforcement – Income	Identified as part of RBIAP SRR 1.1, 1.2 and 1.4	<p>In May 2018, the Council awarded a contract (a total maximum term of seven years made up of an initial five year period with two optional extensions for 12 month periods”) to Indigo Park Services UK Ltd for the enforcement and management of the Council’s car parks from 31st of August 2018.</p> <p>This audit will provide assurance that the income due is being collected, received and accounted for and that the new arrangements are operating as envisaged.</p>	Priority 2
Freedom of Information (Fol) requests	Identified as part of RBIAP SRR 1.2 and 1.8	<p>The Freedom of Information Act 2000 provides public access to information held by public authorities. It does this in two ways:</p> <ul style="list-style-type: none"> ➤ Public authorities are obliged to publish certain information about their activities; and ➤ Members of the public are entitled to request information from public authorities. <p>The Council will normally have a maximum of twenty working days to respond to the request unless this is of such complex nature that additional time may be required and/or exemptions may apply.</p> <p>This audit will review the processes and procedures put in place by the Council to ensure it fulfil its legal obligations under this Act and when responding to the requests received.</p>	Priority 2

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Audit	Reason for Audit	Outline Scope	Priority
Housing Benefits	Identified as part of RBIAP SRR 1.2 and 1.4	<p>Tax Support is in excess of £40m per annum. The rules surrounding entitlement to Housing Benefit and Council Tax support are complex and has the potential to lead to a number of under/overpayments. The service was outsourced to Civica Ltd in October 2011 with contract recently extended to October 2021. The final scope will be agreed with the Council's Intelligent Client Officer but is anticipated to include a review of the controls operating within one or more of the following areas:</p> <ul style="list-style-type: none"> ➤ Assessment; ➤ Payments; ➤ Overpayments; and ➤ Fraud Prevention and Detection. 	Priority 2
IR35 Off-payroll working through an intermediary	Identified as part of RBIAP SRR 1.2 and 1.3	<p>IR35 is tax legislation that is designed to combat tax avoidance by workers supplying their services to clients via an intermediary, such as a limited company, but who would be an employee if the intermediary was not used. Such workers are referred to as 'disguised employees' by Her Majesty's Revenue and Customs (HMRC).</p> <p>The Council is responsible for deciding if off-payroll working rules apply when procuring services and if the rules do apply they must deduct tax and Class 1 National Insurance Contributions and report them the HMRC.</p> <p>This review will seek to determine whether the council has effective arrangements in place to ensure that it conforms to these regulatory requirements.</p>	Priority 2

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Audit	Reason for Audit	Outline Scope	Priority
Property Investment Strategy	Identified as part of RBIAP SRR 1.14	The Council has a substantial property portfolio across the City. This audit will review the effectiveness of the decision making process and controls concerning the acquisition and disposal of property owned by the Council.	Priority 2
Local Government Transparency Code - 2015	Identified as part of RBIAP SRR 1.2 and 1.5	This Code is issued to meet the Government's desire to place more power into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services. Transparency is the foundation of local accountability and the key that gives people the tools and information they need to enable them to play a bigger role in society. The availability of data can also open new markets for local business, the voluntary and community sectors and social enterprises to run services or manage public assets. This audit will review the arrangements established by the Council to meet the requirements of the Code.	Priority 2
VAT	Identified as part of RBIAP SRR 1.2 and 1.5	The City Council re-claims circa £3.5m worth of VAT each year and it is essential that procedures for accounting for this are sound in order to minimise the risk of penalties and the Council's tax liability. This audit will examine those processes to ensure the returns are accurate and submitted in accordance with the expected schedule.	Priority 2

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ICT to include audits provided by ICT external auditors

Audit	Reason for Audit	Outline Scope	Priority
Network Access Controls	Identified as part of RBIAP Limited Assurance Follow Up SRR 1.2 and 1.8	Network access control is primarily a solution with the key objectives of creating and managing identity and access management; ensuring that security policy is followed, and removing, preventing and mitigating security risks to the entire network environment. The 2018/19 audit highlighted a number of control weaknesses to which a management action plan was agreed. This follow-up audit will provide assurance that the agreed actions have been implemented and effective	Priority 1
ICT	SRR 1.8, 1.9 and 1.10	The ICT audit activity will be identified following an audit needs assessment which will be compiled by ARA's ICT audit specialists in consultation with and input from the Council and Civica officers.	Priority 2

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Counter Fraud

Audit	Reason for Audit	Outline Scope	Priority
Fraud Investigation / Detection	<p>To support the Annual Governance Statement</p> <p>Protect the Public Purse</p> <p>Strategic Risk Register (SRR) 6</p>	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)	<p>To support the Annual Governance Statement</p> <p>Strategic Risk Register (SRR) 6</p>	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

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Audit	Reason for Audit	Outline Scope	Priority
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 develop and publish the 2019/20 AGS and Local Code of Corporate Governance.	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) 2017. This allocation is to undertake an annual self assessment and when required, commission and deliver an external quality assessment, against the standards.	Priority 1

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Activity	Reason for Activity	Outline Scope	Priority
External Working Groups	Activity to support the audit opinion	Attendance / work in relation to the Local Authority Chief Auditor's 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
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 2018/2019 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