

---

## INTERNAL AUDIT PLAN AND CHARTER 2020/21

### 1 PURPOSE OF REPORT

- 1.1 To present the proposed 2020/21 Audit Plan and Charter to the Audit Committee for consideration and approval.
- 1.2 The Internal Audit Plan for 2020/21 (Appendix A) builds on the previous year's work and is based on the corporate risks facing the Council and links to the Business Plan 2020-2023. The plan represents all identified work for 2020/21 based on an assessment of such risks. Delivery of plan is dependent on available audit resources.
- 1.3 It is likely that the Plan will need revision during the year as the risk environment unfolds and we continually assess what support we can give to the organisation. Where it is necessary to cancel and/or defer work we will endeavour to repurpose internal audit resources to support projects, critical activities or initiatives including the organisation's response to COVID-19. We don't expect to deliver a normal plan for 2020/21. Changes made will be communicated to this Committee.
- 1.4 This report also presents the Internal Audit Charter at Appendix B, which sets out the way in which Internal Audit will approach its remit.

### 2 INTRODUCTION

- 2.1 The Accounts and Audit Regulations 2015 (section 5) require the Council to undertake an effective programme of internal auditing to evaluate the effectiveness of its risk management, control and governance processes, taking into account relevant Public Sector Internal Auditing Standards (PSIAS) or guidance.
- 2.2 The PSIAS in turn require Internal Audit to produce a risk-based Audit Plan that: -
  - Gives the Chief Audit Executive (CAE) sufficient evidence to provide an annual audit opinion on the Council's framework of governance, risk management and internal control based on the outcome of the Plan's work.
  - Uses existing sources of assurance where possible; and
  - Demonstrates how internal audit work is linked to the Council's objectives and significant risks and, therefore, provide relevant assurance.
- 2.3 The PSIAS also require the Audit Committee to approve, but not direct, the audit plan. This means the Committee can and should challenge whether the plan is sufficient and adequately focused; particularly given the plan's purpose to provide the Committee, as part of those charged with governance, with a

key source of assurance to be considered when it decides whether to recommend the Annual Governance Statement for signing by the Managing Director and Leader of the Council.

- 2.4 This report allows the Audit Committee to fulfil its requirements to approve the audit plan.
- 2.5 The PSIAS further require the plan to incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.

### **3 ANNUAL AUDIT PLAN AND CHARTER**

3.1 Input from the Leadership Team was sought concerning inclusion of specific audit engagements. Other sources that have been utilised to inform the annual plan include:

- Corporate priorities and risks; including significant projects or proposals linked to corporate priorities;
- Significant changes (such as to systems, structures, delivery models or governance arrangements);
- Assessments of the systems of internal control (including recent Internal Audit assurance or assurance from reliable third parties), any known weaknesses or concerns;
- Inherent risk (such as whether the activity has significant income or expenditure, reputational sensitivity, inherent complexity, whether third parties are involved in delivery or if there is a high potential risk of fraud);;
- Sector Report on Challenges and Opportunities faced by the Public Sector;
- The Council's Local Code of Corporate Governance / Governance Assurance Framework;
- Horizon scanning to assess new risks and challenges; and
- Internal Audit's own knowledge and experience.

3.2 The Audit Plan is structured in relation to the Council's corporate risks, demonstrating the assurance the Audit Committee will receive in regard to these risks.

3.3 The Plan includes a number of other activities that, whilst not audits, are chargeable to the Audit Plan as they are integral to its delivery. These activities include audit planning, reporting to the Audit Committee and other audit management tasks.

3.4 The Audit Charter has been reviewed and is considered fit for purpose.

**4 RISK IMPLICATIONS**

4.1 Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that weaknesses in the Council's governance, risk management and internal control framework may not be promptly identified and remedied. Failure to do so may mean the Council does not achieve its vision and objectives.

4.2 Should there be insufficient resources to substantially complete the 2020/21 Audit Plan, there is a risk the CAE will not be able to provide an annual opinion for 2020/21.

**5 RESOURCE IMPLICATIONS**

5.1 This audit plan is based on available Internal Audit resources for 2020/21; however, it is anticipated that Basildon Borough Council may be able to provide further support to the audit plan, if required.

**6 LEGAL IMPLICATIONS**

6.1 The Accounts and Audit Regulations 2015 (section 5) require the Council to undertake an effective programme of internal auditing to evaluate the effectiveness of its risk management, control and governance processes, taking into account relevant Public Sector Internal Auditing Standards or guidance.

**7 EQUALITY AND DIVERSITY IMPLICATIONS**

7.1 An Equality Impact Assessment has been completed and found there to be no impacts (either positive or negative) on protected groups, as defined under the Equality Act 2010.

**8 RECOMMENDATION**

8.1 It is proposed that the Committee **RESOLVES**

That the proposed Audit Plan and Charter for 2020/21 be approved.



Naomi Lucas

Assistant Director, Resources

---

**Background Papers:-**

None.

For further information please contact Jim Kevany (Principal Auditor) on: -

Phone: 01702 318075 Ext 3213

Email: [james.kevany@rochford.gov.uk](mailto:james.kevany@rochford.gov.uk)

If you would like this report in large print, Braille or another language please contact 01702 318111.

<b>Activity to be audited</b>	<b>Objective of work</b>	<b>Business Plan priority</b>
<b><i>Corporate Risk 1: We fail to deliver the objectives of the Council’s Business Plan in terms of measurable outcomes</i></b>		
Business Resilience	To assess the risk associated with reliance on key individuals to achieve key priorities, including succession planning, training, and span of control.	Being financially sustainable
Performance Management	To assess the arrangements for measuring and reporting performance and development of measures against which progress of the Business Plan 2020 / 2023 can be assessed.	All Priorities
Project Management	To provide constructive challenge over governance and design of controls for new projects and ongoing projects  To assess the progress of the Discover 2020 project in relation to agreed timescales, the robustness of project management, project performance and the effectiveness in delivering outcomes.	Being financially sustainable
<b><i>Corporate Risk 2: There is a failure of safeguarding arrangements</i></b>		
Safeguarding	To provide an overview of the effectiveness of the Council’s safeguarding arrangements. This was last subject to Internal Audit review 2016/17.	Early Intervention
<b><i>Corporate Risk 3a: There is a serious Food, Environmental or other incident for which the Council is culpable</i></b>		
No planned testing in 2020/21	This area was reviewed in 2019/20 with an “Adequate” assessment.	Early Intervention
<b><i>Corporate Risk 3b: There is a serious Health and Safety incident for which the Council is culpable</i></b>		
Asset Management	Follow up of Asset Management Audit of 2019/20	Being financially sustainable

<b>Activity to be audited</b>	<b>Objective of work</b>	<b>Business Plan priority</b>
Health and Safety	Follow-up of Health & Safety Audit of 2019/20, in particular training and awareness to develop a health and safety culture	Being financially sustainable
<b><i>Corporate Risk 4: We fail to respond to, or provide, relevant services in the event of an incident or disaster</i></b>		
Emergency Planning	Examination of arrangements in place for dealing with a disaster/major security incident impacting residents, particularly in light of increased risks that emerged late 2019	All priorities
Business Continuity	To examine effectiveness of arrangements to maintain services in the event of an incident	All priorities
<b><i>Corporate Risk 5: Council held data is lost, disclosed or misused to detriment of individuals or organisations as result of inadequate protection</i></b>		
Cyber Security	Non technical overview to assess actions to raise awareness of risks and preparedness to withstand attacks of varying nature. Consider an ICT Needs Assessment to consider future approach	Being financially sustainable
Investigation of critical information breaches	Independent investigation by Internal Audit in the event of a critical information security breach. (Contingent)	Being financially sustainable
<b><i>Corporate Risk 7: Failure to engage with stakeholders to understand and communicate what the Council should be trying to achieve</i></b>		
Engagement with Residents and Other Stakeholders	To review arrangements for engaging and communicating with residents and stakeholders.	Enable Communities
Complaint Handling	To review the effectiveness the complaints procedures in dealing with issues raised by residents.	Enable Communities

Activity to be audited	Objective of work	Business Plan priority
<b><i>Corporate Risk 8: We fail to innovate and develop new ways of meeting customer needs and expectations</i></b>		
Homelessness Reduction	Review of procedures and outcomes following the enablement of the Homeless Reduction Act 2017. Brought forward from 2019/20.	Early Intervention
<b><i>Corporate Risk 9: Failure to produce and meet a balanced budget and MTFs that allow for the successful delivery of the Business Plan priorities or the Capital Programme</i></b>		
No planned testing in 2020/21	This was reviewed in 2018/19 with a “Good” assessment	Being financially sustainable
<b><i>Corporate Risk 10: The inability to recruit, retain, develop and manage appropriately skilled staff to deliver the Council’s priorities</i></b>		
Staff performance management and development	To assess whether there is a robust and consistently applied framework to manage staff performance and ensure staff receive required training	Being financially sustainable
<b><i>Corporate Risk 11: Failure to enter into and manage effective partnerships for the delivery of services and outcomes</i></b>		
Partnerships and Alternative Delivery Models	To assess arrangements for governance and oversight of partnerships to include ensuring delivery of agreed outcomes.	Enable communities
<b><i>Corporate risk 12: The Council could fail to provide consistent Value for Money (VFM) across all services or obtain VFM in its procurement</i></b>		
Contract Monitoring and Management	To assess whether the Council’s key contracts are well managed to ensure compliance and achieve required outcomes.  The contracts that will be reviewed in 2020/21 are:	Being financially sustainable

<b>Activity to be audited</b>	<b>Objective of work</b>	<b>Business Plan priority</b>
	<ul style="list-style-type: none"> <li>ICT Financial Controls (<i>Brought forward from 2019/20</i>)</li> </ul> <p><i>Where possible, this work will identify and assess the extent existing sources of assurance activity can be relied on.</i></p>	
Procuring goods & services	To assess whether the requirements of Financial Regulations and Contract Procedure Rules are complied with for a sample of purchased goods and services across a range of values and service areas. Brought forward from 2019/20	Being financially sustainable
Vehicle fleet management	To assess whether the Council effectively manages its fleet of vehicles in respect of maintenance and replacement management	Being financially sustainable
<b>Corporate risk 13: Failure to ensure good governance of the Council’s activities and delivery of priority outcomes</b>		
Applications audits	To review a sample of IT applications to assess access controls, and controls relating to data input processing and output, and parameters	Being financially sustainable
Annual Governance Statement (AGS) 2020/21	<p>Ensure the AGS covers all elements set out in best practice guidelines</p> <p>Ensure relevant assurances have been obtained to support the elements of the AGS</p> <p>Review evaluations of systems, processes and documentation supporting development of the AGS</p> <p>Confirm areas for improvement identified in the AGS have been adequately identified and have action plans in place with arrangements for monitoring progress</p>	All Priorities
Business Related Grants	To review a range of business grants paid out as a result of the Coronavirus arrangements if required to do by central government	Being financially sustainable

<b>Activity to be audited</b>	<b>Objective of work</b>	<b>Business Plan priority</b>
Counter Fraud Arrangements	To carry out an overview of the Council’s counter fraud arrangements Where necessary, investigate any fraud referrals	Being financially sustainable
Counter Fraud; Work of Compliance Officer & Revenues & Benefits Team	To provide an overview of the level of counter-fraud activity and the results achieved. This will be reported periodically in the Audit Progress Report and will not be a free standing audit report.	Being financially sustainable
Elections Bank Account	Review of governance arrangements for the bank account	Being financially sustainable
Housing Benefit Subsidy	Review benefit cases selected by the external auditor to feed into the external audit grants certification work and report to the Department for Work & Pensions	Being financially sustainable
Key financial systems	<p>To assess whether the key controls in the key financial systems are adequately designed and effectively applied.</p> <ul style="list-style-type: none"> <li>• Creditors</li> <li>• Housing Benefits administration (areas not covered by the Housing Benefit Subsidy work)</li> <li>• Sundry Debt Management follow up of “limited assurance” audit of 2019/20</li> </ul> <p>Testing will focus on key controls relating to significant income, expenditure or changes in underlying risks; personnel, systems etc.</p>	Being financially sustainable
Planning & Regeneration - Services - Development Management	<p>To assess whether there are effective processes and procedures to ensure planning applications processed in required timescales.</p> <p>Brought forward from 2019/20</p>	Early intervention
Risk Management	To review the existence and effectiveness of a sample of mitigating actions for key risks. Half of the Service Risk Registers were reviewed in 2019/20.	Being financially sustainable

Activity to be audited	Objective of work	Business Plan priority
<b><i>Corporate Risk 14: Failure to ensure the ICT Estate supports achievement of the Business Plan</i></b>		
Critical Friend	Internal Audit will act as ‘critical friend’ with regard to ICT developments to support the identification of risks and control measures to mitigate such risks. Further to this IA will seek external assurance from relevant third parties with regard to the Council’s IT infrastructure/	All priorities
<b><i>Corporate Risk 15: Failure to ensure compliance with the General Data Protection Regulations (GDPR) and unable to demonstrate consistent application of information standards, controls and statutory compliance</i></b>		
GDPR	“Adequate” assurance audit work in 2019/20. Overview of adequacy and effectiveness of data breach and data subject requests	Being financially sustainable
<b><i>Other audit activity chargeable to the audit plan</i></b>		
Audit management	To undertake required management activity including quality assurance and continuous improvement processes. To review and, where necessary, update the Audit Charter and Strategy.	
Audit planning	To develop the 2021/22 audit plan	
Following up recommendations	Where not included in Plan above, we will follow up High and Moderate recommendations to assess whether recommendations have been effectively implemented	
Governance Group	To attend the Governance Group meetings and contribute to the development/ improvement of governance processes	

**AUDIT COMMITTEE – 28 July 2020****Internal Audit work needed in 2020/21 to provide an annual opinion****Item 9  
APPENDIX A**

<b>Activity to be audited</b>	<b>Objective of work</b>	<b>Business Plan priority</b>
Investigations	To carry out investigations in conjunction with Human Resources as directed by the Leadership Team.	
Reporting to Audit Committee	To prepare and present the required reports to Audit Committee throughout 2020/21	

## INTERNAL AUDIT CHARTER 2020/21

### *Purpose and mission*

The purpose of Rochford District Council's internal audit function is to provide independent, objective assurance and consulting services designed to add value and improve the Council's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The internal audit function helps Rochford District Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

### *Standards for the Professional Practice of Internal Auditing*

To ensure that authorities make arrangements for the proper administration of their financial affairs, the Accounts and Audit (England) Regulations 2015 make statutory provision for a local authority to undertake an adequate and effective internal audit of its documents and records and of its system of internal control in accordance with proper internal audit practices.

These 'proper internal audit practices' are the Public Sector Internal Audit Standards (PSIAS).

The objectives of the PSIAS are to:

- define the nature of internal auditing in the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the Council, leading to improved organisational processes and operations
- establish the basis for the evaluation of internal audit performance and to drive improvement planning

To meet the above objectives, the PSIAS requires the Council to have a documented and agreed Internal Audit Charter which in effect acts as the agreement between the Internal Audit service and the Council.

### *Definitions used*

This Charter defines the following terminology contained within the PSIAS:

- **the board** as the Audit Committee

- **senior management** as the Leadership Team collectively and all Assistant Directors, the Assistant Director, Resources, the Managing Director and the Strategic Director individually

The **Chief Audit Executive** (CAE) is the person tasked with directly managing the Internal Audit function. This is currently an employee of another local authority engaged under a memorandum of understanding until 31 March 2023.

## **Authority**

The CAE reports functionally to the Audit Committee and administratively (i.e. day-to-day operations) to the Assistant Director, Resources (ADR)/S151 Officer.

To establish, maintain, and assure that Internal Audit has sufficient authority to fulfil its duties, the Audit Committee will:

- Approve the Internal Audit Charter.
- Approve the risk-based Internal Audit Annual Audit Plan.
- Receive communications from the CAE on internal Audit's performance relative to its plan and other matters.
- Make appropriate inquiries of management and the CAE to determine whether there is inappropriate scope or resource limitations.

Financial Regulations provide Internal Audit with the right of access at any reasonable time to all records, documents and correspondence relating to any transactions of the Council, and to require any employees of the Council to produce cash, stores or any other Council property under their control. Internal Audit can also request explanations, as considered necessary, to confirm the correctness of any matter under examination.

The CAE has the right to direct and unrestricted access (i.e. outside of line management) to, and freedom to report in their own name and without fear of favour, to the following:

- Managing Director and Strategic Director
- Section 151 Officer
- Monitoring Officer
- Any other member of the Leadership Team
- Chairman of the Audit Committee

## **Independence and objectivity**

In order to preserve its objectivity and independence, Internal Audit will not assume operational responsibilities for, and will remain independent of, the activities it audits or reviews.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others. Auditors are required to have due regard to the standards expected within the "Seven Principles of Public Life"

Where the CAE has, or is expected to have, roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal Audit employees will ensure that they conduct work with due professional care and in line with the requirements of the PSIAS, having due regard to the Chartered Institute of Public Finance & Accountancy's Local Government Application Note in this respect. Staff will also look to comply with the code of ethics for internal auditors and the core principles for internal audit.

In accordance with the Council's Officer Code of Conduct, internal auditors must declare interests that can impact on objectivity. Implications of the Bribery Act must be considered, and auditors must not accept gifts, hospitality, inducements or other benefits other than those permitted by the Council's Code, for which the appropriate registration of such items must be completed. Information obtained during the course of an audit engagement must not be used for personal gain by an internal auditor or made available to third parties unless specific authority is in place to do so.

To ensure objectivity, individual auditors will not be permitted to carry out audit work in areas where they have had operational responsibility within the same financial year or longer until a suitable period has elapsed as determined by the CAE.

Subject to available operational resources, audit engagements will be rotated within the Internal Audit Team to prevent over-familiarity and complacency that could influence objectivity and effectiveness. Potential for conflicts of interest or impairment to objectivity or independence will be considered as part of pre-audit work and documented as part of that work.

### ***Scope of Internal Audit activities***

The scope of Internal Audit includes all of the Council's operations, resources, services and responsibilities in relation to other bodies. Where agreements allow, this includes all contractors and other bodies commissioned to deliver services on behalf of the Council.

The CAE also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit function may perform advisory and related client service activities, the nature and scope of which will be agreed with the client.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Internal Audit may also provide consultancy services, such as advice and guidance on new design and implementation control, particularly through periods of organisational change. Consultancy services are advisory in nature and are generally performed at the specific request of the management, with the aim of improving governance, risk management and control and contributing to the annual audit opinion. During consultancy engagements, governance, risk management and control issues may be

identified. Whenever these issues are significant to the Council, they will be communicated to senior management and the Audit Committee.

Any consultancy advice will be given without prejudice as to future coverage of, and opinion, on the relevant activity on which advice has been given.

## **Responsibility**

The CAE is responsible for the preparation of a risk-based Annual Audit Plan and has overall responsibility for its management. The Audit Committee considers and approves (but does not direct) the proposed Annual Audit Plan. This means the Audit Committee can and should challenge whether the Plan is sufficient and adequately focused.

The CAE is responsible for ensuring that the resources available to internal audit are enough to meet its responsibilities and achieve its objectives. Resources can be either in-house staff or specialist external providers. If the CAE concludes resources are insufficient, he must formally report this to senior management and the Audit Committee.

Senior Management will review and comment on the Annual Audit Plan prior to it being presented to the Audit Committee for consideration and approval to ensure effective audit coverage of the key issues affecting their service areas.

Individual audit engagements will be undertaken in line with procedures maintained by Internal Audit to ensure consistency in structure and approach. The approach to testing must be appropriate and of sufficient size and intensity to draw valid conclusions. Working papers must be maintained to justify conclusions reached and enable another independent auditor to repeat the work and come to the same conclusion.

Where prior audit work has identified good controls and procedures and there have not been significant changes in those procedures or key personnel since the last engagement then the level of testing may be reduced, whilst ensuring the underlying controls are still in place.

In carrying out its duties Internal Audit will work constructively with management and staff. During an engagement, management and staff are required to co-operate fully with the auditors.

If significant control failings are identified in testing, this fact will be referred to the CAE and brought to the attention of relevant management during the engagement for immediate action.

All audit and consultancy outcomes will be fully discussed with operational management at the conclusion of an engagement. Management responses will be recorded and considered for the purposes of completing a final report of the engagement.

An Audit Report will be produced and presented to the relevant Assistant Director to obtain confirmation as to content and relevance. This will be done as soon as practicable after completion of field work. The report will contain recommendations to address any weaknesses in controls or procedures identified in the Audit Engagement. An action plan,

confirmed by the relevant Assistant Director, with realistic dates for implementation will be agreed.

After the report and action plan, if applicable, has been agreed by the relevant Assistant Director, copies of the report will be issued for information to the Assistant Director, Resources, Directors and the relevant Portfolio Holder.

Management are responsible for responding formally to Internal Audit recommendations by both accepting and implementing the recommendations or formally reject them, explaining the reasons for so doing. If Internal Audit and management fail to reach agreement on issues or recommendations which Internal Audit consider to be of material importance, the final audit report will reflect the position of both and attention will be drawn specifically to these issues or recommendations in order that senior management and the Audit Committee may consider the options and give direction to an appropriate action.

For clarity, management, not Internal Audit, are responsible for establishing and maintaining a proper and effective control environment and for managing risk within their area of operations.

### ***Internal Audit's role in fraud, bribery and corruption***

If evidence or suspicion of fraud, bribery or corruption is identified during an engagement the matter will be reported immediately to the ADR/CAE as appropriate without further reference to line management, for consideration and timely progression in line with the Council's Anti Fraud and Corruption Policy and Strategy.

If evidence of fraud, bribery or corruption is identified during an engagement the matter will be reported to the Audit Committee. Such updates will be provided in a private and confidential session as allowed by the local government legislation and written in a manner which protects the integrity of action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud, bribery and corruption will be detected.

Line management bears primary responsibility for the prevention and detection of fraud, bribery and corruption. Internal Auditors will, however, be alert in all their work to risks and exposures that could allow fraud, bribery or corruption.

### ***Quality assurance and improvement programme***

Internal Audit will maintain a quality assurance and improvement programme that covers all aspects of internal audit activity. The programme will include an evaluation of the internal audit function's conformance with the PSIAS and an evaluation of whether internal auditors apply The Institute of Internal Auditors' Code of Ethics. The programme will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.

The CAE will communicate to senior management and the Audit Committee on the quality assurance and improvement programme, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

An external assessment of the Internal Audit service was conducted in January 2018, the result of which was reported to the Audit Committee in May 2018, as part of the CAE's Annual Report.