

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

DECISION

meeting date: 14 APRIL 2021
title: STRATEGIC INTERNAL AUDIT PLAN 2021/22 TO 2023/24
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1 The purpose of this report is to present the Strategic Internal Audit Plan for 2021/22 to 2023/24 for consideration and approval by this Committee.

1.2 Relevance to the Council's ambitions and priorities:

- Corporate priorities – the Council seeks to maintain critical financial management and controls, and provide efficient and effective services.
- Other considerations – the Council has a statutory duty to maintain an adequate and effective system of internal audit.

2 BACKGROUND

2.1 The Accounts and Audit (England) Regulations require the Council "to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". The existence of a robust Internal Audit Plan represents a significant contribution towards meeting this requirement.

3 STRATEGIC INTERNAL AUDIT PLAN

3.1 The need for audit planning is paramount on a number of levels:

- to optimise the use of audit time available, given that audit resources are scarce and finite
- to identify the key risks facing the organisation in attaining its objectives
- to ensure that appropriate and sufficient evidence is collected in support of a comprehensive opinion on the adequacy, effectiveness and reliability of the organisation's systems of internal control
- to support senior management as much as possible and add value.

3.2 Through effective audit planning it is possible to ensure that areas of high risk are independently reviewed at acceptable intervals. Approval of the audit plan also demonstrates the council's commitment to securing effective systems of governance, risk management and internal control.

3.3 The plan provides a basis for controlling the work of internal audit and for assessing its performance. It also helps to ensure that the resources used by internal audit are justified and that the chief audit executive (currently the Head of Financial Services) is held to account for the use of these resources.

3.4 The length of time covered by the plan must be long enough to cover all the priorities and be planned over a number of years to enable the best use of its resources. Whilst the plan covers a number of years, it is recognised that this will need to be flexible and will be reviewed on an annual basis to allow for changes in risks.

4 RISK SCORING

4.1 Internal Audit ensures that good internal controls are inherent in all the Council's systems. Within the strategy, all services have been identified into auditable areas and then subjected to a risk assessment process. This risk assessment scores each area against 4 key factors, based on the table shown below:

Risk Factor	Description	Scoring Methodology
Financial Impact	Based on the monetary value of the transactions involved	Highest score given to those areas with substantially monetary value transactions
Primary Objectives	Based on service links to the primary objectives in the Corporate Strategy	Highest score given to those areas that are key to the council achieving its primary objectives
Audit Experience and Assurance	Based on recommendations and assurance levels at past audits	Highest scores given to those areas which have a poor audit experience or low levels of assurance. (New areas automatically score high)
Time since last audit	Based on the time that has elapsed since an audit was last undertaken on the service area	Highest scores given to those areas which have not been audited in the past three years

4.2 Using this risk-based approach to scoring the Council's service areas, an audit plan is then produced which prioritises resource allocation based on those areas scored as higher risk. The number of days allocated to each area is estimated based on past experience and level of testing required.

5 CONSULTING ON THE ANNUAL AUDIT PLAN

5.1 Corporate Management Team have been consulted, asking for any comments on proposals. They are also asked for information on any new and emerging risks that the audit team should be aware of, and for any information on service changes.

5.2 The council's External Auditors, Grant Thornton UK LLP have also been informed of proposals.

6 RECOMMENDED THAT COMMITTEE

6.1 Approve the Strategic Internal Audit Plan 2021/22 to 2023/24 as attached at Annex 1.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA5-21/LO/AC
6 April 2021

Strategic Internal Audit Plan

2021/22 to 2023/24



Ribble Valley
Borough Council

www.ribblevalley.gov.uk

Contents

Section	Page
Section 1: Developing the Internal Audit Strategy	2
Section 2: Assurance Resources	4
Section 3: Issues Affecting the Council	5
Section 4: Risk Scoring of Auditable Areas	7
Section 5: Internal Audit Plan 2021/22-2023/24	11
Section 6: Quality Assurance and Improvement	15

Section 1: Developing the Internal Audit Strategy

Introduction

- 1.1. This document sets out the approach taken to develop the internal audit strategy for 2021/22–2023/24 and the annual plan for 2021/22.

Role of Internal Audit Internal

- 1.2. The Chartered Institute of Internal Audit gives the following definition of Internal Audit:

“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.”

- 1.3. In line with the requirements of the Public Sector Internal Audit Standards (PSIAS), internal audit work is planned and performed with a view to reviewing and evaluating the risk management, control and governance arrangements that the council has in place, focusing in particular on how these arrangements help the organisation achieve its objectives.
- 1.4. This involves undertaking a risk-based plan of work, agreed with management, and approved by Accounts and Audit Committee. The plan is developed to enable the provision of an opinion at year end, which is also used to support the Annual Governance Statement.

Factors Influencing Internal Audit Coverage

- 1.5. There are four risk themes that drive how audit coverage is planned. These are:
 - **Financial Impact:** The monetary value of the transactions involved
 - **Primary Objectives:** The service links to the primary objectives in the Corporate Strategy
 - **Audit Experience and Assurance:** The recommendations and assurance levels at past audits
 - **Time Since Last Audit:** The recommendations and assurance levels at past audits
- 1.6. All council service areas are assessed against these themes to risk score the services and allow a prioritisation of audit resources.
- 1.7. It is inevitable that over time the scores for service areas may change and as such all areas are rescored on an annual basis.
- 1.8. As the council have only a small internal audit team of three staff, it is inevitable that staff absence or vacancies can have a major impact on audit coverage. This is certainly something that has been seen in the 2020/21 financial year and is likely to be seen within 2021/22 as the Principal Auditor post remains vacant.

- 1.9. However, as has been the case in 2020/21, the audit team will endeavour to ensure adequate audit coverage to form the internal audit opinion at the end of the financial year. This may necessitate the secondment of other internal staff where this may be possible without conflict of interest, or the use of external resources.
- 1.10. The Covid-19 pandemic has impacted on how council services have operated in 2020/21 and will also see an impact in 2021/22. As a result, the scope of some audits will likely need to change to encompass the additional risks that came from the council's response to the pandemic and due to alternative working practices.

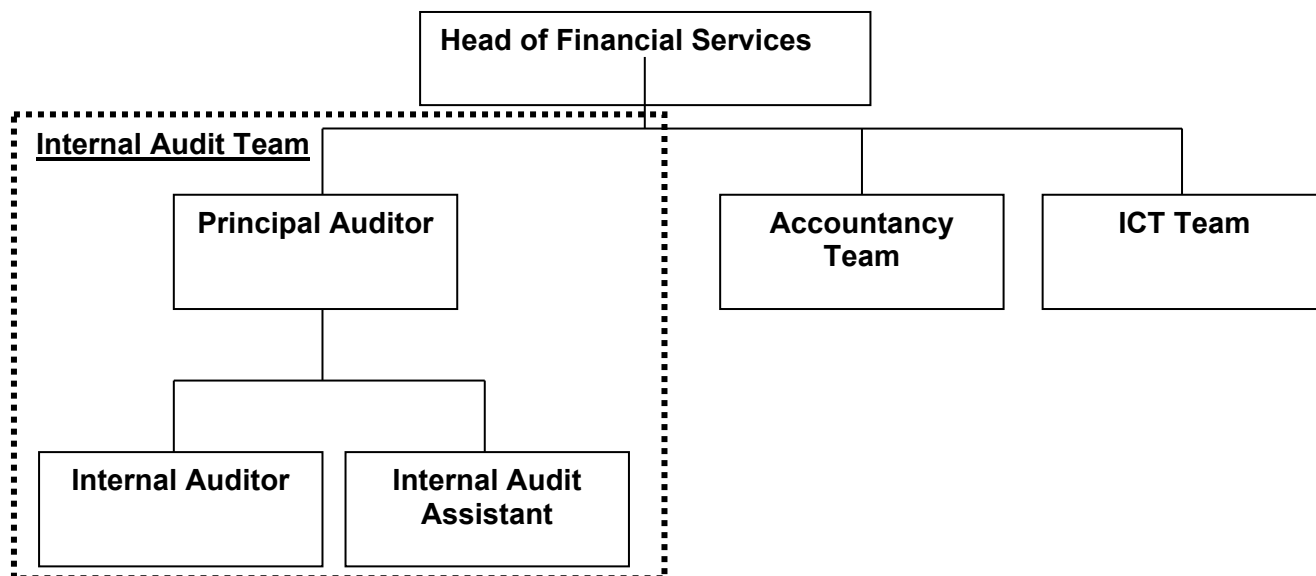
Review and Coverage

- 1.11. The proposed three-year audit coverage included in this strategy has been reviewed and commented on by the Corporate Management Team.
- 1.12. As with audit plans in previous years, the plan for 2021/22 needs to be flexible and will be frequently reviewed, particularly during current circumstances to ensure any changes to policy, process, legislation, staffing, or priorities are reflected. Ad-hoc reviews will also be undertaken where significant risks or control deficiencies are identified.
- 1.13. Changes to the plan can be agreed by the Director of Resources and would be reported to the Accounts and Audit Committee as part of the internal audit progress reporting.
- 1.14. The strategy allows for:
 - Annual leave and bank holidays but does not make any specific allowance for sickness or post vacancies.
 - Contingency, although use of this will be only with agreement of the Head of Financial Resources and/or the Director of Resources.
 - Staff training, including current professional training for CIPFA and AAT qualifications and any specific training needs which can be provided internally or externally.
 - Provision of other non-audit duties such as the council's insurances, risk management system administration and controlled stationery.
 - Undertaking the annual corporate governance review.

Section 2: Assurance Resources

The Internal Audit Team

- 2.1. The internal audit team fall within the Council's Financial Services Section and is led by the Head of Financial services.
- 2.2. The Internal Audit Team consists of three full time posts and sits within the council's Financial Services Section as shown below:



- 2.3. There are no known conflicts of interests or relationships that may affect the independence and objectivity of the internal audit team, and which are required to be disclosed under auditing standards.

Working with Other Assurance Providers

- 2.4. The council's external auditors are Grant Thornton UK LLP. Meetings and discussions with the external auditors will help to avoid duplication of coverage between internal and external audit.
- 2.5. Internal audit is only one source of assurance. Through the plan the team do not seek to cover all risks and processes.
- 2.6. Where it is possible, the internal audit will work with other third parties to seek assurance on the council's services. This may include, but not exclusively, such bodies as HM Revenues and Customs; other Government departments and agencies; LGA Peer Challenge. Where relevant, the team will also seek to work closely with other assurance providers to ensure that duplication is minimised, and a suitable breadth of assurance can be provided.

Section 3: Issues Affecting the Council

- 3.1. The Council's risk management approach is designed to form an integral part of the performance management approach of the Council. Detailed below are some of the external and internal issues, both known and emerging that the council faces. These are considered as part of the council's risk management process.
- 3.2. Risks are scored based on their gross and net likelihood and impact levels, gross being the likelihood and impact level if no controls were in place and net being the risk level once controls have been considered.
- 3.3. Risks are then allocated an overall risk score based on these levels, translating to green risks, amber risks and red risks. All red risks are closely monitored and reported in detail to Corporate Management Team and Accounts and Audit Committee.
- 3.4. Key risks and uncertainties for the council can be summarised as:

Future of Local Government Finance Settlement

- Outcome of Fair Funding Review and Business Rates Retention Reform Consultations.
- Longer term viability of the Lancashire Business Rates Pool following the Fair Funding Review and Business Rates Retention Reform.

Availability of Staffing

- Ageing Workforce.
- Continuing recruitment difficulties.
- Staff sickness.

Business Rates Retention Scheme

- Outcome of Business Rates Retention Reform Consultation.
- Risk of large appeals.
- The impact of Covid-19.

Business Continuity

- Major fire, flooding or utilities fault.

ICT

- Use of ICT infrastructure is not maximised.
- Obsolescence – Changing service needs.
- External threats, Data Security and GDPR.

Unable to Meet Service Demands

- Increasing number of households.
- Changing expectations – services not evolving to meet need/demand.

Planning

- Outcomes of Planning for the Future consultation

Covid-19

- Continued impact on businesses and households within the borough – including financial impact.
- Alternative working practices.
- Vast reductions in service income and increased direct and in-direct costs seen, and the uncertainty around how long this may continue.
- Impact on general fund balances.

Combined Authority Plans

- Implications for the future of Ribble Valley Borough Council under any government conditions.

Section 4: Risk Scoring of Auditable Areas

- 4.1. All services have been identified into auditable areas and then subjected to a risk assessment process. This risk assessment scores each area against 4 key factors, based on the table shown below:

Risk Factor	Description	Scoring Methodology
Financial Impact	Based on the monetary value of the transactions involved	Highest score given to those areas with substantially monetary value transactions
Primary Objectives	Based on service links to the primary objectives in the Corporate Strategy	Highest score given to those areas that are key to the council achieving its primary objectives
Audit Experience and Assurance	Based on recommendations and assurance levels at past audits	Highest scores given to those areas which have a poor audit experience or low levels of assurance. (New areas automatically score high)
Time Since Last Audit	Based on the time that has elapsed since an audit was last undertaken on the service area	Highest scores given to those areas which have not been audited in the past three years

- 4.2. Scores are given across these four factors for each auditable area to arrive at a total risk score, from which it is determined whether the area in question is high, medium, or low risk.

Overall Audit Area Score	Overall Risk
4 to 6	LOW RISK
7 to 9	MEDIUM RISK
10 or above	HIGH RISK

- 4.3. The table below shows the risk scoring of the auditable areas for the 2021/22 financial year and gives the forecast scoring for the 2022/23 and 2023/24 financial years.
- 4.4. It must be noted that there are some areas that have not necessarily been included in the audit plan in their own right previously. Where this is the case, these have been scored for 'audit experience' and 'time since last audit' at the highest score of 3.
- 4.5. As the plan progresses through the financial years, the 'time since last audit' is adjusted on the assumption that the audits are completed as timetabled. For 'audit experience' this is left at the current score for previously audited areas and for new audit areas moved to an average score of 2 in the year after any planned audit.

4.6. On this basis the audit plan is revisited annually to reflect the most up to date position.

	Financial Impact	Primary Objectives	Audit Experience and Assurance	Time Since Last Audit	Total Score March 2021	Projected Score March 2022	Projected Score March 2023
Financial Systems - required to be covered annually regardless of score							
General Ledger	3	3	1	1	8	8	8
Sundry Debtors	3	3	1	1	8	8	8
Sundry Creditors	3	3	1	1	8	8	8
Payroll	3	3	1	1	8	8	8
Council Tax	3	3	1	1	8	8	8
Benefits	3	3	1	1	8	8	8
Business Rates	3	3	1	1	8	8	8
Cash Receipting	3	3	1	1	8	8	8
Treasury Management	3	3	1	1	8	8	8
Corporate							
Performance Indicators	1	3	1	2	7	8	7
Business Continuity	3	2	3	3	11	8	9
Civil Emergencies	3	3	3	3	12	9	10
Democratic Services	1	2	3	3	9	9	6
Sustainability	2	3	3	3	11	8	9
Data Protection	3	2	2	3	10	8	9
Freedom of Information	1	1	3	3	8	8	5
Risk Management	2	3	3	3	11	8	9
Support							
Time Management	1	1	2	3	7	7	7
Customer Services	2	3	3	3	11	8	9
Information Technology	2	3	3	3	11	8	9
Recruitment and People Management	2	3	1	3	9	9	7
Health and Safety	3	3	2	2	10	9	10
Inventories	2	2	3	3	10	7	8

	Financial Impact	Primary Objectives	Audit Experience and Assurance	Time Since Last Audit	Total Score March 2021	Projected Score March 2022	Projected Score March 2023
Records Management	2	2	3	3	10	7	8
Corporate Communications	2	3	3	3	11	8	9
Printing Services	2	2	3	3	10	7	8
Procurement	3	3	1	3	10	8	9
Value Added Tax	3	3	1	2	9	10	8
Petty Cash	1	1	1	3	6	6	6
Staff Expenses and Travel Allowances	2	1	1	3	7	7	7
Operational							
Fleet and Plant Management	3	3	3	3	12	9	10
Stores	2	2	1	3	8	8	6
Car Parking	3	2	2	2	9	8	9
Refreshment Services	1	1	3	3	8	8	5
CCTV	1	3	3	3	10	7	8
Street Scene Assets	1	2	3	3	9	9	6
Outdoor Facilities (includes Concessions)	2	3	3	3	11	8	9
Local Land and Property Gazetteer	1	1	3	3	8	8	5
Property Maintenance	3	2	3	3	11	8	9
Waste Management	2	3	1	2	8	9	7
Tourism and Events	2	3	3	3	11	8	9
Healthy Lifestyles and Sports Development	2	3	3	3	11	8	9
Grounds Maintenance	1	3	3	3	10	7	8
Amenity Cleansing	1	3	3	3	10	7	8
Works Administration Service	1	2	3	3	9	9	6
Arts Development	1	3	3	3	10	7	8
Land Charges	3	2	1	2	8	9	7

	Financial Impact	Primary Objectives	Audit Experience and Assurance	Time Since Last Audit	Total Score March 2021	Projected Score March 2022	Projected Score March 2023
Licencing	3	2	1	2	8	9	7
Building Control	3	3	2	1	9	10	8
Electoral Administration	1	1	3	3	8	8	5
Environmental Health	3	3	1	3	10	8	9
Estates	2	1	3	3	9	9	6
Planning and Development Management	3	3	2	1	9	10	8
Economic and Community Development	2	3	3	3	11	8	9
Partnerships	2	3	1	2	8	9	7
Housing and Homelessness	2	3	1	3	9	10	8
Development Policy	1	3	3	3	10	7	8
Asset Management	3	2	1	2	8	9	7
Grants Payable and Receivable	3	3	2	2	10	9	10
Insurances	2	2	1	2	7	8	6
Facilities							
Platform Gallery	2	3	2	2	9	10	8
Council Offices	1	2	3	3	9	9	6
Civic Suite	1	2	3	3	9	9	6
Castle Museum and Café	2	3	1	2	8	9	7
Bowling Green Café <i>not yet open</i>	2	3	3	3	11	11	8
Ribblesdale Pool	3	3	1	3	10	8	9
Edisford All Weather Facility	3	3	2	1	9	10	8
Longridge and Salthill Depots	1	2	3	3	9	9	6
Clitheroe Market	3	2	1	3	9	9	7
Clitheroe Cemetery	3	1	1	3	8	8	6
Public Conveniences	1	2	3	3	9	9	6

Section 5: Internal Audit Plan 2021/22-2023/24

- 5.1. Using this risk based approach to scoring the Council's service areas an operational audit plan is then produced which prioritises resource allocation based on those areas scored as higher risk. All high risk areas are covered annually with the medium risk areas covered at least twice over a three year period. The number of days allocated to each area is based on past experience and level of testing required. Low risk areas are aimed to be covered over the longer term where resources allow.
- 5.2. Based on the Internal Audit resources available to the council it is then calculated how many available days there are

	Projected Days 2021/22	Projected Days 2022/23	Projected Days 2023/24
<i>Internal Staffing Resources</i>			
Principal Auditor	260	260	260
Internal Auditor	260	260	260
Internal Audit Assistant	260	260	260
Total estimated available working days	780	780	780
<i>Less leave and training days</i>			
Bank Holidays	-36	-36	-36
Annual Leave	-70	-74	-74
Training - <i>Includes current professional training for AAT and CIPFA qualifications</i>	-100	-100	-100
Subtotal after leave and training	574	570	570
<i>Less work on other areas</i>			
Risk Management System	-15	-15	-15
Corporate Governance Review	-25	-25	-25
Insurance Administration	-40	-40	-40
Controlled Stationery	-4	-4	-4
Contingency	-25	-25	-21
Net available Audit Plan Days	465	461	465

- 5.3. This obviously assumes that the team is fully resourced throughout the year. Due to recent recruitment difficulties it is recognised that there may be instances where alternative resources may temporarily need to be procured to ensure that the key audit areas for forming the annual audit opinion are covered.
- 5.4. Based on the risk scoring of auditable areas, the available days detailed above and a contingency allowance for any unexpected work, the table below shows the proposed audit plan for the period 2021/22 to 2023/24.

Audit Area	Projected Days 2021/22	Projected Days 2022/23	Projected Days 2023/24
Financial Systems - required to be covered annually			
General Ledger	25	25	25
Sundry Debtors	20	20	20
Sundry Creditors	20	20	20
Payroll	30	30	30
Council Tax	35	35	35
Benefits	40	40	40
Business Rates	35	35	35
Cash Receipting	15	15	15
Treasury Management	12	12	12
Corporate			
Performance Indicators		5	
Business Continuity	20		20
Civil Emergencies	20		20
Democratic Services		5	
Sustainability	10		10
Data Protection	10		10
Freedom of Information		5	
Risk Management	5		5
Support			
Customer Services	5		5
Information Technology	15		15
Recruitment and People Management		15	
Health and Safety	10		10
Inventories	3		3
Records Management	3		3
Corporate Communications	3		3
Printing Services	3		3

Audit Area	Projected Days 2021/22	Projected Days 2022/23	Projected Days 2023/24
Procurement	15		15
Value Added Tax		15	
Operational			
Fleet and Plant Management	10		10
Stores		5	
Car Parking	10		10
Refreshment Services		3	
CCTV	5		5
Street Scene Assets		5	
Outdoor Facilities (includes Concessions)	10		10
Local Land and Property Gazetteer		3	
Property Maintenance	7		7
Waste Management		10	
Tourism and Events	7		7
Healthy Lifestyles and Sports Development	7		7
Grounds Maintenance	5		5
Amenity Cleansing	5		5
Works Administration Service		5	
Arts Development	5		5
Land Charges		7	
Licencing		7	
Building Control		10	
Electoral Administration		10	
Environmental Health	10		10
Estates		7	
Planning and Development Management		10	
Economic and Community Development	5		5
Partnerships		5	

Audit Area	Projected Days 2021/22	Projected Days 2022/23	Projected Days 2023/24
Housing and Homelessness		8	
Development Policy	5		5
Asset Management		12	
Grants Payable and Receivable	10		10
Insurances		10	
Facilities			
Platform Gallery		7	
Council Offices		10	
Civic Suite		5	
Castle Museum and Café		7	
Bowling Green Café - Not Yet Operational		5	
Ribblesdale Pool	10		10
Edisford All Weather Facility		7	
Longridge and Salthill Depots		7	
Clitheroe Market		7	
Clitheroe Cemetery		7	
Public Conveniences		5	
Total Days	465	461	465

Section 6: Quality Assurance and Improvement

- 6.1. Under the Public Sector Internal Audit Standards (PSIAS), there must be a quality assurance and improvement programme in place, that covers all aspects of the internal audit activity.
- 6.2. This is an improvement programme designed to enable an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the Code of Ethics.
- 6.3. The improvement programme should also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement. There should also be oversight of this activity by the Accounts and Audit Committee.
- 6.4. There is ongoing continual monitoring of the service through day-to-day supervision, review and measurement of the internal audit activity. This includes supervision of work; documented review of working papers and draft reports; ensuring guidance is followed in undertaking audits to ensure consistency; review of performance through the council's performance appraisal process, including setting targets and identifying any training needs.
- 6.5. An internal self-assessment review of the service will be undertaken during 2021/22 in line with the Public Sector Internal Audit Standards (PSIAS), and this will be used to inform any areas of improvement or development needed within the service. The findings of this internal self-assessment will be reported to the Accounts and Audit Committee.
- 6.6. In line with the Public Sector Internal Audit Standards (PSIAS) an external assessment of the service will also be sought over the period covered by this strategy. At such time that this is to take place, the appointment of the External Assessor and scope of the External Assessment will be approved by Accounts and Audit Committee.