

Appendix A

Rossendale Borough Council Internal Audit Service

Internal Audit Plan 2015/16

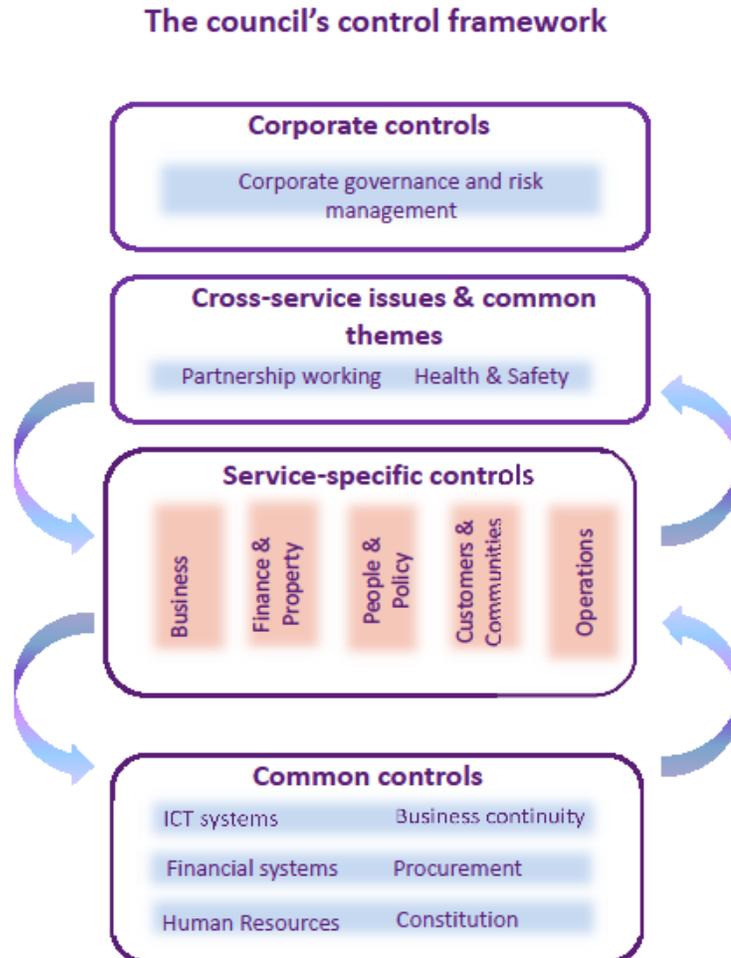


1. Executive summary

- 1.1 The Audit and Accounts Committee is invited to consider the draft internal audit plan for Rossendale Borough Council for 2015/16. It is intended to provide the assurance that the chief executive and leader of the council need that the risks to the council's objectives are being adequately and effectively controlled.
- 1.2 This draft plan amounts to a total resource available to the council of **250 audit days**.
- 1.3 The council is responsible for a wide range of services across the borough and senior management will be aware both of the risks to achieving their service objectives and the risks inherent in their work. Each of these risks should be managed by controls designed to reduce the risk to a corporately acceptable level and which operates effectively and consistently in practice.
- 1.4 The chief executive, Audit and Accounts Committee, and ultimately the council, need assurance that these controls have been adequately designed and are operating effectively. In due course the chief executive and the leader of the council will jointly sign an annual governance statement incorporating a statement on internal control, which will refer to the effectiveness of the system of internal control.
- 1.5 The assurance needed to make this statement is available from a variety of sources including external regulators, but also from the council's Internal Audit Service. To avoid duplication with other assurance providers and ensure that we maximise resources, we need to understand this framework of assurance; where assurance is required but not otherwise available, the Internal Audit Service may provide it, and this forms our annual audit plan.
- 1.6 The plan recognises and aims to provide assurance over a selection of the following controls:
 - Corporate controls: These controls relate to the overall governance arrangements of the county council as a whole, and are therefore largely limited to corporate governance, risk management, and information governance.
 - Cross-service controls: These are the controls that support the council's work across some or all of its service areas, either where two or more teams provide a single service, or where risks are common to a number of (or all) service teams. Very few risks are managed by a single corporate solution but similar controls may be implemented across a number of teams to address the same or similar risks.

- Service-specific controls: The controls designed to manage the risks arising from the provision of particular services and from individual service areas.
- Common controls: These are the controls that under-pin the council's work whatever service is being provided and in whatever service or directorate. They manage the elements of the council's day to day operations that are operated in common across the whole organisation, such as financial and ICT services, and human resources.

1.7 These form the building blocks of our audit plan, illustrated below:



2. The planning process

- 2.1 Last year we were unable to place reliance on the council's risk management arrangements to identify the service specific areas to be driven by our audit plan.
- 2.2 Whilst progress has been made in implementing our previous recommendations our review of the risk register and our assessment of the council's risk management processes has identified concerns about how embedded the council's risk management process is.

3. Deployment of audit resources

- 3.1 This audit plan is stated in terms of estimated days input. The plan therefore represents only a best estimate of the audit resources and the ways in which they will be deployed.
- 3.2 It is vital that our resources are deployed as effectively as possible, and the audit plan must therefore focus on specific key areas of risk to ensure maximum benefit from the level of audit resource.
- 3.3 Although the annual plan enables both managers and members to see the overall scope and value of the audit work, work is ongoing throughout the year. A small number of audit reviews therefore inevitably straddle the year end as work continues to complete them, and some time will be spent on this work.
- 3.4 Any additional work will be undertaken at the expense of other planned areas of work, however, since the plan is at best an estimate it will be sufficiently flexible to change during the year. We will continually reassess our resources against the council's priorities and we will amend the plan throughout the year as required.
- 3.5 We have set out overleaf the proposed audit coverage for 2015/16 in order to provide assurance over the most significant areas, and each of these potential areas is explained in more detail below.

CONTROLS ASSURANCE	Estimated audit days	
Corporate controls and cross-service issues		
Risk management	5	5
Service-specific controls		
Rossendale Transport Limited	20	75
Business continuity	10	
Town Centre Redevelopment	15	
Pennine Lancashire Empty Homes scheme	30	
Corporate common controls		
Financial system controls	95	110
Follow up of completed reviews	15	
Other		
Management of the Audit Service	30	60
Counter fraud (including National Fraud Initiative)	15	
Contingency	15	
Total resource for the council		250

Corporate controls and cross-service issues

Risk management

- 3.6 To enable the council to become more risk mature we are proposing to hold risk workshops in 2015/16, involving both the council's senior management team and, in due course, members of the committee responsible for monitoring the council's risk management process.

Controls over service-specific risks

Rossendale Transport Limited

- 3.7 Rossendale Transport Limited (RTL) is 100% owned by the council, and presents both a significant potential risk and a significant asset to the council. At the March 2015 Audit and Accounts Committee it was agreed that the 2015/16 audit plan should include a review of the key financial controls at RLT including how the council monitors financial and operational performance of the company.

Town Centre Redevelopment

- 3.8 The council has received £2 million of funding from the Heritage Lottery Fund for the re-development of the Bacup town centre. In addition the council is involved with the redevelopment project for Rawtenstall town centre working with partners such as Lancashire County Council. Our audit will focus on how the council provides strategic input to these projects and how the council monitors progress against time and budget for the elements it is responsible for.

Pennine Lancashire Empty Homes Scheme

- 3.9 The context for this work is the failure of the council's commercial partner, AAW Ltd, which went into administration at the end of January 2015 and, until then, managed the operation of the Empty Homes Programme on behalf of the council. Since then the council has taken action to better analyse the programme and in particular its financial and legal implications for the council, and has put arrangements in place temporarily to manage its operation.

4. Corporate common controls

- 4.1 The council's work is underpinned by controls that manage the risks of its day to day operations that are operated in common across the whole organisation. These controls fall into a number of key areas, including financial and ICT controls, human resources controls, and procurement.

Financial control systems

- 4.2 Financial control is a key element of the council's overall control environment and the core financial systems under-pinning the operations of the council must therefore be considered in our risk-based audit plan. We have identified the core financial systems and agreed them with the Head of Finance and Property Services, and the council's external auditor Grant Thornton. They include the payroll system, accounts payable, accounts receivable, cash and banking, council tax, housing benefits, National Non-Domestic Rates (NNDR), asset management, general ledger and treasury management.
- 4.3 We have gained a thorough understanding of these systems over recent years and have previously documented them. During 2015/16 we intend to concentrate predominantly on compliance testing the key controls, and aim to ensure that our testing includes transactions relating to all of the council's services. Whilst the focus of our work will be weighted towards a programme of controls testing, we will provide the resources to consider any new systems and system developments as they are brought into operation.

- 4.4 A separate schedule of proposed work relating to financial control systems is given at Annex 1 below.

5. Follow up reviews

- 5.1 Where not undertaken elsewhere within planned audit coverage, resources have been earmarked to ensure that all previous reviews are followed up and our opinions are re-assessed as the actions previously agreed with management are implemented. In 2015/16 follow-up reviews will be undertaken in relation to:

- Elections
- Members' allowances, expenses and declarations;
- Counter fraud arrangements; and
- Business continuity.

6. Other areas within the audit plan

- 6.1 An allocation of 30 days has been set aside to cover other management and tasks in support of the internal audit service to the council:
- Liaison with the senior management team and the council's external auditors;
 - Central reporting (annual and periodic progress); and
 - Attendance, support, and reporting to the Audit and Accounts Committee as required.

Controls to manage the risk of fraud

- 6.2 In addition to our audit work, the Internal Audit Service provides support to the council's management team in managing the risk of fraud. It has for many years made available an investigatory service to support management in responding to instances of suspected fraud or impropriety.
- 6.3 15 days have been allocated to our counter fraud work for the year. This time will be used to manage the NFI exercise and investigate the matches which cannot be investigated by the council.

Rossendale Borough Council

Internal Audit Service

Internal audit plan for the year 1 April 2015 to 31 March 2016

Financial control systems

Annex 1

System	Planned audit days	Proposed scope of the review
Accounts Payable	9	A detailed review of the adequacy of the accounts payable procedures and the effectiveness of controls around the ordering and payment processes will be performed.
Accounts Receivable	9	A detailed review of the adequacy of the accounts receivable procedures and the effectiveness of controls around the invoicing and debt management processes will be performed.
Payroll	10	This review will consider the effectiveness of key controls and procedures in place within the payroll function to ensure the timely and accurate payment of wages and salaries to employees.
General Ledger, Budget Setting and Monitoring	10	This review will assess the effectiveness of key controls surrounding the council's general ledger and budget setting and monitoring system.
Income Collection and Banking	10	The review will ensure that all money paid to the council is promptly and correctly accounted for. The areas subject to review will be agreed with management as part of the audit planning process.
Council Tax	8	A review of the adequacy and effectiveness of key controls and procedures in place for the timely and accurate collection and recording of income due to the council in respect of council tax.
Housing Benefits	8	A review of procedures that relate to the control and administration of the housing and council tax benefits system at the Council.
National Non Domestic Rates (NNDR)	8	A review of procedures that relate to the control and administration of the National Non Domestic Rates (NNDR) system at the Council.
Treasury Management	8	A review of the adequacy and effectiveness of controls in place to ensure investments and borrowing undertaken by the council is in accordance with legislation and best practice guidance.
Asset Management	10	The exact scope of this audit will be discussed and agreed with management once the 2014/15 audit has been finalised.
Financial systems contingency	5	A small provision has been made to respond to unforeseen issues should they arise.
Total	95	