



INTERNAL AUDIT PLAN 2021/22

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE
MARCH 2021

RECOMMENDATION:

Members are recommended to approve the proposed Stevenage Borough Council Internal Audit Plan for 2021/22

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1. Introduction and Background

- 1.1 Internal Audit is an independent and objective assurance and consulting activity designed to add value and improve the 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. The role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively.
(Chartered Institute of Internal Auditors – Internal Audit definition and purpose)
- 1.2 The Council's Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Assurance annual report.
- 1.3 The Shared Internal Audit Service's (SIAS) Audit Charter was presented to the June 2020 meeting of this Committee and shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and revised on 1 April 2017. An updated version of the SIAS Audit Charter will be brought to the June 2021 Committee meeting for Member approval.
- 1.4 The PSIAS require that the audit plan incorporates, or is linked to, a strategic or high-level statement which:
 - a) Outlines how the service will be developed in accordance with the internal audit charter
 - b) Details how the internal audit plan will be delivered
 - c) Evidences how the service links to organisational objectives and priorities
- 1.5 Section 2 of this report details how SIAS complies with this requirement.

2. Audit Planning Process

Planning Principles

2.1 The SIAS audit planning is underpinned by the following principles:

- a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.
- b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.
- c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.
- d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource-constrained environment, all needs cannot be met.
- e) Identification of responsibilities where services are delivered in partnership.
- f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.
- g) Capacity to deliver key commitments including governance work.
- h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

Approach to Planning

- 2.2 In order to comply with the requirements of the PSIAS, SIAS applies a methodology at all its partners which contains the following elements:



- 2.3 The approach to audit planning for 2021/22 has been characterised by:

- a) Discussions with senior managers and other key officers within the Council to confirm auditable areas and elicit high level detail of the scope of internal audits. This process incorporates the following four steps to assist in the later prioritisation of projects:

Risk assessment

Senior Managers and SIAS agree the level of risk associated with an identified auditable area and prioritise this (high, medium and low).

Other sources of assurance

Senior Managers are asked whether assurance in the auditable area is obtained from other assurance providers e.g. External Audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated where possible.

Significance

Senior Managers assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

Timings

Senior Managers identify when an audit should be undertaken to add most value.

- b) Proposed plans are based on the information obtained from the planning meetings. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.

- c) The proposed 2021/22 plans for all SIAS partner councils are then scrutinised and cross-partner internal audits highlighted.

This approach ensures that our work gives assurance on what is important, focussing on those areas of highest risk, and supports the Council in achieving its objectives.

The Planning Context

- 2.4 The context within which local authorities provide their services remains challenging:
- a) The unprecedented challenges created by the COVID-19 pandemic continue to impact on the short to medium term priorities and environment for the Council, this including:
- A fast-changing risk environment influenced by both the impacts of the pandemic on public health and the national and local economy.
 - Resource pressures, both in terms of staff capacity and finances, thereby resulting in conflicting priorities for the organisation to manage.
 - Maintaining staff health and well-being during the significant shift in the ways of working and the need to ensure the safety of staff continuing to undertake front-line duties.
 - Managing multiple new grant funding streams, as well as ensuring effective use of public money in relation to areas such as the application of public procurement notices on supplier relief and a more socially distanced approach to contract monitoring.
 - Adapting and maintaining governance and internal control structures to reflect different ways of working.
- b) The EU Transition continues to provide uncertainty and risks in relation to delivering key services, with areas such as workforce planning, future legislative changes and cost and supply pressures for goods and equipment being key considerations for service and business continuity planning during the year ahead.
- c) Austerity and the rising demand for services have driven councils to consider different ways of working. One option to help councils achieve financial sustainability is to continue their drive to be more commercial. As a result, through a combination of the 2011 Localism Act (which gave councils new powers to trade) and the decline in the popularity of outsourcing, there has been a surge in the creation of local authority trading companies (LATCs). Investment companies and those created for the delivery of a wide range of services have become more prevalent.
- d) Digital transformation continues to offer opportunities along with significant risks. The innovative use of technology is helping to reduce costs, as well as be more efficient and transparent. However, factors such as security, privacy, ethical and regulatory compliance are a recognised concern.

e) The declaration of a Climate Emergency has required councils to commit to developing an ambitious programme to improve sustainability in their local areas.

2.5 The resultant efficiency and transformation programme that councils are in the process of implementing and developing continues to have the potential for profoundly altering each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

2.6 The challenge of giving value in this context, means that Internal Audit needs to:

- a) Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives.
- b) Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.
- c) Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as use of technology to achieve 'whole population testing' and new insights over sampling or 'continuous assurance' where appropriate.
- d) Retain flexibility in the internal audit plan and ensure the plan remains current and relevant as the financial year progresses, this is particularly key given the current challenges and risks of COVID-19 and the impact this has had on internal audit activity.

Internal Audit Plan 2020/21

- 2.7 The draft plan for 2021/22 is included at Appendix A and B and contains a high-level proposed outline scope for each audit; Appendix C details the indicative start period. The number of days purchased in 2021/22 has reduced by 35 days, which for Stevenage Borough Council equates to a reduction from 350 days to 315 days.
- 2.8 The table opposite shows the estimated allocation of the total annual number of purchased internal audit days for the year, and the allocated budgets for 2020/21 for comparison and to demonstrate where the audit days saving has been achieved or redistributed.
- 2.9 In reviewing the table opposite, Members should note the number of audit days remains sufficient for providing an annual assurance opinion.

	2021/22 Days	%	2020/21 Days	%
Key Financial Systems	75	24	74	21
Other Audits	151	48	189	54
IT Audits	16	5	12	4
Corporate Governance / Risk Management	12	4	12	4
Joint Reviews and Shared Learning	10	3	5	1
Strategic Support*	43	13	47	13
Contingency and other	3	1	6	2
Carry forward work	5	2	5	1
Total allocated days	315	100%	350	100%

* This includes supporting the Audit Committee, monitoring delivery of the audit plan, client liaison and audit planning for 2022/23.

- 2.10 In order to retain flexibility in the internal audit plan and to ensure SIAS has the ability to respond to any changes in environment at the Council, further planning discussions will be held with Senior Managers prior to September 2021. These discussions will allow SIAS and Senior Managers to undertake a further risk assessment on the planned projects during the final two quarters of the year as well as discussing any changes in risk exposure, emerging or new areas of risk or project work and any amendments to governance arrangements. The results of these discussions will be brought to the Committee to approve any changes.
- 2.11 A list of reserve internal audits that will be considered as a substitute for an agreed planned review that is cancelled in-year is presented at Appendix B.
- 2.12 Any significant internal audit plan changes agreed between Management and SIAS will be brought before this committee for noting through the usual plan update reporting cycle.
- 2.13 Members will note the inclusion of a provision for the completion of projects that relate to 2020/21. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing draws on their time, e.g. year-end closure procedures.
- 2.14 The nature of assurance work is such that enough activity must have been completed in the financial year for the Head of Assurance to give an overall opinion on the Council's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

3. Performance Management

Update Reporting

- 3.1 SIAS is required to report its work to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. Progress against the agreed plan for 2021/22 and any proposed changes will be reported to this Committee four times in the 2021/22 civic year.
- 3.2 SIAS will report on the implementation of agreed high priority recommendations as part of the progress reporting process.

Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board and are reviewed annually by the Board. Details of the targets set for 2021/22 are shown in the table adjacent. Actual performance against target will be included in the progress reports to this Committee.

Performance Indicator	Performance Target
1. Planned Days (percentage of actual billable days against planned days)	95%
2. Planned Projects (percentage of projects completed to draft report against planned projects)	95%
3. Client Satisfaction (percentage of satisfaction questionnaires returned at satisfactory level)	100%
4. Agreed High Priority Audit Recommendations	95%
5. Annual Plan	Presented to the March (or equivalent) meeting of each Audit Committee.
6. Head of Assurance's Annual Report	Presented to the first meeting of the Audit Committee in the new financial year.

APPENDIX A – PROPOSED STEVENAGE BOROUGH COUNCIL INTERNAL AUDIT PLAN 2021/22

Audit Title / Risk	Proposed Scope	Reason for Inclusion	Officers	Days	Quarter
Financial System Audits					
Key Financial Systems	<p>Full or targeted audit of several key financial systems on a cyclical basis. Mapping the remaining key financial systems to confirm appropriate lines of assurance and to inform the annual assurance opinion i.e.</p> <ul style="list-style-type: none"> a) Council Tax b) Business Rates c) Cash & Banking d) Treasury Management e) Payroll f) Creditors g) Debtors h) Housing Benefits i) Housing Rents 	Provision to inform the key financial systems annual assurance opinion	Sponsor: Assistant Director – Finance and Estates	75	3 and 4
Other Audits					
Vehicle Workshop	<p>This is likely to include the effectiveness of internal control relating to:</p> <ul style="list-style-type: none"> a) Repairs of the Council's fleet b) Fleet management and renewal 	Management Request	Sponsor: Assistant Director – Stevenage Direct Services	10	2
Homelessness & Housing Advice	<p>The audit will provide assurance on compliance with policy for those presenting themselves to the Council as homeless. This is likely to include the effectiveness of internal control relating to:</p> <ul style="list-style-type: none"> a) Homeless strategy and rough sleeper policy b) Presentations and demand management 	Management Request – b/f from 2020/21	Sponsor: Assistant Director – Housing and Investment	10	4
Housing Allocations	The audit will provide assurance on the procedures for allocating housing stock to those	Management Request – b/f from 2020/21	Sponsor: Assistant Director – Housing and Investment	10	3

APPENDIX A – PROPOSED STEVENAGE BOROUGH COUNCIL INTERNAL AUDIT PLAN 2021/22

Audit Title / Risk	Proposed Scope	Reason for Inclusion	Officers	Days	Quarter
	<p>in housing need. Areas of coverage are likely to include the effectiveness of internal control relating to:</p> <ul style="list-style-type: none"> a) Applications to the housing register and prioritisation b) Allocation policy/procedures, including shortlisting and offer c) Mutual exchanges 				
Leaseholder Liability	The audit is likely to provide assurance on the effectiveness of internal control relating to the approach for levying and collecting any liability arising from works carried out to leaseholder property	Management Request – b/f from 2020/21	Sponsor: Assistant Director – Housing and Investment	10	4
Community Safety (SADA)	The audit will provide assurance on the Stevenage Against Domestic Abuse (SADA) initiative and associated commissioning arrangements. This is likely to include the effectiveness of internal control relating to:	Management request – b/f from 2020/21	Sponsor: Assistant Director – Communities and Neighbourhoods	10	2
Youth Council	A review of the effectiveness of internal control relating to procedures and safeguarding arrangements.	Management Request	Sponsor: Assistant Director – Communities and Neighbourhoods	6	1
COVID-19 Pandemic Response & Recovery	The audit is likely to include the effectiveness of internal control relating to:	Risk Register	Sponsor: Strategic Director, Corporate Services and Transformation	12	1
	<ul style="list-style-type: none"> a) Government grant applications and receipts b) Recovery planning and alignment to county level recovery 				

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Audit Title / Risk	Proposed Scope	Reason for Inclusion	Officers	Days	Quarter
	c) The Stevenage Outbreak Management Cell and Outbreak Management Plan				
Welfare Reform	The audit is likely to include the effectiveness of internal control relating to: a) Work to identify and work with tenants affected by welfare reforms b) The arrears action plan	Risk Register	Sponsor: Assistant Director – Housing and Investment	10	2
Health & Safety	The audit is likely to include the effectiveness of internal control relating to: a) Guidance for safe working practice in different operational settings b) Service self-audits against the H & S management framework c) Risks assessments accessibility and review process in place d) H & S training for all roles across the Council e) Audits on high and medium risk areas f) High-risk monitor reviewed by SHSG and HR Matters meetings	Risk Register	Sponsor: Assistant Director – Finance and Estates	10	1
Information Governance	The audit is likely to include the effectiveness of internal control relating to: a) Following up of previous internal audit work b) Mapping to confirm appropriate lines of assurance	Management Request	Sponsor: Assistant Director – Digital and Transformation	10	2
Council Housebuilding & Acquisitions Programme	The audit is likely to include the effectiveness of internal control relating to: a) Assistance to contractors during Coronavirus outbreak b) Grant Funding opportunities	Risk Register	Sponsor: Assistant Director – Housing Development	10	1

APPENDIX A – PROPOSED STEVENAGE BOROUGH COUNCIL INTERNAL AUDIT PLAN 2021/22

Audit Title / Risk	Proposed Scope	Reason for Inclusion	Officers	Days	Quarter
	c) Ongoing governance and review from Committee d) Ongoing pipeline for future development schemes				
Contract Management	The audit is likely to include the effectiveness of internal control relating to: a) Training and development for contract managers. b) Guidance for contract management around procurement and coronavirus. c) The Intend contract management module	Risk Register	Sponsor: Assistant Director – Housing Development	10	2
Capital Programme Development & Delivery	The audit is likely to include the effectiveness of internal control relating to: a) The capital programme funding review b) Locality disposals c) Identifying funding for the bus station to help enable SG1 to progress	Risk Register	Sponsor: Assistant Director – Finance and Estates	10	3
Housing Development Site (North Road)	An audit review of a specific development scheme (North Road) that has reached a key milestone. Focus on the effectiveness of processes that demonstrate benefits realisation.	Key Project	Sponsor: Assistant Director – Housing Development	10	1
Follow Up audits	Following up the status of recommendations reported at previous internal audits	Provision to follow up any Limited Assurance internal audits from 2020/21	To be determined	10	1 and 3
Risk Management and Corporate Governance					
Risk Management, Corporate Governance	Targeted audit or mapping the lines of assurance to inform the annual assurance opinion.	Provision to inform the annual assurance opinion	Sponsor: Strategic Director, Corporate Services and Transformation	15	4

APPENDIX A – PROPOSED STEVENAGE BOROUGH COUNCIL INTERNAL AUDIT PLAN 2021/22

Audit Title / Risk	Proposed Scope	Reason for Inclusion	Officers	Days	Quarter
IT Audits (in conjunction with East Herts Council)					
IT Resilience	Identify the mitigating actions in place and evaluate design and effectiveness. This is likely to include a review of: a) Adapting to planned or unplanned events b) Restoration of service level c) Risk management	Risk Register	Sponsor: Assistant Director – Digital and Transformation	6	4
Cyber Security Assurance Mapping	Mapping to confirm appropriate lines of assurance in relation to: a) Security management and governance b) Security awareness c) Network security management d) Account access	Risk Register	Sponsor: Assistant Director – Digital & Transformation	10	2

Title	Description	Days
Shared Learning and Joint Reviews		
Joint Reviews	Joint review topics to be agreed by the SIAS Board	6
Shared Learning	Production of SIAS Quarterly Shared Learning Papers	4
Contingency		
Client Management – Strategic Support		
Head of Internal Audit Opinion 2020/21	To prepare and agree the Head of Internal Audit Opinion 2020/21	3
Audit Committee	To provide service linked with the preparation, agreement and presentation of Committee reports. Follow up of High priority recommendations	8

APPENDIX A – PROPOSED STEVENAGE BOROUGH COUNCIL INTERNAL AUDIT PLAN 2021/22

Title	Description	Days
Client Meetings and ad-hoc advice	Meetings with the Council's S151 Officer and other key officers and attendance at corporate groups. External audit liaison. Advice on internal control issues identified by the SAFS	9
Plan Monitoring, Work Allocation and Scheduling	Audit Plan monitoring and reporting	12
SIAS Development/EQA	Included to reflect the Council's contribution to developing the partnership and the external quality assessment due in 2021/22	5
2022/23 Internal Audit Planning	Provision of services to prepare, agree and report the 2022/23 Annual Internal Audit Plan	6
Completion of outstanding 2020/21 projects	Completion of outstanding work from 2020/21	5

APPENDIX B – PROPOSED STEVENAGE BOROUGH COUNCIL INTERNAL AUDIT PLAN 2021/22 – RESERVE LIST

Provided below is a list of reserve internal audits that may be introduced, if required, into the plan during 2021/22:

Audit Title	Proposed Scope / Risk Areas	Officers	Days
Town Centre Regeneration - SG1	The audit is likely to include the effectiveness of internal control relating to: a) The governance and control framework. b) Reducing risk of construction delay and project budget protection	Sponsor: Assistant Director - Regeneration	To be determined prior to audit start
Allotments	The audit is likely to include the effectiveness of internal control relating to: a) Allotment provision and demand management. b) Revenue collection	Sponsor: Assistant Director – Stevenage Direct Services	
Delivery of HRA Business Plan	The audit is likely to include the effectiveness of internal control relating to; a) The arrears action plan. b) The review of service and support charges to tenants and leaseholders. c) The annual review of BP assumptions d) The monthly monitoring meetings e) The investment options review	Sponsor: Assistant Director – Housing and Investment	
Commercialisation	The audit is likely to include the effectiveness of internal control relating to: a) Action plan delivery b) Income generation / savings opportunities c) Capacity audit, culture & skills audit d) Associated recruitment	Sponsor: Assistant Director – Finance and Estates	
Building Maintenance GF Assets	The audit is likely to include the effectiveness of internal control relating to: a) Compliance audit of all GF assets	Sponsor: Assistant Director – Finance and Estates	

APPENDIX B – PROPOSED STEVENAGE BOROUGH COUNCIL INTERNAL AUDIT PLAN 2021/22 – RESERVE LIST

Audit Title	Proposed Scope / Risk Areas	Officers	Days
	b) Governance structure for the Corporate Landlord function c) the Strategic Plan		
Counter Fraud follow up	The follow up audit is likely to include the effectiveness of internal control relating to: a) Staff fraud awareness training b) Anti-fraud & corruption policy	Sponsor: Assistant Director – Finance and Estates	
Stevenage Leisure Ltd	The audit is likely to include the effectiveness of internal control relating to: a) The service continuity arrangements b) Set up arrangements	Sponsor: Assistant Director – Communities and Neighbourhoods	

APPENDIX C – INDICATIVE INTERNAL AUDIT START PERIODS

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Youth Council	Vehicle Workshop	Key Financial Systems	Key Financial Systems
COVID-19 Pandemic Response	Community Safety (SADA)	Housing Allocations	Homelessness & Housing Advice
Health & Safety	Welfare Reform	Audit Follow Up	Leaseholder Liability
Council Housebuilding & Acquisitions Programme	Information Governance	Capital Programme Delivery	Risk Management & Corporate Governance
Housing Development Site (North Road)	Cyber Security		IT Resilience
Audit Follow Up	Contract Management		