

**For publication**

**Chesterfield Borough Council**  
**Internal Audit Plan 2020/21**

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|--------------------|-----------------------------------|
| Meeting:           | Standards and Audit Committee     |
| Date:              | 22nd April 2020                   |
| Cabinet portfolio: | Governance                        |
| Report by:         | Internal Audit Consortium Manager |

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**For publication**

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**1.0 Purpose of report**

1.1 To present to Members for consideration and agreement the Internal Audit Plan for 2020/21.

**2.0 Recommendation**

2.1 That the Internal Audit Plan for 2020/21 be agreed.

2.2 That it be noted that the plan will need to be adjusted and prioritised in future months due to the impact of the Covid-19 virus.

**3.0 Report details**

3.1 A key requirement of the Public Sector Internal Audit Standards is that a periodic risk based plan should be prepared that is

sufficiently flexible to reflect the changing risks and priorities of the organisation. The risk based plan should be fixed for a period of no longer than one year, should outline the assignments to be carried out, their respective priorities and the estimated resources needed.

- 3.2 The internal audit plan is linked to the Council Plan in respect of its aim to provide value for money services and has recognised the Council's priorities as outlined in the Council Plan. Audit reviews assess the controls and procedures in operation and make recommendations for improvement.
- 3.3 A note explaining the role, purpose and some of the terminology used in the internal audit plan is attached at Appendix 1.
- 3.4 An annual report summarising the outcome of the 2019/20 internal audit plan will be presented to this Committee after the year-end.
- 3.5 **It should be noted that the plan has been prepared on the basis that full audit resource is available. At the time of writing this report the impact of the Covid-19 virus is unknown. In terms of the Internal Audit Consortium staff five out of ten staff fall into the vulnerable category and will be working at home until it is advised that it is safe for them to return to work, whilst every effort will be made to be fully productive this is going to prove difficult. At this time of crisis internal audit is not a priority service and managers focus is rightly on keeping critical services running. Over time, some of the internal audit team may be redeployed to assist in critical business risk areas.**
- 3.6 **There will potentially be a severe impact on the completion of the audit plan which will be kept under regular review. Where audits are possible then priority will be given to the high and medium risk areas. There may also be additional**

**internal audit work required in respect of the systems and controls in place during the crisis for example some verification of the grant payments made to businesses.**

- 3.7 A summary of the internal audit plan for 2020/21 is shown below and the detailed plan is shown as Appendix 2.

### **Internal Audit Plan 2020/21**

| <b>Summary</b>                         | <b>Audit Days</b> |
|--|-------------------|
| Main Financial Systems                 | 145               |
| Other Operational Audits               | 188               |
| Computer / IT Related                  | 30                |
| Fraud and Corruption                   | 3                 |
| Corporate / Cross Cutting / Governance | 104               |
| Location / Regularity                  | 5                 |
| Special Investigations & Contingency   | 30                |
| Updating test schedules                | 10                |
| Apprenticeships / Training             | 30                |
| Audit Committee / Client Liaison       | 15                |
| <b>Grand Total</b>                     | <b>560</b>        |

- 3.8 The plan has been prepared taking into account the following factors:-
- The organisational objectives and priorities;
  - Local and national issues and risks;
  - The requirement to produce an annual internal audit opinion;
  - The organisations assurance framework;
  - An update of the internal audit risk assessment exercise covering the financial control and other procedures subject to audit ;
  - The Council's strategic risk register;
  - Consultation with the Corporate Management Team;

- Review of other authorities' audit plans.
- 3.9 Resource availability has been based on the Consortium Business Plan. The plan allocates 560 days to Chesterfield Borough Council for 2020/21, this is the same allocation as in 2019/20.
- 3.10 The internal audit plan will be regularly reviewed. The audit plan is designed to provide assurance that the significant risks identified as part of the risk assessment process are being managed effectively. If additional risks are identified and / or there are changes to priorities during the year the plan will be reconsidered. Any significant changes to the plan will be reported back to the Standards and Audit Committee for approval.
- 3.11 A copy of the audit plan is provided to the Council's external auditor to assist in co-ordination of work programmes.
- 3.12 Risk Management Issues – no formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidence-based opinion on internal controls. The level of coverage provided by the proposed 2020/21 internal audit plan will be sufficient upon which to base an opinion.
- 3.13 Financial – The internal audit budget for 2020/21 has been approved by the Joint Board and includes a contingency to cover any unforeseen circumstances.
- 3.14 Legal Issues – The core work of internal audit is derived from the statutory responsibility under the Accounts and Audit Regulations 2015 which requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account public sector internal auditing standards or guidance”.

4.0 **Alternative options and reason for rejection**

4.1 Not Applicable

5.0 **Recommendations**

5.1 That the Internal Audit Plan for 2020/21 be agreed.

5.2 That it be noted that the plan will need to be adjusted and prioritised in future months due to the impact of the Covid-19 virus.

6.0 **Reasons for recommendations**

6.1 To comply with the Public Sector Internal Audit Standards and to determine the internal audit work plan for the year.

## Decision information

|   |  |
|---|--|
| <b>Key decision number</b>              | N/A  |
| <b>Wards affected</b>                   | All  |
| <b>Links to Council Plan priorities</b> | This report links to the Council's priority to provide value for money services. |

## Document information

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|---|---|
| <b>Report author</b>  | <b>Contact number/email</b>   |
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| <b>Background documents</b><br>These are unpublished works which have been relied on to a material extent when the report was prepared. |   |
| <b>Appendices to the report</b>   |   |
| Appendix A  | Background Note   |
| Appendix B  | CBC Internal Audit Plan 2018/19 – 2020/21   |

**INTERNAL AUDIT PLAN**

**BACKGROUND NOTE**

1. **Definition of Internal Audit**

Internal Audit is defined in the Public Sector Internal Audit Standards as:

'... 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".

2. **The Purpose of Internal Audit**

Internal audit is not a substitute for management. It is the purpose of internal audit to assist and support management by appraising the arrangements and procedures established.

There is also a statutory requirement for internal audit in local government contained in The Accounts and Audit Regulations 2015. These regulations require the authority to maintain an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account public sector internal auditing standards and guidance.

3. **The Difference Between Internal Audit and External Audit**

External audit is completely independent of the authority. Much of the external auditors' work is determined by statutory responsibilities. Internal audit's terms of reference are defined in the internal audit charter that has been approved by the Standards and Audit Committee.

However, there is nevertheless scope for co-operation to avoid duplication of work and to make maximum use of audit resources.

4. **The Scope of Internal Audit Work**

One of the essential elements for effective internal auditing is that the internal auditor should adequately plan, control and record their work.

To determine priorities and to assist in the direction and control of audit work the internal auditor will prepare a plan based on a risk assessment.

The audit plan is divided into the following sections: -

- **Main Financial Systems**  
This covers the fundamental accounting and income collection systems of the authority such as payroll, creditor payments, council tax etc. Most of these systems are reviewed on an annual basis due to their importance.
- **Other Operational Audits**  
Audits to be undertaken in services include reviewing the controls and procedures in place in areas such as leisure centres and the crematorium.
- **IT Related**  
Topics in this area of the plan include a review of network security and disposal of IT equipment etc. It should be noted that some IT work is included in most of the audit areas reviewed.
- **Fraud and Corruption**  
Audits specifically related to the prevention of fraud and corruption are covered in this area of the plan e.g. a review of the anti- fraud bribery and corruption strategy. It should be noted that a significant number of other audits include an anti-fraud element e.g. income audits.
- **Cross Cutting Issues / Governance and Ethics**  
This area of the plan includes audit subjects that cover all services or are corporate Issues. The governance framework comprises the systems and processes, and culture and values, by which the organisation is directed and controlled. Examples include work on the Annual Governance Statement, climate change, and ethics.
- **Special Investigations**  
A contingency provision is included in the plan to cover the investigation of irregularities or cases of suspected fraud and other problems.

## 5. Delivering the Internal Audit Service

The strategic audit plan is compiled based on an internal audit risk assessment of auditable areas. This risk assessment takes into account the following factors:

- Materiality – the amount of funds passing through the system
- Control Environment / vulnerability – assessed level of control based on previous audit findings
- Sensitivity – profile of the system in relation to customer service
- Management concerns – any specific issues relating to the operation of the system
- The Council's Strategic Risk Register
- The Council's objectives within the Council plan

Using a scoring system, audits are then categorised as High, Medium or Low risk. This ranking is then used to compile the annual audit plan. The areas of audit work set out in the agreed plan are split into individual audit assignments.

An audit assignment can involve:

- preparation of system notes and a review/analysis of system controls;
- extraction of background information;
- extraction and testing of sample transactions and controls;
- notes of interviews and meetings.

All work undertaken is recorded on detailed working papers. To ensure that all areas have been covered and appropriate conclusions reached, all working papers are independently reviewed.

A report on the findings and recommendations arising from the audit is sent to the appropriate Service Head and CMT member at the conclusion of the audit. A response to the recommendations is requested within a set time.

A summary of internal audit reports issued each quarter is reported to the Standards and Audit Committee and an Annual Report is submitted after the end of the year detailing the outcome of the audits completed.

## Chesterfield Borough Council Internal Audit Plan

| Priority |   | 2018/19<br>Actual<br>Days | 2019/20<br>Actual<br>Days | 2020/21<br>Draft<br>Days | Risk Factor  |
|----------|---|---------------------------|---------------------------|--------------------------|--|
|          | <b>Main Financial Systems</b>               |                           |                           |                          |  |
| M        | Main Accounting and Budgetary Control       | 12                        | 12                        | 0                        | The Council's accounts cannot be produced/ reputational damage / no control over spending (Corporate Risk 1) |
| M        | CIPFA Financial Management Code of Practice | 0                         | 0                         | 10                       | Lack of financial resilience (Corporate Risk 1)  |
| M        | Bank Reconciliation                         | 7                         | 0                         | 0                        | A Fraud may go undetected or system failures   |
| H        | Payroll                                     | 20                        | 25                        | 20                       | Staff are paid incorrectly/ ghost employees created (Corporate Risk 11)                                      |
| H        | Creditor Payments (Accounts Payable)        | 25                        | 25                        | 25                       | Duplicate/ fraudulent payments (Corporate Risk 11)   |
| M        | Debtors (Accounts Receivable)               | 15                        | 15                        | 0                        | Loss of income (Corporate Risk 11)   |
| M        | Treasury Management – Loans and investments | 5                         | 15                        | 0                        | Poor investment decisions / fraud  |
| M        | Cash and Banking                            | 8                         | 15                        | 15                       | Loss of income / theft (Corporate Risk 11)   |
| M        | Council Tax                                 | 20                        | 15                        | 15                       | Loss of income / fraud (Corporate Risk 11)   |
| M        | Non Domestic Rates                          | 15                        | 15                        | 0                        | Loss of income / fraud (Corporate Risk 11)   |

| Priority |   | 2018/19<br>Actual<br>Days | 2019/20<br>Actual<br>Days | 2020/21<br>Draft<br>Days | Risk Factor  |
|----------|---|---------------------------|---------------------------|--------------------------|--|
| H        | Housing / Council Tax Benefits                        | 21                        | 21                        | 20                       | Reputation damage / fraud<br>(Corporate Risk 11)             |
| H        | Housing Rents including Universal credit implications | 20                        | 20                        | 20                       | Loss of income / Fraud<br>(Corporate Risk 11)                |
| M        | Housing Repairs – Capital                             | 10                        | 10                        | 0                        | Reputational damage / poor workmanship                       |
| M        | Housing Repairs – Revenue                             | 20                        | 0                         | 20                       | Reputational damage / poor workmanship                       |
|          | <b>Total</b>  | 198                       | 188                       | 145                      |  |
|          | <b>Other Operational Audits</b>                       |                           |                           |                          | <b>Risk Factor</b>   |
|          |   |                           |                           |                          |  |
| N/A      | Brimington Parish Council                             | 5                         | 5                         | 5                        | Accounts may be incorrect                                    |
| M        | Car Parks Income                                      | 0                         | 25                        | 0                        | Income loss, theft   |
| M        | Careline  | 12                        | 0                         | 0                        | Reputational damage  |
| L        | CCTV  | 0                         | 0                         | 0                        | Reputational damage  |
| L        | Cemeteries  | 0                         | 10                        | 0                        | Loss of income, reputational damage                          |
| M        | Choice Based Lettings                                 | 0                         | 0                         | 10                       | Loss of income, reputational damage                          |
| M        | Committee Report Process                              | 0                         | 0                         | 10                       | Lack of transparency, reputation                             |
| L        | Community Safety (cfwd from 19/20)                    | 0                         | 10                        | 10                       | Public Safety  |
| L        | Commercial Catering/ Market Hall                      | 6                         | 0                         | 0                        | Reputational damage  |
| N/A      | Contract final accounts                               | 5                         | 5                         | 5                        | Poor contract management, fraud                              |
| M        | Data Protection / FOI                                 | 0                         | 20                        | 0                        | Reputational damage, financial penalties (Corporate Risk 8a) |
| L        | Disabled Facilities Grants                            | 12                        | 0                         | 0                        | Fraud, poor VFM  |

| Priority |                                     | 2018/19<br>Actual<br>Days | 2019/20<br>Actual<br>Days | 2020/21<br>Draft<br>Days | Risk Factor  |
|----------|-------------------------------------|---------------------------|---------------------------|--------------------------|--|
| M        | Food Hygiene                        | 0                         | 10                        | 0                        | Reputational Damage, Public Health                                 |
| M        | Healthy Living Centre               | 20                        | 0                         | 15                       | Loss of income, theft  |
| L        | Innovation Centres                  | 0                         | 12                        | 0                        | Poor management – reputational damage, loss of income              |
| M        | Insurance                           | 12                        | 0                         | 0                        | High premiums, fraudulent claims                                   |
| H        | Joint Crematorium                   | 12                        | 12                        | 12                       | Reputational damage  |
| L        | Local Searches                      | 0                         | 8                         | 0                        | Loss of income, reputational damage                                |
| M        | Markets                             | 12                        | 0                         | 12                       | Loss of income, theft  |
| L        | Museum / Revolution House           | 0                         | 6                         | 0                        | Loss of income, artefacts  |
| M        | OSD Commercial Works                | 10                        | 0                         | 0                        | Fails to make a profit, reputational damage (Corporate Risk 2)     |
| L        | Outdoor facilities                  | 12                        | 5                         | 0                        | Loss of income, theft  |
| L        | Pavements / Vicar Lane Income       | 0                         | 5                         | 0                        | Loss of income   |
| L        | Pest Control                        | 0                         | 8                         | 0                        | Loss of income   |
| H        | PPP Client Monitoring Procedures    | 5                         | 5                         | 5                        | Poor contract management (Corporate Risk 9)                        |
| M        | Property Compliance Audit           | 15                        | 10                        | 0                        | Health and safety risk (Corporate Risk 6)                          |
| M        | Property Repairs – non housing      | 0                         | 0                         | 12                       | Assets not fit for purpose, no budget to repair (Corporate Risk 1) |
| M        | Queens Park Sports Centre           | 25                        | 0                         | 20                       | Loss of income , theft   |
| L        | Rechargeable Repairs / leaseholders | 12*                       | 0                         | 10                       | Loss of income   |

| Priority |                                       | 2018/19<br>Actual<br>Days | 2019/20<br>Actual<br>Days | 2020/21<br>Draft<br>Days | Risk Factor  |
|----------|---------------------------------------|---------------------------|---------------------------|--------------------------|--|
| L        | Recruitment and Selection             | 0                         | 10                        | 0                        | Fraud, poor procedures, poor or unfair decisions         |
| L        | Refuse Collection – Domestic          | 0                         | 0                         | 10                       | Reputational damage                                      |
| M        | Sale of Council Houses (Right to Buy) | 0                         | 0                         | 10                       | Fraud  |
| M        | Section 106/CIL Follow up             | 0                         | 0                         | 12                       | Income Loss, fraud, failure to provide projects          |
| L        | Spirepride / Grounds Maintenance      | 15                        | 0                         | 0                        | Reputational damage                                      |
| L        | Stores                                | 0                         | 0                         | 10                       | Poor stock control – fraud, inefficiencies               |
| M        | Taxi Licences                         | 0                         | 0                         | 12                       | Loss of income , safeguarding issues (Corporate Risk 13) |
| L        | VAT                                   | 0                         | 0                         | 8                        | Heavy fines  |
| M        | Venues                                | 0                         | 30                        | 0                        | Loss of income , theft                                   |
|          |                                       |                           |                           |                          |  |
|          | <b>Total</b>                          | 190                       | 196                       | 188                      |  |
|          |                                       |                           |                           |                          |  |
|          |                                       |                           |                           |                          |  |
|          | <b>Computer and IT Related</b>        |                           |                           |                          | <b>Risk Factor</b>                                       |
| H        | Cyber risks/Network Security          | 0                         | 0                         | 15                       | Attack on Council's network (Corporate Risk 8b)          |
| M        | Inventory / disposal of equipment     | 0                         | 0                         | 10                       | Lack of data security, theft                             |
| H        | IT Improvement Programme              | 0                         | 15                        | 0                        | IT failure (Corporate Risk 2 & 4)                        |
| M        | Laptops / removable media             | 15                        | 0                         | 0                        | Data breach , loss of equipment                          |
| L        | Members IT equipment / phones         | 0                         | 10                        | 0                        | Data breaches, loss of equipment                         |
| M        | New system review / system upgrades   | 15                        | 0                         | 5                        | Failure to test properly before implementation           |
| M        | Social Media                          | 10                        | 0                         | 0                        | Reputational damage                                      |

| Priority |   | 2018/19<br>Actual<br>Days | 2019/20<br>Actual<br>Days | 2020/21<br>Draft<br>Days | Risk Factor   |
|----------|---|---------------------------|---------------------------|--------------------------|---|
|          |   |                           |                           |                          |   |
|          | <b>Total</b>  | 40                        | 25                        | <b>30</b>                |   |
|          |   |                           |                           |                          |   |
|          | <b>Cross Cutting Issues</b>                               |                           |                           |                          |   |
| N/A      | Corporate Governance and Annual Governance Statement      | 20                        | 20                        | <b>18</b>                | Poor Governance, reputational damage  |
| L        | Business Continuity Planning                              | 0                         | 0                         | <b>12</b>                | Health and Safety issues, reputational damage (Corporate Risk 5)                  |
| H        | Climate Change  | 0                         | 0                         | <b>5</b>                 | Reputation, failure to implement Council Plan                                     |
| M        | Ethical Governance  | 0                         | 0                         | <b>12</b>                | Reputation, lack of transparency  |
| N/A      | Financial Advice / Working Groups/Transformation Projects | 25                        | 25                        | <b>25</b>                | Appropriate controls not in place (Corporate Risk 2)                              |
| M        | Performance Management, Corporate Targets                 | 0                         | 0                         | <b>0</b>                 | Poor Governance   |
| M        | Projects e.g. economic development, Town Hall restack     | 0                         | 0                         | <b>20</b>                | Reputation, Value for Money   |
| M        | Health and Safety   | 0                         | 14                        | <b>0</b>                 | Risk of injury or death, reputational damage (Corporate Risk 6)                   |
| M        | Risk Management   | 0                         | 5                         | <b>0</b>                 | Failure to identify and mitigate risks  |
| M        | Safeguarding  | 0                         | 0                         | <b>12</b>                | Reputational damage, safety of vulnerable children and adults (Corporate Risk 13) |
| M        | Sheffield City Region Projects and grants/loans (CBC)     | 10                        | 0                         | <b>0</b>                 | Lack of transparency, poor spending decisions (Corporate Risk 2)                  |

| Priority |  | 2018/19<br>Actual<br>Days | 2019/20<br>Actual<br>Days | 2020/21<br>Draft<br>Days | Risk Factor   |
|----------|--|---------------------------|---------------------------|--------------------------|---|
| L        | Sickness absence                             | 12                        | 0                         | 0                        | Reputational damage and financial loss, poor morale                       |
|          |  |                           |                           |                          |   |
|          | <b>Total</b>                                 | 67                        | 64                        | 104                      |   |
|          |  |                           |                           |                          |   |
|          | <b>Fraud and Corruption</b>                  |                           |                           |                          |   |
| N/A      | Anti-Fraud , Bribery and Corruption Strategy | 5                         | 0                         | 3                        | Fraud, poor culture   |
| N/A      | National Fraud Initiative                    | 0                         | 5                         | 0                        | Fraud   |
| H        | Procurement                                  | 0                         | 15                        | 0                        | Fraud, poor value for money, non- compliance with OJEU (Corporate Risk 9) |
| L        | Register of Gifts and Hospitality            | 0                         | 7                         | 0                        | Bribery, fraud  |
|          |  |                           |                           |                          |   |
|          | <b>Total</b>                                 | 5                         | 27                        | 3                        |   |
|          |  |                           |                           |                          |   |
|          | <b>Location / Regularity</b>                 |                           |                           |                          |   |
| L        | Petty Cash                                   | 5                         | 5                         | 5                        | Theft   |
|          |  |                           |                           |                          |   |
|          | <b>Total</b>                                 | 5                         | 5                         | 5                        |   |
|          |  |                           |                           |                          |   |
| N/A      | Special Investigations/Contingency           | 30                        | 30                        | 30                       | Theft, fraud  |
| N/A      | Apprenticeship / training                    | 0                         | 0                         | 30                       |   |
| N/A      | Updates/review of test schedules             | 10                        | 10                        | 10                       | Current risks not assessed  |
| N/A      | Audit Committee / Client Officer Liaison     | 15                        | 15                        | 15                       | Non- compliance with PSIAS  |
|          |  |                           |                           |                          |   |
|          | <b>Planned Total Days</b>                    | 560                       | 560                       | 560                      |   |
|          |  |                           |                           |                          |   |