

Draft Audit Plan - Melton Borough Council – 2013/14

Summary – Allocation of Days

Risk Category	Days Allocated	Percentage of Days
Non- Audit Time	15	6%
Financial Risks	60	26%
IT Risks	25	11%
Fraud Risks	30	13%
Governance Risks	55	23%
Service Delivery Risks	50	21%
TOTAL	235	100%

Commissioned Days			235
Chargeable non-auditing time (Committee reports and attendance; follow up of recommendations; client liaison; liaison with External Audit)			15
Time available for planned audit work			220
Risk Category	Proposed Audits	Rationale	
Financial Risks	Allocation of Days		60
<p>New External Audit regime: it is no longer assumed that internal audit will review all key financial systems annually to provide assurance on a specified range of key controls.</p> <p>New Standards require focus on the provision of assurance about risks designated by clients. In 2013/14 there will be significant changes to major</p>	Specific External Audit Requests – assurance on the operation of <30 specific controls	Minimise time spent by PwC on routine testing. Good value for money in light of respective hourly rates of the Consortium and PwC.	
	Financial Management	Looking at capacity of managers to develop budgets properly; to monitor and manage finances to stay within budget; and to identify options to reduce costs of service delivery.	
	Ordering Goods& Services	Issues identified by S151 Officer in respect of good financial administration where assurance and reinforcement can be delivered through two brief, focussed audits.	
	Cash Handling		
	New Benefit Arrangements	Need for early assurance about locally prescribed arrangements: budgetary control; consistent application of discretion; issues of avoidance; collection of small sums billed.	
	New Local Tax Arrangements		

Risk Category	Proposed Audits	Rationale	
IT Risks	Allocation of Days		25
<p>IT supports and enables the overwhelming majority of the services the Council delivers. High volumes of personal or business sensitive data used and stored.</p> <p>Nature of assurance required makes it appropriate to carry out cross-cutting audits supported by a specialist ICT audit contractor rather than attempting to include ICT risks within specific operational audits.</p>	Disaster Recovery; IT Business Continuity; Data Backup	Identified during ICT audit needs assessment carried out in October 2012 with input from ICT Client Manager	
	New Projects; Project Methodology. Assignment to be designed to focus on the IT aspects of the Transformation Programme		
	NTA Review	NTA is commissioned by ICT to prove compliance with Government Standards. Role of IA is to translate technical reports/recommendations into something client management can work with.	

Risk Category	Proposed Audits	Rationale	
Fraud Risks	Allocation of Days		30
<p>New LG Fraud Strategy requires the Council to “acknowledge” that it is exposed to the risk of fraud and to identify instances where local circumstances increase the relative exposure to different types of fraud.</p> <p>National Fraud Initiative data matching identifies high volumes of “suspect” transactions, many relating to key financial systems, and the National Fraud Authority has published assertions about the Council’s estimated annual fraud losses which the Strategy requires us to challenge.</p> <p>Establishment of Single Fraud Investigation Service will reduce control over “in-house” specialist investigators. This means that it is important to make best use of available resources - hence the consultancy exercise relating to NFI.</p>	Consultancy – Managing NFI	Recent experience suggests that the Council is not achieving a return from the NFI exercises proportionate to the staff time involved. Given that there remains a statutory requirement to continue to support NFI, work across the Welland sites to identify more efficient working practices might be of benefit.	
	Provision of Grants for Private Housing	Head of Regulatory Services has identified a need for assurance about relatively high volume of Government-funded grants being processed over a relatively short time scale. This is an example of management identifying local factors impacting upon the Council’s fraud risk exposure.	
	Procurement Fraud Risks	<p>NFA asserts that this is the area of the Council’s greatest exposure to fraud (£130-220,000).</p> <p>It is anticipated that the assignment will involve sharing of information and best practice across the Welland sites</p>	
	Tenancy Fraud Risk	NFA asserts that the Council had a significant exposure to Tenancy Fraud (£300k to £400k) and this is an area small enough to allow for clarity as to true level of fraud exposure.	
	Local Tax Risks	NFA asserts that the Council had a significant exposure to CT Fraud (£100k to £160k). From 1/4/13 technical reforms may introduce scope for fraud around vacant properties and second homes.	
	Recruitment Fraud Risks	NFA asserts that fraud loss for the Council associated with Payroll is around £10,000. An area where assurance should be deliverable within a limited budget.	

Risk Category	Proposed Audits	Rationale	
Governance Risks	Allocation of Days		55
<p>Governance risks relate, primarily, to the Council's internal arrangements and to its capacity to deliver services to customers while complying with all relevant statutory and regulatory requirements; demonstrating value for money; and maintaining appropriate standards of governance and accountability.</p> <p>The assignments identified address the issues of:</p> <ul style="list-style-type: none"> • Developing capacity; • Legislative compliance; • Value for money; and • Accountability. 	Transformation Programme	<p>Identified by Strategic Director as a complex initiative of critical importance to the Council's capacity to deliver in future. Issues raised include risk management and project management. Initial discussions suggest that it might appropriate to commission a range of linked assignments as the Programme passes milestones.</p>	
	Data Management – Retention, Protection & Disposal	<p>Issues around control and management of data whether held in e or paper format.</p> <p>Note that Information Commissioner has levied penalties in range £60-£90k for breaches involving paper format data.</p> <p>A similar assignment is likely to be undertaken at other Welland sites.</p>	
	Managing Contracts – including maintenance of Contracts Register	Corporate Risk Register - supported by S151 Officer	
	Individual Elector Registration	<p>Radical change to the way that the Electoral Register is produced.</p> <p>Assurance around risks of: failure to identify and record all eligible voters; and potential electoral fraud</p> <p>A similar assignment will be undertaken at other Welland sites.</p>	

Risk Category	Proposed Audits	Rationale	
Service Delivery Risks	Allocation of Days		50
Service delivery risks can relate to the impact of failures of control on customers; on the finances of the Council; or on partners engaged in joint provision of local services. The proposed audits address all of those risks.	Waste & Recycling Service	Head of Regulatory Services has identified a need for assurance about the proper analysis and recording of waste collected and recycled. Given scale of cash flows involved, mis-statement might have a material impact on the finances of the Council.	
	Housing Allocations – New Tenancy Arrangements	Both the Strategic Director and the Head of C&N have raised the need for assurance around new tenancy arrangements	
	Economic Development – support for local business	Strategic Director has identified issues around development of a more active role. Management Team identified the value likely to delivered through a pro-active exercise designed to give about protocols developed to manage new risks	
	Supporting Leicestershire Families (Troubled Families)	Identified by the Head of C&N: extension of an existing county-wide initiative to work with a more sensitive client group.	