



Internal Audit Plan
2016 / 17
MELTON BOROUGH COUNCIL



Head of Internal Audit: Rachel Ashley-Caunt

INTERNAL AUDIT PLAN 2016/17

1. Introduction

- 1.1 This report sets out the proposed work of Internal Audit at Melton Borough Council for 2016/17 for review and approval by the Governance Committee.
- 1.2 Internal Audit provides independent assurance designed to add value and support the Council in achieving its priorities and objectives. To deliver this, Melton Borough Council commissions 235 days from the Welland Internal Audit Consortium on an annual basis.
- 1.3 The provision of assurance services is the primary role for Internal Audit in the UK public sector. This role requires the Head of Internal Audit to provide an annual Internal Audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 1.4 Internal Audit also provide consultancy services which are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.
- 1.5 In setting the annual Audit Plan, the Public Sector Internal Audit Standards require:
- The audit plan should be developed taking into account the organisation's risk management framework and based upon a risk assessment process undertaken with senior management and the Audit Committee;
 - The audit plan should be reviewed and approved by an effective and engaged Audit Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
 - The Head of Internal Audit should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.

2. The Audit Plan

- 2.1 The Audit Plan is designed to support the provision of the annual Head of Internal Audit Opinion. The basis for forming this opinion is as follows:
- An assessment of the design and operation of the underpinning Governance, Assurance and Risk Frameworks and supporting processes; and
 - An assessment of the range of individual opinions arising from the risk based assignments, which will be reported throughout the year.
- 2.2 In forming this opinion, the Head of Internal Audit can also consider other appropriate sources of assurance available. As such, in developing the Audit Plan, any other potential sources of assurance in relation to the identified risks have been considered and work will be aligned with other assurance providers to ensure the Internal Audit resource is focused upon areas where value can be added and the use of all assurances is maximised.

3. Planning Process

3.1 In order to ensure that the Audit Plan for 2016/17 addresses the Council's key risks and adds value, the Head of Internal Audit has identified and prioritised the areas for coverage by:

- Reviewing the Council's Risk Registers and Corporate Plan;
- Analysing coverage of Internal Audit reviews over the last four years and the assurance opinions provided following each review, to identify any assurance gaps or areas where follow up work would be of value;
- Identifying any other sources of assurance for each of the Council's key risks, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
- Identifying any areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last four years;
- Workshop with the Governance Committee to discuss the planning process and areas where Members require assurances from Internal Audit during 2016/17; and
- Meeting with members of Management Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

3.2 The process has also incorporated consideration of potential audits which can be undertaken by drawing upon similar emerging themes from the Councils within the Welland Internal Audit Consortium.

3.3 Following this consultation and review, a Draft Internal Audit Plan has been compiled and is provided in Table 1. Also provided, in Table 2, is a reserve list of audit assignments which were considered for inclusion in the plan but, following consultation with management, it has been agreed that these are lower risk or would be of greater value in 2017/18. If the risk environment changes during 2015/16, the Audit Plan can be amended and these assignments can be re-assessed for possible coverage.

3.4 The draft Audit Plan includes assignments required for the Internal Audit opinion, Management Team priority requests and areas where the committee requires assurance. However, in order to deliver all of the Management Team and committee proposals this will require 15 more days than the annual 235 days which have been commissioned and therefore there will need to be an additional charge if all assignments are to be delivered. The additional days would cost £300 per day. All efforts would be made to make use of savings on other assignments, where possible, to reduce the additional requirements.

3.5 The Audit Plan covers the two key component roles of Internal Audit:

- The provision of an independent and objective opinion to the Section 151 Officer/ Head of Central Services and the Governance Committee on the degree to which risk management, control and governance support the achievement of Council objectives; and

- The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.

3.6 In order to ensure the Audit Plan addresses the Council's key risks and that the service is able to respond to any in year changes to the organisation's business, risks, operations, programs or systems, it is vital that the content of the Plan be subject to ongoing review throughout the financial year. To enable the service to be responsive and ensure all audit resources are used effectively and add maximum value, it is recommended that arrangements be agreed to allow changes to the Plan to be made between Governance Committee meetings, involving consultation between the Head of Internal Audit, the S151 Officer and the political groups' nominated consultees for the Governance Committee.

4 Resources

4.1 The Welland Internal Audit Consortium provides the Internal Audit function for five local authorities (Melton Borough Council, Harborough District Council, East Northamptonshire Council, Corby Borough Council and Rutland County Council).

4.2 Since August 2014, the Head of Internal Audit has been provided by LGSS (Local Government Shared Services) under a management arrangement with the Consortium. This provides the Consortium with additional resilience and the benefit of shared practice and experience from the wider LGSS client base. This arrangement is formally agreed until 31st March 2017.

4.3 The audit assignments for all of the Welland authorities are delivered by a team of audit staff including a mix of highly regarded professional qualifications (including ACCA, CIPFA and IIA) and extensive experience in the public and private sector. In the last twelve months the Consortium has established a Trainee Auditor post to develop and train new audit staff and recruitment to this post is currently underway. One existing member of the team is also due to undertake final stage exams in 2016 for the Institute of Internal Auditors (IIA). Absences and resource gaps/vacancies are currently filled by buying in external resources, mostly through the Consortium's connections with LGSS. The current vacancies will be reviewed during 2016/17 and the best way in which to fill these will be discussed with the Consortium Board.

4.4 Efforts are constantly made to ensure all clients benefit from the shared service arrangement. This includes achieving efficiencies in delivering assignments, sharing of knowledge and experience and opportunities to deliver cross-cutting reviews.

4.5 On an annual basis, the Head of Internal Audit completes a self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards. In doing so, the Head of Internal Audit must consider whether the resource base and mix is adequate and would highlight to the S151 officer and Members if there were any concerns that the resources in place could not provide the required coverage to inform the annual Assurance Opinion.

Table 1: Draft Internal Audit Plan 2016/17

Assurance Area	Audit Assignment and Potential Coverage	Proposed days	Planned Quarter
Finance	Financial Systems Key Controls Annual review of key controls in the financial systems – testing upon which the external auditors can place reliance.	15	4
	Fixed Assets To provide assurance over the completeness of the Council’s fixed asset records and the verification of these assets.	8	4
	Treasury Management To provide assurance that the Treasury Management function is conducted in line with statutory and regulatory requirements and best practice guidance so that investments are appropriately safeguarded and transactions and records are complete, accurate and timely.	7	3
Governance & Counter Fraud	Counter Fraud and Ethics Arrangements Review of the Council's counter fraud arrangements and compliance with best practice in relation to fraud prevention and detection. To review Whistleblowing procedures and effectiveness of the Whistleblowing policy.	10	1
	Money Laundering Provision of training for staff and review of policy/procedures for compliance with best practice.	3	1
	Contract Procedure Rules Compliance To provide assurance over compliance with the Council’s procurement rules. To review a sample of procurements for evidence of compliance.	10	3
Service Delivery & Best Value	Transformation Programme Support and independent challenge to the Council's Transformation Programme.	10	TBA
	Fees & Charges To provide assurance that fees and charges made by the Council are appropriate and subject to regular review. To review whether statutory fees are in accordance with specified values and whether discretionary fees are set on a fair, transparent basis which ensures cost recovery. To specifically include taxi licensing fees.	15	1
	Staff Development and Training Effectiveness To provide assurance over the effective use of training budgets for staff and how these support the Council's performance development appraisal process.	12	2
	Post Handling Arrangements To provide assurance over security arrangements and audit trails for post receipting and collection.	7	1

Assurance Area	Audit Assignment and Potential Coverage	Proposed days	Planned Quarter
	Disclosure & Barring Service To provide assurance that appropriate use is being made of the Disclosure and Barring Service for relevant posts and the issuing of taxi/private hire licenses.	15	2
	Grounds and Environmental Asset Maintenance To provide assurance over the maintenance/renewal programme for environmental assets.	15	3
	CCTV To provide assurance over the management of the CCTV systems to ensure legal requirements, policies and standards are complied with in practice.	12	1
	S106 Agreements To provide assurance over the processes in place for the management of s.106 agreements including the collection of income, monitoring of expenditure within timeframes and ensuring all agreements are detailed accurately and in full in a central record.	10	TBA
	Housing Options/Homelessness Strategy To provide assurance that there are adequate processes and controls in place to ensure that housing and homelessness applications are treated in accordance with established local policies and national legislation.	15	2
	Out of Hours Standby Service Given the functions of the Council, services may need to be delivered outside normal office hours to carry out statutory duties or respond to emergency situations. To provide assurance over the new systems introduced in 2015/16.	15	2
Projects	Leisure Vision To provide independent assurance over the management of this key project – could include assurance over time and cost management, governance and decision making, value for money and quality management.	15	1
	Support to Melton Borough Council - to include Committee meeting preparation and attendance, Committee liaison and development, senior management support and engagement, Annual Report and Assurance Opinion, work with External Auditors, queries and ad-hoc support, support on National Fraud Initiative and Annual Governance Statement, strategic management, development of the annual Audit Plan.	35	
	Management of the Welland Internal Audit Consortium – to include Joint Committee work and attendance, Consortium Board reporting and attendance, development and training of the Internal Audit team, staff supervision and appraisals, budget monitoring.	21	
	Total Days	250	

Table 2: Reserve list 2016/17

Audit Assignment	Assurance provided	Days
Job Evaluations	To provide assurance over the job evaluation process and the controls in place to ensure this is fair, transparent and in accordance with Council policy and procedure.	12
Inventories	To provide assurance over the level of compliance with established Financial Regulations and operational procedures for the maintenance of inventory records. Inventory records should be held for all equipment that has operational value but is unlikely to be included in the Asset Register due to de minimus accounting principles.	10
Data Management	To provide assurance over the Council's procedures and controls to ensure data is held, processed and disposed of in a secure manner and in compliance with the Data Protection Act.	15
Disabled Facilities Grants	To provide assurance over the administration, procurement and delivery of Disabled Facilities Grants.	15