



Internal Audit Plan
2017 / 18
MELTON BOROUGH COUNCIL



Head of Internal Audit: Rachel Ashley-Caunt

INTERNAL AUDIT PLAN 2017 / 18

1. Introduction

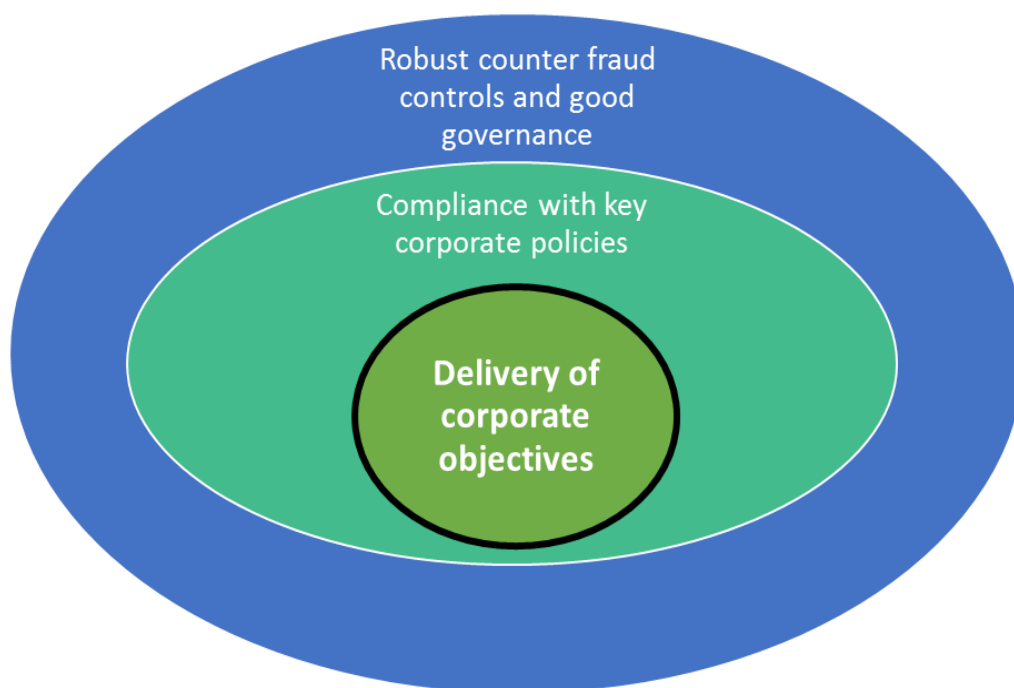
- 1.1 This report sets out the proposed work of Internal Audit at Melton Borough Council for 2017/18 for review and approval by the Governance Committee.
- 1.2 Internal Audit provides independent assurance designed to add value and support the Council in achieving its priorities and objectives. To deliver this, Melton Borough Council commissions 235 days for delivery of the Internal Audit service 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. Any proposed consultancy work is clearly specified as such on the Audit Plan.
- 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 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.

- 2.2 At the centre of the organisation, is the core delivery of the Council’s corporate objectives and corporate plan. The risk based audits are focused upon providing independent assurance over the controls in place to manage risks faced in achieving these objectives.
- 2.3 In order to protect the Council in delivering these objectives, it is essential that the Council’s key corporate controls and policies are operating effectively to prevent the risk of financial loss, failure to comply with legislation, lack of accountability and reputational damage. These controls and policies range from key financial controls and systems to health and safety policies, from data management to procurement rules. These policies and controls must be complied with by all service areas to secure the Council’s standing.
- 2.4 Further protecting and underpinning the Council’s ongoing delivery of its objectives are robust counter fraud controls and good governance. Without these, the Council would be exposed to the risk of fraud and corruption (both internally and externally), uninformed or non-transparent decision making, loss of accountability and direction, poor risk management and failure to embed and demonstrate ethical behaviours and values.
- 2.5 As such, the Audit Plan is designed to deliver independent, objective assurance on each of these areas – which are vital to the successful delivery of the Council’s objectives and services. See Exhibit 1.

Exhibit 1. Assurance areas



Value for money

- 2.6 In addition to assurance over governance, risk management and controls, the Audit Plan should also provide assurance over the Council's delivery of value for money. Assurance over value for money is embedded within each audit assignment.
- 2.7 The National Audit Office¹ refers to the following three key requirements in relation to value for money, which will form areas of assurance in the risk based audits proposed for 2017/18, as applicable to the risk area:
- **Informed decision making**
 - Acting in the public interest, through demonstrating and applying the principles and values of sound governance;
 - Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management;
 - Reliable and timely financial reporting that supports the delivery of strategic priorities; and
 - Managing risks effectively and maintaining a sound system of internal control.
 - **Sustainable resource deployment**
 - Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions;
 - Managing and utilising assets effectively to support the delivery of strategic priorities; and
 - Planning, organising and developing the workforce effectively to deliver strategic priorities.
 - **Working with partners and other third parties**
 - Working with third parties effectively to deliver strategic priorities;
 - Commissioning services effectively to support the delivery of strategic priorities; and
 - Procuring supplies and services effectively to support the delivery of strategic priorities.
- 2.8 The proposed Audit Plan for 2017/18 will provide assurances over these key areas within the context of the assignments detailed. The audit of the waste contract procurement, for example, will consider value for money achieved from the procurement exercise. The review of specific service areas such as development control and Me and My Learning will provide assurance over informed decision making, management of strategic objectives and delivery of savings and efficiencies.
- 2.9 Some of the corporate level audits will provide specific assurances in relation to the value for money requirements – the audit of compliance with procurement rules will provide assurance over the effective procurement of supplies and services, including when working with third parties.

¹ Auditor Guidance Note 3 Auditors' Work on Value for Money Arrangements (November 2015)

3. Planning Process

3.1 In order to ensure that the Audit Plan for 2017/18 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;
- Undertaking an assurance mapping exercise against the risks identified to highlight any gaps in the assurance framework and 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;
- Paper to the Governance Committee in November 2016 to agree the audit planning process and consult Members on any areas where assurance is sought; 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 across LGSS.

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 2018/19. If the risk environment changes during 2017/18, the Audit Plan can be amended and these assignments can be re-assessed for possible coverage.

3.4 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 and Audit Committee meetings, involving consultation between the Head of Internal Audit, the S151 Officer and Chair of the Governance Committee.

4 Resources

4.1 Since August 2014, the Head of Internal Audit for the Welland Internal Audit Consortium has been provided by LGSS (Local Government Shared Services) under a management arrangement with the Consortium. This has provided 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. From 1st April 2017, it has been approved that the Council's internal audit service be formally delegated to LGSS.

- 4.2 The audit assignments for all of the LGSS clients 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. Absences and resource gaps/vacancies can be filled by the wider LGSS team, providing the resilience and stability of a shared service.
- 4.3 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.
- 4.4 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.
- 4.5 During 2016/17, LGSS has been subject to an external assessment. At the time of reporting, the services to Cambridgeshire County Council (in the 'Eastern' LGSS region which will provide services to Melton Borough Council from 1st April 2017) have recently been assessed as compliant with the Public Sector Internal Audit Standards.

Table 1: Draft Internal Audit Plan 2017/18

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing
Corporate Governance and Counter Fraud	Cyber Security To provide assurance that the Council is taking pro-active steps to address the risks of a cyber-attack – including IT system controls, staff awareness and incident planning. Joint review with other councils in consortium.	15	Q2
	Whistleblowing Training To support in the provision of Whistleblowing training to staff and development of online training/tools as required. To support implementation and embedding of audit recommendations from recent reviews.	3	Q1
Key Corporate Controls and Policies	Key Financial Controls To provide assurance over the design and compliance with key controls across the Council’s key financial systems – to include key controls on housing rents.	15	Q4
	Procurement Compliance To test compliance with Contract Procedure Rules on the procurement of goods and services across the Council. To inform annual assurance opinion on value for money and counter fraud controls.	10	Q4
	Data Management To provide assurance over the Council’s procedures and controls to ensure data is held, handled and disposed of in a secure manner and in compliance with the Data Protection Act and any data loss incidents are suitably reported and acted upon. Not subject to recent independent assurance and area of high risk.	15	Q1
	Safe Driving at Work To review compliance with Council policies in relation to checks on staff who are driving on Council business and claiming mileage (i.e. valid insurance, MOT etc). Compliance testing and consultancy advice on procedures adopted at other authorities to support safe driving at work, as required.	3	Q1
Corporate Objective: Place	Waste Contract Procurement To provide assurance over the procurement of the new waste contract – including compliance with procedures, legislation and ensuring transparency and value of money are maximised. High value, high profile service with significant risks for the Council.	12	Q1 – Q4
	Development Control To provide assurance over compliance with statutory requirements, regulations and best practice, timely collection of fee income and that planning applications are suitably processed and evaluated. Not subject to recent independent review.	15	Q2

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing
Corporate Objective: People	Leisure Vision Phase 1 To provide assurance over the completion of the Phase 1 project – including compliance with key project controls. Assurance sought by Governance Committee.	10	Q1
	Leisure Vision Phase 2 – Embedded Assurance To provide assurance throughout the Phase 2 project on compliance with key controls and good practice and ensuring value for money is achieved through procurement exercises. Assurance sought by Governance Committee.	15	Q1 – Q4
	Melton Lottery To provide assurance over the management of the lottery, as this is a new area for the Council supporting local organisations. To ensure suitable controls are in place and being exercised to manage risks involved in this initiative.	5	Q1
	Anti-Social Behaviour and Community Safety To provide assurance over the effective management of this key risk for the Council, including monitoring, partnership working and initiatives. Also highlighted on Audit Plans at other sites in the partnership – opportunity for joint review to share good practice.	12	Q1
	Me and My Learning To provide assurance over the effective management of the service including case management, referrals, monitoring and benefits realisation. Significantly increased HRA contribution and revised structure, and effective delivery supports Council’s People objectives.	12	Q3
Corporate Objective: Agile Council	Transformation Programme (Consultancy) To provide support to the Council’s Transformation Programme.	12	TBA
	Housing Benefits To provide support and assurance over the housing benefits quality assurance processes for new and changed claims in light of ongoing benefits subsidy qualifications.	14	Q2
	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. Deferred from 2016/17 Audit Plan.	12	Q1
Support to Melton Borough Council	Including support and reporting to Governance Committee, management support and engagement, ad-hoc advice and assistance, annual Internal Audit report, follow ups on audit recommendations and partnership working with external auditors.	35	

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing
Management & development of delegated Internal Audit service	Development and management of Internal Audit service in line with the Public Sector Internal Audit Standards, including annual standards assessment, continuous improvement, internal audit charter and manual, management, training and development of the team and performance reporting.	20	
Total days		235	

Table 2: Reserve list 2017/18

Audit area and basis for lower priority assessment	Action if not covered in 2017/18
<p>IT Systems Administration Based on discussions with management and recent changes in IT service, may deliver greater value in 2018/19.</p>	<p>On reserve list – if not covered, to include in Audit Planning 2018/19 process</p>
<p>Local Taxation Well established systems and key controls tested in recent years have presented no significant control weaknesses.</p>	<p>To cover key controls under Key Financial Controls audit. Full audit to be included in Audit Planning 2018/19 process.</p>
<p>Training Records Some issues identified by 2016/17 Training and Development audit. Recommendations have been made and management could address these without further audit involvement.</p>	<p>To follow up existing recommendation through standard process. On reserve list – if not covered, to include in Audit Planning 2018/19 process</p>
<p>Performance reporting and data quality No significant concerns raised by management. Considered lower risk than other areas identified.</p>	<p>On reserve list – if not covered, to include in Audit Planning 2018/19 process</p>
<p>Land Charges (Consultancy) Value adding assignment but lower risk than other assignments in audit plan.</p>	<p>On reserve list – if not covered, to include in Audit Planning 2018/19 process</p>
<p>Sports and Leisure Considered lower risk than other risk areas identified due to financial value and risk to corporate objectives.</p>	<p>On reserve list – if not covered, to include in Audit Planning 2018/19 process</p>
<p>BID Assessed as lower risk than other risk areas identified and less value to be added by audit review at this time.</p>	<p>On reserve list – if not covered, to include in Audit Planning 2018/19 process</p>
<p>Housing Rents Agreed to include key controls in financial system audit rather than full audit. Based on matters arising, to assess need to full system audit.</p>	<p>To cover key controls under Key Financial Controls audit. Full audit to be included in Audit Planning 2018/19 process.</p>