



Internal Audit Plan
2021/22
MELTON BOROUGH COUNCIL

Head of Internal Audit: Rachel Ashley-Caunt

INTERNAL AUDIT PLAN 2021/22

1. Introduction

- 1.1 This report sets out the proposed work of Internal Audit at Melton Borough Council for 2021/22 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.

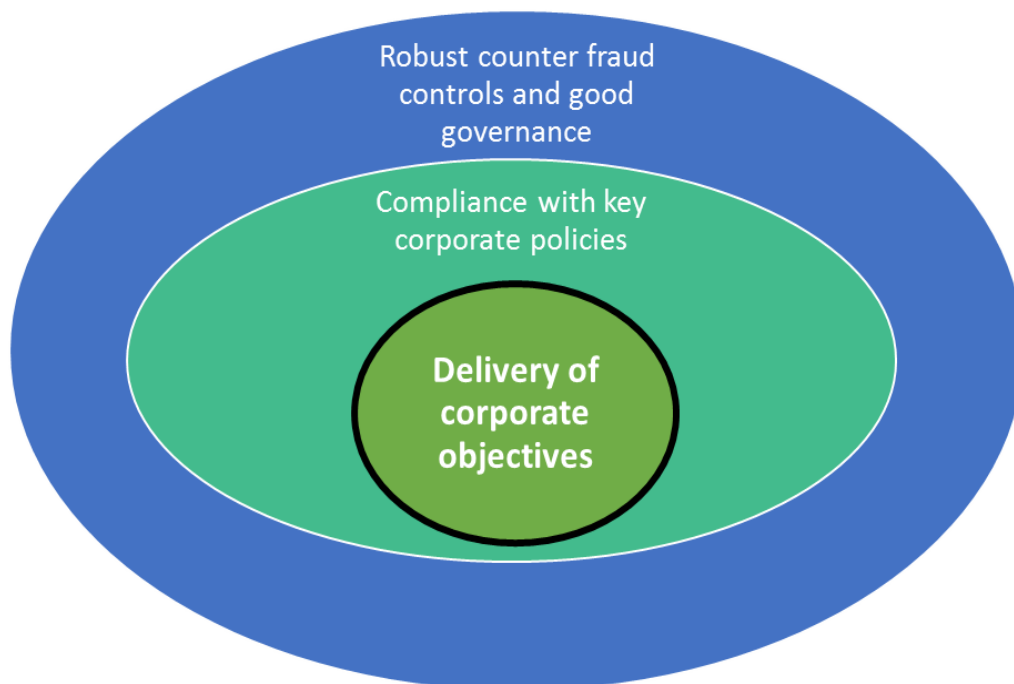
2. The Audit Plan

- 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/ Director of Corporate Services and the Audit & Standards 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 strategy. 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 2021/22, as applicable to the risk area:
- **Informed decision making**

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

- 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 2021/22 will provide assurances over these key areas within the context of the assignments detailed.

3. Planning process

2.9 In order to ensure that the Audit Plan for 2021/22 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 Strategy;
- 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 Audit and Standards Committee in November 2019 to agree the audit planning process and consult Members on any areas where assurance is sought; and
- Meeting with members of Senior Leadership Team (SLT) 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.

2.10 The process has also incorporated consideration of potential audits which can be undertaken by drawing upon similar emerging themes from the Councils across the shared service.

2.11 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 and assessment against other proposed assignments, it has been agreed that these are lower risk or would be of greater value in 2021/22. If the risk environment changes during 2021/22, the Audit Plan can be amended and these assignments can be re-assessed for possible coverage. 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 committee meetings, involving consultation between the Head of Internal Audit, the S151 Officer and the Chair of the Audit & Standards Committee.

3 Resources

- 3.1 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.
- 3.2 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.
- 3.3 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 2021/22

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing	Client lead
Corporate Governance and Counter Fraud	Procurement compliance To provide assurance over compliance with contract procedure rules in the purchasing of goods and services, to prevent fraud/corruption and secure value for money.	8	Q4	SLT
	Risk and performance framework To provide assurance over the Council’s revised risk and performance framework, following implementation in 2021.	10	Q4	Director for Corporate Services
	Covid-19 recovery To review the Council’s response to the pandemic and seek assurance over revised processes/procedures, recovery project management, changes in the risk environment; and specific assurances over handling of business grants.	14	Q2	SLT
	Local taxation fraud To provide assurance over the Council’s control framework for preventing, detecting and investigating local taxation fraud (incorporating council tax and business rates).	10	Q2	Director for Housing & Communities
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 – cyclical basis. To include assets and inventories.	15	Q4	Director for Corporate Services
	Project management To provide assurance over the embedding of the Council’s latest project management framework and review a small sample of current projects for consistent and effective compliance. To include the asset development programme.	10	Q3	SLT
	Asset management - leases To provide assurance over the controls in place for the management of the Council’s property portfolio and tenancy agreements.	8	Q1	Director for Growth & Regeneration
	Starters and leavers To provide assurance over the controls in place for managing new starters at the authority, and the leavers process. To include setting up new starters with relevant accesses and revoking this promptly for leavers, including agency/interim workers.	8	Q2	Director for Corporate Services
	Procurement cards To provide assurance over controls operating in relation to use of procurement cards across the organisation, in light of increased usage during the Covid pandemic.	8	Q2	Director for Corporate Services

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing	Client lead
Corporate Objective: Place	Land charges To provide assurance over compliance with key controls in the handling of land charges requests and compliance with fee setting requirements. Highlighted due to performance in recent periods.	10	Q2	Director for Place & Regeneration
	Planning enforcement To review the processes and resourcing in place to deliver planning enforcement and provide assurances over compliance with policies/parameters agreed. To inform service development in 2021/22 and moves to more pro-active working.	10	Q1	Director for Place & Regeneration
	Planning service review To follow up on progress made against the planning service review and provide assurance over the embedding of improvements made.	12	Q4	Director for Place & Regeneration
Corporate Objective: People	Temporary accommodation To provide assurance over the Council's processes for placing individuals into temporary accommodation and maximisation of value for money and recovery of monies due.	12	Q4	Director for Housing & Communities
	HRA business plan To provide assurance over the development of the HRA business plan, including consistency with supporting evidence and surveys.	15	Q3	Director for Housing & Communities
	Intensive housing management service To provide assurance over the implementation of the service plan review and actions agreed in the 2019/20 audit.	10	Q2	Director for Housing & Communities
	Community grants To provide assurance over the grant approval process including robust due diligence and counter fraud controls.	10	Q1	Director for Housing & Communities
	Housing repairs To provide assurance over the management of this contract and whether key controls are being effectively applied to ensure value for money and quality of service. To focus on responsive repairs.	10	Q3	Director for Housing & Communities
Support to Melton Borough Council	Including support and reporting to Audit & Standards 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		
Management & development of Internal Audit	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 2021/22

Assurance areas	Reason for lower priority and how assurance will be sought if not included on audit plan.
Fleet management	New fleet purchase planned for 2021/22. To advise on control pro-actively and consider for inclusion in audit planning 2022/23,
Compensation policy	New policy to be developed in 2021/22. May be of greater value to audit once in force in early 2022/23.
Leisure services income	Committee assurances sought regarding processes may be better addressed via a response from management. Internal Audit to offer ad-hoc advice as required.
Tenant engagement	Assessed as lower risk than other housing related audit coverage. To include in audit planning process for 2022/23.
Building control	Considered to be of greater value in 2022/23 – to include in audit planning.
HR/payroll system	Some key controls could be included in the financial controls testing. To be considered for further audit in 2022/23.