



Internal Audit Plan 2023/24

Melton Borough Council

Chief Internal Auditor: Rachel Ashley-Caunt CPFA

Internal Audit Plan 2023/24

1. Introduction

- 1.1 This report sets out the proposed work of Internal Audit at Melton Borough Council for 2023/24 for review and approval by the Audit & Standards 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 265 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 public sector. This role requires the Chief Internal Auditor 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/advisory 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 & Standards Committee;
 - The audit plan should be reviewed and approved by an effective and engaged Audit & Standards Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
 - The Chief Internal Auditor 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.

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 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 Central to the organisation, is the core delivery of the Council's objectives and corporate plan. The risk based audits are focused upon providing independent assurance over the controls in place to support delivery of those 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 cover both financial and non-financial systems and processes. These policies and controls must be complied with by all service areas to secure the Council's ongoing stability and service delivery.

- 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.

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 Some of the corporate level audits will provide specific assurances in relation to the value for money requirements – the audit of procurement compliance, for example, will seek assurance over the effective procurement of supplies and services.

Fraud risks

- 2.8 In the scoping of every audit assignment, consideration is given to any fraud risks associated with the processes under review. These are specifically considered for any relevant audit coverage.
- 2.9 In addition, the Internal Audit team also support with pro-active counter fraud work and are available to provide ad-hoc advice and assistance should any concerns be raised. The Council's whistleblowing policy provides Internal Audit as a point of contact for raising concerns and, should any investigation work be required, the team includes officers with the skillset and experience to deliver fact finding investigation work.

Housing revenue account / general fund

- 2.10 The audit plan covers activity funded both by the general fund and the Housing Revenue Account. The Housing Revenue Account related risks are shown in bold on Table 1. It should be noted that the cross-cutting audit work, such as budgetary control, covers both general fund and Housing Revenue Account activity.

3. Planning process

- 3.1 In order to ensure that the Audit Plan for 2023/24 addresses the Council's key risks and adds value, the Chief Internal Auditor has identified and prioritised the areas for coverage by:
- Reviewing the Council's Risk Registers and Corporate Plan;
 - Considering the sources of assurance listed against each of the Council's risk entries, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
 - Horizon scanning for changes in legislation / regulation and emerging risk areas for the year ahead;
 - Identifying 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;

- Reference to the audit planning process in the paper to Audit & Standards Committee in November 2022 to consult the Committee on any areas where assurance was specifically sought and consultation with Portfolio Holders and the Chair of Scrutiny; and
 - Meeting with members of Senior Leadership 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 all councils with whom North Northamptonshire Council's Internal Audit team works.
- 3.3 Following this consultation and review, a draft Internal Audit Plan has been compiled and is provided in Table 1.
- 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 Audit & Standards Committee meetings, involving consultation between the Chief Internal Auditor, the S151 Officer and Chair of the Audit & Standards Committee.
- 3.5 Also provided is a 'reserve list' showing the other potential areas for coverage which were considered in the drafting of the Plan, but were assessed as lower priority. Should the risk environment change, which impacts on the relevance of the planned audit work, these can be considered as potential areas for alternative audit work – depending on any wider risk implications. The details of those areas are provided in Table 2, which explains the proposed plan for seeking assurances, should the audit coverage not be included in 2023/24.

Resources

- 3.6 The audit assignments are delivered by a team of audit staff including a mix of highly regarded professional qualifications (including CIPFA, ACCA and IIA) and extensive experience in the public and private sector. Absences and resource gaps/vacancies can be filled by the wider team, providing the resilience and stability of the delegated service.
- 3.7 Efforts are constantly made to ensure all clients benefit from the delegated arrangement and this work with multiple local authorities. This includes achieving efficiencies in delivering assignments, sharing of knowledge and experience and opportunities to deliver cross-cutting reviews.
- 3.8 Every year, all members of the team complete a declaration form to ensure and maintain independence and objectivity in conducting all assignments. As such, the Chief Internal Auditor can confirm the service's independence. The delegated service model also enables the Chief Internal Auditor to allocate audits to various officers over time, to avoid risks associated with over familiarity.
- 3.9 On an annual basis, the Chief Internal Auditor completes a self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards. In doing so, the Chief Internal Auditor must consider whether the resource base and mix is adequate and would highlight to the S151 officer and Audit & Standards Committee 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 2023/24

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Risk entries *1	Corporate objective *2	Initial timing	Client lead
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 – on a cyclical basis. To include debt recovery (sundry debts and housing rent arrears) and treasury management. Note: 2022/23 testing coverage: Payroll, bank reconciliations, journals, suspense accounts, sundry debt invoicing, sundry debt write off, housing rents. 2021/22 testing coverage: Accounts payable/creditors, sundry debt recovery, financial system user access controls.	18	SRR SG1 CS7 HRA10 FRR	5	Q4	Director for Corporate Services
	Council tax / business rates – voids and exemptions To provide assurance over the Council's arrangements for identifying taxable properties in the borough and ensuring that exemptions in place on properties remain valid.	12	SRR SG1 CS7 FRR	5	Q2	Director for Corporate Services
	Budgetary control To provide assurance over the budget monitoring processes, including development and tracking of the Council's financial sustainability plans.	10	SRR SG1	5	Q3	Director for Corporate Services
Growth and Regeneration – risk based audit coverage	UK Shared Prosperity Funding (UKSPF) and Rural England Prosperity Fund To provide assurance over accurate record keeping for spend, compliance with funding terms and conditions, and effective application of monies to realise expected benefits and outcomes. Timing to be determined, based on progress with plans/spend.	15	CPA16 RGEN07	3	TBC	Director for Growth and Regeneration
	Levelling Up Fund (LUF) To provide assurance over accurate record keeping for spend, compliance with funding terms and conditions, and effective application of monies to realise expected benefits and outcomes. Timing to be determined, based on progress with plans/spend.	15	CPA16 RGEN07	3	TBC	Director for Growth and Regeneration
	S106 Agreements To provide assurance over the controls operating for the agreement of s106s and the effective monitoring and application of s106 monies. A review by the Planning Advisory Service (PAS) in 2023 may give rise to changes in processes/controls – to seek assurance over realisation of improvements in any new processes and their consistent application.	15	SRR SG1 PLAD02	4	Q3	Director for Growth and Regeneration

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Risk entries *1	Corporate objective *2	Initial timing	Client lead
	Environmental health To provide assurance over compliance with expected regulations and policies in the delivery of the environmental health service. To include specific coverage on private sector housing, including latest Housing Health and Safety Rating System requirements for damp and mould. This area has been subject to changes in management and has not been subject to specific internal audit coverage in the last five years.	18	REG02 REG04 REG09	4	Q2	Director for Growth and Regeneration
	Asset development plan To provide embedded assurance support to this high value project – giving timely independent assurance over the project management arrangements. Timing is dependent on project delivery.	15	CPA05	5	Q4	Director for Growth and Regeneration
Housing & Communities – risk based audit coverage	Landlord health and safety To conduct some targeted annual testing to provide assurance that compliance regimes remain up to date.	5	HRA6	2	Q1	Director for Housing & Communities
	Supporting vulnerable people To seek assurance on the arrangements for supporting vulnerable customers and meeting legal duties [i.e. domestic abuse / antisocial behaviour / safeguarding arrangements]; adapting to and providing for emerging needs [i.e. cost of living / asylum contingency and dispersal / refugees]; and ensuring support mechanisms including proposed HRA hardship fund and discretionary energy schemes have been designed to meet the needs of the right people and administered correctly / demonstrate value for money. There are a number of service areas contributing to this work including the Case management Team at a cost of circa £400k, HRA resources, Anti social behaviour resources £130k plus resources in customer services and non HRA housing Teams.	18	SRR PL3 HC10	1	Q2	Director for Housing & Communities
	Leisure contract management To provide assurance over the controls in place to manage the delivery of this key contract to ensure delivery of services against expected standards, compliance with agreed pricing structures and resilience of services. This is one of the Council's highest value contracts and relates to decision making on future provision and changing risk environment.	15	SRR PR3 HC3	1	Q1	Director for Housing & Communities
	Housing voids management To provide assurance over the management of housing voids to ensure the timely turnaround of empty Council housing to new tenants.	10	HRA12	2	Q1	Director for Housing & Communities

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Risk entries *1	Corporate objective *2	Initial timing	Client lead
	Housing regulatory change To provide assurance over the Council's preparedness for the regulatory change and inspection regimes. To include review of diagnostic work and delivery of any action plans arising from Scrutiny review.	12	HRA14	2	Q3	Director for Housing & Communities
	Contingency time	2				
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				

*1 Risk reference key:	*2 Corporate objectives:
SRR – Strategic risk register entry	1. Excellent services positively impacting on our communities
HC – Housing & communities risk register	2. Providing high quality council homes and landlord services
HRA – Housing Revenue Account risk register	3. Delivering sustainable and inclusive growth in Melton
REG – regulatory services risk register	4. Protect our climate and enhance our natural environment
CPA – Corporate assets risk register	5. Ensuring the right conditions to support delivery (inward)
PLAD – Planning risk register	6. Connected and led by our community (outward)
CS – Corporate services risk register	

Table 2: Reserve list 2023/24

Assurance areas	Comments
Waste contract management	Include in 2024/25 audit planning.
Licensing – follow up	To follow up on implementation of the action plan arising from the 2022/23 audit as part of standard follow up processes.
Climate change strategy	The potential for this to be included in the scrutiny workplan, This can be considered for inclusion in the audit plan once the associated targets and milestones are developed following the finalisation of the policy.
Procurement compliance	Assurance has been increasing in this area. Should the 2022/23 review highlight issues, provision could be made for an early review in 2024/25
Corporate health and safety	Management assurances to be sought and consider for 2024/25 audit planning.
Intensive housing management scheme (IHMS)	Lower risk – consider in 2024/25 planning.
Communities - customer journey & experience	Lower risk – consider in 2024/25 planning.
Housing rents	Coverage in 2022/23 financial systems testing.
Housing allocations	Assurances provided by management of robustness of current processes. Consider in 2024/25 planning.
Planning appeals	Value of an audit review may not be as great as other proposed assignments. Consider in 2024/25 planning.
Complaints management	Assurances from Local Government Ombudsman reports. To incorporate in audit planning for 2024/25.
Homelessness	Review by Scrutiny Committee in 2023/24.
Building control partnership	The relevant director will liaise with the Lead partners to ensure audits undertaken by the host are shared with all partners.