



Internal Audit Plan
2018/19
MELTON BOROUGH COUNCIL



Head of Internal Audit: Rachel Ashley-Caunt

INTERNAL AUDIT PLAN 2018/19

1. Introduction

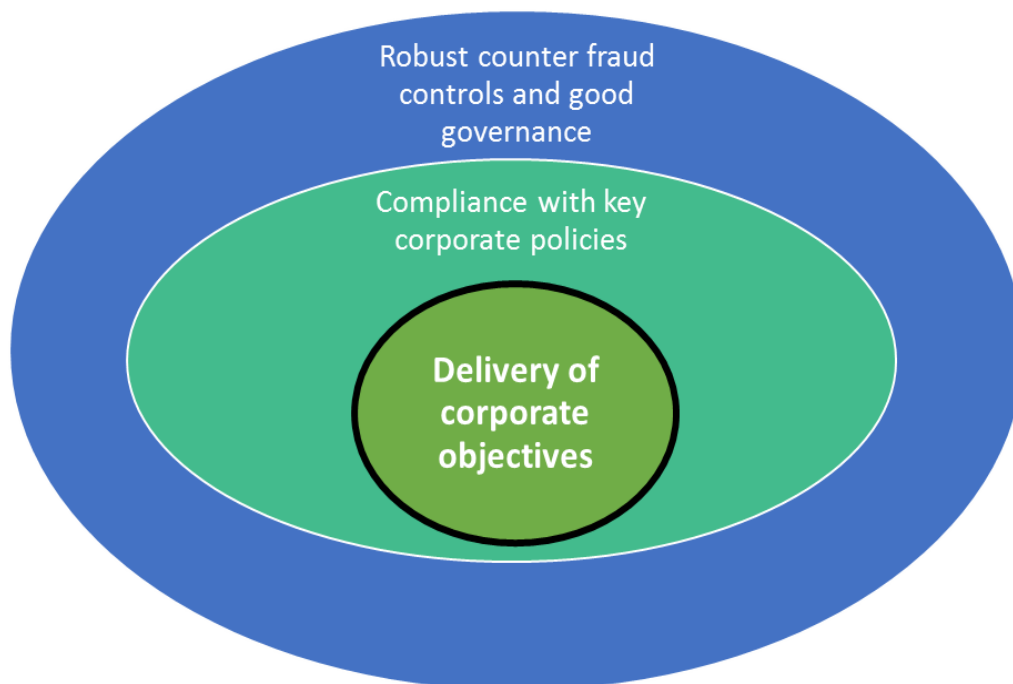
- 1.1 This report sets out the proposed work of Internal Audit at Melton Borough Council for 2018/19 for review and approval by the Governance Committee.
- 1.2 Internal Audit provides independent assurance designed to add value and support the Council in achieving its priorities and objectives. To deliver 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 2018/19, 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 2018/19 will provide assurances over these key areas within the context of the assignments detailed.

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

3. Planning Process

2.9 In order to ensure that the Audit Plan for 2018/19 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.

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 LGSS.

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, it has been agreed that these are lower risk or would be of greater value in 2019/20. If the risk environment changes during 2018/19, the Audit Plan can be amended and these assignments can be re-assessed for possible coverage.

2.12 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.

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 2018/19

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing
Corporate Governance and Counter Fraud	Code of Corporate Governance (Consultancy) To review and support development of the Council's Code of Corporate Governance to ensure compliance with best practice and good governance.	4	Q1
	Risk Management To provide assurance over the Council's arrangements for effectively identifying, reporting, managing and monitoring risks. Public Sector Internal Audit Standards require Internal Audit to review the organisation's risk management on a regular basis, to inform the annual assurance opinion.	10	Q4
	General Data Protection Regulations (GDPR) To provide assurance over the Council's compliance with the new data management regulations which come into force in May 2018.	12	Q3
	Freedom of Information (FOI) and Environmental Information Requests (EIR) To provide assurance over the Council's procedures for handling formal information requests and to assess compliance with these in practice, based on sample testing. Following recent areas for improvement highlighted.	10	Q2
	Council Tax Support – fraud prevention To provide assurance that the Council has robust controls in place to prevent, detect and handle attempted fraud through the Council Tax Support scheme. Highlighted through annual fraud risk assessment.	12	Q3
	Right to Buy – fraud prevention To provide assurance over the Council's controls for handling of right to buy applications, to ensure fraud and money laundering risks are being suitably managed. Highlighted through annual fraud risk assessment.	5	Q2
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
	IR35 compliance To provide assurance over the Council's consistent compliance with IR35 legislation in relation to agency staff.	10	Q1
	Absence Management To provide assurance over the effective management of employee absence and leave.	12	Q1
	Debt Management (Consultancy) To undertake benchmarking on the Council's performance in recovery of debts against comparator authorities and identification of any good practice solutions adopted elsewhere, which the Council may wish to adopt.	7	Q1

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing
	Business Continuity and Emergency Planning To provide assurance over the robustness and completeness of the Council's business continuity plans and the arrangements in place to fulfil the Council's duties as a Category 1 responder in the case of a major incident in the local area.	10	Q2
	Travel expense claims To provide assurance over compliance with the Council's travel expense claim policy.	7	Q2
Corporate Objective: Place	Beckmill Court regeneration – capital project To provide assurances over the management of this high value capital project – including procurement regulation compliance, governance, risk management and project planning.	10	TBA
	Gretton Court – capital project To provide assurances over the management of this high value, high profile capital project – including working with partner organisations, financial management, procurement regulation compliance, governance, risk management and project planning.	15	TBA
	Housing Repairs To provide assurance over the management of the new housing repairs contract, to ensure the value for money is maximised; quality is effectively managed; and risks of fraud/overpayment are robustly controlled.	15	Q3
	Environmental Health To provide assurance over the effective prioritisation of service delivery, efficient processes and delivery of expected service levels.	15	Q1
Corporate Objective: People	Safeguarding To provide assurance that the Council is fulfilling its responsibilities in safeguarding the most vulnerable members of the community. To include assurance that suitable training and policies are provided, appropriate checks are exercised before granting of taxi and private hire licences and suitable DBS checks on undertaken for relevant posts.	11	Q3
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	
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	

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing
Total days		235	

Table 2: Reserve list 2018/19

Audit area and basis for lower priority assessment	Action if not covered in 2018/19
Assets of community value – work is underway in this area, as such, audit would be of greater value in 2019/20.	On reserve list – to include in Audit Planning 2019/20 process
Insight (consultancy support) – lower priority than assurance audits included on plan, agreed with senior management.	On reserve list – if not covered, to include in Audit Planning 2019/20 process
Procurement Compliance – extensive review in last three years, a number of recommendations that are being monitored for implementation. As such, lower priority than other assignments this year.	On reserve list – if not covered, to include in Audit Planning 2019/20 process