



**Internal Audit Plan**  
**2020/21**  
**MELTON BOROUGH COUNCIL**



**Head of Internal Audit: Rachel Ashley-Caunt**

## **INTERNAL AUDIT PLAN 2020/21**

### **1. Introduction**

- 1.1 This report sets out the proposed work of Internal Audit at Melton Borough Council for 2020/21 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.

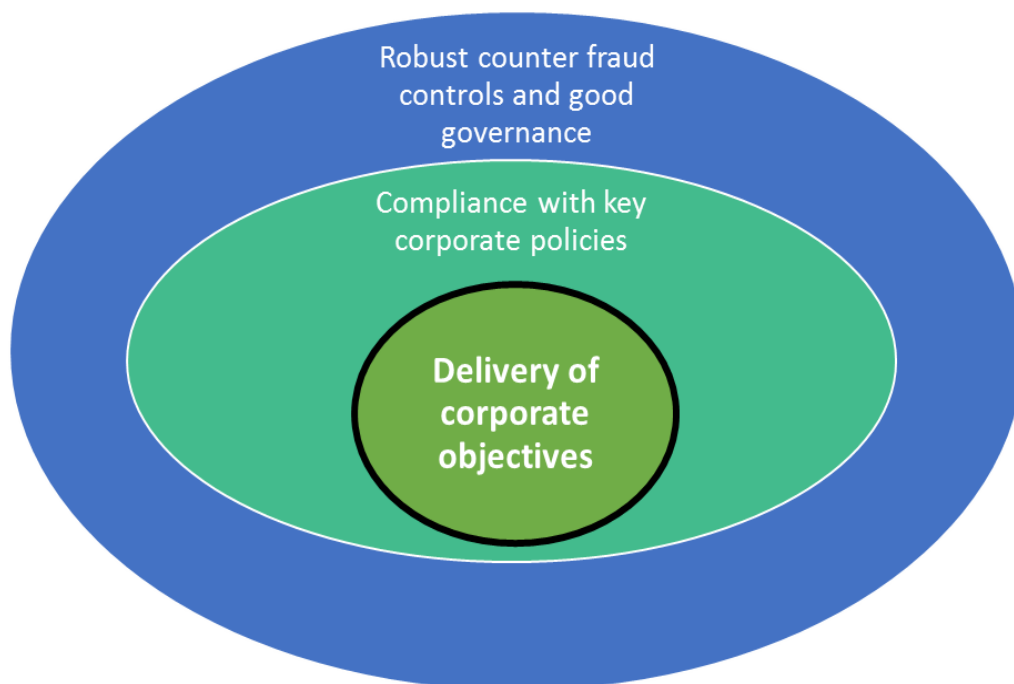
### **2. The Audit Plan**

- 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 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 Office<sup>1</sup> 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 2020/21, as applicable to the risk area:

- **Informed decision making**

<sup>1</sup> 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 2020/21 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 2020/21 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 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 and assessment against other proposed assignments, it has been agreed that these are lower risk or would be of greater value in 2020/21. If the risk environment changes during 2020/21, 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 2020/21**

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Risk reference (corporate risk ref / source)	Audit days	Initial timing	Client lead
Corporate Governance and Counter Fraud	<p><b>Procurement compliance</b></p> <p>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. Annual testing of compliance to inform annual governance statement and Internal Audit opinion.</p>	Corporate risk ref 11	10	Q4	SLT
	<p><b>Ethics and equalities</b></p> <p>To provide assurance over the Council’s ethical governance arrangements and compliance with regulations and good practice (in accordance with the Public Sector Internal Audit Standards (2110.A1). To include supporting staff in the workplace and conducting equality impact assessments to inform decision making. Area not audited in last three years and due for regular review.</p>	Corporate risk ref 8	10	Q1	Director for Governance & Regulatory Services
	<p><b>Local taxation fraud</b></p> <p>To provide assurance over the Council’s control framework for preventing, detecting and investigating local taxation fraud (incorporating council tax and business rates). Area highlighted within the fraud risk register requiring up to date assurances.</p>	Fraud risk register	12	Q2	Director for Housing & Communities
Key Corporate Controls and Policies	<p><b>Key financial controls</b></p> <p>To provide assurance over the design and compliance with key controls across the Council’s key financial systems –annual testing on a cyclical basis.</p>	Fraud risk register	15	Q4	Director for Corporate Services
	<p><b>Financial Management Code (consultancy)</b></p> <p>To conduct a review of the Council’s financial management arrangements against the 2019 CIPFA Financial Management Code. To be conducted as a consultancy review in conjunction with other councils in the shared service.</p>	Corporate risk ref 1	7	Q1	Director for Corporate Services
	<p><b>Budgetary control</b></p> <p>To provide assurance over the Council’s budget setting, monitoring and reporting arrangements to support effective financial management, given the financial pressures local government continues to face.</p>	Corporate risk ref 1	10	Q3	Director for Corporate Services

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Risk reference (corporate risk ref / source)	Audit days	Initial timing	Client lead
	Subject to audit coverage approximately every three years as a key financial control.				
Corporate priority theme: Great Council	<b>Asset management</b> To provide assurance over the controls in place to ensure statutory compliance with inspection regimes on corporate premises and the management of the Council's property portfolio and tenancy agreements. Area not subject to audit coverage in last three years and links to multiple entries on risk register.	Corporate risk ref 6 & 12	15	Q1	Director for Growth & Regeneration
	<b>Absence management</b> To provide assurance over the consistent management of staff absence and compliance with key trigger points and arrangements to support staff back into the workplace. Prioritised for inclusion on the audit plan following implementation of new systems in 2019.	Corporate risk ref 3	10	Q2	Director for Corporate Services
	<b>Lifeline income</b> To provide assurance that controls are in place to ensure accurate payments are received across the client base from a range of sources and that this income is collected efficiently and accounted for in the Council's accounts. Highlighted by senior management and fraud risk register as an area requiring assurances in 2020/21.	Fraud risk register	10	Q4	Director for Corporate Services
Corporate priority theme: Shaping Places	<b>Management of capital projects</b> To provide assurance over the management of key capital projects in the Growth and Regeneration directorate. To be further defined following corporate review of projects planned for the year ahead. Deferred from 2019/20 audit plan.	Corporate risk ref 8	15	Q2	Director for Growth & Regeneration
	<b>Cattle market</b> To provide assurance over the effective management of this lease and controls in place to account for monies due. This area has not been subject to audit coverage in the last three years and highlighted due to projected under recovery of income.	Corporate risk ref 6	18	Q1	Director for Growth & Regeneration

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Risk reference (corporate risk ref / source)	Audit days	Initial timing	Client lead
	<p><b>Planning service review</b> To follow up on progress made against the planning service review and provide assurance over the embedding of improvements made. Senior management request to provide independent assurances on progress.</p>	Corporate risk ref 4	8	Q4	Assistant Director for Planning
Corporate priority theme: Helping People	<p><b>Rent arrears</b> To provide assurance over the accurate charging of rents and compliance with procedures to ensure the effective and timely recovery of monies due. Highlighted for inclusion as rent arrears currently valued at over £500k and assurances are needed over how these are being recovered.</p>	Corporate risk ref 1	10	Q1	Director for Housing & Communities
	<p><b>Landlord health and safety – follow up</b> To provide assurance over the consistent completion of inspections such as gas, electricity and fire risk assessments and to ensure the Council effectively promotes and communicates key health and safety messages to residents. To follow up on actions arising from the 2019 audit report with Limited Assurance opinions and actions arising from the Housing Improvement Plan.</p>	Corporate risk ref 10	15	Q4	Director for Housing & Communities
	<p><b>Housing repairs</b> To provide assurance over the management of this new contract and whether key controls are being effectively applied to ensure value for money and quality of service. To include assurances over work on void properties, given poor performance on void turnarounds and impact on costly use of temporary accommodation.</p>	Corporate risk ref 7 and 10	15	Q3	Director for Housing & Communities
<b>Support to Melton Borough Council</b>	Including support and reporting to Audit & Standards Committee, management support and engagement, ad-hoc advice and assistance, counter fraud support, annual Internal Audit report, follow ups on audit recommendations and partnership working with external auditors.		35		
<b>Management &amp; development of delegated Internal Audit</b>	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)	Risk reference (corporate risk ref / source)	Audit days	Initial timing	Client lead
service					
<b>Total days</b>			235		

**Table 2: Reserve list 2020/21**

Assurance areas	Action if not included in 2020/21 audit plan
Building control partnership	Assurances to be sought, including lead partner's internal audit reports, via established governance arrangements.
Leisure Services income generation	Consideration in audit planning for 2021/22.
Customer Service standards	Consideration in audit planning for 2021/22.
Performance management	Consideration in audit planning for 2021/22.
Digital Strategy	Consideration in audit planning for 2021/22.
Staff performance appraisals	Consideration in audit planning for 2021/22.