



**Internal Audit Plan**  
**2017 / 18**  
**HARBOROUGH DISTRICT COUNCIL**



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

## **INTERNAL AUDIT PLAN 2017 / 18**

### **1. Introduction**

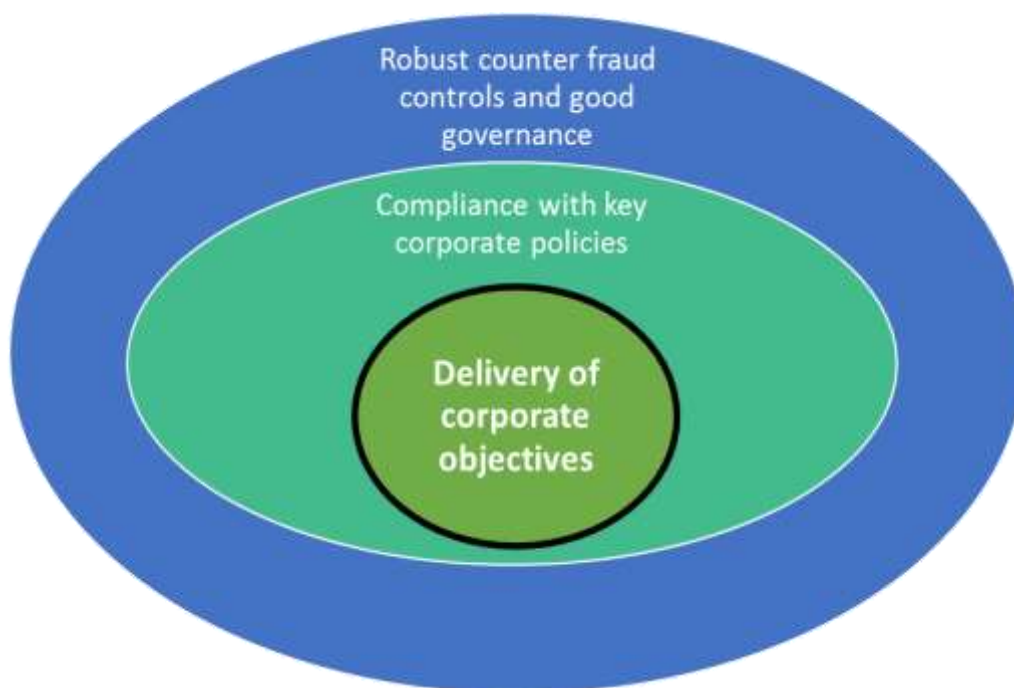
- 1.1 This report sets out the proposed work of Internal Audit at Harborough District Council for 2017/18 for review and approval by the Governance and Audit Committee.
- 1.2 Internal Audit provides independent assurance designed to add value and support the Council in achieving its priorities and objectives. To deliver this, Harborough District 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 Finance and Corporate Services and the Governance and Audit 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 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 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 review of the Leisure Services project, for example, will provide assurance over the management of finances, effective working with partners and communities, the management of risks and robust governance arrangements, in relation to this high priority project.

2.9 Some of the corporate level audits will provide specific assurances in relation to the value for money requirements – the audit of Data Quality, for example, will provide assurance over informed decision making and the audit of Procurement will provide assurance over the effective procurement of supplies and services, including when working with third parties.

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<sup>1</sup> 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 and Audit 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 within the Welland Internal Audit Consortium.

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 and Audit 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 31<sup>st</sup> March 2017. From 1<sup>st</sup> April 2017, it is proposed 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 Harborough District Council from 1<sup>st</sup> 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	<p><b>Counter Fraud and Ethical Governance</b> Review of the Council's counter fraud arrangements and compliance with best practice in relation to fraud prevention and detection and ethical governance (including whistleblowing, gifts and hospitality and declaration of officer interests). To include review of Local Code of Governance. To provide independent, objective assurance on these areas and support annual opinion.</p>	11	Q2
	<p><b>Data Management and CCTV</b> 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. To include a review of the management of the Council's CCTV network and compliance with regulations. No other independent assurances available.</p>	22	Q2
	<p><b>Pro-active Counter Fraud Work</b> Audit days to support the Council's management in embedding and publicising the Counter Fraud policies and procedures - awareness campaigns/review of policies/pro-active cyber security work, as required.</p>	5	TBA
Key Corporate Controls and Policies	<p><b>Key Financial Controls</b> To provide assurance over the design and compliance with key controls within the Council's financial systems. Undertaken on an annual basis, with a cyclical approach to testing. To inform external audit work and provide s151 assurances.</p>	30	Q4
	<p><b>Business Continuity and IT Disaster Recovery</b> To review the Council's business continuity arrangements and plans for in house IT Disaster Recovery. To provide assurance that in the event of an unplanned incident/cyber-attack, the Council could maintain an appropriate level of continuous service delivery, minimise costs and damage and whether plans would be accessible and fit for purpose to re-establish normal service levels. No other independent assurance available.</p>	15	Q4
	<p><b>Procurement Compliance</b> To test compliance with Contract Procedure Rules and the Statement of Required Practice on the procurement of goods and services across the Council. To inform annual assurance opinion on value for money and counter fraud.</p>	7	Q3
	<p><b>Health and Safety</b> To provide assurance that the Council, as an employer, is operating in accordance with health and safety regulations and legislative requirements. No other independent assurances available. An audit which has been conducted at other sites within the shared service – opportunity to share good practice/solutions.</p>	12	Q1

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Initial timing
Corporate Objective: To provide public services which are effective and deliver value for money	<b>Data Quality</b> To review whether the data collected to monitor the performance of the Council is suitably targeted and meaningful and to provide assurance over whether the data reported is complete, accurate and reliable. No other sources of independent assurance available.	15	TBA
	<b>Absence Management – Follow up</b> To follow up on implementation of the actions agreed to address the weaknesses in the control framework identified by the Internal Audit review in 2016/17. To provide assurance over the embedding of the improvements and the effectiveness of these in practice.	7	Q4
Corporate Objective: To support the vulnerable in the community where they live	<b>Housing Options and Homelessness</b> To provide assurance that there are adequate processes and controls in place to ensure that housing and homelessness applications are treated in accordance with established local policies and national legislation. No recent, independent assurances available.	15	Q1/Q2
	<b>Lifeline Service (Consultancy review)</b> To provide independent consultancy work to support the options appraisal and decision making process on the future of the service in 2017.	10	Q1
Corporate Objective: Working with communities to develop places in which to live and be happy	<b>Local Plan – Embedded Assurance Review</b> To continue to engage with, and review, the project throughout the key stages of its lifecycle. To provide assurance over the effective management of the project and its risks and the actions being taken to ensure challenging milestones are delivered. Work commenced in 2016/17.	12	Q1 – Q4
	<b>Leisure Services – Embedded Assurance Review</b> To engage with the project and issue reports at key stages – including assurance over the management of risks, consultation and communications, procurement, use of resources and plans and governance and decision making.	15	Q1 – Q4
	<b>Constitutional Delegations – Planning Decisions</b> To provide independent assurance over the number of cases affected by recent issues identified with compliance with delegations on planning decisions and compliance with other delegations within the Planning service, on sample basis.	5	Q1
<b>Support to Harborough District Council</b>	Including support and reporting to Governance and Audit 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.	33	
<b>Management &amp; development of delegated Internal Audit service</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.	21	



**Table 2: Reserve list 2017/18**

Audit Assignment	Basis for lower priority assessment	Action if not covered in 2017/18
<b>HR Policies</b>	Assessed as lower risk than other risk areas identified. No significant concerns highlighted by management or from evidence review. Absence Management audit to be followed up in 2017/18 Audit Plan – highest risk area.	To include in 2018/19 Audit Plan process
<b>Emergency Planning</b>	Member of Leicester, Leicestershire & Rutland Local Resilience Forum. Materials available online for communities and exercises undertaken. Assessed as lower priority than other risk areas identified.	To include in 2018/19 Audit Plan process
<b>Constitutional Review</b>	Constitution has been subject to significant review in 2016/17. Internal Audit can provide advice/support on the post implementation review of the project but lower risk than other projects on Audit Plan for a full review.	To provide advice/support as required