



**Internal Audit Plan
2018/19
HARBOROUGH DISTRICT 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 Harborough District Council for 2018/19 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 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.

2. The Audit Plan

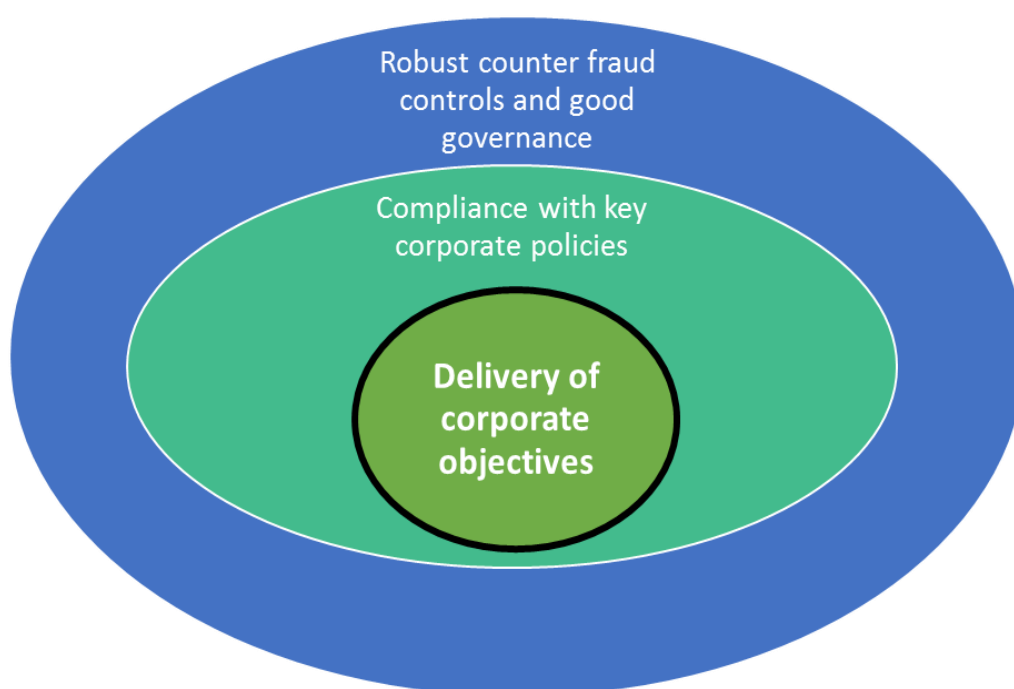
- 2.1 The Audit Plan covers the two key component roles of Internal Audit:
- The provision of an independent and objective opinion to the Section 151 Officer/ Head of Finance and Corporate Services and the Governance and Audit Committee on the degree to which risk management, control and governance support 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 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:

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

- **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. The reviews of the Leisure Services project and Grow on Space 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 Procurement will provide assurance over the effective procurement of supplies and services, including when working with third parties.

3. Planning Process

3.1 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 and Audit Committee in November 2017 to agree the audit planning process and consult Members on any areas where assurance is sought;
- Completion of an annual fraud risk assessment undertaken by the Head of Internal Audit and Monitoring Officer; 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 LGSS client base.

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 2019/10. If the risk environment changes during 2018/19, 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 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.

4.2 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.

4.3 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)	Audit days	Risk register ref / source	Initial timing
Corporate Governance and Counter Fraud	Counter Fraud and Ethical Governance (Consultancy) To provide ongoing support on the Council’s proactive counter fraud work and Code of Corporate Governance.	7	Fraud risk assessment	As req’d
	General Data Protection Regulations (GDPR) 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 new data management regulations.	11	CS TPR 04 Operational risk register	Q3
	Cyber Security To provide assurance that the Council is taking pro-active steps to address the risks of a cyber-attack – including IT system controls, staff awareness and incident planning.	15	CR29 Corporate risk register	Q1
	Transparency Code (Consultancy) To provide assurance over the Council’s compliance with the statutory requirements of the Transparency Code and to benchmark the amount of non-mandatory data/information made publicly available against comparable local authorities.	5	CMT request	Q1
Key Corporate Controls and Policies	Key Financial Controls 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.	30	Internal Audit assurances	Q4
	Business Continuity and IT Disaster Recovery 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, 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.	12	CR20 Corporate risk register	Q3
	Procurement Compliance 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.	8	Fraud risk assessment	Q3
	Constitution and Scheme of Delegation Compliance To provide assurance over compliance with the delegations and responsibilities specified in the Council’s Constitution, including the Scheme of Delegation. Based on sample testing and review of controls.	12	Internal Audit assurances	Q1

Assurance Areas	Internal Audit Assignments (including assurances sought)	Audit days	Risk register ref / source	Initial timing
	Cash Handling To provide assurance over the design of controls for handling of cash across the organisation and compliance with these controls in practice, to mitigate the risk of theft, fraud and error.	8	Fraud risk assessment	Q2
Corporate Objective: To provide public services which are effective and deliver value for money	Environmental Services Contract To provide assurance over the effective and robust management of this high value contract to ensure value for money is delivered and risks, such as fraud and overpayment, at managed effectively.	15	CR15 Corporate risk register	Q2
	Channel Shift (Consultancy) To provide advice on the Channel Shift project, including reviewing changes in the control framework and assessing risks arising from new ways of working.	8	KA07.01 Corporate delivery plan	As req'd
	Absence Management – Follow up 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	KA07.08 Corporate delivery plan	Q3
Corporate Objective: To support the vulnerable in the community where they live	Disclosure and Barring Service (DBS) checks To provide assurance that appropriate use is being made of the Disclosure and Barring Service for relevant posts and the issuing of taxi/private hire licenses. To provide assurance over the Council's compliance with the DBS Code of Practice in handling of the checks and supporting evidence.	10	Internal Audit assurances	Q1
Corporate Objective: Working with communities to develop places in which to live and be happy	Leisure Services – Embedded Assurance Review 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	KA04.03 Corporate delivery plan	Q1 – Q4
	Grow on space – Embedded Assurance Review To provide assurance over the management of this project, including risk management, governance and procurement/contract management.	12	CR07 Corporate risk register	Q1 – Q4
	Lottery (Consultancy) Consultancy support on the setting up of the new lottery and ensuring that robust controls and procedures are in place for payments and application of eligibility criteria for organisations seeking funding.	4	CR15 Corporate risk register	Q1

Assurance Areas	Internal Audit Assignments (including assurances sought)	Audit days	Risk register ref / source	Initial timing
Support to Harborough District Council	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		
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.	21		

Table 2: Reserve list 2018/19

Audit Assignment	Basis for lower priority assessment	Action if not covered in 2018/19
Working with voluntary groups	Assessed as lower risk than other risk areas identified. No significant concerns highlighted by management or from evidence review.	To include in 2019/20 Audit Plan process
Use of Social Media / RIPA	Assessed as lower risk than other risk areas identified. No significant concerns highlighted by management or from evidence review.	To include in 2019/20 Audit Plan process