



Internal Audit Plan
2019/20
HARBOROUGH DISTRICT COUNCIL



Head of Internal Audit: Rachel Ashley-Caunt

INTERNAL AUDIT PLAN 2019/20

1. Introduction

- 1.1 This report sets out the proposed work of Internal Audit at Harborough District Council for 2019/20 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

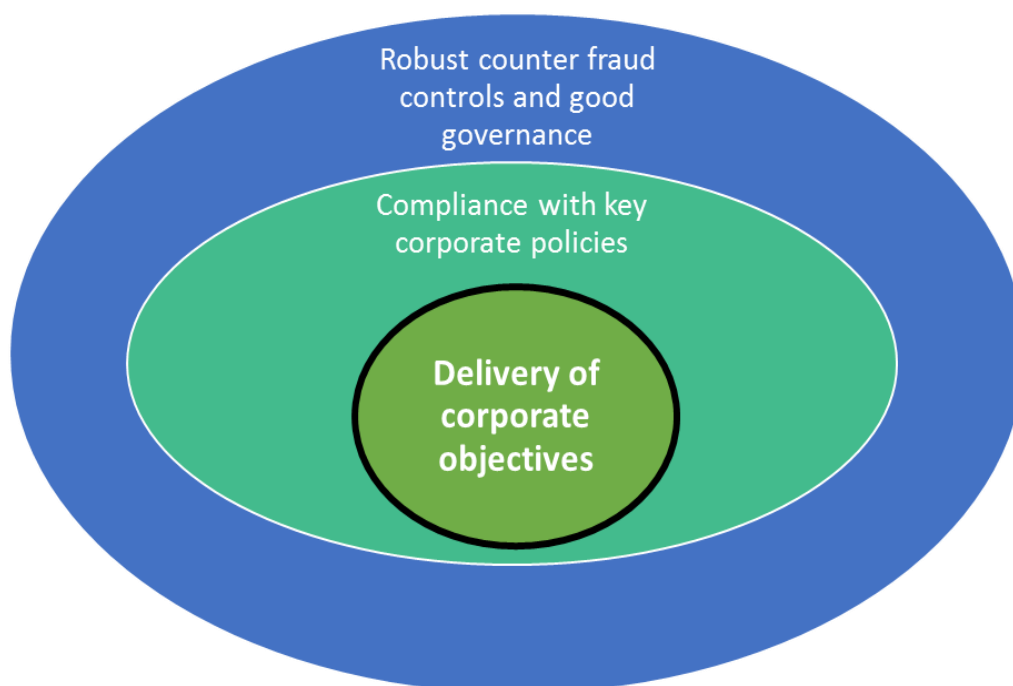
- 2.1 The Audit Plan covers the two key component roles of Internal Audit:
- The provision of an independent and objective opinion to the Section 151 Officer/ Head of Finance and Corporate Services and the Governance and Audit Committee on the degree to which risk management, control and governance support 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 2019/20, 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;

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

- 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 2019/20 will provide assurances over these key areas within the context of the assignments detailed. The review of the 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 2019/20 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 2020/21. If the risk environment changes during 2019/20, 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 CIPFA, ACCA 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 2019/20

Assurance Areas	Internal Audit Assignments (including assurances sought)	Audit days	Risk register ref / source	Initial timing
Corporate Governance and Counter Fraud	Counter fraud and governance arrangements (consultancy) To provide ongoing support on the Council's proactive counter fraud work and Code of Corporate Governance.	5	Fraud risk Assessment	TBA
	Corporate investments To provide assurance over the Council's procedures for commercial investments, including approval mechanisms, robust due diligence checks and risk assessment/management.	15	COR OP 02: Acquisition/ development of Assets to Generate Income Opportunities	Q3
	Freedom of Information requests 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. To further assess whether information requests could be avoided by greater transparency and use of website.	10	Internal Audit assurances	Q2
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
	Agency staff – IR35 compliance To provide assurance over the Council's consistent compliance with IR35 legislation in relation to agency staff.	8	Internal Audit assurances / changes in legislation	Q1
	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
	Payroll system (consultancy) To provide consultancy support on the implementation of the new payroll system.	10	Senior Management request	Q1
The People: A healthy, inclusive and engaged community	Effective use of consultation To provide assurance over the Council's use of consultation to inform decision making and ensure that a co-ordinated and joined up approach is adopted within the Council, and with partners, to ensure that consultations are carried out in the best possible way.	10	KA.06.02 Corporate delivery plan	Q2

Assurance Areas	Internal Audit Assignments (including assurances sought)	Audit days	Risk register ref / source	Initial timing
	Safeguarding To provide assurance that the Council is fulfilling its responsibilities in safeguarding the most vulnerable members of the community.	10	Internal Audit assurances	Q1
The Place: An enterprising, vibrant place	Homelessness Reduction Act To provide assurance over compliance with the revised legislation and ensuring the Council is fulfilling its statutory duties.	12	KA.03.03 Corporate delivery plan	Q4
	Community safety To provide assurance over the effective management of Community Safety arrangements, including monitoring, partnership working and making effective use of information sharing and initiatives.	12	KA.01.02 Corporate delivery plan	Q3
Your Council: innovative, proactive and efficient	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	KA.04.03 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.	15	CR07 Corporate risk register	Q1 – Q4
	Budgetary control To provide assurance over the Council’s framework for setting, monitoring and managing budgets to support ongoing financial stability and delivery of savings.	10	CR 23 Not Balancing Budget for the next financial year	Q3
Contingency	To provide assurances over new projects / initiatives, to be allocated during the year.	12		TBA
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.	20		

Table 2: Reserve list 2019/20

Audit Assignment	Basis for lower priority assessment	Action if not covered in 2019/20
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 2020/21 Audit Plan process
Travel Expense Claims	Assessed as lower risk than other risk areas identified. No significant concerns highlighted by management or from evidence review.	To include in 2020/21 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 2020/21 Audit Plan process
Building Control	Determined as greater value in 2020/21, given planned work in this area in 2019/20.	To include in 2020/21 Audit Plan process
Website and Internet	Determined as greater value in 2020/21, given planned work in this area in 2019/20.	To include in 2020/21 Audit Plan process