



Internal Audit Plan
2016 / 17
HARBOROUGH DISTRICT COUNCIL



Head of Internal Audit: Rachel Ashley-Caunt

INTERNAL AUDIT PLAN 2016/17

1. Introduction

- 1.1 This report sets out the proposed work of Internal Audit at Harborough District Council for 2016/17 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 from the Welland Internal Audit Consortium 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.
- 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 is designed to support the provision of the annual Head of Internal Audit Opinion. The basis for forming this opinion is as follows:
- An assessment of the design and operation of the underpinning Governance, Assurance and Risk Frameworks and supporting processes; and
 - An assessment of the range of individual opinions arising from the risk based assignments, which will be reported throughout the year.
- 2.2 In forming this opinion, the Head of Internal Audit can also consider other appropriate sources of assurance available. As such, in developing the Audit Plan, any other potential sources of assurance in relation to the identified risks have been considered and work will be aligned with other assurance providers to ensure the Internal Audit resource is focused upon areas where value can be added and the use of all assurances is maximised.

3. Planning Process

3.1 In order to ensure that the Audit Plan for 2016/17 address 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;
- Analysing coverage of Internal Audit reviews over the last four years and the assurance opinions provided following each review, to identify any assurance gaps or areas where follow up work would be of value;
- 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;
- Workshop with the Governance and Audit Committee to discuss the planning process and areas where Members require assurances from Internal Audit during 2016/17; 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 Appendix A.

3.4 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.

3.5 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 the Chair of the Committee.

4 Resources

- 4.1 The Welland Internal Audit Consortium provides the Internal Audit function for five local authorities (Harborough District Council, East Northamptonshire Council, Corby Borough Council, Melton Borough Council and Rutland County Council).
- 4.2 Since August 2014, the Head of Internal Audit has been provided by LGSS (Local Government Shared Services) under a management arrangement with the Consortium. This provides 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 31st March 2017.
- 4.3 The audit assignments for all of the Welland authorities 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. In the last twelve months the Consortium has established a Trainee Auditor post to develop and train new audit staff and recruitment to this post is currently underway. One existing member of the team is also due to undertake final stage exams in 2016 for IIA. Absences and resource gaps/vacancies are currently filled by buying in external resources, mostly through the Consortium's connections with LGSS. The current vacancies will be reviewed during 2016/17 and the best way in which to fill these will be discussed with the Consortium Board.
- 4.4 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.
- 4.5 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.

Draft Internal Audit Plan 2016/17

Assurance Area	Audit Assignment and Potential Coverage	Proposed days	Planned Quarter
Finance	Financial Systems Key Controls To provide assurance that controls are in place to mitigate the key risks to the Council in respect of its financial systems.	30	4
	Financial Management To provide assurance over the Council's financial management arrangements to secure value for money and ensure all staff with financial roles are aware of their responsibilities and have appropriate training and support.	15	2
	Treasury Management To provide assurance that controls to mitigate the key risks to the Council in effective Treasury Management are in place, fit for purpose and operating in practice to ensure the security of Council monies and compliance with good practice and relevant legislation.	10	3
	Assurances from Partners on Financial Risks To review assurances provided for shared/delegated services such as risks associated with benefits and local taxation which are subject to review by Hinckley and Bosworth's Internal Auditors. To identify any gaps in assurance where further work is required.	5	4
Governance and Fraud	Risk Management Assurance that there is an appropriate system of risk management in place, including alignment of the Council's strategic risks with the Council Plan.	10	1
	Insurance Coverage High level review to provide assurance that controls are in place to ensure that the Council's insurance cover is set on time, at an appropriate level and is amended in reaction to any significant changes to activities.	5	1
	Procurement Testing of a small sample of procurements across the Council during the financial year to confirm compliance with Council regulations. To provide assurance over controls to ensure value for money and prevention of fraud and corruption.	5	4
Service Delivery	Fees and Charges To provide assurance that statutory fees and charges are being set at the correct level and that fees and charges set on a discretionary basis are being set in accordance with any guidance, are set on a cost recovery basis and volume of service demand is being considered in budget calculations.	15	2
	Absence Management To provide assurance over the accuracy and completeness of absence management records for Council employees and to review whether absence management procedures are in place, complied with and effective in minimising loss of resources and evidencing compliance with good practice.	10	3

Assurance Area	Audit Assignment and Potential Coverage	Proposed days	Planned Quarter
	<p>S106 Follow up review</p> <p>To provide assurance that the Council has implemented the agreed actions arising from the 2015/16 Internal Audit review of S106 arrangements and to confirm whether these actions are effectively addressing the identified risks.</p>	10	2
	<p>Major Projects</p> <p>To provide assurance over the effective management of a number of major projects across the Council during the year. To review governance and project management arrangements in place to ensure value for money is achieved and the project realises its intended benefits. This will build upon some embedded assurance work delivered by Internal Audit in 2015/16. To include reviews of:</p> <p>Environmental Services Contract Leisure Facilities Options Housing Service Review Local Plan Business Move On Space Project</p> <p>Allocation of days between these projects will be agreed with senior management during the year under a risk based approach.</p>	41	TBA
ICT	<p>Business Continuity and IT Disaster Recovery</p> <p>To review the Council's business continuity arrangements and plans in place 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 and plans would be accessible and fit for purpose to re-establish normal service levels.</p>	15	3
Other	<p>Contingency – including time for Counter Fraud support</p> <p>Availability for any fact finding investigations arising in year or any additional audit assignments required due to new/emerging risks. If not required for audit assignments, this can be used to support pro-active Counter Fraud reviews and support such as awareness training.</p>	10	TBA
Client support	<p>Support to Harborough District Council - to include Committee meeting preparation and attendance, Committee liaison and development, senior management support and engagement, Annual Report, work with External Auditors, queries and ad-hoc support, support on National Fraud Initiative and Annual Governance Statement, strategic management, development of the annual Audit Plan.</p>	33	-
Consortium Management / Development	<p>Management of the Welland Internal Audit Consortium – to include Joint Committee work and attendance, Consortium Board reporting and attendance, development and training of the Internal Audit team, staff supervision and appraisals, budget monitoring.</p>	21	-
Total days commissioned		235	