

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 21 MARCH 2018

Title of report	2018/19 INTERNAL AUDIT ANNUAL PLAN
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Purpose of report	To inform the committee of the proposed Internal Audit Annual Plan for 2018/19
Reason for Decision	To comply with the Public Sector Internal Audit Standards.
Council Priorities	Value for Money
Implications:	
Financial/Staff	None
Link to relevant CAT	None
Risk Management	Not Applicable
Equalities Impact Screening	Not Applicable
Human Rights	None
Transformational Government	Not Applicable
Consultees	Corporate Management Team
Background papers	Public Sector Internal Audit Standards NWLDC Internal Audit Charter
Recommendations	<p>THAT THE COMMITTEE</p> <ol style="list-style-type: none"> 1. NOTES THIS REPORT AND COMMENTS AS APPROPRIATE. 2. APPROVES THE 2018/19 INTERNAL AUDIT ANNUAL PLAN.



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

2018/19 Internal Audit Annual Plan

2. INTRODUCTION

- 1.1 The Public Sector Internal Audit Standards require the Chief Audit Executive to develop a risk based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. This document sets out the background and the approach to producing the annual plan; with the 2018/19 annual plan attached at Appendix A.

3. BACKGROUND

- 3.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit play a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to Internal Audit activity should lead to strengthening of the control environment and therefore contribute to the achievement of the organisation's objectives.
- 3.2. Internal Audit provide a combination of assurance and consulting/advisory activities. Assurance work involves assessing how well the systems are designed and working, with consulting or advisory activities available to help to improve those systems and processes where necessary. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.
- 3.3. The Internal Audit Charter sets out the purpose, authority and responsibilities of Internal Audit. The Charter:
- establishes Internal Audit's position within the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the Audit and Governance Committee (at North West Leicestershire DC the Chief Audit Executive is the Audit Manager);
 - authorises access to records, personnel and physical properties relevant to the performance of engagements; and
 - defines the scope of Internal Audit activities.
- 2.4 The Three Lines of Defence Model (below) is a valuable framework that explains Internal Audit's role in providing assurance that the management arrangements over governance, risk and internal control are adequate and effective.



Source: Chartered Institute of Internal Auditors (IIA) - UK

4. INTERNAL AUDIT PLAN

4.1. Overall Strategy

- 3.1.1 The key aim of the service is to provide an independent, objective assurance and advisory function which is designed to add value and improve the Council's operations. This supports North West Leicestershire DC in the achievement of its priorities, in particular in helping services to provide good value for money, as it brings a systematic disciplined approach to evaluating and improving the effectiveness of risk management and control and governance processes.
- 3.1.2 Each year the Audit Manager produces a risk-based annual audit plan. This is informed by a risk assessment which is based on a combination of:
- consulting with key stakeholders including senior management;
 - reviewing risk registers and committee minutes;
 - reviewing reports from external agencies (for example external audit) and legislative updates;
 - factors such as changes in staffing, systems and processes; and
 - the Audit Manager's professional judgement.
- 3.1.3 This approach enables the finite resources of the team to be focussed on areas where it can add value and conforms to the Public Sector Internal Audit Standards.
- 3.1.4 The outcomes from each audit engagement undertaken as part of the annual audit plan underpin the Audit Manager's annual opinion on the Council's internal control environment. This opinion feeds in to the Council's Annual Governance Statement.

4.2. Resources Available

- 3.2.1 The Audit Team who deliver the Audit Plan at North West Leicestershire District Council consists of the Audit Manager (0.6 FTE) and an Internal Auditor (0.49 FTE). Table 1 shows a calculation of the available audit days for 2018/19.

Table 1: Resources Available

Total Days	284
<i>Less leave/bank holidays/elections etc.</i>	47
<i>Less training and development</i>	7
	230
Available Days	
Team and Service Management / Annual Opinion/ Annual Plan/Audit Committees/Progress Reports	35
Corporate Meetings/Audit Admin/ Minutes Review	20
Available Audit Days	175

4.3. Internal Audit Annual Plan 2018/19

- 3.3.1 The proposed 2018/19 Annual Audit Plan is shown in Table 2 below and the detailed plan is shown in Appendix A. The Plan will be subject to ongoing review to ensure that it remains aligned with the Council's objectives and the risks identified by management in the risk registers. Any changes will be reported to the Corporate Leadership Team and the Audit and Governance Committee.

Table 2: 2018/19 Annual Audit Plan

Risk Based Audits	134
Advisory – Specific	8
Subtotal Days (Appendix A)	142
Follow up reviews	10
Advisory – Adhoc	5
Contingency	12
National Fraud Initiative and RIPA	6
Total Audit Days	175

- 3.3.2 Three of the Council's key financial systems (Benefits, Council Tax and NNDR) are provided by the Leicestershire Revenues and Benefits Partnership, and therefore the audits will be undertaken by the internal auditors at Hinckley and Bosworth Borough Council (PwC).
- 3.3.3 The timings shown within the Internal Audit Annual Plan are estimates based on time taken on previous similar audits and a high level consideration of the scope and existing arrangements. As part of the set up process for each audit engagement the scope of the audit will be agreed in detail and a more accurate budget for audit days will be set. A contingency has been included in the plan to allow for variances in planned audits days against actual and for ad-hoc or fraud investigations that may arise during the year. Due to the limited resources available, only **12** days have been included at this time. The quarterly progress reports to Audit and Governance Committee include a comparison of planned to actual days for each audit undertaken.

3.4 Limitations

- 3.4.1 The matters raised in the audit reports will only be those which come to our attention during internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or all the improvements that may be required. Whilst every care will be taken to ensure that the information contained in audit reports is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained therein. Our work does not provide absolute assurance that material errors, losses or fraud do not exist.

2018/19 INTERNAL AUDIT ANNUAL PLAN

AUDIT AREA	TYPE	TIMING	COUNCIL PRIORITY AREA	PLANNED AUDIT DAYS
HR & ORGANISATIONAL DEVELOPMENT				
Health & Safety	Risk Based	Q1	4	8
			Subtotal	8
HOUSING				
Homelessness (New Homelessness Reduction Act)	Risk Based	Q3	3	8
Housing Repairs	Risk Based	Q1	2,3	10
New Council Houses	Risk Based	Q3	2,3	5
Gas /Solid Fuel servicing and maintenance (incl. replacement solid fuel contract)	Risk Based	Q1	2,3,5	6
Property Services	Risk Based	Q4	1	8
Housing ICT review	Advisory	All	2	2
			Subtotal	39
COMMUNITY SERVICES				
Grounds Maintenance	Risk Based	Q2	2,3,5	7
Planning Enforcement	Risk Based	Q3	2,3	8
Car Parking & Enforcement	Risk Based	Q1	2,3	6
Environmental Health (Licensing)	Risk Based	Q2	3	8
			Subtotal	29
PLANNING				
Peer review outcomes – Review of implementation/follow up	Risk Based	Q4	2,3	3
S106 (Detailed Follow up 2016/17 review)	Risk Based	Q4	2,3	5
			Subtotal	8
ECONOMIC DEVELOPMENT				
Cultural Services*	Risk Based	Q4	1,2,3	5
			Subtotal	5

* Phase 2 of Restructure - to review audit requirements in Q4

FINANCE				
Key financial systems (incl. Rent Accounting)	Risk Based	Q3 - Q4	2	35
Contract / Programme Management	Risk Based	Q2	1,2,3,5	6
Finance service/systems reviews	Advisory	All	2	6
			Subtotal	47
ICT				
Firmstep – Phase 1 Implementation	Risk Based	Q2	2,3	6
			Subtotal	6
			Total	142

Key - Council Priority Areas

- 1 – Building Confidence in Coalville
- 2 – Value for Money
- 3 – Homes and Communities
- 4 – Green Footprint
- 5 – Business and Jobs