

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 21
APRIL 2021**



Title of Report	INTERNAL AUDIT 2021/22 ANNUAL AUDIT PLAN.	
Presented by	Lisa Marron Audit Manager	
Background Papers	Public Sector Internal Audit Standards	Public Report: Yes
Purpose of Report	To inform the Committee of the proposed Internal Audit Annual Plan for 2021/22 and allow them to comment and approve.	
Recommendations	THAT THE COMMITTEE 1. NOTES THIS REPORT AND COMMENTS AS APPROPRIATE. 2. APPROVES THE 2021/22 INTERNAL AUDIT ANNUAL PLAN.	

Policies and other considerations, as appropriate	
Council Priorities:	An effective internal audit service and risk based plan supports the delivery of all council priorities.
Consultation/Community Engagement:	The corporate leadership team have been consulted during the development of the plan.
Risks:	The absence of a risk based internal audit plan could lead to an inefficient internal audit service.
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INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

2021/22 Internal Audit Annual Plan

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1. INTRODUCTION

1.1 The Public Sector Internal Audit Standards require the Chief Audit Executive (the Audit Manager for this Council) 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 2021/22 annual plan attached at Appendix A.

2. BACKGROUND

2.1. 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.

2.2. 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.

2.3. The Internal Audit Charter sets out the purpose, authority and responsibilities of Internal Audit. The Charter:

- establishes Internal Audit's position within the organisation;
- 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

3. INTERNAL AUDIT PLAN

3.1. 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 District Council in the achievement of its priorities and helps 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 The Audit Manager has produced a risk-based annual audit plan for 2021/22. This is informed by a risk assessment which is based on a combination of:

- consulting with key stakeholders including senior management;
- reviewing the strategic risk register 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.

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.

3.1.3 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 into the Council's Annual Governance Statement.

3.1.4 It should be noted that the Public Sector Internal Audit Standards state that

"The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls."

The Audit Manager will ensure that the audit plan is regularly reviewed and adjusted as necessary throughout 2021/22. In practice this may mean that audits are added to or removed from the plan, with details included in the quarterly progress reports.

3.2. Resources Available

3.2.1 The Audit Team who will deliver the 2021/22 annual audit plan at North West Leicestershire District Council consists of the Audit Manager (0.32 FTE), Senior Auditor (0.2 FTE) and an Internal Auditor (0.69 FTE). Table 1 shows a calculation of the available audit days for 2021/22.

Table 1: Resources Available

Available Days	237
Team and Contract Management / Annual Opinion/ Annual Plan/Audit Committees/Progress Reports/External Audit	25
Corporate Meetings/General Admin/ Minutes Review/Regional Audit Groups	30
Available Audit Days	182

3.3. Internal Audit Annual Plan 2021/22

- 3.3.1 The proposed 2021/22 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 and the audit team. Any changes will be reported to the Corporate Leadership Team and the Audit and Governance Committee.

Table 2: 2021/22 Annual Audit Plan

Risk Based Audit Work 2021/22 (see Appendix A)	122
Completion of 2020/21 Outstanding Audits	20
Follow up reviews	8
Advisory – Ad hoc	10
Public Sector Internal Audit Standards	4
NFI and RIPA	6
Risk Scrutiny	4
Contingency	8
Total Audit Days	182

- 3.3.1 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 in relation to these systems will be undertaken by the internal auditors at Hinckley and Bosworth Borough Council. The Audit Manager will review the audit reports to take assurance from them.
- 3.3.2 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 8 days have been included at this time. However, 20 days have been allocated in the plan to respond to any Covid-19 related assurance which may be required but cannot be specified at this time. The quarterly progress reports to Audit and Governance Committee will 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.

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2021/22 INTERNAL AUDIT ANNUAL PLAN

AUDIT AREA	TYPE	TIMING	COUNCIL PRIORITY AREA/RISK REGISTER	PLANNED AUDIT DAYS
HR & ORGANISATIONAL DEVELOPMENT				
Project Management	Audit	Q4	All/RR 8	8
Subtotal				8
HOUSING				
Key Housing Systems	Audit	Q4	3	20
Fire Safety and Management	Audit	Q3/4	3	8
Green Homes Grant Phase 1b	Certification	Q2	3	5
Subtotal				33
COMMUNITY SERVICES				
Grounds Maintenance	Audit	Q3	5	8
CCTV	Audit	Q2/3	2	6
Leisure Recovery Support	Audit	Q1	2	6
Subtotal				20
FINANCE				
New finance system	Advisory	Q1-Q4	All/RR2 & 3	10
Subtotal				10
CUSTOMER SERVICES, CORPORATE PROPERTY AND ASSETS				
Estates Compliance Arrangements	Audit	Q2	All	8
Subtotal				8
PLANNING				
Building Control (Joint with CBC)	Audit	Q4	3	8
Subtotal				8

CROSS CUTTING				
High value grant claims	Audit	Q1	All/RR2 & 3	8
Covid-19 Related Assurance	TBC	As required	All	20
Risk Management	Audit	Q2/3	All/RR2 & 3	7
Subtotal				35
Total				122

Key

1. Supporting Coalville to be a more vibrant, family friendly town
2. Our communities are safe, healthy and connected
3. Local people live in high quality, affordable homes
4. Support for businesses and helping people into local jobs
5. Developing a green and clean district