

# NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE - 23 MARCH 2016

Title of report	<b>2016/17 INTERNAL AUDIT ANNUAL AUDIT PLAN</b>
Contacts	<p>Councillor Nicholas Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Interim Director of Resources 01530 454833 <a href="mailto:andrew.hunkin@nwleicestershire.gov.uk">andrew.hunkin@nwleicestershire.gov.uk</a></p> <p>Senior Auditor 01530 454728 <a href="mailto:lisa.cotton@nwleicestershire.gov.uk">lisa.cotton@nwleicestershire.gov.uk</a></p>
Purpose of report	To inform the committee of the proposed Internal Audit Programme of Work for 2016/17
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	<a href="#">Public Sector Internal Audit Standards</a> Internal Audit Charter
Recommendations	<p><b>THAT THE COMMITTEE</b></p> <ol style="list-style-type: none"> <li><b>1. NOTES THIS REPORT AND COMMENTS AS APPROPRIATE.</b></li> <li><b>2. APPROVES THE 2016/17 INTERNAL AUDIT ANNUAL AUDIT PLAN.</b></li> </ol>

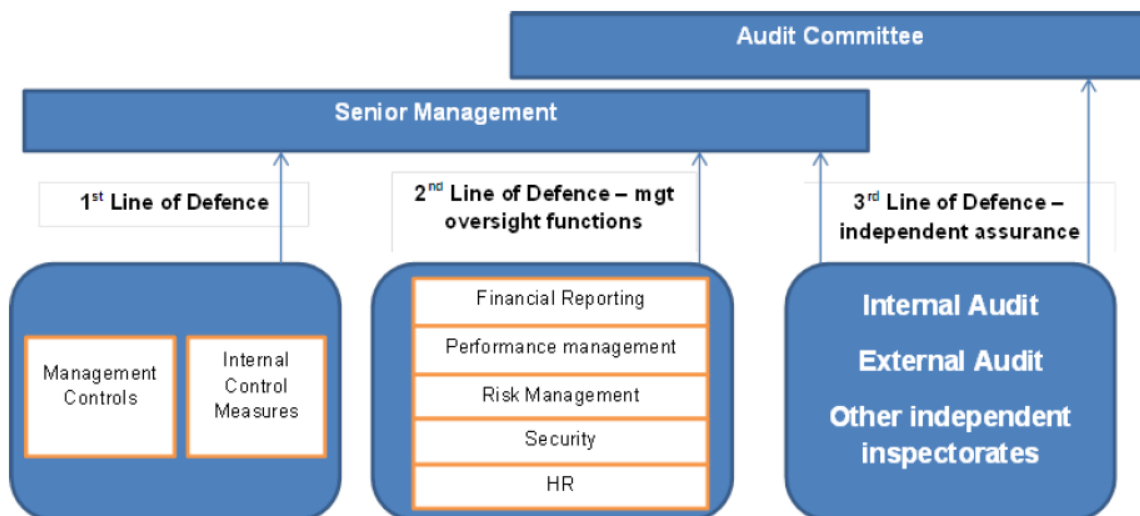


# INTERNAL AUDIT SHARED SERVICE

**North West Leicestershire District Council**  
2016/17 Internal Audit Annual Audit Plan

## 1. INTRODUCTION

- 1.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays 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.
- 1.2 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.
- 1.3 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 Senior Auditor);
  - authorises access to records, personnel and physical properties relevant to the performance of engagements; and
  - defines the scope of Internal Audit activities.
- 1.4 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

## 2. INTERNAL AUDIT PLAN

### 2.1 Overall Strategy

- 2.1.1 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.
- 2.1.2 Each year the Senior Auditor 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 Senior Auditor'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.

- 2.1.3 The outcomes from each audit engagement undertaken as part of the annual audit plan underpin the Senior Auditor's annual opinion on the Council's internal control environment. This opinion feeds in to the Council's Annual Governance Statement.

### 2.2 Resources Available

- 2.2.1 The Audit Team who deliver the Audit Plan at North West Leicestershire District Council consists of a Senior Auditor (0.6 FTE) and an Internal Auditor (0.49 FTE). Table 1 shows a calculation of the available audit days for 2016/17.

**Table 1: Resources Available**

<b>Total Days</b>	<b>284</b>
<i>Less leave/bank holidays/elections etc</i>	<i>47</i>
<i>Less training and development</i>	<i>12</i>
<b>Available Days</b>	<b>225</b>
Management /Opinion/Plan/Reporting	35
Meetings/Audit Admin/ Minutes Review	25
<b>Available Audit Days</b>	<b>165</b>

## 2.3 Internal Audit Annual Plan 2016/17

- 2.3.1 The proposed 2016/17 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: 2016/17 Annual Audit Plan**

Key Financial Systems	48
Risk Based Internal Audits	68
Advisory - Specific	18
<b>Subtotal (Appendix A)</b>	<b>134</b>
Follow up reviews	10
Advisory - Adhoc	5
Contingency	11
National Fraud Initiative	5
<b>Total Audit Days</b>	<b>165</b>

- 2.3.2 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).
- 2.3.3 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 11 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.

## 2.4 Limitations

- 2.4.1 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 this report 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.

## 2.5 Review of the Available Resources

- 2.5.1 The key issue for consideration is whether the Internal Audit Plan has the appropriate high level coverage and is focussed on the key areas of risk facing the Council. The Audit and Governance Committee should ensure that there is adequate coverage to provide appropriate assurance. Key considerations:

- Is the risk appetite and resource allocation appropriate given the level of risk the council is currently facing?
- Are there any high risk areas that are not being covered by the plan?
- Is there an appropriate balance between assurance and advisory work to ensure the effective utilisation of Internal Audit expertise?
- Is there sufficient contingency to enable a flexibility of response to changing needs?

## Appendix A

### 2016/17 Internal Audit Plan

Audit Area	Type	Council Priority Area	Auditor	Audit Days	Qtr
Benefits	Key Financial System	1,2,3,5	Revenues and Benefits Partnership Internal Auditors	-	-
Cash and Bank	Key Financial System	1	In house	6	Q4
Council Tax	Key Financial System	1,3	Revenues and Benefits Partnership Internal Auditors	-	-
Creditors	Key Financial System	1,2	In house	6	Q4
Debtors	Key Financial System	1,2	In house	6	Q4
Main Accounting	Key Financial System	1	In house	5	Q4
NNDR	Key Financial System	1,2,5	Revenues and Benefits Partnership Internal Auditors	-	-
HR and Payroll	Key Financial System	1,2	In house	10	Q3
Rent Accounting	Key Financial System	1,3	In house	6	Q2
Treasury Management	Key Financial System	1	In house	4	Q2
ICT General	Key Financial System	1	In house	5	Q3
ICT Key controls	Key Financial System	1	Specialist ICT auditor	-	-
Car Parking and Enforcement	Risk Based Assurance	1,2,3	In house	7	Q2
Enterprising NWLDC Grants	Risk Based Assurance	1,2	In house	4	Q1
Fuel Servicing and Repair Contracts	Risk Based Assurance	1,3	In house	10	Q3/Q4
Housing Mobile Working Project	Risk Based Assurance	1,3,4	In house	7	Q2
In-house Repairs	Risk Based Assurance	1,3	In house	10	Q4
Planning Enforcement	Risk Based Assurance	1,2,3,4	In house	7	Q4

s106	Risk Based Assurance	1,2,3	In house	10	Q1
Trade Refuse and Recycling	Risk Based Assurance	1,2,3,4	In house	10	Q2
Welfare Provision	Risk Based Assurance	1,3	In house	3	Q1 /Q2
Asset Performance Calculator - NPV	Advisory	1,3	In house	4	All
CCTV	Advisory	3	In house	4	Q4
Coalville Project	Advisory	1,2,3,5	In house	5	All
New financial systems	Advisory	1	In house	5	All
			<b>TOTAL</b>	<b>134</b>	

### Key - Council Priority Areas

- 1 - Value for Money
- 2 – Business and Jobs
- 3 – Homes and Communities
- 4 – Green Footprint
- 5 – Building Confidence in Coalville (at the time of preparing the plan this priority remains subject to full Council approval)