



**cw audit services**

**Oadby & Wigston Borough  
Council**

Internal Audit Plan 2016 - 2017

March 2016

Getting value from your service

# 1. Introduction

## General background

This document sets out a proposed plan of Internal Audit coverage for the period April 2016 to March 2017. The plan of work has been driven by the requirements of the Public Sector Internal Audit Standards (PSIAS) released by HM Treasury in December 2012, which were applicable from 1<sup>st</sup> April 2013, the Accounts & Audit Regulations (2015) and guidance relating to the Annual Governance Statement, which the work of Internal Audit supports and informs. The proposed plan supports an opinion based on an assessment of the design and operation of the internal control environment and the adequacy and effectiveness of control noted from our risk based audits carried out during the year. It follows therefore that the focus of the audit plan is critical to ensuring the right level of assurance to the Council.

### The aim of the plan is to:

- **Deliver a risk focused audit programme** - through a detailed risk assessment across the organisation and at component level
- **Be proactive and forward looking** - by looking at what risks the Council faces and trying to minimise these through our work.
- **Add value** – by providing practical, value-added recommendations, in areas of significant risk, by working where relevant with other functions (e.g. risk management and anti-fraud) and trying to save resources / enhance controls where possible.
- **Provide assurance to management and the ‘Audit’ Committee** - as key stakeholders, we will work closely with management and the Policy, Finance & Development Committee with regard to your assurance needs.

## Internal Audit Charter and Standards

The PSIAS requires us to explicitly detail the purpose, authority and responsibility of our internal audit activity in a formally documented Internal Audit Charter, which is included as Appendix 2 to this document. **The PSIAS require the Charter to be approved by the Audit Committee (ie Policy, Finance & Development Committee), and accordingly this approval is sought alongside agreement of the proposed Internal Audit strategy.**

In conducting our work as your Internal Auditors we are required to adhere to a set of standards as outlined in the PSIAS. We consider that compliance with these standards is a key element of our Internal Audit service in accordance with our contract with you, and maintain quality procedures to ensure compliance.

We believe that we have established suitable arrangements to enable us to comply with the standards. We will, however, report any instances of non-compliance should they arise, as soon as we become aware of them.

## 2. Developing the plan

Our plan of work is designed to support the annual Head of Internal Audit Opinion. The required basis for forming this opinion is as follows:

- An assessment of the design and operation of the overall internal control environment, governance and risk management arrangements; and
- An assessment of the adequacy and effectiveness of controls, based upon the results of our risk based audit assignments that are reported during the course of year.

It follows that an effective risk based audit plan, focusing the resource into areas of principal risk is essential.

### **Risk Assessment**

The plan has been prepared in consultation with the management team. It has been informed by:

- A review of the risks contained within the Council's Risk Register and Annual Governance Statement.
- Discussions with management team members to identify key auditable areas based on an assessment of current and future issues and risks.
- Our understanding of the challenges to the Council to deliver its objectives within the current economic environment and changes in local government legislation.

On the basis of this process we have identified a number of priority areas (see section 3) and these have been scheduled for attention in the

resulting Internal Audit Plan which is detailed at Appendix One. We will, however, continue to review the audit plan on an ongoing basis in response to developments and initiatives. If additional risks arise or change in priority during the year the audit plan will be reconsidered with management and, subject to Committee approval, amended to ensure that audit resources remain focused on the key risk areas.

### 3. Linking our plan to your strategic risks

The following table sets out the proposed areas of work for the 2016/17 financial year linked through to your business objectives/risk and showing the supporting rationale for that work and a summary outline of the work to be undertaken.

Area	Rationale - Links to Objectives/Risks	Work outline
<b>CORPORATE REVIEWS/RESOURCES - FINANCE, PROCUREMENT &amp; ICT</b>		
Budgetary Control and Medium Term Financial Strategy	Key financial system - financial strategy and management key in time of reducing government funding.	Review of key controls, to include budget setting, approval, adjustment and monitoring.
Main Accounting	Key financial system, underpinning delivery and monitoring/reporting of financial management.	Review of key controls, to include control account reconciliations, journal entries and interfaces with other key systems.
Financial Systems – creditors, debtors, treasury management, income management and cash receipting	Key financial systems governing payment to suppliers, income raising and collection (debt and cash), and management of investments and borrowing – material and fundamental systems for the Council’s financial resilience.	Review of these key systems to provide assurance on effectiveness of controls. Extended coverage on debtors and income management to assure on completeness of invoicing and income raising and enable specific focus on identified areas of income.
Anti Fraud & Corruption-targeted fraud prevention/detection work	The Council is at risk of fraud in a range of areas; national guidance in 2012 set out expectations on the Council with regard to addressing these risks.	To provide support with regard to anti-fraud reviews and arrangements to address fraud risks. Specialist trained counter-fraud advice and support – key policy review, anti-fraud culture awareness.
Strategic Procurement / Shared Services Value for Money	Delivery of value for money in key procurements and shared service arrangements is very important in supporting the delivery of Council objectives and ensuring best use of resources.	Review on a risk-assessed basis of key procurement exercises / key shared service arrangements, to consider value for money and effectiveness.
Income Generation/fees and charges	Given the continuing funding challenges faced by the Council, the optimising of income from discretionary fees and charges is an important element in ensuring ongoing financial resilience and stability.	Work to benchmark fees and charges against similar authorities and highlight opportunities for maximising income.
Cash Receipting system implementation – project support and assurance	The Council plans to implement a new cash receipting system in 2016/17, which will represent an important project regarding one of the Council’s fundamental financial systems.	To provide project assurance and related advisory support in relation to this project.
Grant Aid - VFM	The Council provides grant aid to various voluntary sector bodies and is seeking assurance on the value for money of these arrangements.	To assure on arrangements to obtain value for money from grant aid.
<b>REGULATION &amp; REGENERATION</b>		
Food Hygiene	Important public-facing service supporting public health objectives	Review to assure on the adequacy and efficiency of premises inspections/visits and ensuing Council action.
<b>CORPORATE RESOURCES</b>		
Payroll & Expenses	Key financial system covering payment of salaries/wages and expenses. Processing of the payroll is outsourced.	Review of key controls to assure on effective operation of the payroll function and oversight of the outsourced service contract.
Workforce – procurement of agency staffing	Agency staffing continues to be important to the Council in terms of ensuring adequate staffing resource and providing flexibility in staffing to meet changing requirements.	To assure on the cost-effectiveness of procurement and use of agency staffing.

Area	Rationale - Links to Objectives/Risks	Work outline
<b>CUSTOMER SERVICES</b>		
Council Tax	Key financial system requiring regular assurance. Increased risk of non-collection given localisation of Council Tax and impact on certain types of benefit/claimants.	Review of key controls to include maintenance of property register, liability, reconciliations to valuation list, exemptions, discounts, benefits, billing and debt recovery and to highlight potential areas for improvement.
Business Rates	Key financial system requiring regular assurance. Increased risks and opportunities arising from business rates retention changes.	Review of key controls, to include maintenance of property register, liability, reconciliation to valuation list, exemptions, discounts, benefits, billing and debt recovery and to highlight potential areas for improvement.
Benefits	Key financial system of great importance to local population, requiring regular assurance.	Review of fundamental financial and public-facing system.
<b>COMMUNITY</b>		
Housing Rents	Key revenue source to the Council and key element of HRA Business Plan	Review of key controls to ensure that rent is collected fully, securely and in a timely manner.
Housing investment and repairs	The service delivers material capital projects which represent a major financial commitment and investment in the housing stock of the Council, and also delivers planned and responsive maintenance to the housing stock.	To provide assurance, on a risk-assessed basis, of management controls in place to ensure probity and value for money in this important service..
Void property management	Timely and efficient management and reletting of empty properties is key to the cost-effective use of the Council's housing stock, maximising rental income and provision of a good quality service to tenants.	To provide assurance on the efficiency and effectiveness of the arrangements for managing empty properties.
<b>OPERATIONS/ ENVIRONMENTAL DEVELOPMENT</b>		
Brocks Hill Centre and Country Park	The centre and country park represent a valuable venue and natural resource for the borough and surrounding areas and provide a source of income for the Council through cafe, shop and facilities bookings.	To assess and test controls around the management of the venue ie security, income collection, bookings management.
Health & Safety-'depot' services	The Council has a legal duty to ensure the health and safety of its employees, clients and service users of various types, and to assess and address relevant risks. 'Depot' services eg refuse, recycling, street cleaning represent some of the higher risk services in this context.	To provide assurance on the robustness of the Council's policies and procedures and their implementation in these key services, regarding health and safety and addressing related risks.
Vehicle fleet procurement and management	The procurement of new vehicles for refuse collection services was a significant project for the service. Sound, efficient and effective management of the vehicle fleet is an important driver in the delivery of key services eg refuse collection, street cleaning.	Post-project review to assure on the effectiveness of project management and also of management of the vehicle fleet.

## 4. Reporting and relationships

### 4.1 Reporting Lines

The Internal Audit Charter attached at Appendix 2 outlines the reporting lines and relationships for this engagement, essentially setting out the accountability of the Chief Internal Auditor to the Chief Executive, but noting that operationally in practice this accountability is delegated to the Director of Services and Chief Finance Officer. The Chief Internal Auditor also has direct right of access to the Policy, Finance & Development Committee and the Chairman where required. This is also embodied in the Council's Financial Regulations.

### Audit Reporting

#### Periodic and Assignment Reporting

Final reports relating to individual audit assignments will be reported to the relevant operational manager and Head of Service and be signed off by the management team prior to submission to the Policy, Finance & Development Committee (where relevant), which will also receive a progress update at each meeting detailing progress against the plan, a summary of assignment opinions issued to date and an update in relation to the implementation of audit recommendations.

#### Annual Head of Internal Audit Opinion

In line with the PSIAS and expected professional practice, we will issue a formal audit opinion taking account of:

- An assessment of the design and operation of the overall internal control environment, governance and risk management arrangements; and
- An assessment of the adequacy and effectiveness of controls, based upon the results of our risk based audit assignments that are reported during the course of year.

This opinion will be formally recorded in the Internal Audit Year End Report and presented to the Policy, Finance & Development Committee. In addition to this formal opinion we will also bring to the attention of the Chief Executive and the Policy, Finance & Development Committee any Significant Internal Control Issues that we feel should be declared in your Annual Governance Statement.

## **4.2 Third Party Audit Arrangements**

As your Internal Auditors we are required to agree with you the arrangements for forming an appropriate opinion where either you operate key systems on behalf of other organisations, or key systems are being operated by other organisations on your behalf. We recognise that the Council operates within a number of different partnership arrangements and procures and contracts various services, and we will pay due regard to these arrangements in relation to any parties to whom the Council needs to provide assurance; and any key systems provided by third parties for which the Council must obtain appropriate audit assurance.

## **4.3 Relationships with external bodies**

### **External Audit**

We will agree a protocol of joint working arrangements supported by a regular programme of update meetings with External Audit. We will use these meetings to report on progress against our plan and as an opportunity to discuss any significant issues arising from our work.

### **Other Review Bodies**

Where we intend to place formal reliance on the work of any other review body e.g. external auditor, we will undertake an appropriate audit or quality assurance exercise to ascertain the level of assurance that we can derive from that work.

### **Counter Fraud**

You are required to carry out counter fraud activities, to ensure sound stewardship of public funds. We will liaise as necessary with your counter fraud officers, sharing relevant audit findings and identifying joint programmes of work where appropriate.

## **4.4 Additional Services/Ad-hoc Work**

The PSIAS requires us to define the potential role that we may have in providing ad hoc consultancy work. In providing such a service we would seek to apply the professional skills of Internal Audit through a systematic and disciplined evaluation of the policies, procedures and operations that you have put in place to ensure the achievement of your objectives. We believe that our status as Internal Auditors ensures that we can deliver such work in an independent and objective manner.

## 5. Delivery

### 5.1 The Core Audit Team

The Audit Plan will be delivered by the following team:

<b>Team Role</b>	<b>Team Member</b>	<b>Qual</b>	<b>Role</b>
Chief Internal Auditor	Tim Ridout	CCAB	Tim will manage and oversee the audit team and plan
Audit Manager	Anand Persaud	CCAB	Anand will deliver complex reviews and supervise a team of experienced auditors in delivering the core plan.

### 5.2 Profiling Delivery

We will agree a programme of delivery for the audit plan with management team and Heads of Service and report on delivery against this profile through our regular progress reports to Policy, Finance and Development Committee.

**Tim Ridout**  
**Chief Internal Auditor**

## Internal Audit Plan – 2016/2017

Area	Audit Assignment	2016/17
Resources – Finance, Procurement & ICT	Budgetary Control/Medium Term Financial Strategy	8
	Main Accounting	8
	Creditors	8
	Debtors	10
	Treasury Management	6
	Income Management & Cash Receipting	10
	Anti Fraud & Corruption-targeted fraud prevention/detection work	10
	Strategic Procurement / Shared Services / Service Review - VFM	12
	Income Generation/fees and charges	12
	Cash Receipting system implementation	8
	Grant Aid – Value for money review	10
	<b>Sub-total</b>	<b>102</b>
	Regulation & Regeneration	Food Hygiene
<b>Sub-total</b>		<b>8</b>
Corporate Resources	Payroll & Expenses	8
	Workforce – Procurement of agency staffing	8
	<b>Sub-total</b>	<b>16</b>

Area	Audit Assignment	2016/17
Customer Services	Council Tax	10
	Business Rates	10
	Benefits	10
	<b>Sub-total</b>	<b>30</b>
Community	Housing Rents	10
	Housing – investment / repairs and maintenance	12
	Void Property Management	12
	<b>Sub-total</b>	<b>34</b>
Operations/Environmental Development	Brocks Hill	6
	Health & Safety – ‘Depot Services’	10
	Vehicle procurement and management	10
	<b>Sub-total</b>	<b>26</b>
Follow Up	Recommendation Tracking	5
	Follow Up Reviews	14
	<b>Sub-total</b>	<b>19</b>
Management & Advice	Audit Needs Assessment, Planning & Annual Report	5
	Policy, Finance & Development Committee/External Audit/Senior Team meetings	10
	Contract Management & ad hoc advice	10
	<b>Sub-total</b>	<b>25</b>
<b>Total</b>		<b>260</b>

## INTERNAL AUDIT CHARTER

### 1. DEFINITION

Internal Audit is an independent and objective appraisal service within the organisation:

- Internal Audit primarily provides an independent and objective opinion to the Accountable Officer (Chief Executive), the Council and the Policy, Finance & Development Committee on the degree to which risk management, internal control and governance arrangements support the achievement of the organisation's agreed objectives. In addition, Internal Audit's findings and recommendations are beneficial to line management in the audited areas. Risk management, internal control and governance comprise the policies, procedures and operations established to ensure the achievement of objectives, the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and compliance with the behavioural and ethical standards set for the organisation.
- Internal Audit also provides an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements. The service applies the professional skills of Internal Audit through a systematic and disciplined evaluation of the policies, procedures and operations that management have put in place to ensure the achievement of the organisation's objectives, and through recommendations for improvement. Such consultancy work contributes to the opinion, which Internal Audit provides on risk management, control and governance. Approval for any significant additional consulting services not already included in the audit plan will be sought from the Policy, Finance & Development Committee prior to accepting the engagement.

### 2. STANDARDS AND ETHICS

Internal Audit acknowledges the mandatory nature of the Definition of Internal Audit, the Code of Ethics and the Standards contained in the Public Sector Internal Audit Standards. Internal Audit shall also work in accordance with any performance measures agreed with the Audit Committee.

### 3. INDEPENDENCE, OBJECTIVITY AND CONFLICTS OF INTEREST

All internal audit activities shall remain free of influence by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports. Internal Auditors shall have no executive or direct operational responsibility or authority over any of the activities they review.

Individual auditors will have an impartial, unbiased attitude, characterised by integrity and an objective approach to work, and should avoid conflicts of interest. Individual auditors must declare any conflict of interest to the Head of Internal Audit. Any conflicts of interest encountered by the Head of Internal Audit must be declared to the Section 151 Officer. Internal Auditors will have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

### 4. AUTHORITY and ACCOUNTABILITY

Internal Audit derives its authority from the Council, the Accountable Officer and Policy, Finance & Development Committee. The Head of Internal Audit reports on a functional basis to the Council via the Policy, Finance & Development Committee. For administrative purposes, the Head of Internal Audit reports to the Section 151 Officer and Director of Services. The Head of Internal Audit has a direct right of access to the Chair of the Policy, Finance & Development Committee and the Chair

of the organisation if deemed necessary. The Policy, Finance & Development Committee shall have regular private meetings with the Head of Internal Audit. The Policy, Finance & Development Committee approves all Internal Audit plans and may review any aspect of its work.

## **5. INTERNAL AUDIT TEAM**

The Head of Internal Audit is responsible for ensuring the team is adequately staffed and that there is access to the full range of knowledge, skills, qualifications and experience to deliver the Internal Audit Plan in line with the Public Sector Internal Audit Standards. The team will undertake regular assessments of professional competence through an on-going appraisal and development programme (i.e. Personal Development Plans and Continuing Professional Development) with training provided where necessary. Auditors also have responsibilities for applying due professional care when performing their duties. The Head of Internal Audit must hold a professional qualification.

If the Head of Internal Audit, Chief Executive, Section 151 Officer or the Policy, Finance & Development Committee consider that the level of Internal Audit resources or the terms of reference in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the definition of internal auditing, they should advise the Council accordingly.

## **6. SCOPE**

The Head of Internal Audit is responsible for developing and maintaining an Internal Audit Strategy for providing the Chief Executive, economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the organisation's risk management, control and governance arrangements. The Head of Internal Audit's opinion is a key element of the framework of assurance the Chief Executive needs to inform the completion of the Annual Governance Statement. This strategy will be realised through the delivery of considered and approved annual plans. These will systematically review and evaluate risk management, control and governance which comprises the policies, procedures and operations in place to:

- Establish, and monitor the achievement of, the organisations objectives.
- Identify, assess and manage the risks to achieving the organisations objectives.
- Ensure the economical, effective and efficient use of resources.
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations.
- Safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

Internal Audit's planning will embrace risk management, control and governance processes of the organisation including all its operations, resources, services and responsibilities for other bodies.

## **7. APPROACH**

To ensure delivery of its objectives, Internal Audit will develop and implement an Audit Strategy. This will be prepared each year and will describe arrangements for the delivery of the internal audit service based upon knowledge of the organisation's objectives, risk assessment, and appropriate management consultation. The allocation of resources between assurance and consultative work will be set out. A detailed Annual Operational Plan will be prepared designed to implement the audit strategy. The audit strategy and annual plans shall be prepared to support the audit opinion to the Accountable Officer on the risk management, internal control and governance arrangements within the organisation. Both the strategy and annual plans will be approved by the Policy, Finance & Development Committee and reported to the Council.

## 8. REPORTING

Internal Audit will report formally to the Policy, Finance & Development Committee through the following:

An annual report will be presented to confirm completion of the audit plan and will include the Head of Internal Audit opinion provided for the Accountable Officer that will support the Annual Governance Statement. The Head of Internal Audit opinion will:

- a) State the overall adequacy and effectiveness of the Trust's risk management, control and governance processes;
- b) Disclose any qualification to that opinion, together with the reasons for the qualification;
- c) Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- d) Draw attention to any issues internal audit judge as being particularly relevant to the preparation of the Annual Governance Statement;
- e) Compare work actually undertaken with the work which was planned and summarise performance of the internal audit function against its performance measures criteria; and
- f) Comment where necessary on compliance with the Public Sector Internal Audit Standards and internal quality assurance arrangements.

For each Policy, Finance & Development Committee meeting a progress report will be presented to summarise progress against the plan. The findings arising from individual audit reviews will be reported in accordance with the Committee's requirements. The Committee members will be provided with copies of individual audit reports for each assignment undertaken unless the Head of Internal Audit is or has been advised otherwise. The reports will include an action plan with target dates for completion.

Following the closure of fieldwork, Internal Audit will discuss findings with operational/local managers. Operational/Local management will receive draft reports which will include the action plans they have agreed following the discussion of findings. A copy of the draft report will also be provided to the relevant Executive Director. The draft report will give an "assurance" opinion on the area reviewed. The draft report will also indicate action ratings for individual report findings and recommendations.

Operational management will be required to respond to the draft report, stating their agreement or otherwise to the content of the report, identifying action, staff with responsibility for implementation and the dates by which action will be taken. Final reports inclusive of management comments will be issued by Internal Audit to the relevant Executive Director within 5 working days of management responses being received. The final report will be placed on the agenda for the next available Policy, Finance & Development Committee, if this is required by the Committee.

Internal Audit will make provision to review the implementation of agreed action within the agreed timescales. However, where there are issues of particular concern provision maybe made for follow up review within the same financial year. Issue and clearance of follow up reports shall be as for other assignments referred to above.

## **9. IRREGULARITIES, FRAUD AND CORRUPTION**

It is the responsibility of management to maintain systems that ensure organisation's resources are utilised in the manner and on activities intended. This includes the responsibility for the prevention and detection of fraud and other illegal acts.

Internal Audit shall not be relied upon to detect fraud or other irregularities. However, Internal Audit will give due regard to the possibility of fraud and other irregularities in work undertaken. Additionally, Internal Audit shall seek to identify weaknesses in control that could permit fraud or irregularity.

If Internal Audit discovers suspicion or evidence of fraud or irregularity, this will immediately be reported to the organisation's Counter Fraud Specialist in accordance with the organisation's Counter Fraud Policy & Fraud Response Plan.

## **10. RELATIONSHIPS**

In order to maximise its contribution to the Council's overall framework of assurance, Internal Audit will work closely with the organisation's Director of Services and the Section 151 Officer in planning its work programme. Co-operative relationships with line management enhance the ability of internal audit to achieve its objectives effectively. Audit work will be planned in conjunction with management as far as possible, particularly in respect of the timing of audit work.

Internal Audit will meet regularly with the external auditor to consult on audit plans, discuss matters of mutual interest, discuss common understanding of audit techniques, method and terminology, and to see opportunities for co-operation in the conduct of audit work. In particular, internal audit make available their working files to the external auditor for them to place reliance upon the work of Internal Audit where appropriate

The Head of Internal Audit will establish a means to gain an overview of other assurance providers' approaches and output as part of the establishment of an integrated assurance framework. In addition the Head of Internal Audit shall make provision to form an opinion where key systems are being operated by organisation's outside of the remit of the Accountable Officer, or through a shared or joint arrangement.

## **11. ACCESS**

Internal Audit shall have the authority to access all the organisation's information, documents, records, assets, personnel and premises that it considers necessary to fulfil its role. This shall extend to the resources of the third parties that provide services on behalf of the organisation. All information obtained during the course of a review will be regarded as strictly confidential to the organisation and shall not be divulged to any third party without the prior permission of the Accountable Officer. However, open access shall be granted to the organisation's external auditors. In any instances of conflict this will be referred for resolution to the Section 151 Officer, Chief Executive or Chair of Policy, Finance & Development Committee as appropriate.

## **12. QUALITY ASSURANCE**

The work of internal audit is controlled at each level of operation to ensure that a continuously effective level of performance, compliant with the Public Sector Internal Audit Standards is being achieved. The Head of Internal Audit will establish a quality assurance programme designed to give assurance through internal and external review that the work of internal audit is compliant with the Public Sector Internal Audit Standards and to achieve its objectives. A commentary on compliance against the Standards will be provided in the annual audit report to Audit Committee.

### 13. APPROVAL, REVIEW AND INTERPRETATION OF THE CHARTER

This Internal Audit Charter shall be reviewed annually and approved by the Audit Committee\*.

\* The Public Sector Internal Audit Standards require the Charter to be approved by the Board, however, for the Public Sector the following definition of Board is provided: *Audit Committee – the governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting*