

Hinckley and Bosworth Borough Council

Annual internal audit plan for 2020/21
Strategic Internal Audit Plan 2020–23

May 2021 – Audit Committee

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Introduction

Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive (Head of Internal Audit) to produce a risk based plan which takes into account Hinckley and Bosworth Borough Council's risk management framework, its strategic priorities and objectives and the views of its senior management and the Audit Committee.

This proposed annual plan for 2020/21 has been developed through:

- review of key Council documents, in particular the corporate risk register;
- review of the Council's 2019-20 annual accounts including annual governance statement;
- review of Committee minutes and associated papers to identify any planned changes to the control environment or emerging risks;
- review of key Council strategies, plans and policies;
- existing knowledge of the systems you operate and considering prior year findings from our reviews;
- discussion with senior management to identify emerging risks and priorities.

We will also consider feedback from the Audit Committee before we finalise the plan.

We have shared our initial risk assessment with management to refine the risks presented in this plan, ensuring that it is appropriate, focused and designed around your specific needs.

We have also set out our strategic internal audit plan (2020-2023) detailing planned work which will feed into the development of the annual plan in future years and will be undertaken in accordance with PSIAS. As agreed, a rolling plan has been adopted in response to slippage in the 2019/20 audit plan as a result of COVID-19. This approach is designed to work in partnership with the Council and ensure that we are undertaking sufficient work, provide appropriate assurance, but also work flexibly in response to the interim arrangements in place during this pandemic.

The strategic plan is designed to provide appropriate coverage over the Hinckley and Bosworth Borough Council's risk, governance and control environment (including financial controls) so that we can provide an annual Head of Internal Audit Opinion in each of the years.

Introduction

A risk based approach to internal audit planning

We have considered the robustness of your risk management framework and associated risk culture and can confirm we have used this as a basis for identifying and prioritising internal audit work. In particular, we have taken into account your overall appetite and tolerance for risk when prioritising our planned activity.

You are operating in a constrained financial environment and have an agreed budget for internal audit and therefore, together with senior management and the audit committee, we have used judgement to prioritise activities. We have ensured sufficient coverage over risk, governance, and control and therefore can confirm we are able to produce an annual internal audit report and opinion (limited to the work we have completed).

Your control environment

Internal audit is not itself part of the internal control system, nor is it responsible for internal control or compliance. This remains the responsibility of management. Our work as internal audit typically includes:

- Reviewing the risk management and internal control processes developed and maintained by management to ensure the achievement of agreed organisational or departmental goals;
- Assessing compliance with policies and procedures, including where relevant laws and regulations and strategic plans;
- Considering the robustness and reasonableness of arrangements to ensure effective and efficient use of resources.

Internal Audit is only one source of assurance available to you. The delivery of our internal audit plans will not, and does not, seek to cover all the risks and controls in place across the Council. We will liaise with external audit, and other assurance providers to ensure that duplication is minimised. We do not place reliance on other sources of assurance available to you when forming our annual opinion.

Proposed internal audit plan for 2020/21

The proposed 2020/21 internal audit plan is summarised below. This plan is subject to final discussion with the Director of Finance and Chair of Audit Committee, prior to final approval and adoption at Audit Committee in February 2021. The specific objectives; associated risks; our scope and approach to each review; and timing will be agreed with the relevant audit sponsor.

Review area	IA Sponsor	Scope/Rationale	Indicative days
Annual reviews for HOIA opinion			
Corporate risk	Julie Kenny, Director (Corporate Services)	<p>In accordance with Public Sector Internal Audit Standards, we are required to complete a review of risk management.</p> <p>We will review the current arrangements in place to ensure that management has appropriate assurance that risks are managed and escalated appropriately through the Council and that there is sufficiency overview and scrutiny of these risks.</p> <p>This review will consider the design and operating effectiveness of the Council's processes for identifying, assessing, recording, managing, reviewing and reporting risks. It will also consider both operational risks and programme / project risks with a deep dive into a specific area to assess whether risk is managed appropriately.</p>	18
Key Financial Systems	Ashley Wilson, Head of Finance (Section 151 Officer)	<p>Evaluation and testing of the design, implementation and operation of key controls in the Council's core financial systems. This will include review of controls over the general ledger, journals, accounts receivable and payable and reporting to management.</p> <p>Due to the adaptations all organisations have made to their working arrangements during lockdown, we will consider areas where the Council has either changed working practices or is experiencing particular risks as a result of remote working and changes in its business.</p>	25
Other annual review (SO4 - Revenues and Benefits partnership)			
Revenues	TBC	Annual review- to be confirmed with project sponsor	15

Proposed internal audit plan for 2020/21

Review area	IA Sponsor	Scope/Rationale	Indicative days
Risk based reviews			
SO1 – Corporate Services			
Cashless parking (b/fwd)	Ilyas Bham, Accountancy Manager	Finalisation 2019/20 work – slippage due to COVID 19	1
Commercial property Management (b/fwd)	Malcolm Evans, Estates & Assets Manager	2019/20 finalisation of report – slippage due to COVID 19	3
Communications Strategy	Julie Kenny, Director (Corporate Services)	<p>As the Council's Communication Strategy reaches the end of its third year, our review will assess the impact of this and whether the ambitions set out within the strategy have been met.</p> <p>Taking the metrics within the Strategy we will review how the council is managing and monitoring its external communications against the four focus areas set out.</p>	14
Review of medium term financial plan	Ashley Wilson, Head of Finance (Section 151 Officer)	<p>Scope agreed and work in progress. This review will challenge the assumptions within the Medium Term Financial Plan (MTFP) as well as testing key financial assumptions within the projections.</p> <p>We have engaged our Advisory colleagues to undertake this review and provide insight from other public sector bodies to support the on-going development of this Plan. This is particularly important following the Comprehensive Spending Review one year settlement and significant COVID challenges to other income.</p>	25

Proposed internal audit plan for 2020/21

Review area	IA Sponsor	Scope/Rationale	Indicative days
SO2 – Community Services			
Housing Voids (b/fwd)	Maddie Shellard, Head of Housing	Completion of 2019/20 work suspended due to COVID-19	3
Leisure contract management	Ashley Wilson, Head of Finance (Section 151 Officer)	Leisure services nationally have been challenged with the impact of COVID-19. This impacts not only income, but also the wider delivery of strategic objectives around Culture and Health & Wellbeing. The Council undertakes a periodic review of the contract assumptions and our work will support their review. We will focus on the value for money aspect as well as considering controls which the Council has in place to support the management of this contract.	16
SO3 – Environment and Planning			
Town centre COVID 19 recovery	Matthew Bowers Director (Environment and Planning)	How is the council delivering against its priorities within the corporate plan in relation to the Town centre strategy. Potential areas for review could include car parking charging or the letting of market spaces.	12
Planning, follow up & contract management			
Follow up of recommendations	Not applicable	Follow up and reporting of progress to Audit Committee against recommendations within the Audit Tracker, providing assurance on management's implementation of agreed actions.	8
Attendance at meetings and contract management	Not applicable	Preparation for and attendance at Audit Committee and client liaison meetings during the year	10
Total planned days			150

Strategic internal audit plan 2020 - 2023

Auditable area	Proposed internal audit coverage (days)			Scope of work
	2020/21	2021/22	2022/23	
Annual reviews for HOIA opinion				
Corporate risk	18	18	18	Review of risk management arrangements- scope to be confirmed with project sponsor
Key Financial systems	25	25	20	Higher days reflect additional assurance around controls operating during remote working and pandemic
Risk based reviews				
SO1 - Corporate Services				
Capital projects delivery; or sickness absence		20		Deferred from 2019/20 audit plan
Fraud; or Health and safety			15	Payroll management/ creditors/payments system management of changes to payments and bank details, operation of controls to minimise risk of fraud – scope tbc Scope tbc
Commercial property Management (b/fwd)	3			2019/20 finalisation of report- slippage due to COVID 19
Communications strategy	14			How the council is managing and monitoring its external communications
Review of medium term financial plan	25			Scope agreed and work in progress
Cashless parking (b/fwd)	1			Finalisation 2019/20 work
Subtotal	86	63	53	

Strategic internal audit plan 2020 - 2023

Auditable area	Proposed internal audit coverage			Scope of work
	2020/21	2021/22	2022/23	
SO2 - Community Services				
Homelessness		14		Scope agreed in 2019/20 work suspended due to COVID-19 (will revisit autumn time – to potentially do spring 22)
Housing repairs	Not required		15	Management of the repairs budget
Housing voids (b/fwd)	3			Completion of 2019/20 work suspended due to COVID-19
HRA investment plan		25		HRA investment plan is undergoing a refresh, so we will consider the key assumptions and processes underpinning the plan (will revisit autumn time – to potentially do spring 22)
Leisure contract management	16			Leisure services nationally have been challenged with the impact of COVID19. The Council undertakes a periodic review of the contract assumptions and our work will support that review
Subtotal	19	39	15	

Strategic internal audit plan 2020 - 2023

Auditable area	Proposed internal audit coverage			Scope of work
	2020/21	2021/22	2022/23	
SO3 - Environment and Planning				
Waste management		14		Management of Trade waste
Building control			14	Managing the service in a competitive environment – to include engagement of Blaby
Town centre planning	12			Audit is likely to focussed on COVID 19 recovery – scope will be agreed with both Matt Bowers and Sharon Stacey
Meeting the needs of travellers			15	Scope to be confirmed with project sponsor:
SO4 - Revenues and Benefits partnership				
Revenues (annual)	15	15	15	Annual review- to be confirmed with project sponsor
Subtotal	27	29	44	
Total direct internal audit work	132	131	112	
Follow up	8	8	8	Follow up pf prior year recommendations to report to audit committee
Contract management	5	5	5	Regular update meetings with key staff and members at the council
Audit committee	2	2	2	Attendance of committee and preparation of committee reports
Annual risk assessment /Planning	3	3	3	Work to support preparation of the audit plan
Subtotal	18	18	18	
Grand total to be delivered in year	150	149	130	
b/fwd days	39	19	0	This reflects slippage in 2019/20 and 2020/21 financial years due to the impact of COVID-19.
Days in annual plan	130	130	130	
c/fwd	19	0	0	Plan to deliver agreed to days to 2023 (assumes contracts rolls over into 2021/22)

Audit resources

Staff grade mix

We have selected the following grade mix to deliver your 2020/21 annual internal audit plan.

Grade	No. of days
Head of Internal Audit	8
Manager	18
Executive	45
Auditor	61
Specialists	18
Total	150

Our core audit team and our subject matter experts bring:

- Experience in internal auditing in the public sector;
- Knowledge of the local government sector and good practice from your peers who are tackling similar challenges to you;
- Data analytics capabilities to provide greater insights into your internal controls;
- Ability to provide objective and independent advice across a wide range of specialist areas including IT;

All of the staff used to deliver the annual plan will be fully or part-qualified professionals in their respective areas. This means that you can be confident that our staff have the requisite skills and the experience to deliver high quality audits.

Appendix A: Our proposed Internal Audit Charter

Introduction

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Hinckley and Bosworth Borough Council (“the Authority”). It supports to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Aim

The aim of this Charter is to set out the management by all parties of the internal audit process. The Charter sets out the context of the internal audit function, including the place of the Audit Committee, the key personnel, timescales and processes to be followed for each internal audit review.

Role

The internal audit activity is established by the Audit Committee on behalf of the Authority. Internal audit’s responsibilities are defined by the Audit Committee as part of its oversight role.

Professionalism

The internal audit activity will adhere to Public Sector Internal Audit Standards (PSIAS), which are based on mandatory guidance of The Chartered Institute of Internal Auditors (CIIA) including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.

The CIIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the 's relevant policies and our Grant Thornton Internal Audit manual and internal audit practices. Internal audit activity will also reflect relevant LG directions, as appropriate.

Appendix A: Our proposed Internal Audit Charter

Authority

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the Authority's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Audit Committee.

Accountability

The Chief Internal Auditor will be accountable to the Audit Committee and will report administratively to the Director (Corporate Services). The Audit Committee will approve all decisions regarding the performance evaluation, appointment, or removal of the Chief Internal Auditor.

The Chief Internal Auditor will communicate and interact directly with the Audit Committee, including between committee meetings as appropriate.

Independence and objectivity

The internal audit activity will remain free from interference by any element in the Authority, including matters of audit selection, scope, procedures, frequency, timing, or report content. This is essential in maintaining our independence and objectivity. Internal auditors will have no direct operational responsibility or over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The Chief Internal Auditor will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

Appendix A: Our proposed Internal Audit Charter

Scope and responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives. Internal control objectives considered by internal audit include:

- Consistency of operations or programmes with established objectives and goals,
- Effectiveness and efficiency of operations and use of resources,
- Compliance with significant policies, plans, procedures, laws, and regulations,
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information,
- Safeguarding of assets.
- Internal Audit is responsible for determining a risk based internal audit plan. In doing so, internal audit maintains a proper degree of coordination with external audit. Internal audit may perform consulting and advisory services related to governance, risk management and control. It may also evaluate specific operations at the request of the Audit Committee or management, as appropriate.
- Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues, and other matters needed or requested by the Authority.

Engagement with management

Internal audit aims to work closely with senior and operational managers to develop and deliver a programme of internal audit work that adds value to the and encourages continuous process improvement. To achieve this, internal audit will work closely with management during the audit planning and reporting stages, as described below.

Appendix A: Our proposed Internal Audit Charter

Annual internal audit plan

The audit year runs from 1 April to 31 March. At least annually, the Chief Internal Auditor will submit to the Audit Committee an internal audit plan for review and approval. The Internal Audit Plan will detail, for each subject review area:

- The outline scope for the review;
- The number of days allocated;
- The timing, including the Audit Committee to which the final will report will be presented; and
- The review sponsor.
- The Internal Audit Plan will be developed using a risk-based methodology, including input of senior management. Prior to submission to the Audit Committee for approval, the plan will be discussed with senior management. Any significant deviation from the approved Internal Audit Plan will be communicated through the periodic activity reporting process.

Assignment planning and conduct

Terms of reference (audit planning brief) will be drafted prior to the start of every assignment setting out the scope, objectives, timescales and key contacts for the assignment. Specifically, the terms of reference will detail the timescales for carrying out the work, issuing the draft report, receiving management responses and issuing the final report. The terms of reference will also include the name of the staff member who will be responsible for the audit (review sponsor) and the name of any key staff members to be contacted during the review (key audit contacts). The terms of reference will be agreed with the review sponsor and the key audit contacts (for timings) before the review starts.

The internal auditor will discuss key issues arising from the audit as soon as reasonably practicable with the key contact and/or review sponsor, as appropriate. For each review, a close-out meeting will be held to discuss the initial audit findings within five days of completion of the audit fieldwork.

Appendix A: Our proposed Internal Audit Charter

Reporting and monitoring

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each internal audit engagement and will be distributed to the review sponsor and key contacts identified in the terms of reference for management responses and comments.

Draft reports will be issued by email within fifteen working days of fieldwork concluding. The covering email will specify the deadline for management responses, which will normally be within a further fifteen working days. The management comments and response to any report will be overseen by the review sponsor. Internal Audit will make time after issuing the draft report to discuss the report and, if necessary, meet with the review sponsor and/or key contact to ensure the report is factually accurate and the agreed actions are clear, practical, achievable and valuable.

The internal auditors will issue the final report to the review sponsor. The final report will be issued within five working days of the management responses being received. Finalised internal audit reports will be presented to the Audit Committee. The working days set out above are maximum timescales and tighter timescales may be set out in the terms of reference, as required.

Follow up of management actions

The internal audit team will follow-up on engagement findings and recommendations. Internal audit will work with directors or their nominated leads to follow up on completion of agreed management actions. Internal Audit will report progress in implementing recommendations quarterly to the Audit Committee. Internal Audit will confirm for implementation of all significant findings to supporting evidence to confirm implementation.

Audit Committee

The Audit Committee meets five times a year typically. Dates for Audit Committee meetings will be provided to internal audit as soon as they are agreed. The Chief Internal Auditor and/or Internal Audit Manager will attend all meetings of the Audit Committee. Internal audit will schedule its work so as to spread internal audit reports reasonably evenly over the Audit Committee meetings. The annual Internal Audit Plan will detail the internal audit reports to be presented to each Audit Committee meeting.

Appendix A: Our proposed Internal Audit Charter

Reporting and monitoring

The Chief Internal Auditor will generally present specific reports to the committee as follows:

Output	Meeting
Audit needs assessment	December/February
Annual internal Audit Plan	July
Annual report	July
Progress report, including follow-up of recommendations	Each meeting

The Audit Committee will meet privately with the internal auditors at least once a year.

Periodic assessment

The Chief Internal Auditor is responsible for providing a periodic self-assessment on the internal audit activity as regards its consistency with the Audit Charter (purpose, responsibility) and performance relative to its Plan. In addition, the Chief Internal Auditor will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years in accordance with Public Sector Internal Audit Standards.

Review of Charter

This Charter will be reviewed by both parties each year and amended if appropriate.

