

Hinckley and Bosworth Borough Council

Internal Audit Plan 2023-25

Draft

Prepared by: Mazars LLP

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Statement of Responsibility

Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of Hinckley and Bosworth Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. The Report was prepared solely for the use and benefit of the [Client Organisation] and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility on the final page of this report for further information about responsibilities, limitations and confidentiality.



01

Section 01:
Introduction



Introduction

The purpose of this document is to provide the Audit Committee with the proposed Operational Plan for 2023/24 and 2024/25 alongside a three-year Audit Strategy (Strategy) for consideration and approval.

The Strategy is used to direct Internal Audit resources to those aspects of the organisation that are assessed as generating the greatest risk to the achievement of its objectives. This is subject to review and update on at least an annual basis, to ensure it meets the needs of the Council and takes account of any areas of new and emerging risks within the Risk Register.

In considering the document, Audit Committee (AC) is asked to consider:

- whether the balance is right in terms of coverage and focus;
- whether we have captured key areas that would be expected; and
- whether there are any significant gaps.

The suggested Internal Audit plans are included in section 02, with the Strategy included in section 03.

We are also seeking approval from AC for the Internal Audit Charter in Section 04, which we request on an annual basis.

Scope and Purpose of Internal Audit



IA's Role

Internal Audit provides independent and objective assurance to the organisation, its Members, the Chief Executive, the Senior Management Team, and in particular the Head of Finance to help him discharge his responsibilities relating to the proper administration of the Authority's financial affairs under S151 of the Local Government Act 1972.



IA Plan

Completion of the internal audits proposed in the Operational Plan 2023/24 and 2024/25 should be used to help inform the Council's Annual Governance Statement.



Objective

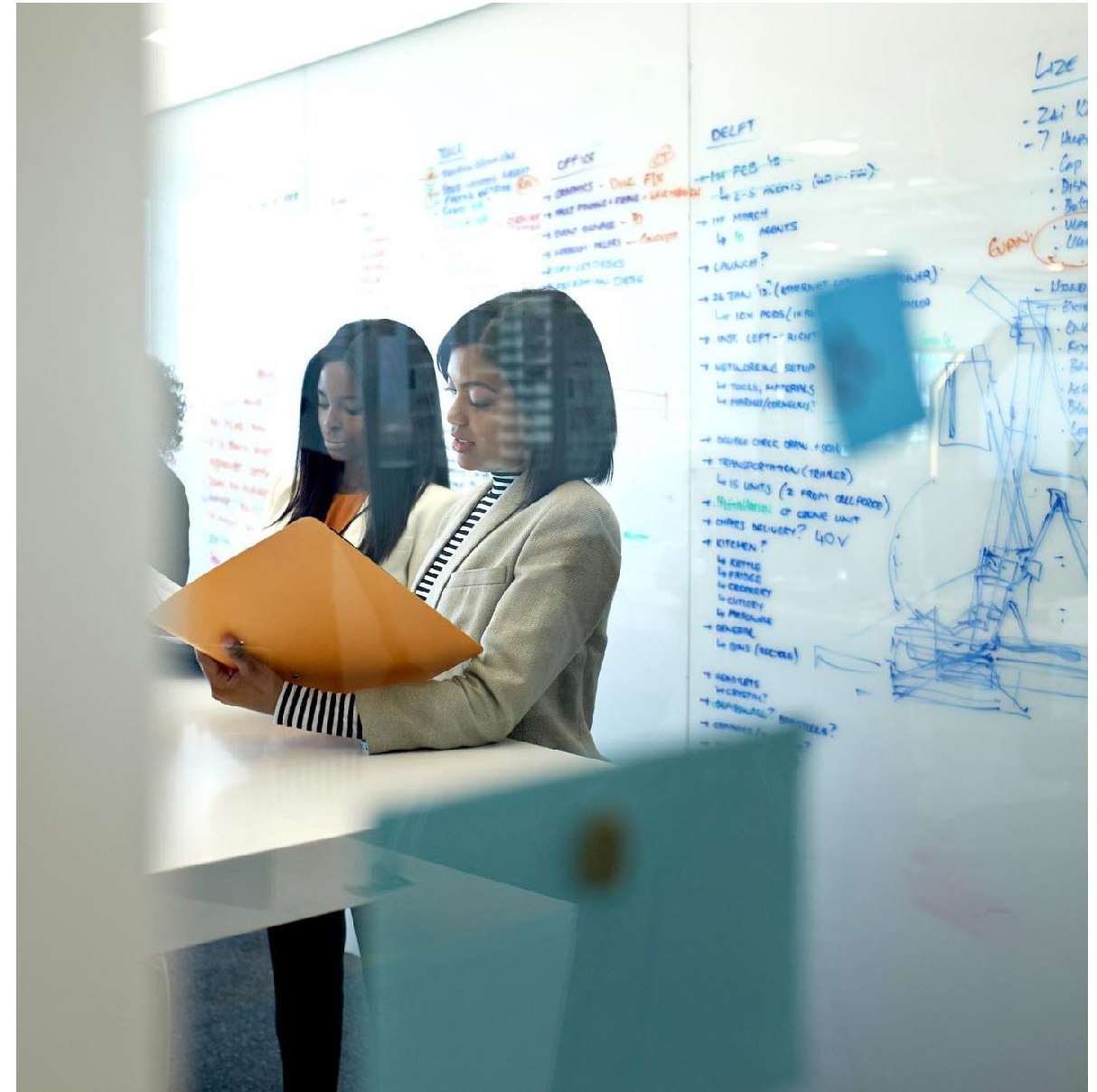
The Accounts and Audit Regulations 2015 specifically require the provision of an internal audit service. In accordance with UK Public Sector Internal Audit Standards (PSIAS), as produced by the Internal Audit Standards Advisory Board, Internal Audit provides independent assurance on the adequacy and effectiveness of the Authority's governance, risk management and internal control system.

Internal auditing is designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.



Charter

We have included our Internal Audit Charter in Section 04. The Charter sets out terms of reference and serves as a basis for the governance of the Council's IA function, establishing our purpose, authority, responsibility, independence and scope, in accordance with PSIAS.





Preparing the Strategy and Operational Plans for 2023-25

As part of our approach, it is important we consider the Council's strategic priorities, as well as the key strategic risks identified, as we seek to align our risk-based approach accordingly.

In preparing the Strategy update we have undertaken the following:

- Discussions with senior management;
- Reviewed risks and priorities contained in Hinckley's Corporate Risk Register including the issue of a Risk Management questionnaire to assess the risks;
- Requested input from the Chair of the Audit Committee;
- Considered areas which are not necessarily high risk (such as core operational controls), but where the work of internal audit can provide a tangible input to assurance; and
- Considered the results of internal audit across our wider client base.

The proposed Operational Plans for 2023-25 are included in Section 02. They also include a proposed high-level scope for each review which will be revisited as part of the detailed planning for each review.

Preparing the Strategy and Operational Plans for 2023-25 (cont.)

The areas presented within this Operational Plan document were narrowed from a wider starting point, which will allow flexibility if there are changes required during the year. Details on alternative areas are outlined within Section 03.

Prior to conducting each internal audit, we will undertake a more detailed planning meeting in order to discuss and agree the specific focus of each review.

Following the planning meeting, we will produce Terms of Reference, which we will agree with key representatives at the Council prior to commencement of the fieldwork.

The results of our work will continue to be communicated via an exit meeting. A draft report is then issued for review and management comments and in turn a final report issued. Final reports as well as progress against the plan are reported to each Audit Committee.

Following completion of the planned assignments and the end of the Financial Year, we summarise the results of our work within an Annual Report, providing an opinion on the Council's governance, risk management and internal control framework.



02

Section 02:

**Internal Audit Operational Plans 2023-
25**

Operational Plan 2023/24

An overview of the Operational Plan 2023/24 is set out below:

| Proposed Operational Plan for Approval | | | | |
|---|------------|---|---------|-------------------|
| Area | Days | Scope | Risk No | Target Start Date |
| Key Financial Systems | | | | |
| Budget Control | 8 | Covering the adequacy and effectiveness of controls relating to the monitoring and reporting of budgets. | S20 | May 2024 |
| Main Accounting | 10 | To provide assurance that the internal controls relating to ensuring that the Council's Accounting System and General Ledger provide complete and accurate financial information. | S20 | August 2024 |
| Corporate Services | | | | |
| IT Audits | 10 | To be confirmed with management | S12 | TBC |
| Risk Management | 10 | To provide assurance that managers understand their requirements and take ownership of their responsibilities in relation to Risk Management. Review of individual risks registers as agreed with management. | S01 | June 2024 |
| Recording of Electric and Gas Usage | 10 | Covering the adequacy and effectiveness of controls for ensuring accurate recording of electric and gas usage, in relation to managing costs and the contribution to climate change targets | S55 | May 2024 |
| Health and Safety | 10 | To assess the controls in place to ensure compliance with statutory Health and Safety legislation. | S16 | July 2024 |
| Community Services | | | | |
| Leisure Centre | 12 | To assess key controls in place in relation to the Council's Leisure services. | CLS04 | July 2024 |
| Revenue & Benefits | | | | |
| Housing Benefit and Local Council Tax Support | 10 | To be approved by the Management Board and Joint Committee. | S41 | April 2024 |
| Management and Reporting Activities | | | | |
| Follow Up | 5 | Follow-up of all High and Medium priority recommendations made in final reports issued. | N/A | Ongoing |
| Management | 15 | Including attendance at Audit Committee | N/A | N/A |
| Total | 100 | | | |

Operational Plan 2024/25

An overview of the Operational Plan 2024/25 is set out below:

| Proposed Operational Plan for Approval | | | | |
|--|------------|---|-----------|-------------------|
| Area | Days | Scope | Risk No | Target Start Date |
| Key Financial Systems | | | | |
| Treasury Management | 10 | Covering the adequacy and effectiveness of controls over the Treasury Management arrangements. | S20 ACS06 | October 2024 |
| Capital Programme | 12 | Covering the adequacy and effectiveness of controls over the Council's capital programme. | S20 EAS25 | December 2024 |
| Corporate Services | | | | |
| IT Audits | 10 | To be confirmed with management. | S12 | TBC |
| Sickness Management | 10 | Covering the controls and processes in place to help mitigate the risks associated with sickness absence. | S19 | September 2024 |
| Community Services | | | | |
| Waste Management | 10 | To provide assurance that the Council has adequate controls in place to with regards to the handling of waste, including compliance with legislation. | S54 | November 2024 |
| Homelessness | 12 | To provide assurance on the arrangements in place to reduce the level of homelessness, and use of temporary accommodation. | HCS101 | January 2025 |
| Fire Safety | 10 | To assess the controls in place to ensure compliance with the relevant fire safety legislation for commercial premises. | S48 | February 2025 |
| Revenue & Benefits | | | | |
| Adequacy and effectiveness of key controls relating to Council Tax and NNDR processes. | 12 | To be approved by the Management Board and Joint Committee | S41 | September 2024 |
| Management and Reporting Activities | | | | |
| Follow Up | 5 | Follow-up of all High and Medium priority recommendations made in final reports issued. | N/A | Ongoing |
| Management | 15 | Including attendance at Audit Committee | N/A | N/A |
| Total | 106 | | | |

03

Section 03:

Internal Audit Strategy Update 2023/24 – 2025/26

Internal Audit Strategy 2023/24 – 2025/26

Our Internal Audit Strategy 2023/24 – 2025/26 is provided below and sets out our risk based considerations, followed by other considerations and finally our management and reporting activities.

| Risk Based Considerations (Aligned to Hinckley and Bosworth Borough Council's RR) | | | | |
|---|------------------------|---------|---------|---------|
| Strategic Risks | Auditable Area | 2023/24 | 2024/25 | 2025/26 |
| CLS.04 – Hinckley Leisure Centre | Leisure services | ✓ | - | - |
| S.11 – Failure to successfully deliver the Medium-Term Financial Strategy | Treasury Management | | ✓ | |
| | Capital programme | | ✓ | |
| | Accounts Receivable | | - | ✓ |
| | Budgetary Control | ✓ | | |
| | Main Accounting | ✓ | | |
| S.55 - Climate Emergency | Climate change targets | ✓ | - | - |
| S.19 - Failure to improve sickness absence | Sickness management | - | ✓ | - |
| S.54 - Depot insufficient space to accommodate food waste collections | Waste Management | - | ✓ | - |
| HCS.101 Increased Temporary Accommodation costs | Homelessness | - | ✓ | - |
| S.48 - Fire arrangements in commercial premises | Fire Safety | - | ✓ | - |
| S.41 – Business Rates Pooling | Council Tax / NNDR | | ✓ | - |
| S16 – Failure to adhere to Health & Safety Initiations | Health & Safety | ✓ | - | - |
| S.01 – Failure to Focus on Priorities and Initiatives | Risk Management | ✓ | ✓ | ✓ |
| S.13 - Failure to Manage Partnership working | Partnership Governance | - | - | ✓ |

Internal Audit Strategy 2023/24 – 2025/26 (cont)

| Other Considerations | | | |
|---|------------|------------|------------|
| Auditable Area | 2023/24 | 2024/25 | 2025/26 |
| Governance and Risk Management | ✓ | ✓ | ✓ |
| Operational Risks | ✓ | ✓ | ✓ |
| Core Financial Systems | ✓ | ✓ | ✓ |
| IT | ✓ | ✓ | ✓ |
| Follow Up | ✓ | ✓ | ✓ |
| Management and Control (including attendance at Audit Committee and Committee training) | ✓ | ✓ | ✓ |
| Contingency | | | |
| Total | 102 | 106 | 102 |

04

Section 04:

Internal Audit Charter

Internal Audit Charter

The Internal Audit Charter sets out the terms of reference and serves as a basis for the governance of the Hinckley and Bosworth Borough Council Internal Audit function. It sets out the purpose, authority and responsibility of the function in accordance with the UK Public Sector Internal Audit Standards (PSIAS). The Charter will be reviewed and updated annually.

Nature and Purpose

Hinckley and Bosworth Borough Council is responsible for the development of a risk management framework, overseen by the Audit Committee (AC), which includes:

- Identification of the Council's significant risks and allocation of a risk owner to each;
- An assessment of how well the significant risks are being managed; and
- Regular reviews by the Senior Management Team and the AC of the significant risks, including reviews of key risk indicators, governance reports and action plans, and any changes to the risk profile.

A system of internal control is one of the primary means of managing risk and consequently the evaluation of its effectiveness is central to Internal Audit's responsibilities.

Hinckley and Bosworth Borough Council's system of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support the Council's effective operation in the pursuit of its objectives. The risk management, control and governance processes enable the Council to respond to significant business risks, be these of an operational, financial, compliance or other nature, and are the direct responsibility of the Senior Management Team. Hinckley and Bosworth Borough Council needs assurance over the significant business risks set out in the risk management framework. In addition, there are many other stakeholders, both internal and external, requiring assurance on the management of risk and other aspects of the Council's business. There are also many assurance providers. The Council should, therefore, develop and maintain an assurance framework which sets out the sources of assurance to meet the assurance needs of its stakeholders.

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework (IPPF) as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

Internal Audit carries out assurance and consulting activities across all aspects of Hinckley and Bosworth Borough Council's business, based on a programme agreed with the AC, and coordinates these activities via the assurance framework. In doing so, Internal Audit works closely with risk owners, and the Senior Management Team.

In addition to providing independent assurance to various stakeholders, Internal Audit helps identify areas where the Council's existing processes and procedures can be developed to improve the extent with which risks in these areas are managed; and public money is safeguarded and used economically, efficiently and effectively. In carrying out its work, Internal Audit liaises closely with the Senior Management Team and management in relevant departments. The independent assurance provided by Internal Audit also assists the Council to report annually on the effectiveness of the system of internal control included in the Annual Governance Statements.

Authority and Access to Records, Assets and Personnel

Internal Audit has unrestricted right of access to all Hinckley and Bosworth Borough Council's records and information, both manual and computerised, and other property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter business property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Any restriction (management or other) on the scope of Internal Audit's activities will be reported to the AC.

Internal Audit is accountable for the safekeeping and confidentiality of any information and assets acquired in the course of its duties and execution of its responsibilities. Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, and which external audit would need to discharge their responsibilities.

Responsibility

The Head of Internal Audit is required to provide an annual opinion to Hinckley and Bosworth Borough Council, through the AC, on the adequacy and the effectiveness of the Council's risk management, control and governance processes. In order to achieve this, Internal Audit will:

- Coordinate assurance activities with other assurance providers as needed (such as the external auditors) such that the assurance needs of the Council, regulators and other stakeholders are met in the most effective way. operations and control processes.

Internal Audit Charter continued

- Evaluate and assess the implications of new or changing systems, products, services,
- Carry out assurance and consulting activities across all aspects of the Council's business based on a risk-based plan agreed with the AC.
- Provide the Chief Executive and Members with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of risk in the area being audited.
- Issue periodic reports to the AC and the Senior Management Team summarising results of assurance activities.
- Promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud;
- Assess the adequacy of remedial action to address significant risk and control issues reported to the AC. Responsibility for remedial action in response to audit findings rests with line management.

There are inherent limitations in any system of internal control and thus errors or irregularities may occur and not be detected by Internal Audit's work.

When carrying out its work, Internal Audit will provide line management with comments and report breakdowns, failures or weaknesses of internal control systems together with recommendations for remedial action. However, Internal Audit cannot absolve line management of responsibility for internal controls.

Internal Audit will support line managers in determining measures to remedy deficiencies in risk management, control and governance processes and compliance to Hinckley and Bosworth Borough Council's policies and standards and will monitor whether such measures are implemented on a timely basis.

The AC is responsible for ensuring that Internal Audit is adequately resourced and afforded a sufficiently high standing within the organisation, necessary for its effectiveness.

Scope of Activities

As highlighted in the previous section, there are inherent limitations in any system of internal control. Internal Audit therefore provides the Chief Executive through the AC with reasonable, but not absolute, assurance as to the adequacy and effectiveness of

the Council's governance, risk management and control processes using a systematic and discipline approach by:

- Assessing and making appropriate recommendations for improving the governance processes, promoting appropriate ethics and values, and ensuring effective performance management and accountability;
- Evaluating the effectiveness and contributing to the improvement of risk management processes; and
- Assisting the Council in maintaining effective controls by evaluating their adequacy, effectiveness and efficiency and by promoting continuous improvement.

The scope of Internal Audit's value adding activities includes evaluating risk exposures relating to Hinckley and Bosworth Borough Council's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

Reporting

For each engagement, Internal Audit will issue a report to the appropriate senior management and business risk owner, and depending on the nature of the engagement and as agreed in the engagement's Terms of Reference, with a summary to the Senior Management Team and the AC. The UK PSIAS require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The annual risk-based plan is compiled by the Head of Internal Audit taking account of the Council's risk management / assurance framework and after input from members of the Senior Management Team. It is then presented to the AC annually for comment and approval.
- The internal audit budget is reported to the AC for approval annually as part of the overall budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the AC.

Internal Audit Charter continued

- Performance against the annual risk-based plan and any significant risk exposures and breakdowns, failures or weaknesses of internal control systems arising from internal audit work are reported to the Senior Management Team and AC on a regular basis.
- Any significant consulting activity not already included in the risk-based plan and which might affect the level of assurance work undertaken will be reported to the AC.
- Any significant instances of non-conformance with the Public Sector Internal Audit Standards will be reported to the Senior Management Team and the AC and will be included in the Internal Audit Annual Report.

Independence

The Head of Internal Audit has free and unfettered access to the following:

- Chief Financial Officer at Hinckley and Bosworth Borough Council;
- Chair of the Council's AC; and
- Any other member of the Senior Management Team.

The independence of the contracted Head of Internal Audit is further safeguarded as their annual appraisal is not inappropriately influenced by those subject to internal audit.

To ensure that auditor objectivity is not impaired and that any potential conflicts of interest are appropriately managed, all internal audit staff are required to make an annual personal independence responsibilities declaration via the tailored 'My Compliance Responsibilities' portal which includes personal deadlines for:

- Annual Returns (a regulatory obligation regarding independence, fit and proper status and other matters which everyone in Mazars must complete);
- Personal Connections (the system for recording the interests in securities and collective investment vehicles held by partners, directors and managers, and their immediate family members); and
- Continuing Professional Development (CPD).

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the AC. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for a period of at least 12 months.

External Auditors

The external auditors fulfil a statutory duty. Effective collaboration between Internal Audit and the external auditors will help ensure effective and efficient audit coverage and resolution of issues of mutual concern. Internal Audit will follow up the implementation of internal control issues raised by external audit if requested to do so by Hinckley and Bosworth Borough Council.

Internal Audit and external audit will meet periodically to:

- Plan the respective internal and external audits and discuss potential issues arising from the external audit; and
- Share the results of significant issues arising from audit work.

Due Professional Care

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- PSIAS; and
- All relevant legislation.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the PSIAS, on-going performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of CPD is maintained for all staff working on internal audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies to deliver the risk-based plan. Both the Head of Internal Audit and the Engagement Manager are required to hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

Performance Measures

In seeking to establish a service which is continually improving, we acknowledge it is essential that we agree measures by which Internal Audit should demonstrate both that it is meeting the Council's requirements and that it is improving on an annual basis. We will work to any measures outlined in the original Invitation to Tender, whilst we agree performance measures with the Council.

We take responsibility to Hinckley and Bosworth Borough Council for this report, which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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