

FINANCE, AUDIT AND PERFORMANCE COMMITTEE –
13TH APRIL 2015



Hinckley & Bosworth
Borough Council

A Borough to be proud of

DRAFT 2015/2016 INTERNAL AUDIT PLAN
REPORT OF THE HEAD OF INTERNAL AUDIT

WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

1.1 To note the draft internal audit plan for 2015/2016.

2. RECOMMENDATION

2.1 That members consider and note the draft internal audit plan for 2015/2016 as attached as Appendix 1.

2.2 That members provide feedback on the content of this plan to inform the final plan that will be presented to this committee at the next meeting for approval.

3. BACKGROUND TO THE REPORT

3.1 This draft plan has been presented to the Strategic Leadership Board and Corporate Operations Board for review. Following this meeting, the plan will be refreshed to take into account feedback from the Joint Boards and this committee and presented for approval by this committee at the next meeting.

4. FINANCIAL IMPLICATIONS [KP]

4.1 The cost of the 2015/2016 audit plan is budgeted to be £57,500. This is a saving from 2014/2015 of £5,210.

5. LEGAL IMPLICATIONS [MR]

5.1 The council is required to maintain an adequate and effective system of internal audit of its records and control systems in accordance with proper practices.

6. CORPORATE PLAN IMPLICATIONS

6.1 The internal audit plan is linked to the Corporate Plan and therefore meets all Corporate Plan objectives.

7. CONSULTATION

7.1 The Corporate Operations Board and Strategic Leadership Board have been consulted in the drafting of this plan.

8. RISK IMPLICATIONS

8.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

8.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project

have been identified, assessed and that controls are in place to manage them effectively.

- 8.3 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
None		

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

9.1 Not applicabe

10. CORPORATE IMPLICATIONS

10.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background papers: Risk Registers

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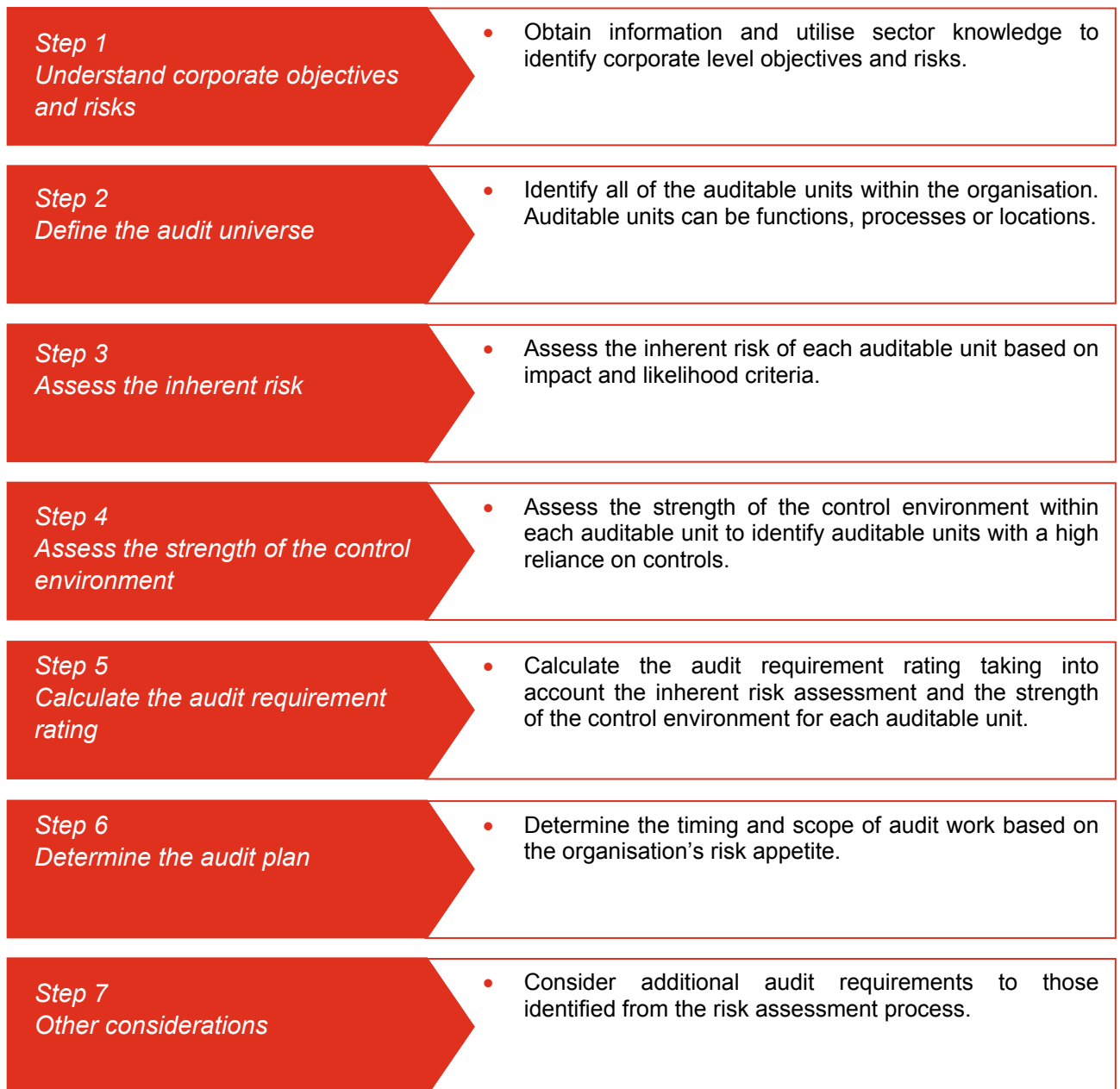
Executive Member: Cllr K Lynch

Appendix 1 – Draft Internal Audit Plan

1. Introduction and Approach

This document sets out the proposed internal audit plan for 2015/16 and strategic plan to 2017/18 for Hinckley and Bosworth Council (the Council).

The internal audit service will be delivered in accordance with the Internal Audit Charter. A summary of the approach to undertaking the risk assessment and preparing the 3 year strategic plan is set out below. The internal audit plan is driven by the Council's organisational objectives and priorities, and the risks that may prevent the Council from meeting those objectives. A more detailed description of the approach can be found in Appendices 1 and 2.



Basis of the plan

In order to carry out the level of work that the risk assessment indicates is appropriate I estimate that the resource requirement for the Council's internal audit service is 115 days and £57,500. Based on the risk assessment, this is the level of resource that I believe would be necessary to evaluate the effectiveness of risk management, control and governance processes.

Basis of the annual internal audit conclusion

Internal audit work will be performed in accordance with the Public Sector Internal Audit Standards. As a result, the work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

The annual internal audit opinion will be based on and limited to the internal audits I have completed over the year and the control objectives agreed for each individual internal audit. **The agreed control objectives will be reported within the final individual internal audit reports.**

In developing the internal audit risk assessment and plan I have taken into account the requirement to produce an annual internal audit opinion by determining the level of internal audit coverage over the audit universe and key risks. I **do not** believe that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion.

Other sources of assurance

In developing the internal audit risk assessment and plan I have taken into account other sources of assurance and have considered the extent to which reliance can be placed upon these other sources. Some of the other sources of assurance for the Council are as follows:

- previous internal audit opinions;
- external inspections; and
- external audit

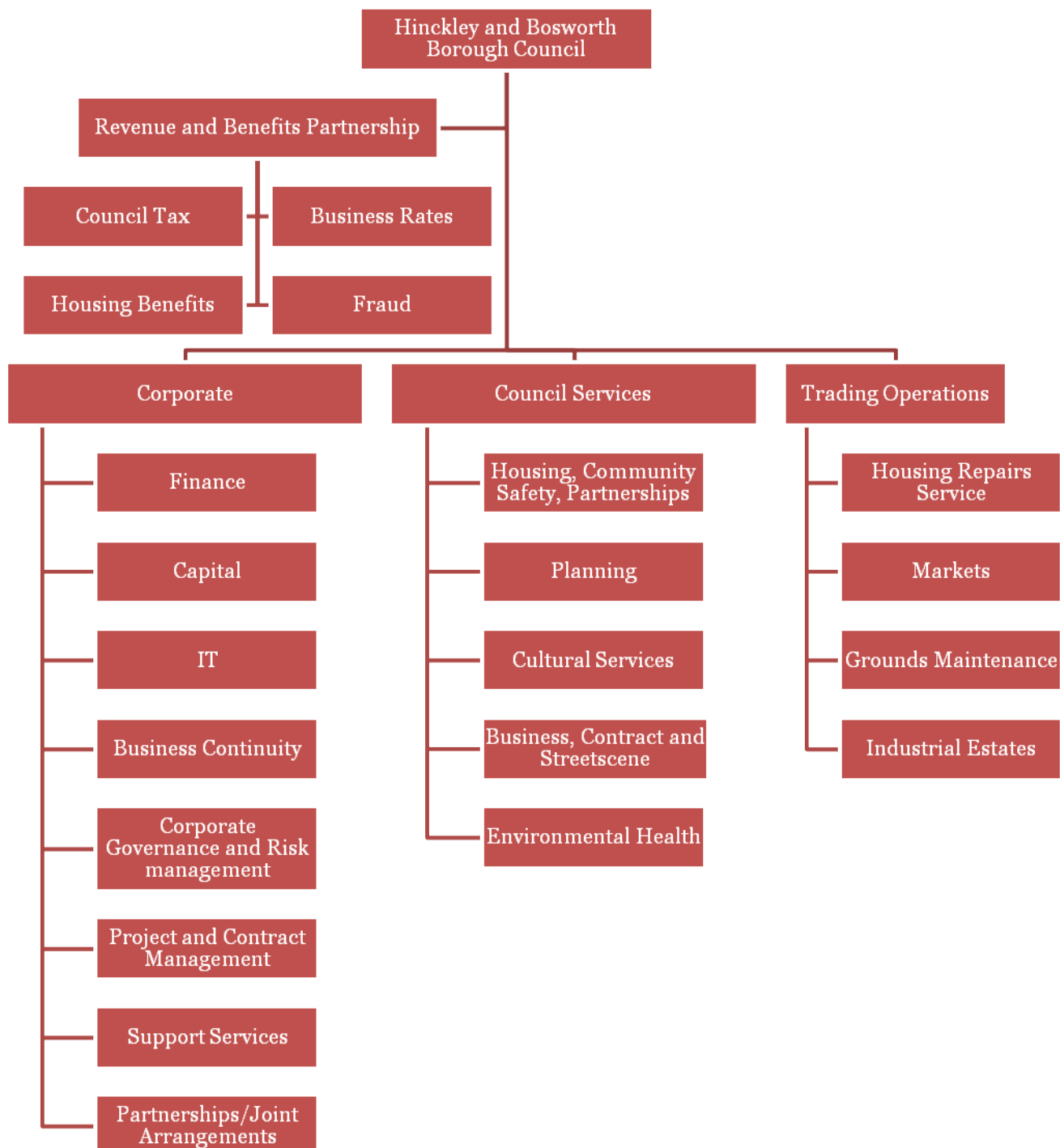
Key contacts

Meetings will be held with key management personnel, members and external audit in order to inform the planning process. I will also take into account the individual workload of service heads and key staff to inform the timing and extent of reviews to be undertaken in the year.

2. Audit universe, corporate objectives and risks

Audit universe

The diagram below represents the high level auditable units within the audit universe of Hinckley and Bosworth Council. These units form the basis of the detailed strategic risk assessment in section 3.



Corporate aims and risks

In preparing the internal audit plan and strategic plan I have considered the corporate level aims and risks with reference to:

- The Corporate Plan

- Service Improvement Plans
- Corporate and service level risk registers
- Key projects and programmes

After having reviewed the corporate and service area risks registers I have linked all significant risks (net risk level in excess of 7 points) to the audit plan as follows:

<i>Corporate Aims</i>	<i>Risk(s) to achievement of objective (points in brackets)</i>	<i>Cross reference to Internal Audit Plan (see Section 4)</i>
A1 - Creating a vibrant place to live and work	S.06 – Failure to implement the Town Centre Plan (9)	A.6, A.11, B.4
	S.11 – Failure to deliver the Medium Term Financial Strategy successfully (9)	A.1.1, A.1.2, A.1.3, A.1.4, A.1.5, A.1.6, A.1.7, A.2, A.3, A.5, A.8, A.9, A.12, A.13, B.1, D.1, D.2, D.3, D.4
A2 - Empowering communities		
A3 - Supporting individuals	S.12 – Insufficient Business Continuity Management (incl Disaster Recovery) arrangements (8)	A.4, A.5
A4 - Providing value for money and pro-active services	S.15 – Failure to adopt and deliver the Local Development Scheme successfully (8)	B.3
	S.22 – Failure of County Council Support/ Engagement for the Local Strategic Partnership (8)	A.5, A.6
	S.33 – MIRA and RGF Fund (9)	A.5, A.7, A.12
	S.34 – Safeguarding of vulnerable adults, children and young people (8)	A.5, A.9, A.14, B.2, B.4, B.6
	S.36 – Variances to Housing Repairs Account (8)	A.5, A.1.7, A.2, C.1
	S.37 – Non delivery of capital projects which are interdependent (8)	A.5, A.1.7, A.2
	S.43 – Leicestershire County Council budget cuts (9)	A.5, A.1.7, A.2, B.5
	S.45 – Council does not prevent or detect fraudulent activities (8)	A.1.1, A.1.2, A.1.3, A.1.4, A.1.5, A.1.6, A.1.7, A.5, D.1, D.2, D.3, D.4
	CPS.41 – Failure to maintain staffing levels within Corporate Services to deal with works required (8)	A.5, A.11
	PHR.11 – Tenants – heating affordability (7)	A.5, B.2

	DLS.42 – Meet the needs of Gypsy and Travellers in the borough (8)	A.5, B.3
	DLS.44 – Five year housing land supply (9)	A.5, A.1.6, A.3, B.3
	SS.37 – External funding (9)	A.5, A.1.7, A.2, B.5

3. Risk assessment

Risk assessment results

Each high level auditable unit has been broken down into individual auditable units and assessed for inherent risk and the strength of the control environment, in accordance with the methodology set out in Appendix 1 and 2. The results of this assessment generate a proposed frequency and rotation of reviews which is summarised in the table below. For each auditable unit I have also set out a high level proposed scope of work giving due consideration to the:

- Use of technology to ensure efficiency of delivery
- Adding value to the Council
- Benchmarking information to provide context to performance

Ref	Auditable Unit	Corporate aims and risks	Proposed Frequency	2015 /16	2016 /17	2017 /18	Proposed Scope of Work
A	Corporate						
A.1	Financial Systems						
A.1.1	General Ledger	A4, S.11, S.45	Annual	X	X	X	Manual journal entries; key reconciliations; system interfaces (subject to consultation with external audit) CAATs example: Number of journals raised by a given user; Journals approved in line with scheme of delegation
A.1.2	Income & Debtors	A4, S.11, S.45	Annual	X	X	X	End to end process review; debt recovery (subject to consultation with external audit) CAATs example: Number of days between invoice date and debt recovery action taken
A.1.3	Expenditure & Creditors	A4, S.11, S.45	Annual	X	X	X	End to end process review (subject to consultation with external audit)

							CAATs example: Amendments to supplier master data is approved in line with the scheme of delegation; identification of duplicate suppliers/ payments
A.1.4	Payroll & expenses	A4, S.11, S.45	Annual	X	X	X	Starters, Leavers, Amendments, Expenses authorisation (subject to consultation with external audit) CAATs example: Identify all payments made to employees after their leaving date.
A.1.5	Bank, Cash and Treasury management	A4, S.11, S.45	Annual	X	X	X	Cash receipting, banking, reconciliations, treasury management strategy – review of key controls (subject to consultation with external audit)
A.1.6	Fixed assets and capital accounting	A4, S.11, S.45	Annual	X	X	X	Review of key controls relating to additions, disposals, revaluation, review of asset lives, maintenance of the fixed asset register (subject to consultation with external audit)
A.1.7	Budgetary Control	A4, S.11, S.36, SS.37, S.45	Annual	X	X	X	Budget setting (including robustness of savings plans); budget monitoring (subject to consultation with external audit)
A.2	Medium Term Financial Strategy	A4, S.11, S.37, SS.37	Every 2 years	X		X	MTFS compilation process; benchmarking; basis of assumptions review; data quality reviews; savings plans reviews
A.3	IT General Controls	A1-4, S.11	Every 2 years		X		Key finance applications, other applications, ICT infrastructure and environment (subject to consultation with external audit)

A.4	Business Continuity & Resilience/ Disaster Recovery	A1-4, S.12	Every 3 years	X			Provide assurance that the Council's arrangements are robust and plans are tested on a regular basis.
A.5	Corporate Governance and Risk management	All	Annual	X	X	X	Review of the Governance and Assurance arrangements/framework; Review processes and procedures for compiling the Annual Governance Statement (AGS); Benchmark AGS to best practice; Compliance reviews e.g review of whistle-blowing policy Risk management process review (design and effectiveness); risk culture, risk maturity, risk appetite
A.6	Partnerships/ Joint arrangements	A1-4, S.06, S.22	Every 2 years	X		X	Value for money; governance; effectiveness (e.g. Revenue and Benefits Partnership – review of the recent changes implemented to improve the efficiency of the partnership)
A.7	Project and Contract Management	A1-4, S.06	Annual	X	X	X	Governance; review of key projects and contracts, e.g. Crescent development and Leisure Centre
A.8	Corporate Management/ Council Offices	A1-4, S.11	Every 3 years			X	Value for money/expenditure review; Hinckley Hub utilisation /benefits realisation
A.9	Customer Services	A1-4, S.11, S.34	Every 3 years			X	Process reviews (control design and effectiveness)
A.10	Elections	A2	Every 3 years		X		Process reviews (control design and effectiveness)
A.11	Support Services -Finance -Legal -ICT -Human Resources -Procurement -Estates and Asset Management -Communications -Corporate Health & Safety	A1-4, S.06, CPS.41	Every 2 years		X		Focus on a different service(s) each cycle depending on risk assessment. Effectiveness of service reviews; workforce planning review; value for money

A.12	Grants and Contributions	A4, S.11, S.33	Every 2 years		X		Focus on a selection of grants/contributions depending on risk, review adherence to terms and conditions (compliance)
A.13	Fees and Charges	A4, S.11	Every 2 years		X		Process reviews (design and effectiveness); benchmarking
A.14	Safeguarding	A3, S.34	Every 3 years	X			Governance; compliance with policies and procedures
B	Council Services						
B.1	Housing Rents	A1, A4, S.11	Annual	X	X	X	Rent setting; collection; debt recovery (subject to consultation with external audit) CAATs example: Identification of properties for which an amount other than the current year “rent to apply” has been charged; Properties for which there is no target rent are identified and compared against the property acquisitions for the year.
B.2	<u>Housing, Community Safety, Partnerships</u> - Council House Estate Management - Private sector housing - Tenancy enforcement - Homelessness - Community Safety - Anti-social behaviour management system - Tenant Security - Old person’s accommodation - Sheltered Housing - Choice-based lettings	A1, A3, A4, PHR.11, S.34	Annual	X	X	X	Focus on a different sub service(s) each year dependent on risk assessment (control design and effectiveness); Value for money, SIPs reviews, benefits measurement / realisation

B.3	<u>Planning</u> - Planning policy - s106 agreements - Development control - Local Development Scheme	A1, A4, DLS.42, S.15	Annual	X	X	X	Focus on a different sub service(s) each year dependent on risk assessment (control design and effectiveness); Value for money, SIPs reviews, benefits measurement / realisation
B.4	<u>Cultural Services</u> - Children and Young People - Hinckley Leisure Centre - Town Centre Management - Markfield Sports and Community Centre - Sports Development - Tourism and Town Twinning - Hinckley Club for Young People	A1-4, S.34, S.06	Annual	X	X	X	Focus on a different sub service(s) each year dependent on risk assessment (control design and effectiveness); Value for money, SIPs reviews, benefits measurement / realisation
B.5	<u>Business, Contract and Streetscene</u> - Street cleansing - Car Parking - Recycling & Waste Collection - Parks and open spaces	A1, A4, SS.37	Annual	X	X	X	Focus on a different sub service(s) each year dependent on risk assessment (control design and effectiveness); Value for money, SIPs reviews, benefits measurement / realisation
B.6	<u>Environmental Health</u> - Pollution - Cemeteries - Health & Safety - Licensing - Pest and Animal Control - Health Improvements - Clean neighbourhoo	A1, A4, S.34	Every 2 years		X		Focus on a different sub service(s) each year dependent on risk assessment (control design and effectiveness); Value for money, SIPs reviews, benefits measurement / realisation

	ds - Environment & Climate Change						
C	Trading Operations						
C.1	Housing Repairs Service	A1, A3, A4, S.36	Every 2 years	X		X	Value for money, SIPs reviews, benefits measurement / realisation; action plan monitoring; end to end process reviews (control design and effectiveness) CAATs examples: number of days jobs outstanding; job costs calculated in accordance with schedule of rates
C.2	Markets	A1, A2, A4	Every 3 years			X	Value for money, SIPs reviews, benefits measurement / realisation; end to end process reviews (control design and effectiveness)
C.3	Grounds Maintenance	A1, A4	Every 3 years			X	Value for money, SIPs reviews, benefits measurement / realisation; end to end process reviews (control design and effectiveness)
C.4	Industrial Estates	A1, A4	Every 3 years		X		End to end process reviews (control design and effectiveness); strategy review; rent setting and collection
D	Revenue and Benefits Partnership						
D.1	Council Tax	A4, S.11, S.45	Every 2 years	X		X	End to end process; key reconciliations; debt recovery (subject to consultation with external audit) CAATs example: Review of accounts which have a tenancy of a day or more but for which no council tax is

							charged during the year
D.2	Business Rates	A4, S.11, S.45	Every 2 years	X		X	End to end process; key reconciliations; debt recovery (subject to consultation with external audit) CAATs example: Compare expected charge to actual charge, identify and investigate exceptions
D.3	Benefits	A3, A4, S.11, S.45	Every 2 years			X	End to end process; key reconciliations; debt recovery (subject to consultation with external audit)
D.4	Fraud prevention and detection	A4, S.11, S.45	Every 2 years			X	End to end process; benchmarking

Key to frequency of audit work

Audit Rating	Requirement	Frequency – standard approach	Colour Code
6		Annual	●
5		Annual	●
4		Annual	●
3		Every two years	●
2		Every three years	●
1		No further work	●

The audit requirement rating drives the frequency of internal audit work for each auditable unit. The recommended planning approach involves scheduling an annual audit when the rating ranges from 6 to 4, an audit every two years when the rating is 3 and an audit every three years when the rating is 2.

4. 15/16 Audit Plan

The following table sets out the internal audit work planned for 1 April 2015 to 31 March 2016, together with indicative start dates (on a quarterly basis) for each audit.

Ref	Auditable Unit Points of Focus	Indicative number of audit days	Timing	Staff member	Associated risk
A	Corporate systems / Cross Cutting Reviews				
A.1	<p>Finance Systems</p> <ul style="list-style-type: none"> • A.1.1 General Ledger • A.1.2 Income and Debtors • A.1.3 Expenditure and Creditors • A.1.4 Payroll and expenses • A.1.5 Bank, Cash and Treasury management • A.1.6 Fixed assets and capital accounting • A.1.7 Budgetary control <p><u>Use of Computer Aided Auditing Techniques (CAATs)</u> I will analyse data from the Council's systems focusing on key risk areas. These techniques will enable me to test the operating effectiveness of a selection of the Council's controls across an entire data set, giving 100% coverage, and reducing the requirement for manual sample testing (e.g. supplier invoices are matched to purchase orders and goods received notes). In the long term, CAATs will enable me to continuously audit the financial data and controls providing robust assurance. I can provide workshops for management on how they can utilise CAATs in this way.</p>	20	Q3	Associate	S.11, S.45
A.2	<p>Medium Term Financial Strategy</p> <ul style="list-style-type: none"> - MTFS compilation process – governance review - Benchmarking assumptions / content - Evaluate robustness and completeness of assumptions made 	5	Q3	Manager	S.11
A.4	<p>Business Continuity & Resilience / Disaster Recovery</p> <ul style="list-style-type: none"> - Provide assurance that the Council's arrangements are robust - Plans are tested on a regular basis. 	5	Q4	Specialist	S.12
A.5	<p>Corporate Governance & Risk Management</p> <ul style="list-style-type: none"> - Review Governance and Assurance framework - Review Risk Management arrangements - Review robustness of Annual 	7	Q3	Senior associate	S.11

	<p>Governance Statement compilation process</p> <ul style="list-style-type: none"> - Test compliance with key policies and procedures (e.g. information governance policy) 				
A.6	<p>Partnerships/Joint Arrangements</p> <ul style="list-style-type: none"> - Review of overall governance to encourage effective partnerships/joint arrangements - Revenue and Benefits Partnership – review of the effectiveness of implementation of efficiency improvements as a result of IRRV report: <i>Review of The Leicestershire Partnership: Revenues and Benefits</i> 	5	Q4	Manager	S.22
A.7	<p>Contracts and Project Management</p> <ul style="list-style-type: none"> - Review Council wide contracts management processes and control - Contracts and project assurance review over redevelopment agreement (Crescent development) and Leisure Centre contract. To include a review of contract monitoring activities and contract governance. 	15	Q2	Specialist	S.22
A.14	<p>Safeguarding</p> <ul style="list-style-type: none"> - Review the key processes and controls in relation to safeguarding vulnerable people. - Review compliance with Safeguarding policies in place at the Council - Review the application of the competency framework 	5	Q4	Senior associate	S.34
B	Council Services (example reviews included below)				
B.1	<p>Housing Rents</p> <p>Rent setting; collection; debt recovery</p> <p>(subject to consultation with external audit)</p>	5	Q4	Associate	S.11, S.45
B.2	<p><u>Housing, Community Safety, Partnerships</u></p> <p>HRA Investment Plan</p> <p>Review progress against plan; benefits measurement and realisation/maximisation review</p>	5	Q2	Senior Associate	S.11, DLS.42, DLS.44
B.3	<p><u>Planning and Development</u></p> <p>Local Development Scheme</p> <p>Review processes in place to ensure the</p>	5	Q2	Senior Associate	S.15

	successful adoption and delivery of the Local Development Scheme.				
B.4	<p><u>Cultural Services</u></p> <p>Town Centre Management</p> <ul style="list-style-type: none"> - Efficiency and effectiveness review - Benefits measurement and realisation/maximization review 	5	Q2	Associate	s.06
B.5	<p><u>Business, Contract and Streetscene</u></p> <p>Recycling and Refuse Collection As a result of the funding cuts from Leicestershire County Council, innovation is required through both income generation and cost savings in order to minimise the impact on the Council's finances.</p> <p>I am aware that a review is currently being undertaken by the incumbent internal auditors. To ensure maximum benefits are realised from this review I will conduct a follow up review which will also include a comprehensive service review, looking at key contracts and key processes to identify potential efficiency savings as well as areas for potential income generation.</p>	5	Q4	Senior Associate	SS.37
C	Trading Operations				
C.1	<p>Housing Repairs</p> <p>Action plan monitoring; end to end process reviews (control design and effectiveness)</p>	5	Q3	Associate	S.36
D	Revenue & Benefits Partnership				
D.1	<p>Council Tax</p> <p>End to end process; key reconciliations; debt recovery</p>	5	Q3	Associate	S.11, S.45
D.2	<p>Business Rates</p> <p>End to end process; key reconciliations; debt recovery</p>	5	Q3	Associate	S.11, S.45
PM	Project management				
PM. 1	Project management (including liaison with external auditors and ad hoc audit advice)	10	Q1-Q4	NA	NA
PM. 2	Contingency (including ad hoc training)	3	Q1-Q4	NA	NA
	Total Days	115			

5. Strategic Plan 15/16 – 17/18

Overview

The risk assessment in Section 3 set out the auditable units identified and a proposed frequency of review over the next 3 years. The frequency of review is driven by a consideration of the significant risks, challenges and opportunities facing the Council both at present and over the medium term.

The 2015/16 plan set out above reflects the key assurance priorities identified through the risk assessment:

- Financial resilience including finance system controls, budgetary control, development of the medium term financial strategy and associated savings plans / income generation plans
- Value for money including effectiveness and efficiency of services delivered both by the Council and through partnerships/joint arrangements
- Successful delivery of current key projects and large contracts

Key entity level controls underpinning the successful operation and achievement of the Council's aims such as Corporate Governance & Risk Management, Partnerships/Joint Arrangements and Business Continuity have also been selected for year 1 review.

In addition to those areas I have assessed as requiring annual review I have set out below the auditable units that I have assessed as requiring review at least once every 2 or 3 years. Specific areas of focus are detailed in the table below which sets out indicative audit plans for 16/17 and 17/18.

16/17 & 17/18 Indicative Audit Plan

Ref	Auditable Unit Points of Focus	2016/17 Indicative number of audit days	2017/18 Indicative number of audit days
A	Corporate systems / Cross Cutting Reviews		
A.1	Finance Systems <ul style="list-style-type: none"> • A.1.1 General Ledger • A.1.2 Income and Debtors • A.1.3 Expenditure and Creditors • A.1.4 Payroll and expenses • A.1.5 Bank, Cash and Treasury management • A.1.6 Fixed assets and capital accounting • A.1.7 Budgetary control 	20	20
A.2	Medium Term Financial Strategy <ul style="list-style-type: none"> - MTFs compilation process – governance review - Benchmarking assumptions / content - Evaluate robustness and completeness of assumptions made 	0	5
A.3	IT General Controls (Civica, iTrent, Orchard, Academy) <ul style="list-style-type: none"> - Logical and physical access - Computer operations - Programme change - Programme management 	5	0

A.5	Corporate Governance & Risk Management <ul style="list-style-type: none"> - Review performance framework design; robustness of individual Service Improvement Plans (SIPs) to support aims; data quality; benchmarking to other Council's frameworks and best practice - Information governance – compliance review / IT Governance review - provide assurance that the Council's information technology governance arrangements supports the organisation's strategies and objectives 	7	7
A.6	Partnerships/Joint Arrangements <ul style="list-style-type: none"> - Review of overall governance to encourage effective partnerships/joint arrangements - Review effectiveness of a selection of partnerships based on risk assessment e.g. Health and Wellbeing Partnership 	0	5
A.7	Project and Contract Management <ul style="list-style-type: none"> - Follow up 15/16 review of redevelopment agreement (Crescent development) and Leisure Centre contract. - Contracts assurance review of key contracts according to risk assessment (16/17) - Projects assurance review of key projects according to risk assessment (17/18) 	5	5
A.8	Corporate Management/Council Offices <ul style="list-style-type: none"> - Value for money review /Hinckley Hub utilisation & benefits realisation 	0	5
A.9	Customer Services <ul style="list-style-type: none"> - Review of Council's Customer Service Charter – compliance and effectiveness - Compliance review of key customer services procedures (based on risk assessment) 	0	5
A.10	Elections <ul style="list-style-type: none"> - Review of key processes and controls including Individual Electoral Registration 	5	0
A.11	Support Services <ul style="list-style-type: none"> - Estates and Asset Management – efficiency and effectiveness review 	5	0
A.12	Grants and Contributions <ul style="list-style-type: none"> - Review whether the authority is maximising funding opportunities available <p>For a selection of grants (based on risk assessment), to review that:</p> <ul style="list-style-type: none"> - Grant applications support the objectives of the authority and are appropriately authorised; - Monitoring takes place to ensure that all funding requirements are met; - Processes are in place to ensure that claims/returns are completed accurately and in accordance with 	5	0

	the terms and conditions of the grant		
A.13	Fees and Charges - Review of collection processes and controls	5	0
B	Council Services		
B.1	Housing Rents - Review of key controls and processes in relation to rent setting; collection and debt recovery - Where possible, CAATs to be employed to test operation of controls over 100% of population.	5	5
B.2	Housing, Community Safety, Partnerships - Tenant Security – Risk assessment and policy review - Homelessness – end to end process review of Council house allocations	5 0	0 5
B.3	Planning - Development control – follow up review of incumbent internal auditors focusing on implementation of process improvements to enhance efficiency. - S106 agreements– follow up of review of incumbent internal auditors focusing on process improvements as well as selecting a sample of developer agreements to check continued compliance.	5 0	0 5
B.4	Cultural Services - Children and Young People – service review - Hinckley Leisure Centre – service/ benefits realisation review	5 0	0 5
B.5	Business, Contract and Streetscene - Street cleansing – service review - Car parking – service review	5 0	0 5
B.6	Environmental Health - Environment & Climate Change – carbon management plan/Environmental Management Strategy/ Green Space Strategy	5	0
C	Trading Operations		
C.1	Housing Repairs Value for money, SIPs review, benefits measurement / realisation	0	5
C.2	Markets - End to end process reviews (control design and effectiveness) and SIPs review - Opportunities for income maximisation/generation?	0	5
C.3	Grounds maintenance - service review; value for money	0	5
C.4	Industrial Estates - Review of letting and rent collection process - Opportunities for income maximisation/generation	5	0
D	Revenue & Benefits Partnership		

D.1	Council Tax End to end process; key reconciliations; debt recovery (subject to consultation with external audit)	0	5
D.2	Business Rates End to end process; key reconciliations; debt recovery (subject to consultation with external audit)	0	5
D.3	Benefits End to end process; key reconciliations; debt recovery (subject to consultation with external audit)	5	0
D.4	Fraud prevention and detection End to end process; benchmarking of processes to best practice	5	0
PM	Project management		
PM.1	Project management (including liaison with external auditors , ad hoc audit advice and follow up of action plans/recommendation tracking)	10	10
PM.2	Contingency (including ad hoc training)	3	3
	Total Days	115	115

Appendix 1: Detailed methodology

Step 1 -Understand corporate objectives and risks

In developing the understanding of the corporate objectives and risks, I have:

- Reviewed the corporate plan, organisational structure and corporate risk register;
- Drawn on the knowledge of the local government sector; and
- Met with a number senior management and non-executive members.

Step 2 -Define the Audit Universe

In order that the internal audit plan reflects the management and operating structure I have identified the audit universe for Hinckley and Bosworth Borough Council made up of a number of auditable units. Auditable units include functions, processes, systems, products or locations. Any processes or systems which cover multiple functions, processes, systems, products or locations are separated into their own distinct cross cutting auditable unit.

Step 3 -Assess the inherent risk

The internal audit plan should focus on the most risky areas of the business. As a result each auditable unit is allocated an inherent risk rating i.e. how risky the auditable unit is to the overall organisation and how likely the risks are to arise. The criteria used to rate impact and likelihood are recorded in Appendix 2.

The inherent risk assessment is determined by:

- Mapping the corporate risks to the auditable units;
- The knowledge of the business and its sector; and
- Discussions with management.

Impact Rating	Likelihood Rating					
	6	5	4	3	2	1
6	6	6	5	5	4	4
5	6	5	5	4	4	3
4	5	5	4	4	3	3
3	5	4	4	3	3	2
2	4	4	3	3	2	2
1	4	3	3	2	2	1

Step 4 -Assess the strength of the control environment

In order to effectively allocate internal audit resources I also need to understand the strength of the control environment within each auditable unit. This is assessed based on:

- The knowledge of the internal control environment;
- Information obtained from other assurance providers; and
- The outcomes of previous internal audits.

Step 5 -Calculate the audit requirement rating

The inherent risk and the control environment indicator are used to calculate the audit requirement rating. The formula ensures that the audit work is focused on areas with high reliance on controls or a high residual risk.

Inherent Risk Rating	Control design indicator					
	1	2	3	4	5	6
6	6	5	5	4	4	3
5	5	4	4	3	3	0
4	4	3	3	2	0	0
3	3	2	2	0	0	0
2	2	1	0	0	0	0
1	1	0	0	0	0	0

Step 6 -Determine the audit plan

The risk appetite determines the frequency of internal audit work at each level of audit requirement. Auditable units may be reviewed annually, every two years or every three years.

In some cases it may be possible to isolate the sub-process (es) within an auditable unit which are driving the audit requirement. For example, an auditable unit has been given an audit requirement rating of 5 because of inherent risks with one particular sub-process, but the rest of the sub-processes are lower risk. In these cases it may be appropriate for the less risky sub-processes to have a lower audit requirement rating be subject to reduced frequency of audit work. These sub-processes driving the audit requirement areas are highlighted in the plan as key sub-process audits.

Appendix 2: Risk assessment criteria

Determination of Inherent Risk

I determine inherent risk as a function of the estimated **impact** and **likelihood** for each auditable unit within the audit universe as set out in the tables below.

<i>Impact rating</i>	<i>Assessment rationale</i>
6	Critical impact on operational performance; or Critical monetary or financial statement impact; or Critical breach in laws and regulations that could result in material fines or consequences; or Critical impact on the reputation or brand of the organisation which could threaten its future viability.
5	Significant impact on operational performance; or Significant monetary or financial statement impact; or Significant breach in laws and regulations resulting in large fines and consequences; or Significant impact on the reputation or brand of the organisation.

4	Major impact on operational performance; or Major monetary or financial statement impact; or Major breach in laws and regulations resulting in significant fines and consequences; or Major impact on the reputation or brand of the organisation.
3	Moderate impact on the organisation's operational performance; or Moderate monetary or financial statement impact; or Moderate breach in laws and regulations with moderate consequences; or Moderate impact on the reputation of the organisation.
2	Minor impact on the organisation's operational performance; or Minor monetary or financial statement impact; or Minor breach in laws and regulations with limited consequences; or Minor impact on the reputation of the organisation.
1	Insignificant impact on the organisation's operational performance; or Insignificant monetary or financial statement impact; or Insignificant breach in laws and regulations with little consequence; or Insignificant impact on the reputation of the organisation.

<i>Likelihood rating</i>	<i>Assessment rationale</i>
6	Has occurred or probable in the near future
5	Possible in the next 12 months
4	Possible in the next 1-2 years
3	Possible in the medium term (2-5 years)
2	Possible in the long term (5-10 years)
1	Unlikely in the foreseeable future