

**Bolsover District Council**

**Audit Committee**

**13th April 2015**

<b>Internal Audit Plan 2015/16</b>
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This report is public

**PURPOSE OF REPORT**

- To present to Members for consideration and agreement the Internal Audit Plan for 2015/16.

**1.0 Report Details**

- 1.1 A key requirement of the Public Sector Internal Audit Standards is that a periodic risk based plan should be prepared that is sufficiently flexible to reflect the changing risks and priorities of the organisation. The risk based plan should be fixed for a period of no longer than one year, should outline the assignments to be carried out, their respective priorities and the estimated resources needed.
- 1.2 The internal audit plan helps to achieve the corporate aim “Strategic Organisational Development” which looks to continually improve the organisation. Systems are examined and evaluated to ensure that they are effective and efficient and that the controls in place are operating as intended.
- 1.3 A note explaining the role, purpose and some of the terminology used in the internal audit plan is attached at Appendix 1.
- 1.4 An annual report summarising the outcome of the 2014/15 internal audit plan will be presented to this Committee after the year-end.
- 1.4 A summary of the internal audit plan for 2015/16 is shown below and the detailed plan is shown as Appendix 2.

## Internal Audit Plan 2015/16

Summary	Audit Days
Main Financial Systems	191
Other Operational Audits	96
Computer / IT Related	16
Fraud and Corruption	25
Corporate / Cross Cutting	80
Client Officer/SMT Issues	20
Special Investigations & Contingency	40
Audit Committee / Client Liaison	15
<b>Grand Total</b>	<b>483</b>

- 1.6 The plan has been prepared taking into account the following factors:-
- The organisational objectives and priorities;
  - Local and national issues and risks;
  - The requirement to produce an annual internal audit opinion;
  - The organisations assurance framework;
  - An update of the internal audit risk assessment exercise covering the financial control and other procedures subject to audit (see Appendix 1, section 5 for further details);
  - The Council's strategic risk register and
  - The views of the Executive Director- Operations
- 1.7 Resource availability has been based on the Consortium Business Plan for 2015/16. The plan allocates 483 days to Bolsover District Council for 2015/16 this is the same allocation as for 2014/15.
- 1.8 A copy of the audit plan is provided to the Council's external auditor to assist in co-ordination of work programmes.
- 1.9 A copy of the three year audit plan covering the period 2013/14 – 2015/16 is attached for information as Appendix 3.
- 2.0 Conclusions and Reasons for Recommendations**
- 2.1 To ensure that a risk based audit plan is adopted and to determine the internal audit work programme for 2015/16.
- 2.2 To comply with the Public Sector Internal Audit Standards.
- 3 Consultation and Equality Impact**
- 3.1 None

#### **4 Alternative Options and Reasons for Rejection**

4.1 Not Applicable

#### **5 Implications**

##### **5.1 Finance and Risk Implications**

5.1.1 Financial – the internal audit budget for 2015/16 has been approved by the Joint Board and includes a contingency to cover for any unforeseen circumstances etc.

5.1.2 Risk management Issues – no formula exists that can be applied to determine internal audit coverage needs. However, as a guide the minimum level of coverage is that required to give an annual evidence-based opinion on internal controls. The level of coverage provided by the proposed 2015/16 internal audit plan will be sufficient upon which to base an opinion.

##### **5.2 Legal Implications including Data Protection**

5.2.1 None

##### **5.3 Human Resources Implications**

5.3.1 None

#### **6 Recommendation**

6.1 That the Internal Audit Plan for 2015/16 be agreed.

#### **7 Decision Information**

<b>Is the decision a Key Decision?</b> (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
<b>District Wards Affected</b>	None
<b>Links to Corporate Plan priorities or Policy Framework</b>	The internal audit plan helps to achieve the corporate aim “Strategic Organisational Development” which looks to continually improve the organisation.

## 8 Document Information

Appendix No	Title
Appendix 1	Internal Audit Plan – Background Note
Appendix 2	Draft Internal Audit Plan 2015/16
Appendix 3	Three year Internal Audit Plan 2013/14 – 2015/16
<b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
N/A	
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**INTERNAL AUDIT PLAN**

**BACKGROUND NOTE**

**1. Definition of Internal Audit**

Internal Audit is defined in the Public Sector Internal Audit Standards 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”.

**2. The Purpose of Internal Audit**

Internal audit is not a substitute for management. It is the purpose of internal audit to assist and support management by appraising the arrangements and procedures established.

There is also a statutory requirement for internal audit in local government contained in the Accounts and Audit Regulations 2011 and The Accounts and Audit Regulations 2015 that come in to force on the 1<sup>st</sup> April 2015. These regulations require the authority to maintain 'an adequate and effective system of internal audit of its accounting records and of its system of internal control'.

**3. The Difference Between Internal Audit and External Audit**

External audit is completely independent of the authority. The Council’s external auditors are KPMG. Much of the external auditors’ work is determined by statutory responsibilities. Internal audit’s terms of reference are determined and approved by management.

However, there is nevertheless considerable scope for co-operation to avoid duplication of work and to make maximum use of audit resources. By reviewing the work of internal audit, external audit will be in a position to determine whether reliance can be placed on the work concerned.

**4. The Scope of Internal Audit Work**

One of the essential elements for effective internal auditing is that the internal auditor should adequately plan, control and record their work.

To determine priorities and to assist in the direction and control of audit work the internal auditor will prepare a plan based on a risk assessment.

The audit plan is divided into the following sections: -

- **Main Financial Systems**  
This covers the fundamental accounting and income collection systems of the authority such as payroll, creditor payments, council tax etc. Most of these systems are reviewed on an annual basis due to their importance. External audit examines and places reliance on the work carried out.
- **Other Operational Audits**  
Audits to be undertaken in services include a review of procedures at leisure centres and controls in respect of issuing taxi licences.
- **IT Related**  
Topics in this area of the plan include a review of disaster recovery arrangements.
- **Fraud and Corruption**  
Audits specifically related to the prevention of fraud and corruption are covered in this area of the plan. Examples include work on recruitment and selection and NFI. It should be noted that a significant number of other audits include an anti-fraud element e.g. income audits.
- **Cross Cutting Issues**  
This area of the plan includes audit subjects that cover all services or are corporate Issues. Examples include work on procurement and data protection.
- **Special Investigations**  
A contingency provision is included in the plan to cover the investigation of irregularities or cases of suspected fraud and other problems.

## **5. Delivering the Internal Audit Service**

A three year strategic audit plan is compiled based on an internal audit risk assessment of auditable areas. This risk assessment takes into account the following factors:

- Materiality – the amount of funds passing through the system
- Control Environment / vulnerability – assessed level of control based on previous audit findings
- Sensitivity – profile of the system in relation to customer service
- Management concerns – any specific issues relating to the operation of the system e.g. Council's Strategic Risk Register

Using a scoring system, audits are then categorised as High, Medium or Low risk. This ranking is then used to compile the annual audit plan.

The areas of audit work set out in the agreed plan are split into individual audit assignments.

An audit assignment can involve:

- preparation of system notes and a review/analysis of system controls;
- extraction of background information;

- extraction and testing of sample transactions and controls;
- notes of interviews and meetings.

All work undertaken is recorded on detailed working papers. To ensure that all areas have been covered and appropriate conclusions reached, all working papers are independently reviewed.

A report on the findings and recommendations arising from the audit is sent to the appropriate Director and to the Executive Director of Operations at the conclusion of the audit. A response to the recommendations is requested within a set time.

A summary of internal audit reports issued each quarter is reported to the Audit Committee and an Annual Report is submitted after the end of the year detailing the outcome of the audits completed.

**INTERNAL AUDIT CONSORTIUM**  
**DRAFT INTERNAL AUDIT PLAN 2015/16**  
**BOLSOVER DISTRICT COUNCIL**

	<b>Main Financial Systems</b>	<b>Priority</b>	<b>Audit Days</b>
	Main Accounting System	H	9
	Budgetary Control	H	10
	Payroll	H	20
	Creditor Payments (Key controls)	H	15
	Debtors (Key Controls)	H	10
	Treasury Management – Loans and investments	H	15
	Cash and Banking	H	20
	Council Tax (Key Controls)	H	10
	Non Domestic Rates (Key Controls)	H	10
	Housing / Council Tax Benefits	H	20
	Housing Rents (Key Controls only)	H	12
	Housing Repairs	H	20
	Stores	M	10
	Expenses and Allowances	L	10
			<b>191</b>
	<b>Other Operational Audits</b>		<b>Audit Days</b>
	<b>Operations Directorate</b>		
	Commercial Waste	L	10
	Contract Final Accounts	M	10
	Cash floats and balances	M	6
			<b>26</b>
	<b>Growth Directorate</b>		
	Disabled Facilities Grants	L	12
	The Tangent	M	10
	Taxi Licences	L	10
			<b>32</b>
	<b>Transformation Directorate</b>		
	Members Expenses	L	10
	Creswell Leisure Centre	M	10
	Pleasley Vale Outdoor Centre	L	10
	Health and Safety	L	8
			<b>38</b>
	<b>Computer and IT Related</b>		<b>Audit Days</b>
	PSN Compliance/Network Security	M	8
	Disaster Recovery	M	8
			<b>16</b>



	<b>Cross Cutting Issues</b>		<b>Audit Days</b>
	Corporate Governance / Assurance Statement	H	10
	Procurement/Contract Monitoring	H	15
	Financial Advice/Working Groups	H	10
	Corporate Targets	M	15
	Risk Management	M	10
	Data Protection	M	10
	Transparency Agenda	M	10
			<b>80</b>
	<b>Fraud and Corruption</b>		<b>Audit Days</b>
	Fraud Modules	H	10
	National Fraud Initiative	M	5
	Recruitment and Selection	M	10
			<b>25</b>
	<b>Client Officer/SMT Issues</b>		<b>Audit Days</b>
	Alliance Accounts/NFI – Assist Key Contact		20
	<b>Special Investigations</b>		<b>Audit Days</b>
	Contingency		40
	Audit Committee / Client Officer Liaison		15
	<b>Planned Total Days 2015/16</b>		<b>483</b>

<b><u>INTERNAL AUDIT CONSORTIUM</u></b>				
<b><u>BOLSOVER DISTRICT COUNCIL</u></b>				
<b><u>THREE YEAR INTERNAL AUDIT PLAN 2013/14 – 2015/16</u></b>				
	<b>Audit Days</b>			
<b>Main Financial Systems</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	
Main Accounting System	9	15	9	
Budgetary Control	10	10	10	
Capital Accounting and Fixed Asset Register	10			
Payroll	20	15	20	
Creditor Payments	20	20	15	
Debtors	15	10	10	
Treasury Management (Loans)	15	10	15	
Cash and Banking	20	20	20	
Council Tax	20	10	10	
Non Domestic Rates	20	20	10	
Housing / Council Tax Benefit	24	20	20	
Housing Rents	20	20	12	
Housing Repairs	20	20	20	
Car Allowances and Expenses			10	
Stores	10		10	
VAT		8		
	<b>233</b>	<b>198</b>	<b>191</b>	
<b>Other Operational Audits</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	
Anti Social Behaviour/Community Safety	15			
Asset Management Arrangements		10		
Cash Floats and Balances	6	6	6	
Clowne Sports Centre	15			
Commercial Waste			10	
Contract Accounts and Procedures		15		
Environmental Health Miscellaneous Income	8			
Facilities Management		12		
Final Accounts	10	10	10	
Frederick Gent Leisure Facilities Income				
Gas Servicing		8		
Grants (DFG's)			12	
Grounds Maintenance		12		

<b>Other Operational Audits continued</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
Health and Safety			8
Housing Allocations and Lettings		15	
Insurance	10		
Land Charges	8		
Leisure Centres	10	10	10
Licensing E.Health		10	
Members Expenses and Allowances			10
Partnership Working Arrangements			
Planning Fees	12		
Pleasley Outdoor Centre			10
Property Rents/Pleasley Mill		10	
Rechargeable Works			
Refuse Collection	12		
Right to Buy Sales	10		
Sale of Land and Property			
Section 106 Agreements		12	
Taxi Licensing			10
The Tangent Business Hub	8		10
Ticket Sales for events	1		
Transport/Council Vehicles/fuel			
Working Neighbourhoods Fund	8		
	<b>133</b>	<b>130</b>	<b>96</b>
<b>IT Related</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
IT Policy and Security Review	8	8	
PSN Compliance			8
Use of Laptops/ removable Media		8	
Service Desk			
Disaster Recovery	8		8
Internet Usage Monitoring	8		
	<b>24</b>	<b>16</b>	<b>16</b>
<b>Fraud and Corruption</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
Fraud Modules	10	10	10
National Fraud Initiative	10		5
Money laundering		3	

Recruitment and Selection		10	10	
Gifts and Hospitality	5			
	<b>25</b>	<b>23</b>	<b>25</b>	
<b>Corporate / Cross Cutting Issues</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	
Corporate Targets	10		15	
Corporate / Annual Governance Statement	10	10	10	
Procurement	20	15	15	
Financial Advice / Working Groups	10	10	10	
Freedom of Information		6		
Risk Management	10		10	
Sickness Absence	10			
Inventories	7			
Data Protection	10		10	
Transparency Agenda	10		10	
	<b>97</b>	<b>41</b>	<b>80</b>	
<b>Alliance Accounts/NFI Key contact</b>	<b>20</b>	<b>20</b>	<b>20</b>	
<b>Special Investigations / Contingency</b>				
Special Investigations Contingency	<b>40</b>	<b>40</b>	<b>40</b>	
<b>Audit Committee / Client Liaison</b>	<b>15</b>	<b>15</b>	<b>15</b>	
<b>Grand Total</b>	<b>587</b>	<b>483</b>	<b>483</b>	