

Bolsover District Council

Audit Committee

16th April 2019

INTERNAL AUDIT PLAN 2018/19

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

- To present to Members for consideration and agreement the Internal Audit Plan for 2019/20.

1 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 is linked to BDC's corporate plan objective to provide customers with an excellent service. Audit reviews report on the operation of controls in place and recommend improvements.
- 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 2018/19 internal audit plan will be presented to this Committee after the year-end.
- 1.5 A summary of the internal audit plan for 2019/20 is shown below and the detailed plan is shown as Appendix 2.

Internal Audit Plan 2019/20

Summary	Audit Days
Main Financial Systems	153
Other Operational Audits	144
Computer / IT Related	20
Fraud and Corruption/ NFI Key Contact	10
Corporate / Cross Cutting	116
Special Investigations & Contingency	25
Audit Committee / Client Liaison	15
Grand Total	483

- 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;
 - The fraud risk register;
 - The Council's strategic risk register and
 - The views of the Strategic Directors, the Assistant Director Finance and Revenues and Benefits and the Strategic Alliance Management Team.
- 1.7 Resource availability has been based on the Consortium Business Plan for 2019/20. The plan allocates 483 days to Bolsover District Council which is the same allocation as for 2018/19.
- 1.8 A copy of the audit plan is provided to the Council's external auditor to assist in co-ordination of work programmes.

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 2019/20.
- 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 2019/20 has been approved by the Joint Board and includes a contingency to cover 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 2019/20 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 2019/20 be agreed.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
Has the relevant Portfolio Holder been informed	N/A
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	Internal Audit Plan – Background Note
2	Draft Internal Audit Plan 2019/20
Background Papers (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)	
Report Author	Contact Number
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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 2015. These regulations require the authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account public sector internal auditing standards and guidance.

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

External audit is completely independent of the authority. 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 scope for co-operation to avoid duplication of work and to make maximum use of audit resources.

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.

- **Other Operational Audits**
Audits to be undertaken in services include a review of the controls and procedures in place for areas such as Taxi Licensing and Refuse Collection.
- **IT Related**
Topics in this area of the plan include a review of Members IT Equipment. IT issues are also covered within most areas examined.
- **Fraud and Corruption**
Audits specifically related to the prevention of fraud and corruption are covered in this area of the plan. It should be noted that a significant number of 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 Health and Safety and Safeguarding.
- **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 Chief Executive, appropriate Director and to the Assistant Director Finance and Revenues and

Benefits (as Client Officer) 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.

Appendix 2

Bolsover District Council Internal Audit Plan 2017/18 – 2019/20

Main Financial Systems	2017/18	2018/19	2019/20	Priority	Last Review	Risk Factor
Main Accounting/Budgetary Control	15	0	15	M	Biennial	Failure to produce a reliable set of accounts, no control over spending, (Strategic Risk 2)
Payroll	15	20	12	H	Annual	Employees are paid incorrectly, there are ghost employees in the system
Creditor Payments	20	15	15	H	Annual	Incorrect or fraudulent payments are made
Debtors	15	10	10	H	Annual	Loss of income, fraud
Treasury Management	10	15	10	H	Annual	Misappropriation of funds, poor investment decisions
Cash and Banking	18	0	18	M	Biennial	Loss of income, theft
Council Tax	10	10	0	H	Annual	Loss of income, fraud
Non Domestic Rates	20	10	10	H	Annual	Loss of income, fraud
Housing / Council Tax Benefits	20	20	18	H	Annual	Reputational damage, fraud
Housing Rents	12	12	20	H	Annual	Loss of income, fraud
Housing Repairs	20	20	20	H	Annual	Reputational damage, health and safety risks
VAT	0	8	5	M	16/17	Incorrect treatment of VAT can lead to financial penalties
Total Main Financial Systems	175	175	153			

	Other Operational Audits	2017/18	2018/19	2019/20	Priority	Last review	
	Central Garage/Transport	10	10	15	H	17/18	Poor Fleet Management, fraud
	Clowne Leisure Centre	25	20	15	M	17/18	Loss of income / theft
	Commercial Waste	0	10	0	L	15/16	Loss of income
	Current Contract Procedures	15	0	0	M	17/18	Poor contract management, fraud
	Elections	0	0	10	L	11/12	Incorrect payments
	Environmental Health Food Hygiene	8	0	0	L	17/18	Public Health risk
	Environmental Health - Other Licences	0	8	0	L	13/14	Loss of income/ safeguarding issues
	Environmental Health - Taxi Licences	8	0	10	M	17/18	Safeguarding issues, safety issues
	E.H Misc income – Pest Control Dog Warden	0	8	0	L	13/14	Loss of income
	Expenses and Allowances	0	10	0	L	15/16	Incorrect / fraudulent payments
	Extreme Wheels	0	8	0	L	New	Safety risk, theft
	Facilities Management	0	0	12	M	New	Poor VFM, Fraud
	Flytipping	0	4	0	L	New	Reputational Damage
	FOI/Env info Regs	0	8	0	L	14/15	Non- compliance with FOI Act
	Final Accounts	5	6	6	M	Annual	Incorrect payments, fraud
	Gas Servicing	0	12	0	M	16/17	Safety risk, reputational issues
	Homelessness	0	0	12	L	16/17	Reputation, public welfare
	Housing Allocations and Lettings	15	0	0	M	17/18	Reputational risk, fraud
	Housing Building Company	11	12	0	M	17/18	Financial and Reputational risks
	Insurance	0	10	0	M	16/17	Wrong cover levels and type, fraudulent claims
	Land Charges	8	0	0	L	17/18	Loss of income
	Members Expenses	0	0	10	L	15/16	Fraud, reputational risk
	Partnership Working	0	15	0	L	12/13	Mis – use of funds
	Planning Fees	0	10	0	M	16/17	Loss of income/ fraud
	Pleasley Mills/Property Rents	10	0	15	M	17/18	Loss of income, fraud
	Pleasley Vale Outdoor Centre	0	12	0	L	15/16	Safety risks, income loss
	Refuse Collection	0	0	12	L	13/14	Reputational Risk
	Right to Buy Sales	0	10	0	M	16/17	Fraud
	Section 106	0	13	0	M	16/17	Loss of income/fraud/ reputational

							damage, failure to complete projects
Sheltered Housing	0	0	15	M	17/18		Fraud, reputational risk
Street Cleaning	0	0	0	L	16/17		Reputational damage
Stores	0	15	0	M	16/17		Theft, poor contract management
The Tangent	0	10	12	M	18/19		Poor admin / loss of income
Total Operational Audits	115	211	144				
Computer and IT Related							
BACS	0	0	0	L	16/17		False Payments/fraud
Cyber Security / Network Security / Systems Security	15	8	10	H	18/19		Attack on Council systems (Strategic risk 6)
Disaster Recovery	0	8	0	M	15/16		Failure to restore data in a timely manner
IT Inventory / Disposal of equipment	0	8	0	L	15/16		Data breach, theft
Members IT Equipment	0	0	10	L			Theft, misuse
Total Computer and IT related	15	24	20				
Cross Cutting Areas							
Asset Management Arrangements	10	0	0	M	17/18		Poor value for money, assets not fit for purpose
Compliance Audit – Gas and Electric etc.	0	8	12	M	New		Safety of workforce and public
Corporate Governance and AGS	10	2	2	H	Annual		Poor Governance (Strategic Risk 8)
Data Protection	10	0	0	M	17/18		Mis- use of data, large fines (Strategic Risk 3)
Emergency Planning	0	0	10	L	16/17		Public Safety (Strategic Risk 6)
Financial Advice / Working Groups	20	12	12	H	Annual		Appropriate controls not in place
Health and Safety	0	10	10	H	16/17		Risk of injury, death (Strategic Risk 8)
IR35	0	0	5	M	New		Underpayments
Performance Management/ Corporate Targets	10	0	10	M	17/18		Poor Governance (Strategic Risk 8)
Procurement/ credit cards	18	0	15	M	17/18		Fraud, poor value for money

Recruitment and Selection	0	10	0	M	15/16	Fraud, poor appointments
Risk Management	10	0	10	M	17/18	Failure to identify and mitigate risks (Strategic risk 8)
Safeguarding	10	0	8	M	17/18	Public safety, reputational risk (Strategic Risk 10)
Transformation Agenda	0	0	10	H	New	Failure to meet savings/transformation targets
Use of Consultants / Agency Staff	0	0	12	L		Poor VFM, reputational risk
Total Cross Cutting Areas	98	42	116			
Fraud and Corruption	17/18	18/19	19/20	Priority	Last Review	Risk Factor
Fraud Modules	10	0	0	L	17/18	Fraud
Money Laundering	0	4	0	L	14/15	Fraud
Gifts and Hospitality	0	5	0	L	13/14	Fraud, bribery
Total	10	9	0			
Special Investigations/Contingency	40	30	25	H	Annual	Fraud, loss of income
Alliance Accounts/NFI Key contact	20	12	10	N/A	Annual	Fraud
Audit Committee / Client Officer Liaison	15	15	15	H	Annual	Non compliance with Public Sector Internal Audit Standards
Planned Total Days	483	483	483			