

DRAFT INTERNAL AUDIT PLAN 2013/14

Background

Internal Audit is a statutory service. The Accounts and Audit Regulations 2011, which came into force on 31st March 2011 (previously the Accounts and Audit Regulations 2003 (as amended)¹, state that:

'A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.'

Guidance accompanying the Accounts and Audit Regulations 2003 (as amended) states that, for principal local authorities, proper internal control practice for internal audit are those contained within the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

The Internal Audit Service at Harrow Council is provided by a dedicated in-house team situated in the Resources Directorate. The CIPFA code has been adopted and implemented by the Council's Internal Audit section and reference is also made to the professional standards laid down by the Institute of Internal Auditors (IIA).

Annual Plan Process

Annually a plan of work is developed to reflect the Internal Audit Strategy and is supported by the Delivery Plan which outlines the key service activities/development projects and service performance indicators. The plan is designed to provide the GARM Committee, the Chief Executive, the S151 Officer, Corporate Directors and other senior managers with assurance on the Council's control environment. Internal Audit adds value to the organisation and contributes to its objectives and priorities by providing assurance on the organisation's control environment, alerting managers to weaknesses identified in the control environment, highlighting the risks of such weaknesses and instigating action to be taken by managers to improve the control environment via the implementation of audit recommendations/advice.

A top-down risk-based approach was adopted to the development of the audit plan in –line with the recommended CIPFA practice.

¹ As amended by the Accounts and Audit (Amendment)[England] Regulations 2006

How Internal Audit Links to the Corporate Vision and Priorities

The Corporate Vision for 2013/14 is:

Working together: Our Harrow, our community

With the following specific Corporate Priorities;

- **Supporting and protecting people who are most in need**
- **Keeping neighbourhoods clean, green and safe**
- **United and involved communities; and**
- **Supporting our town centre, our local shopping centres and businesses**

The corporate vision and priorities are taken into account when developing the Internal Audit annual operational plan of work. Where appropriate specific audit reviews will be scheduled to support individual priorities or related priority actions. In addition each year reviews are undertaken of systems that support the delivery of the corporate priorities.

Draft Plan

The first draft of the plan is developed after:

- consideration of the risk maturity of the organisation;
- review of the Council's Corporate Plan/Priorities 2013/14;
- review of the current Corporate and Directorate Risk Registers and the Risk Appetite Statement;
- review of the 'audit universe'² and previous Internal Audit work covering the Council's internal controls (including an indicative audit risk rating);
- identification of significant local and national issues and risks, including new legislation;
- review of the External Audit plan;
- consultation with Finance Business Partners on key areas of financial risk;
- consultation with the Chief Executive, Corporate Directors, including the S151 Officer and key managers as appropriate.

² The 'audit universe' is all the areas/processes/systems of internal control of the Council that can potentially be subject to an internal audit review

The draft plan will be presented formally to CSB (on 27th March) and the GARM Committee (on 4th April) for review/comment.

Final Plan

Once the consultation process is complete the final plan is developed by undertaking a detailed risk assessment of all reviews contained in the draft plan to rank the projects on the plan, based on materiality and risk, as high, medium or low.

The number of audit days available for the 2013/14 plan will be determined via a detailed resource calculation for each auditor taking into account available days, actual days 2012/13 and allowances for annual leave, training etc. A realistic but challenging target will then be set for each member of the team and the combination of these targets will determine the days available for the Internal Audit Plan. 914 audit days were identified for the 2012/13 plan based on an average of 191 days per auditor and 150 days for the Service Manager.

The internal audit resources required to undertake each proposed audit review, based on the suggested scope of each review, will be estimated and a final plan developed ensuring that, at a minimum, all high risk reviews are included.

Table 1 below shows the draft internal audit plan 2013/14 and includes:

- the type of review to be undertaken - Reliance/Assurance Reviews
 - Professional Advice - New /Developing Areas
 - Fraud Risk – reviews of controls in place to prevent fraud
 - IT Reviews
 - Corporate Risk Based Reviews
 - Directorate Risk Based Reviews
 - Schools Reviews
 - Support, Advice & Follow-up
 - WLWA Reviews (overview only for completeness)

- the main driver for each review - KEY: IA - Internal Audit; EA - External Audit; CGG - Corporate Governance Group; CP - Corporate Priority; CR - Corporate Risk; M - Management and CF - Corporate Finance; PPP – Protecting the Public Purse 2012; CAFT – Corporate Anti-fraud Team

- a summary of the proposed audit coverage – this will be refined before the start of each review

Table 1 – Draft Internal Audit Plan 2013/14

Draft Plan 13/14	Main driver	Reasoning for inclusion/risks	Proposed Audit Coverage
Reliance/Assurance Reviews			
Payroll	IA/EA	Three year cyclical plan agreed with External Auditors	Key Control Review, Walkthrough Test, Update of System Notes
Treasury	IA/EA	Three year cyclical plan agreed with External Auditors	Key Control Review, Walkthrough Test, Update of System Notes
Council Tax	IA/EA	Three year cyclical plan agreed with External Auditors	Key Control Review, Walkthrough Test, Update of System Notes
Housing Rents	IA/EA	Three year cyclical plan agreed with External Auditors	Self Assessment, Walkthrough Test, Update of System Notes
Corporate Accounts Payable	IA/EA	Three year cyclical plan agreed with External Auditors	Self Assessment, Walkthrough Test, Update of System Notes
Corporate Accounts Relievable	IA/EA	Three year cyclical plan agreed with External Auditors	Self Assessment, Walkthrough Test, Update of System Notes
Business Rates	IA/EA	Three year cyclical plan agreed with External Auditors	Self Assessment, Walkthrough Test, Update of System Notes
Housing Benefit	IA/EA	Three year cyclical plan agreed with External Auditors	Self Assessment, Walkthrough Test, Update of System Notes
Capital Expenditure	IA/EA	Three year cyclical plan agreed with External Auditors	Self Assessment, Walkthrough Test, Update of System Notes
Corporate Governance	IA/CCG	Requirement under the Accounts & Audit Regulations 2011	Co-ordination of the annual governance review, drafting of AGS
Management Assurance	IA/CCG	Requirement of the governance framework	Co-ordination of the annual management assurance exercise
Risk Management	IA	Reduction of the risk management budget	Maintenance and update of risk registers in second half of year
Compliance Testing	M	To provide assurance on compliance with key policies/procedures	To be determined in consultation with management
Professional Advice - New /Developing Areas			
IT Working Group	IA	To support the implementation of the IT Transformation Projects	Attendance of working group providing professional advice on control and risk mitigation
On-line Social Care Shopping Portal	CP/M	To support the development and implementation of the on-line social care shopping portal	To provide ongoing risk and control advice on the development of a financial payment process for the Shop4Support on-line social care shopping portal
E-invoicing	IA/M	To support proposals for introduction of e-invoicing	To provide professional advice on control and risk mitigation

Public Health Integration	CP/IA/M CR8/CR9	New responsibility/systems	Professional advice control and risk management on integration
IT Reviews			
Access Control – Network/SAP/EMS/SIMS/CITRIS Remote Access	IA	Data security/unauthorised access	Set up and removal, parameters, password configuration, reset frequency.
Framework – I - Application Review	IA/CF	Key system in Adult's and Children's social care	Covering access controls, data entry, processing, output, interfaces, back-up and recovery.
Northgate Housing Repairs – Application Review	CF	Key system in Housing	Covering access controls, data entry, processing, output, interfaces, back-up and recovery
IWorld/Northgate Housing Benefit – Operating System Review	IA/M	Key system in Resources/new module	To assess the control process built within Northgate Housing Benefits System including the localised CT Benefit module and the cloud based Harrow Emergency Scheme
IT Data Centre - Landlord Risks	M	New responsibility	Covering environmental controls and security
Council Tax Discounts & Exemptions	M	Risk of Incorrectly set parameters leading to income loss	Checking that system parameters are consistent with executive decisions
Public Health Compliance	M	New responsibilities	Ensuring compliance with IT requirements
Cloud Based systems – VERTO/ Occ Health	M	Internet hosted systems	Access security, data recovery
Data Security Breaches	M	High risk of fines/bad publicity/risk of reoccurrence	To assess action taken after breaches identified to close gaps and improve processes
Fraud Risk			
Procurement	PPP	High risk across local Authorities/collusion/inferior goods or services/inflated performance info	Assessing risk of procurement fraud and preventative controls in place.
Business Rates	PPP/M	High risk across local authorities/falsely claiming relief/failure to declare occupancy/falsely using insolvency status/non disclosure of info	A review of controls in place to prevent fraud with particular emphasis on partial occupation; completion notices and charity status
Right to Buy	PPP	High risk across local authorities (increase in allowance)/false documents/unlawful occupation	A review of controls in place to prevent fraud <i>CAFT sent copy of every application</i>
Public Health – Local Enhanced Schemes/Services	CF CR8/CR9	New risk/fraudulent claiming for health checks	A review of controls in place to prevent fraud
Council Tax Discounts	PPP	High risk across local authorities/ fraudulently claimed discounts and property exemptions	A review of controls in place to prevent fraud
Purchase Invoice Fraud	PPP	High risk across local authorities/	A review of a sample of purchase invoices across the council to ensure that payment is only being made on bonafide invoices

Mandate Fraud Risk	PPP	High risk across local authorities/redirection of payments intended for legitimate creditors	A review of controls in place to prevent fraud
Housing Benefit	PPP	High risk across local authorities	A review of controls in place to prevent fraud including response to CAFT reports
Duplicate Payments	PPP	High risk across local authorities	A review of controls in place to prevent duplicate payments
Housing Assessments	CAFT	Management request via CAFT	Review of the robustness of the assessments process to mitigate the risk of fraud
Corporate Risk Based Reviews			
Data Quality	AGS	Updated policy/risks identified in specific area/Scrutiny concern	Reviewing a sample of areas where data quality is important to establish compliance with standards
Delegations	MA/CF	Gaps in delegations highlighted via management assurance exercise and by Corporate Finance	A review of delegations in place across the council to establish whether appropriate and to provide support and guidance where gaps identified
Freedom of Information	IA/M	New approach being considered	Review of the policy and process employed by the Council for dealing with FOI requests to ensure appropriate and proportionate.
Purchase Cards	IA/M	New procurement controls may increase Purchase Card use	Review of controls over the issue and use of procurement cards including compliance with policy, payment, authorisation and the prevention of fraud.
Commissioning	IA/M	Commissioning is a key function for the Authority	A review of commissioning across the Council to ensure robust processes are in place and good practice is shared
Debt Management	CF/M	Inconsistency of approach leading to loss	To ensure that a joined up corporate approach is taken to debt management
Business Continuity/IT Disaster Recovery	IA/M/AGS CR13	Corporate Risk	Covering adequacy and effectiveness of controls over the arrangements that are in place for the prevention of system downtime through adequate resilience arrangements and that systems are appropriately backed up
Directorate Risk Based Reviews Resources			
Pensions	IA	Key system not reviewed for over 3 years	Risk based system review to include fraud risk
Cashiers	IA/M	New IT system/change of management	IT System, petty cash, income and banking, separation of duties, refunds
Harrow HELP Scheme	IA/CR11	New scheme under Welfare Reform	Risk based system review to include fraud risk
Localised Council Tax Support	IA/M/CR11	New responsibilities for Local Authorities	Review of the implementation of the new scheme to ensure controls appropriate to mitigate risks
Finance Restructure	IA	Major restructure in progress	Maintenance of Key Controls (after restructure)

Community, Health & Wellbeing			
Housing Repairs contract Management	IA/M	Self –assessment undertaken by management 12/13	Contract Management Review
Housing Rents - Target Rents	CF	Potential for increased income	A review of the process to ensure that target rents achieved wherever possible
Leaseholder Charges	CF	Complex process/risk of error	Risk based system review
Libraries & Leisure Contract Management	M	Potential new contract	Contract Monitoring Review
Children & Families			
Schools	IA/SFVS	A three year programme of school reviews covering the adequacy, application and effectiveness of financial controls and governance procedures in place	Financial Control & Governance Reviews – SFVS assessments to feed into final plan
Families First (Troubled Families Grant)	CF	New funding arrangements and responsibilities.	Minimum grant certification
Special Education Needs (SEN)	CF/M	Government reform/introduction of personal budgets	Provide professional advice on control and risk mitigation in the development of personal budgets
Education Penalty Notices	CF/M	New process using the parking system to issue penalty notices	Risk based systems review
Environment & Enterprise			
Parking Enforcement - PCNs	IA	Concerns raised regarding cancellation of PCNs	Risk based system review to include fraud risk
Waste Management – Trade Waste	CAFT/CF	Follow-up of CAFT work undertaken 2012/13	Risk based system review to include fraud risk
PRISM/Property restructure	IA/CF	Major restructure in progress	Maintenance of key controls within Directorate and to ensure appropriate controls in place for Licensing
Community Infrastructure Levy (CIL)	CF/M	New power that will enable the Council to raise funds for infrastructure from new development	To review governance arrangements and whether income is maximize and used appropriately to benefit Harrow
Disabled Adaptations (Harrow Home Improvement Agency)	IA	Programme expanding to cover people who can pay for adaptations	Review of governance arrangements
Carbon Reduction Commitment	IA/M/CR20	Legal Requirement	Audit review and sign-off of CRC Annual Report
Support, Advice & Follow-up			
Suspected Financial Irregularities + Control Reviews	IA	Internal Audit required to maintain overview of SFIs and provide support to managers	Support & guidance to managers on investigations
Professional Advice	IA	Enables audit team to provide advice to managers on control and risk management on areas not specifically covered by plan	Advice on risk mitigation & control

Follow-up	IA	Provides assurance on the implementation of audit recommendations	Follow-up of Red, Red/Amber & Amber reports
Liaison with External Audit	IA	Supply of information to EA to support their work for the Authority	On-going liaison throughout the year
Audit Management	IA		e.g. planning, GARM reporting
WLWA Reviews			
Separate Plan agreed with WLWA	IA/M	Requirement to provide internal audit services to WLWA	To be agreed with WLWA

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