

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 Public Sector Internal Audit Standards (PSIAS) have been adopted and are being implemented by the Council’s Internal Audit section.

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 PSIAS practice.

How Internal Audit Links to the Corporate Vision and Priorities

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

The Corporate Vision for 2013/14 is:

Working together: Our Harrow, our community

The specific Corporate Priorities for 2013/14 are:

- **Keeping neighbourhoods clean, green and safe**
- **United and involved communities**
- **Supporting and protecting people who are most in need**
- **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 Risk Register and 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;
- review of the scrutiny plan of work;
- review of the External Audit plan; and
- consultation with Finance Business Partners on key areas of financial risk.

The draft is further refined via consultation with the Chief Executive; Corporate Directors, including the S151 Officer, Directorate Management Teams (senior managers); specific middle managers, as appropriate, to seek views on which areas are considered high risk and to develop the audit approach to specific reviews, and the External Auditors.

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 is then presented formally to CSB and the GARM Committee 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 is 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 is then set for each member of the team and the combination of these targets determines the days available for the Internal Audit Plan. 914 audit days were identified for the 2012/13 plan and 1077 audit days have been identified for the 2013/14 plan taking into account two new posts starting mid-year.

The internal audit resources required to undertake each proposed audit review, based on the suggested scope of each review, is estimated and a final plan is developed ensuring that the highest risk reviews are included.

The table below shows the final internal audit plan 2013/14 and includes:

- the type of review to be undertaken - Reliance/Assurance Reviews
 - Professional Advice - New /Developing Areas
 - Corporate Risk Based Reviews
 - Directorate Risk Based Reviews
 - Schools Reviews
 - Support, Advice & Follow-up
 - WLWA Reviews (overview only for completeness)

- the results of the audit risk assessment – High/Medium/Low
- 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
- days in the plan – this is an estimate of the days required that will be refined before the start of each review once full scope of the review has been developed and agreed with management
- the indicative timing of each review – the quarter of the year in which the review is expected to start
- a summary of the expected audit coverage – again this will be refined before the start of each review

Final Plan 12/13	Risk Assessment H/M/L	Main driver: Corporate Risk Register/ Corporate Priorities/Management/IA/EA/CCG/CF	Days in plan	Indicative Timing - Quarter in which should be started	Audit Coverage
Reliance/Assurance Reviews					
Payroll	H	IA/EA	12	Q1	Key Control Review, systems notes
Treasury	M	IA/EA	15	Q1	Key Control Review, systems notes
Council Tax	H	IA/EA	15	Q1	Key Control Review, systems notes
Housing Rents	M	IA/EA	2	Q1	System notes, walkthrough. CRSA
Corporate Accounts Payable	H	IA/EA	2	Q1	System notes, walkthrough. CRSA
Corporate Accounts Receivable	H	IA/EA	2	Q1	System notes, walkthrough. CRSA
Business Rates	H	IA/EA	2	Q1	System notes, walkthrough. CRSA
Housing Benefit	H	IA/EA	2	Q1	System notes, walkthrough. CRSA
Capital Expenditure	H	IA/EA	2	Q1	System notes, walkthrough. CRSA
Compliance Testing	H	M	20	Q2/Q3	To be determined in consultation with management e.g. expenses, orders
Corporate Governance	n/a	IA/CCG	30	Q1/Q4	Annual governance review, governance arrangements for new delivery models, drafting AGS
Management Assurance	n/a	IA/CCG	20	Q1/Q4	Completion of 2012/13 exercise & development of 2013/14 exercise
Risk Management	n/a	IA	20	Q3/Q4	Maintenance and update of risk registers in second half of year
IT Working Group	n/a	IA	12	Q1,2,3,4	Attendance of working group providing professional advice on control and risk mitigation
Information Governance Board (IGB)	n/a	IA	5	Q1,2,3,4	To ensure that the Council has effective polices & management

					arrangements covering Information governance
Professional Advice - New /Developing Areas					
On-line Social Care Shopping Portal	H	CP/M	12	Q1,2,3,4	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	H	IA/M	5	Q2/Q3	To provide professional advice on control and risk mitigation
Public Health Integration	H	CP/IA/M/CR8/CR9	5	Q1,2,3,4	Professional advice control and risk management on integration
IT Reviews					
Framework – I - Application Review	H	IA/CF	15	Q3	Covering access controls, data entry, processing, output, interfaces, back-up and recovery.
IWorld/Northgate Housing Benefit – Operating System Review	H	IA/M	15	Q3	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	H	M	15	Q3	Covering environmental controls and security
Data Security Breaches	H	M	15	Q2	To assess action taken after breaches identified to close gaps and improve processes
IT Change Management	H	IA/CF	15	Q3	Review of system in place to manage IT change
Fraud Risk					
Business Rates	H	PPP/M	15	Q2	A review of controls in place to prevent fraud with particular emphasis on partial occupation; completion notices and charity status
Public Health – Local Enhanced Schemes/Services	H	CF/CR8/CR9	20	Q2	A review of controls in place to prevent fraud
Housing Benefit	H	PPP	15	Q2	A review of controls in place to prevent fraud including response to CAFT reports
Housing Assessments	H	CAFT	15	Q4	Review of the robustness of the assessments process to mitigate the risk of fraud

Corporate Risk Based Reviews					
Data Quality	H	AGS	20	Q3	Reviewing a sample of areas where data quality is important to establish compliance with standards
Delegations	H	MA/CF	20	Q2	A review of delegations in place across the council to establish whether appropriate and to provide support and guidance where gaps identified
Purchase Cards	H	IA/M	15	Q2	Review of controls over the issue and use of procurement cards including compliance with policy, payment, authorisation and the prevention of fraud.
Commissioning	H	IA/M	20	Q3	A review of commissioning across the Council to ensure robust processes are in place and good practice is shared
Business Continuity/IT Disaster Recovery	H	IA/M/AGS/CR13	15	Q3	Covering adequacy and effectiveness of controls over the arrangements that are in place for the prevention of system downtime through adequate resilience
Directorate Risk Based Reviews					
Cashiers	H	IA/M	15	Q3	IT System, petty cash, income and banking, separation of duties, refunds
Harrow HELP Scheme	H	IA/CR11	15	Q2	Risk based system review to include fraud risk
Localised Council Tax Support	H	IA/M/CR11	15	Q3	Review of the implementation of the new scheme to ensure controls appropriate to mitigate risks
Finance Restructure	H	IA	15	Q4	Maintenance of Key Controls (after restructure)
Pensions	H	IA	20	Q3/4	Risk based system review to include fraud risk
Housing Repairs Contract Management	H	IA/M	10	Q2	Contract Management Review
Special Education Needs (SEN) - personalisation	H	CF/M	20	Q4	Provide professional advice on control and risk mitigation in the development of personal budgets
Parking Enforcement - PCNs	H	IA	20	Q2	Risk based system review to include fraud risk
Waste Management – Trade Waste	H	CAFT/CF	11	Q1	Risk based system review to include fraud risk
PRISM/Property restructure	H	IA/CF	15	Q3/Q4	Maintenance of key controls within Directorate and to ensure appropriate controls in place for Licensing
Carbon Reduction Commitment	M	IA/M/CR20	5	Q1	Audit review and sign-off of CRC Annual Report
Disabled adaptations (Harrow Home Improvement Agency)	H	IA	20	Q2	Review of governance arrangements
Schools Reviews					
Financial Control & Governance Reviews	H	IA	150	Q3,4	A four year programme of school reviews covering the adequacy, application and effectiveness of financial controls and governance procedures in place
Support, Advice & Follow-up					
Suspected Financial Irregularities + Control Reviews	H	IA/M	70	Q1,2,3,4	Guidance to managers on investigations and the undertaking of investigations

Professional Advice	n/a	IA/M	60	Q1,2,3,4	Advice on risk mitigation & control
Follow-up	H	IA	40	Q1,2,3,4	Red, Red/Amber & Amber reports followed-up
Liaison with External Audit	n/a	IA	5	Q1,2,3,4	On-going liaison throughout the year
Audit Management	n/a	IA	140	Q1,2,3,4	e.g. planning, GARM reporting
WLWA Reviews	H	R1,7,9	100	Q2, 4	
TOTAL AUDIT DAYS			1164		

Implementation of the Audit Plan

The Internal Audit Plan will be implemented by the in-house team following practices that comply with the Public Sector Internal Audit Standards.

Whilst every effort is made during the planning process to identify risks facing the Council we are working in an environment of rapid change and as such it has become more important over recent years for the audit plan to be flexible to allow for emerging risks. Such risks, as they occur, will be assessed and where they are deemed to be high risk an appropriate review will be included in the ongoing plan. Where possible such reviews will replace other reviews of a lower risk or reviews that have been taken out of the plan for other reasons however where neither of these options are possible work will be undertaken as necessary with a consequence that the agreed plan will roll into the following financial year.

The Internal Audit Mid-year and Year-end reports will detail all emerging risk work and outline the impact on the agreed plan.

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