

**REPORT FOR: GOVERNANCE, AUDIT &
RISK MANAGEMENT
COMMITTEE**

Date of Meeting: 2nd April 2014

Subject: Draft Internal Audit Plan 2014/15

Responsible Officer: Simon George – Director Finance & Assurance (S151 Officer)

Exempt: No

Enclosures: Appendix1: Draft Internal Audit Plan 2014/15

Section 1 – Summary and Recommendations

This report sets out the draft Internal Audit plan for 2014/15

Recommendations:

The Committee is requested to:

- (a) Note the process employed to develop the plan.
- (b) Consider and comment on the draft plan, in particular to provide the Committee's view on risk to assist with prioritising and developing the final plan.

Section 2 – Report

Background

- 1.1 The Public Sector Internal Audit Standards (PSIS) requires the 'chief audit executive' (HIA) to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the 'board' (GARM Committee) must be considered in this process. The board are required to approve the final Internal Audit Plan.

Plan Development

- 1.2 This report sets out the draft Internal Audit annual plan of work for 2014/15 (Appendix 1).
- 1.3 The initial draft plan was developed after consideration of the risk maturity of the organisation; a review of the Council's Corporate Plan 2014/15; review of the Final Revenue Budget 2014/15 and MTFS 2014/15 – 2016/17; a review of the current Corporate and Directorate Risk Registers; a review of previous Internal Audit work covering the Council's internal controls; identification of significant local and national issues and risks, including new legislation; review of Protecting the Public Purse 2013 (Audit Commission, November 2013); review of the External Audit plan; consultation with Finance Business Partners on key areas of financial risk; consultation with the Service Manager, Corporate Ant-Fraud Team on key areas of fraud prevention; and consultation with the Head of Paid Service, Corporate Directors, including the S151 Officer and key managers as appropriate.
- 1.4 Further consultation will be undertaken with the Directorate Management Teams (senior managers); the External Auditors; the Corporate Strategy Board (CSB) on 19^h March, this Committee on 2nd April and with the S151 Officer before the plan is finalised.
- 1.5 Once the consultation process is complete an audit risk assessment will be undertaken to rank the projects on the plan, based on materiality and risk, as high, medium or low along with an estimate of the internal audit resources required to undertake each proposed audit review, based on the suggested scope of each review. This information will be used to produce the final Internal Audit plan which will focus on high risk areas.

Plan Structure

- 1.6 The projects set out in the plan are grouped under the following headings:
 - Reliance/Assurance Reviews
 - New/Developing Risk 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 and Follow-up
- 1.7 Included under the Reliance/Assurance Reviews is the work undertaken on the Council's core financial systems which the council's external auditors, Deloitte LLP, rely on to inform their risk assessment that guides the external audit approach. This grouping also covers audit work that contributes to assurance required for the organisation's annual review of governance.

- 1.8 Reviews under the heading Fraud Risk/Fraud Prevention are areas that have been identified by the Audit Commission as high risk across all Local Authorities (and before inclusion in the final plan they will be specifically risk assessed for Harrow). These reviews will specifically concentrate on controls in place to mitigate the risk of fraud.
- 1.9 Corporate Risk Based Reviews are reviews that will have impact across the Council and involve sample testing across the council with the aim of increasing transparency, consistency and compliance.
- 1.10 The group headed Directorate Risk Based Reviews covers suggested reviews specific to directorates. Although there are fewer specific reviews suggested for the Resources Directorate this is balanced by the fact that all the core financial systems work and the majority of the suggested fraud prevention work is based in the Resources Directorate.
- 1.11 And finally under the grouping Support, Advice and Follow-up a small allowance has been made for providing ad-hoc professional audit advice throughout the year, for investigating suspected irregularities and for following up the implementation of agreed audit recommendations.
- 1.12 Next to each risk based review on the draft plan is an indication of the main driver of the review identified in the planning process i.e. Internal Audit (based on cumulative audit knowledge); External Audit; Corporate Governance Group; Corporate Priority; the Corporate Risk Register; Management; Finance; Protecting the Public Purse 2013; CAFT – Corporate Anti-fraud Team or a combination of these.

Financial Implications

- 1.13 The functions of the Internal Audit service are delivered within the budget available.

Risk Management Implications

- 1.14 The work of Internal Audit supports the management of risks across the council and the Internal Audit Annual Plan is developed from the review of the Corporate Risk Register and the Corporate Plan and risks identified by management.

Equalities implications

- 1.15 None.

Corporate Priorities

- 1.16 The work of Internal Audit supports the corporate priorities as described above.

Section 3 - Statutory Officer Clearance

Name: Simon George



Chief Financial Officer

Date: 21/03/14

Name: Jessica Farmer



On behalf of
Monitoring Officer

Date: 21/03/14

Section 4 - Contact Details and Background Papers

Contact: Susan Dixson – Service Manager Internal Audit ext. 2420

Background Papers: None