

# **DRAFT INTERNAL AUDIT PLAN 2014/15**

# Background

Internal Audit is a statutory service. The Accounts and Audit Regulations 2011, which came into force on 31<sup>st</sup> March 2011 (previously the Accounts and Audit Regulations 2003 (as amended)<sup>1</sup>, 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.'

'Proper practice' for internal audit is now contained within Public Sector Internal Audit Standards (PSIAS) which have been adopted and are being implemented by the Council's Internal Audit section.

The Internal Audit Service at Harrow Council is provided by a dedicated in-house team situated in the Resources Directorate.

## 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 Head of Paid Service, 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.

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

# How Internal Audit Links to the Corporate Vision and Priorities

The Council Vision for 2014/15 is:

**Harrow: a place a place to live and work and be proud of.**

With the following specific Corporate Priorities;

- **Cleaner:** A borough where our streets are cleaned regularly and our parks and green spaces are places to enjoy.
- **Safer:** A borough where residents feel safe to live and enjoy their lives. We will work with the police and other partners to make Harrow even safer.
- **Fairer:** A borough where our hard working residents can bring up their families knowing they will have fair access to opportunity.

The Council's vision and the corporate 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 2014/15;
- review of the Final Revenue Budget 2014/15 and MTFS 2014/15 – 2016/17
- review of the current Corporate and Directorate Risk Registers;
- review of the 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 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;

- consultation with the Head of Paid Service, Corporate Directors, including the S151 Officer and key managers as appropriate.

The draft plan was presented formally to CSB (on 19<sup>th</sup> March) and the GARM Committee (on 2<sup>nd</sup> April) for review/comment.

## Final Plan

Once the consultation process is complete the final plan is developed by undertaking a detailed audit 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 2014/15 plan will be determined via a detailed resource calculation for each auditor taking into account available days, actual days 2013/14 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.

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 2014/15 and includes:

- the type of review to be undertaken - Reliance/Assurance Reviews
  - Professional Advice - New /Developing Areas
  - Fraud Risk/Fraud Prevention – reviews of controls in place to prevent fraud
  - IT Reviews
  - Corporate Risk Based Reviews
  - Directorate Risk Based Reviews
  - Schools Reviews
  - Support, Advice & Follow-up
- 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 F - Finance; PPP – Protecting the Public Purse 2013; 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 2014/15**

<b>Draft Plan 2014/15</b>	<b>Main driver</b>	<b>Reasoning for inclusion/risks</b>	<b>Proposed Audit Coverage</b>
<b>Reliance/Assurance Reviews</b>			
Housing Benefit	IA/EA	Three year cyclical plan agreed with External Auditors	Key Control Review, Walkthrough Test, Update of System Notes
Business Rates	IA/EA	Three year cyclical plan agreed with External Auditors	Key Control Review, Walkthrough Test, Update of System Notes
Capital Expenditure	IA/EA	Three year cyclical plan agreed with External Auditors	Key Control Review, Walkthrough Test, Update of System Notes
Payroll	IA/EA	Three year cyclical plan agreed with External Auditors	Self Assessment, Walkthrough Test, Update of System Notes
Treasury	IA/EA	Three year cyclical plan agreed with External Auditors	Self Assessment, Walkthrough Test, Update of System Notes
Council Tax	IA/EA	Three year cyclical plan agreed with External Auditors	Self Assessment, 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
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	Internal Audit now responsible for co-ordination of the Corporate Risk Register	Co-ordination and update of Corporate Risk Register
Compliance Testing	M	To provide assurance on compliance with key policies/procedures	To be determined in consultation with management e.g. orders, invoices, Fees & Charges; Budget sign-off; P Cards; Probation; Top 100 suppliers contracts
<b>Professional Advice - New /Developing Areas</b>			
Procure to Pay	M	Developing area	To provide ongoing risk and control advice
My Community E Purse Project Team & Project Board	M/CP	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 ongoing	IA/M	To support proposals for introduction	To provide professional advice on control and risk

		of e-invoicing	mitigation
Information Governance Board (IGB) ongoing		HIA on Board	To ensure that the Council has effective polices & management
Legal Services company	M	New company being set up to provide legal service	To provide professional advice on control and risk mitigation
<b>IT Reviews</b>			
Access Control – Network/SAP/EMS/SIMS/CITRIS Remote Access Draft plan 13/14	IA	Data security/unauthorised access, issues identified 2013/14	Set up and removal, parameters, password configuration, reset frequency.
Northgate Housing Repairs – Application Review Draft Plan 13/14	F	Key system in Housing	Covering access controls, data entry, processing, output, interfaces, back-up and recovery
IWorld/Northgate Housing Benefit – Operating System Review (c/f 2013/14)	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 (c/f 2013/14)	M	New responsibility	Covering environmental controls and security
Council Tax Discounts & Exemptions Draft Plan 2013/14	M	Risk of Incorrectly set parameters leading to income loss	Checking that system parameters are consistent with executive decisions
Public Health IT Compliance Draft Plan 2013/14	M	New (ish) responsibilities. This was on the 13/14 draft plan but did not make it to the final plan.	Ensuring compliance with IT requirements
Cloud Based systems – VERTO/ Occupational Health Draft Plan 13/14	M	Internet hosted systems	Access security, data recovery
IT Change Management (c/f 2013/14)	IA/F	IA suggestion/S151 request following Payroll error	Review of system in place to manage IT change
<b>Fraud Risk/Fraud Prevention</b>			
Fighting Fraud Checklist for Governance	PPP/CAFT/CP	Recommended governance arrangements	Completion and analysis of checklist to feed into Annual Governance review
Insurance claims	PPP/CAFT/CP	Average value of £40,541 per detected case	Controls in place to prevent fraud/use of claims handlers
Procurement Draft Plan 13/14	PPP/CP	High risk across local Authorities/collusion/inferior goods or services/inflated performance info	Assessing risk of procurement fraud and preventative controls in place.
Right to Buy Draft Plan 13/14	PPP/CP	High risk across local authorities (increase in allowance)/false documents/unlawful occupation	A review of controls in place to prevent fraud <i>CAFT sent notification of applications &amp; undertake an Experian check as part of process</i>
Council Tax Discounts Draft Plan 13/14	PPP/CP	High risk across local authorities/ fraudulently claimed discounts and property exemptions PPP 2012 & 2013	A review of controls in place to prevent fraud
Purchase Invoice Fraud Draft Plan 13/14	PPP/CP	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 Draft Plan 13/14	PPP/CP	High risk across local authorities/redirection of payments intended for legitimate creditors	A review of controls in place to prevent fraud
<b>Corporate Risk Based Reviews</b>			
Delegations c/f 2013/14	MA/F	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 Draft Plan13/14	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.
Debt Management Draft Plan13/14	F/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 c/f 2013/14	IA/M/AGS CR 2a, 2b	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
Car Park Passes	F	Inequitable practice	Review of allocation/ issuing and control of passes
FB60s	P	£8-9 million going through FB60 process	Review of process and use of FB60s with a view to further reducing
<b>Directorate Risk Based Reviews</b>			
<b>Resources</b>			
Budget Monitoring	M	New process being developed	A review of the new processes
Legal Shared Service	F	New arrangements now embedded	Contract Management
<b>Community, Health &amp; Wellbeing</b>			
Grants to Move scheme	F/IA	New system	Risk-based system review
Housing Rents - Target Rents	F	Potential for increased income. This was on the 13/14 draft plan but did not make it to the final plan	A review of the process to ensure that target rents achieved wherever possible
Leaseholder Charges	F	Complex process. This was on the 13/14 draft plan but did not make it to the final plan. No charges for Grounds maintenance last year.	Risk based system review
Libraries & Leisure Contract Management	M/CP	Potential new contract. This was on the 13/14 draft plan but did not make it to the final plan – too early in contract.	Contract Management Review
My Community E Purse	M/F/CP	Expanding	Health check – requested by Bernie details not

			finalised
Rent Refunds	F	Check of reasoning & accuracy	Risk based systems review
Mental Health	F	Not previously reviewed	Contract Management Review
Shared Lives	IA	Not previously reviewed	Risk based systems review
<b>Children &amp; Families</b>			
Schools	IA/M/F/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
School Governor Governance Training	M/IA	Recent issues identified in schools indicate a lack of appreciation of governance requirements.	Training session to be presented at the C&F Heads & Directors meeting
Families First (Troubled Families Grant)	F	New funding arrangements and responsibilities.	Grant certification
Education Penalty Notices	F/M	New process using the parking system to issue penalty notices. This was on the 13/14 draft plan but did not make it to the final plan	Risk based systems review
Grants for Leaving Care	F	Difficulties identified with methods of payment	Risk based systems review
SNT	F	Frequent changes in suppliers	Contract Management Review
Schools Expansion Programme	IA/CR10	Expected to be 'one of the most significant and sensitive risks the directorate has to manage	Programme Management/Procurement
<b>Environment &amp; Enterprise</b>			
Trading Standards	F	Long standing arrangement with Brent	Contract Management review
Parking	F	High Income level	Risk-based system review
Highways	F	New contractor	Contract Management review
Trade Waste	CAFT/F/IA	Follow-up of CAFT work undertaken 2012/13	Risk based system review to include fraud risk
Restructure – maintenance of key controls	IA/F	Major restructure in progress c/f 2013/14 plan due to delay in completion of restructure	To review the key controls within Directorate and to ensure appropriate controls in place for Licensing
Community Infrastructure Levy (CIL)	F/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
Carbon Reduction Commitment	IA/M	Legal Requirement	Sign-off of CRC Annual Report
<b>Support, Advice &amp; Follow-up</b>			



Suspected Financial Irregularities + Control Reviews	IA/M	Internal Audit required to maintain overview of SFIs and provide support to managers	Support & guidance to managers on investigations
Professional Advice	IA/M	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	Necessary	Planning, GARM reporting etc.

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21<sup>st</sup> March 2014

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