

# **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.

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

The Council’s Vision for 2014/15 is:

### **Working Together to Make a Difference for Harrow**

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

The specific Corporate Priorities for 2014/15 are:

- **Making a difference for the vulnerable**
- **Making a difference for communities**
- **Making a difference for local businesses**
- **Making a difference for families**

The Council's vision and 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. 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 the 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 Anti-Fraud on key areas of fraud prevention.
- consultation with the Head of Paid Service, Corporate Directors, the S151 Officer and other 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 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 is 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 is then set for each member of the team and the combination of these targets determines the days available for the Internal Audit Plan. 1164 audit days were identified for the 2013/14 plan and 1075 audit days have been identified for the 2014/15 plan taking into account maternity leave.

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 2014/15 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
- 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

	Risk Assessment H/M/L	Main driver	Days in plan	Indicative Timing - Quarter in which should be started	Audit Coverage
<b>Final Plan 14/15</b>					
<b>Reliance/Assurance Reviews</b>					
Business Rates	H	IA/EA	13	Q1	Key Control Review, systems notes
Housing Benefit	H	IA/EA	18	Q1	Key Control Review, systems notes
Capital Expenditure	H	IA/EA	16	Q1	Key Control Review, systems notes
Payroll	H	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
Treasury	M	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
Council Tax	H	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
Housing Rents	M	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
Corporate Accounts Payable	H	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
Corporate Accounts Receivable	H	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
Compliance Testing	H	IA/M	40	Q2-Q3	Register of interests; fees & charges; budget sign-off; probation reviews
Corporate Governance	n/a	IA/CCG	30	Q1-Q4	Annual governance review, drafting AGS, AGS Action Plan
Management Assurance	n/a	IA/CCG	20	Q1-Q4	Completion of 2013/14 exercise & development of 2014/15 exercise
Risk Management	n/a	IA	100	Q1-Q4	Maintenance and update of Corporate Risk Registers
Information Governance Board (IGB)	n/a	IA	3	Q1-Q4	To ensure that the Council has effective policies & management arrangements covering Information governance
<b>Professional Advice - New /Developing Areas</b>					
Procure to Pay	H	M	2	Q2-Q4	To provide ongoing risk and control advice
E-invoicing	H	IA/M	2	Q2-Q3	To provide professional advice on control and risk mitigation

Legal Services Company	H	M	2	Q2-Q3	To provide professional advice on control and risk mitigation
Public Health Visiting Transfer (not in draft)	H	M	5	Q2-Q3	To provide professional advice on control and risk mitigation
Financial Regulations review/update (not in draft)	n/a	CF	5	Q1-Q2	To feed into the current review of Financial Regulations
Contract Procedure Rules review/update (not in draft)	n/a	M	2	Q1-Q2	To feed into the current review of Contract Procedure Rules
<b>IT Reviews</b>					
Access Control – Network/SAP/EMS/SIMS/CITRIS Remote Access	H	IA	15	Q2	Set up and removal, parameters, password configuration, reset frequency.
IWorld/Northgate Housing Benefit – Operating System Review (c/f 2013/14)	H	IA/M	10	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 (c/f 2013/14)	H	M	10	Q3	Covering environmental controls and security
Public Health IT Compliance Draft Plan	H	M	5	Q3	Ensuring compliance with IT requirements
IT Change Management (c/f 2013/14)	H	IA/CF	15	Q3	Review of system in place to manage IT change
<b>Fraud Risk</b>					
Fighting Fraud Checklist for Governance	n/a	PPP/CAFT	5	Q3-Q4	Completion and analysis of checklist to feed into Annual Governance review
Insurance claims	H	PPP/CAFT	15	Q2	Controls in place to prevent fraud/use of claims handlers
Procurement	H	PPP	20	Q3	Assessing risk of procurement fraud and preventative controls in place.
Right to Buy	H	PPP/IA	15	Q2	A review of controls in place to prevent fraud
Council Tax Discounts	H	PPP	10	Q3	A review of controls in place to prevent fraud
<b>Corporate Risk Based Reviews</b>					
Freedom of Information	H	IA/M	20	Q3	Review of the policy and process employed by the Council for dealing with FOI requests to ensure appropriate and proportionate. Possible joint review with Lean Team.
Business Continuity/IT Disaster Recovery (c/f 2013/14)	H	IA/M/AGS/CR	15	Q2	Covering adequacy and effectiveness of controls over the arrangements that are in place for the prevention of system downtime through adequate resilience
<b>Directorate Risk Based Reviews</b>					
Leaseholder Charges	H	F	30	Q2-Q3	Risk based system review
My Community E Purse	H	M	20	Q3	Health check requested by management
Families First (Troubled Families Grant)	n/a	F	5		Grant certification
Schools Expansion Programme	H	IA/CR	30	Q3	Programme Management/Procurement
Highways Contract	H	F	20	Q4	Contract Management review
EE Restructure – maintenance of key controls (c/f 2013/14)	H	IA/CF	10	Q2-Q3	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

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
School Governor Governance Training	M	M/IA	5	Q3	Training session to be presented at the C&F Heads & Directors meeting
School HR Policies (not in draft)	H	F/IA	8	Q2-Q3	Check that appropriate HR Policies adopt by schools
SIMS Personnel	H	M/IA	20	Q3-Q4	Review of controls to ensure robust
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	70	Q1,2,3,4	Advice on risk mitigation & control
Follow-up	H	IA	45	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	160	Q1,2,3,4	e.g. planning, GARM reporting
<b>TOTAL AUDIT DAYS</b>			<b>1075</b>		

## 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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