

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

Date of Meeting:	1st April 2015
Subject:	Draft Internal Audit Plan 2015/16
Responsible Officer:	Simon George – Director of Finance and Assurance
Exempt:	No
Enclosures:	Appendix1: Draft Internal Audit Plan 2015/16

Section 1 – Summary and Recommendations

This report sets out the draft Internal Audit plan for 2015/16

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 (PSIAS) 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’ (GARMS 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 2015/16 (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 2015/16; review of the Final Revenue Budget 2015/16 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 2014 (Audit Commission, November 2014); 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 Team on key areas of fraud prevention; and consultation with the Chief Executive, Corporate Directors and their senior management teams, the S151 Officer and key managers as appropriate.
- 1.4 The plan will be finalised following an audit risk assessment to rank the projects based on materiality and risk, as high, medium or low, with the final plan focusing on high risk areas. Careful consideration will be given to the scope of each review and the audit approach to be taken as audit resources for 2015/16 are 300 days less than for 2014/15 due to MTFS savings (reduction of 1 post) and maternity leave. Narrower scopes and different approaches e.g. moving to thematic reviews for schools, will be considered to ensure that the Internal Audit Team delivers the highest amount of assurance possible with the resources available.
- 1.5 During 2014/15 the Internal Audit team have been working with five other London boroughs (Islington, Camden, Barnet, Enfield and Lambeth) to jointly develop our approach to internal audit, risk management and anti-fraud. Many of the issues the boroughs face individually are common across other London Councils, and working more closely will allow us to share best practice, identify emerging issues, risks and opportunities for improvement. This arrangement also provides us with access to a framework agreement with PWC to buy in

'specialist' audit skills for which we have a small budget. During 2015/16 we will continue to work with the other boroughs and PWC to strengthen our approach and enhance the level and quality of assurance that the in-house team currently provides.

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/Governance 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.
- 1.8 Reviews under the heading Fraud Risk/Fraud Prevention are areas that have been identified by the Audit Commission in their publication Protecting the Public Purse 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. Cipfa introduced a new Fraud Code in 2014 that will impact on the whole organisation, CAFT, Internal Audit and Risk Management and time has been included in the Internal Audit Plan to assist with the implementation of the Code.
- 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 2014; CAFT 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	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 19/03/15		
Name: Linda Cohen	<input checked="" type="checkbox"/>	On behalf of Monitoring Officer
Date: 19/03/15		

Section 4 - Contact Details and Background Papers

Contact: Susan Dixson – Head of Internal Audit ext. 2420

Background Papers:

If appropriate, does the report include the following considerations?

1.	Consultation	YES / NO
2.	Corporate Priorities	YES / NO