DRAFT INTERNAL AUDIT PLAN 2015/16

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.'

'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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[1] 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 2015/16 is **working together to make a difference for Harrow**.

The four council priorities are:

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

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 2015/16;
- review of the Final Revenue Budget 2015/16 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 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;
- consultation with the Chief Executive, Corporate Directors, including the S151 Officer and key managers as appropriate.

The draft plan will be presented formally to CSB (on 18th March) and the GARM Committee (on 1st April) for review/comment.

Final Plan

Once the consultation process is complete the final plan will be 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 2015/16 plan will be determined via a detailed resource calculation for each auditor taking into account available days, actual days 2014/15 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 2015/16 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 2015/16

Draft Plan 2014/15	Main driver	Reasoning for inclusion/risks	Proposed Audit Coverage
Reliance/Assurance Reviews			
Housing Rents	IA/EA	Three year cyclical plan agreed with External Auditors	Key Control Review, Walkthrough Test, Update of System Notes
Corporate Accounts Payable	IA/EA	Three year cyclical plan agreed with External Auditors	Key Control Review, Walkthrough Test, Update of System Notes
Corporate Accounts Relievable	IA/EA	Three year cyclical plan agreed with External Auditors	Key Control Review, Walkthrough Test, Update of System Notes
Housing Benefit	IA/EA	Three year cyclical plan agreed with External Auditors	Self-Assessment, Walkthrough Test, Update of System Notes
Business Rates	IA/EA	Three year cyclical plan agreed with External Auditors	Self-Assessment, Walkthrough Test, Update of System Notes
Capital Expenditure	IA/EA	Three year cyclical plan agreed with External Auditors	Self-Assessment, 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
Professional Advice - New /Developing Areas			
Information Governance Board (IGB) ongoing	IA/M	HIA on Board	To ensure that the Council has effective polices & management
IT Reviews			
Northgate Housing Repairs – Application Review	IA/F	Key system in Housing- Draft Plan 2013/14 & 2014/15	Covering access controls, data entry, processing, output, interfaces, back-up and recovery
Council Tax Discounts & Exemptions	M	Risk of Incorrectly set parameters leading to income loss - Draft Plan 2013/14 & 2014/15	Checking that system parameters are consistent with executive decisions
Public Health IT Compliance c/f 14/15	IA/M	Unable to obtain adequate assurance during 2014/15	Ensuring compliance with IT requirements (PSN)
Cloud Based systems – VERTO/ Occupational Health	M	Internet hosted systems - Draft Plan 2013/14 & 2014/15	Access security, data recovery
IT Change Management	IA/F/CR	IA suggestion/S151 request following Payroll error 2013/14 – unable to	Review of system in place to manage IT change

		undertake 2014/15 due to issues with IT contractor	
SAP	IA	Not reviewed since introduced in 2006	Targeted review of parameters
Fraud Risk/Fraud Prevention			
Purchase Invoice Fraud	PPP/CP	High risk across local authorities - Draft Plan 2013/14 & 2014/15	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	PPP/CP	High risk across local authorities/redirection of payments intended for legitimate creditors (3 known attempts in recent months) - Draft Plan 2013/14 & 2014/15	A review of controls in place to prevent fraud
Tenancy Changes	F	Fraud Risk	To ensure appropriate check undertaken when there is a change of tenancy
Help2Let	M	Recent fraud led to request from management to review system	Risk based systems review
Corporate Risk Based/Governance Reviews			
Debt Management	IA/F/M	Inconsistency of approach across Council leading to loss - Draft Plan 2013/14 & 2014/15	To ensure that a joined up corporate approach is taken to debt management
Cabinet Decisions	IA	Decisions being made are becoming more sensitive and coming under closer public scrutiny	A review of the quality/robustness of information supplied in Cabinet reports to support key recommendations and ensure sound decisions
Appraisal System	IA	New process	Review of new system
CIPFA Fraud Code	IA/CAFT	New requirements impacting across the organisation with implications for Management, CAFT, Internal Audit and Risk Management	Input to the planning and implementation of the CIPFA Fraud Code
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. Travel Expenses; Allowances. CPRs
Directorate Risk Based Reviews **Resources**			
E-invoicing	IA	New process	Post implementation review
Council Tax Base	M	Management request, high risk if	Audit check of basis and calculation

		incorrect never been checked by IA	
Legal Services Company	M	New company & shared service set up to provide legal service	Review of governance, income and accounting arrangements
Pertemps Contract	IA	Large contract, consolidated PO, goods receipted by procurement	Contract Management
Blocked Invoices	IA	Too many	Identification/elimination of causes
Schools Formula Funding	IA	Large budget	Verification review
Casual Workforce	M	'As and When' staff can gain employment rights unintentionally	Review of the use of 'As and When' staff and managers awareness of employment rights
HR Self-service	M	Potential risks around changes to payment details	Review of the controls in place to ensure changes to payment details are not open to fraud and error
Community, Health & Wellbeing			
Personal Budgets Monitoring (non MyCep)	IA	Previous IA work has highlighted this as a high risk area	To ensure adequate monitoring is taking place
MyCep - PayPal, Claw Back of Surpluses	M	My Community E Purse needs to be fit for purpose for commercialisation	To ensure adequacy, application and effectiveness of controls in place
Health Integration Section 75	M	Concerns around Health (NHS) meeting performance targets linked to reduction in hospital admissions within the Better Care Fund	Reporting and governance arrangements to ensure no impact on local authority hosted pooled budget
Rent Refunds	F	Covers HB adjustments & end of tenancy refunds - Draft Plan 14/15	Check of reasoning, accuracy and authorisation
Fixed Assets	F	Changes made due to Right to Buy sales, garage demolitions, change of use and new build housing	Ensure records on Northgate (Dwellings & Garages) and on SAP (Shops & Community Halls) are up to date and accurate
Homelessness Data on Northgate	F	Migration of Information	Information Security, data quality, information sharing
Programme/Project Assurance	IA	Risk to the achievement of objectives if key projects are not successful	Assurance on the timeliness, cost and quality of key projects
Community & Leisure – Libraries Contract (Carillion)	F	Draft plan 2014/15 £2.2m contract	Contract/performance management in light of proposed savings
Public Health Procurement	M/F	A number of contracts recently re-let/ due to re-let	Review of the procurement process and compliance with CPRs
Children & Families			
Schools	IA/M/F	A three year programme of school reviews to provide assurance on governance and control	Thematic Reviews covering HR Policies & Procedures; Procurement; Tenant Responsibilities + possibly others yet to be agreed + specific broader governance & control reviews as agreed (e.g. Whitchurch after amalgamation)
Families First (Troubled Families Grant)	F/CR	Grant funding arrangements and responsibilities.	Grant certification required

Cash Payments	F/CR	Difficulties identified with methods of payment for emergencies - Draft Plan 2014/15	Review of cash payments made to identify alternative suitable methods where possible
SNT	F/CR	Frequent changes in suppliers - Draft Plan 14/15	Contract Management Review – quality/procurement/savings
Schools Expansion Programme Phase 3	IA/CR	Major project	Programme Management Assurance
Nursery Education Grant	F/CR	Grant to 3-4 year olds + selective 2 year olds £10m – Concern that process not sound	Review of process
Harrow School Improvement Partnership (HISP)	M/F/CR	An informal partnership between Harrow schools and the LA where the staff are directly employed by the LA	Review of financial arrangement & processes
Headteachers' Remuneration	M	Issues picked up during 2014/15	Review of Headteachers' Remuneration across the borough
Environment & Enterprise			
Trading Standards - Income	F	Long standing arrangement with Brent, concerns that income provided is not supported – Draft Plan 2014/15	Income review
Tree Contract	F	New Contract	Contract/Performance Management
Programme/Project Assurance	IA	Risk to the achievement of objectives if key projects are not successful	Assurance on the timeliness, cost and quality of key projects
Trade Waste	CAFT/F/IA	CAFT work undertaken 2012/13 + management review 2014/15 - Draft Plan 14/15	Assurance re progress made to inprove processes and reduce fraud risk
Facilities Management Contracts	F	New contracts covering Building maintenance, Cleaning & Security	Contract Management Review
Income Maximisation	F	Issue identified in 2014/15 indicates not all income may be being collected	Compliance check on billing for services and income collection
On the spot fines	F	New process	System review
Grants	F	Significant increase in grants	Compliance check on grant conditions
Support, Advice & Follow-up			
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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