

# **INTERNAL AUDIT PLAN 2015/16**

# 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 and is supported by an Audit Assurance and Advisory Services contract (currently with PwC) .

## 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 2015/16 is:

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

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

The specific Corporate Priorities for 2015/16 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<sup>2</sup>;
- review of the Council's Corporate Plan/Priorities 2015/16;
- review of the Final Revenue Budget 2015/16 and the MTFS 2014/15 – 2016/17
- review of the current Corporate Risk Register;
- 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 on key areas of fraud prevention.
- consultation with the Chief Executive, Corporate Directors, the S151 Officer and other key managers as appropriate;

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

---

<sup>2</sup> Risk maturity is assessed by considering the risk management process in place to determine whether the risk maturity of the organisation is risk enabled, risk managed, risk defined, risk aware or risk naïve.

# 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 2015/16 plan is determined via a detailed resource calculation for each auditor. 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, 1075 audit days for the 2014/15 plan and 900 days for the 2015/16 plan. The decrease in audit days reflects reductions in the number of Internal Audit posts.

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
  - 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 F - 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

Final Plan 14/15	Risk Assessment H/M/L	Main driver (accumulated IA knowledge/management consultation)	Days in plan	Indicative Timing - Quarter in which should be started	Audit Coverage
<b>Reliance/Assurance Reviews</b>					
Housing Rents	M	IA/EA	18	Q1	Key Control Review, systems notes
Corporate Accounts Payable	H	IA/EA	12	Q1	Key Control Review, systems notes
Corporate Accounts Receivable	H	IA/EA	12	Q1	Key Control Review, systems notes
Council Tax	H	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
Treasury	M	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
Payroll	H	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
Housing Benefit	H	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
Capital Expenditure	H	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
Business Rates	H	IA/EA	1.5	Q1	System notes, walkthrough. CRSA
<b>IT Reviews</b>					
Northgate Housing Repairs – Application Review	H	IA/F	20	Q3	Covering access controls, data entry, processing, output, interfaces, back-up and recovery
SAP	H	IA	30	Q3	Targeted review of parameters
IT Change Management (c/f 14/15)	H	IA/CF	20	Q4	Review of system in place to manage IT change
<b>Fraud Risk</b>					
Purchase Invoice Fraud	H	PPP/CP	10	Q2	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	H	PPP/CP	10	Q3	A review of controls in place to prevent fraud
Tenancy Changes	H	F	15	Q2	To ensure appropriate check undertaken when there is a

					change of tenancy
Help2Let	H	M	15	Q3	Risk based systems review
<b>Corporate Risk Based Reviews/Governance Reviews</b>					
Corporate Governance	n/a	IA/CCG	25	Q1-Q4	Annual governance review, drafting AGS, AGS Action Plan
Risk Management	n/a	IA	70	Q1-Q4	Maintenance and update of Corporate Risk Registers + Corporate Risk Appetite Statement
Information Governance Board (IGB)	n/a	IA	5	Q1-Q4	Quarterly review of security breaches + HIA on Board
Debt Management	H	IA/F/M	20	Q3	To ensure that a joined up corporate approach is taken to debt management
Cabinet Decisions	H	IA	10	Q2	A review of the quality/robustness of information supplied in Cabinet reports to support key recommendations and ensure sound decisions
CIPFA Fraud Code	H	IA/CAFT	30	Q1-Q4	Input to the planning and implementation of the CIPFA Fraud Code
Income Maximisation (incl. Trading Standards)	H	F/IA	15	Q2	A check to ensure that Council is charging for everything it current should be charging for ahead of commercialisation
Project Assurance/Management	H	IA/M	10	Q2-Q4	Input to process for new construction delivery unit
<b>Directorate Risk Based Reviews Resources</b>					
E-invoicing	H	IA	10	Q2	Post implementation review
Legal Services Company	H	M	10	Q3	Review of governance, income and accounting arrangements
Pertemps Contract	H	IA	10	Q2	Contract Management (inc. goods receipting)
Blocked Invoices	H	IA	10	Q2	Identification/elimination of causes
HR Self-service	H	M	10	Q4	Review of the controls in place to ensure changes to payment details are not open to fraud and error
<b>Community, Health &amp; Wellbeing</b>					
MyCep - PayPal, Claw Back of Surpluses	H	F	20	Q2	To ensure adequacy, application and effectiveness of controls in place for commercialisation
Fixed Assets	H	F	10	Q3	Ensure records on Northgate (Dwellings & Garages) and on SAP (Shops & Community Halls) are up to date and accurate
Homelessness Data on Northgate	H	F	15	Q4	Information Security, data quality, information sharing
Public Health - Health Checks Follow-up	H	IA/M	5	Q2	Follow-up of Audit Briefing note issued 2013/14
<b>Children &amp; Families</b>					
Schools	H	IA	100	Q3,4	Thematic Reviews covering HR Policies & Procedures; Procurement; Landlord/Tenant Responsibilities; GB Decisions; Fraud Risk
Families First (Troubled Families Grant)	n/a	M	5	Q1-Q2	Audit check & grant certification
Bus Subsidy Grant	n/a	M	1	Q2	Grant certification

Cash Payments	M	F/CR	5	Q2	Review of cash payments made to identify alternative suitable methods where possible
Headteachers' Remuneration	H	M	10	Q3	Review of Headteachers' Remuneration across the borough
Schools Expansion Programme Phase 3	H	IA	10	Q3	Programme Management Assurance
<b>Environment &amp; Enterprise</b>					
Trade Waste	H	CAFT/F/IA	15	Q3	Assurance re progress made to improve processes and reduce fraud risk
Grants	H	F	10	Q4	Compliance check on grant conditions
<b>Support, Advice &amp; Follow-up</b>					
Suspected Financial Irregularities + Control Reviews	H	IA/M	50	Q1-Q4	Guidance to managers on investigations and the undertaking of investigations
Professional Advice	n/a	IA/M	40	Q1-Q4	Advice on risk mitigation & control particularly new & developing areas
Follow-up	H	IA	45	Q1-Q4	Red, Red/Amber & Amber reports followed-up
Liaison with External Audit	n/a	IA	5	Q1-Q4	On-going liaison throughout the year
Audit Management	n/a	IA	150	Q1-Q4	Audit planning, GARM reporting
<b>TOTAL AUDIT DAYS</b>			<b>902</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.

Susan Dixon  
Head of Internal Audit  
June 2015