

# INTERNAL AUDIT PLAN 2012/13

## RELIANCE/ASSURANCE REVIEWS

### Core Financial Systems Reviews

These reviews are designed to confirm the presence, or otherwise, of critical high level controls within each of the council's core financial systems. They are undertaken as part of a 3 year cycle in which each system will be reviewed at least once to satisfy the requirements of the External Auditors and to enable them to place reliance on the work of Internal Audit to inform their risk assessment that guides the external audit approach. Coverage of each system is assessed annually having regard to a range of risk factors including changes to systems and key personnel. For 2011/12 the key controls in the following systems will be reviewed, managers will be asked to update systems notes and walkthrough tests will be undertaken to confirm systems in operation:

- **Housing Rents + reconciliation of tenants rental control account (MJ)**
- **Corporate Accounts Payable** ) **To cover split between Shared Services &**
- **Corporate Accounts Receivable** ) **Access Harrow**

In addition for the following systems managers will be asked to update systems notes, undertake a control risk self assessment and walkthrough tests will be undertaken to confirm systems in operation:

- **Payroll**
- **Council Tax**
- **Treasury Management**
- **Housing Benefits + impact of decreased internal checks**
- **Business Rates**

These reviews will be undertaken in Quarter 1 of the financial year to enable the External Auditor to utilise them to inform their risk assessment that guides the external audit approach for work on the 2011/12 accounts. At the conclusion of this work on the Council's core financial systems an assurance statement will be produced for the Chief Finance Officer and inclusion in the Annual Governance Statement. Work from the 2011/12 plan on the **Capital Programme** will also be utilised for this purpose and the Capital Programme will form part of the core financial systems work from 2012/13.

### Assurance Mapping

Working with Risk Management and the Corporate Governance Group to complete the assurance mapping exercise. Assurance mapping facilitates the identification of any gaps in the risk management process. It is a streamlined approach that maps the assurance coverage against the organisation's risks. Assurance mapping allows risk owners to identify if numerous different groups or individuals are repeating assurance activities. It also highlights the need for additional assurance activities for risks with inadequate coverage and provides a better understanding of the roles and scope of the work undertaken by the various assurance providers within the organisation.

### Management Assurance

Review and stream-lining of the assurance areas for the 2011/12 exercise making use of alternative assurance provision; co-ordination of the 2011/12 exercise; follow - up of action

planned and the revision of the management assurance exercise for 2012/13 in light of the outcomes of the assurance mapping exercise.

### **Corporate Governance**

Organisation of the Corporate Governance Working Group; collection of governance evidence to support the annual review of governance; co-ordination and drafting of the 2011/12 Annual Governance Statement and support for the Corporate Governance Group and the Governance, Audit and Risk Committee. The Corporate Governance Group will also be considering governance arrangements for new delivery models and advising CSB on the development of appropriate governance arrangements.

### **Corporate Strategic Risk Group (CSRG)**

Attendance and contribution to the Strategic Risk Group, to assist the Council in embedding and enhancing the risk management process to ensure that risk is actively managed, so that the Council can achieve its objectives, take advantage of opportunities and serve Harrow's community better.

### **Information Governance Board**

Attendance and contribution to the Information Governance Board to ensure that the Council has effective policies and management arrangements covering all aspects of Information Governance; to support the development of Information Governance standards; to ensure compliance with Information Governance requirements placed on the Council, to monitor the effectiveness of Information Governance Policies, including undertaking audits and assessments and to ensure all relevant risks are recorded in the Council's corporate risk register.

## **PROFESSIONAL ADVICE ON NEW AND DEVELOPING AREAS**

### **IT Working Group (Corporate Priorities/Plan & Internal Audit)**

Attendance and contribution to the IT Working Group to evaluate the impact of potential changes from the perspective of risk and control and to highlight issues to the project team for management.

### **Business Support Hub (Corporate Priorities/Plan & Internal Audit/Corporate Finance)**

To provide professional audit advice covering risks and internal controls within processes for refunds, requisitioning, goods receipting, and cash payment systems.

### **Integration of Public Health (Corporate Priorities/Plan & Internal Audit)**

To provide professional audit advice on the integration of Public Health into the Council covering risk; internal control and good governance.

### **Localisation of Council Tax Support (Corporate Risk 10 & Management)**

To feed into the project providing audit support on the development of internal control processes to ensure risk is minimised.

### **Social Fund Project (Corporate Risk 10 & Management)**

Feeding into system development, cash payments system + assess impact on cashiers

## **Modernising Terms and Conditions of Employment (Corporate Priorities/Plan & Management)**

To receive and review project minutes and to provide Internal Audit support and professional advice on risk and control.

## **Access Harrow (Corporate Priorities/Plan & Internal Audit)**

Professional advice on risk and internal control as processes are reviewed using lean principles and streamlined.

## **Shop4Support (Corporate Priorities/Plan & Management)**

To provide risk and control advice on the development of a financial payment process for the Shop4Support on-line social care shopping portal.

## **Benefit Reform (Corporate Risk 10 & Management)**

To provide professional audit advice on the systems to be developed in response to Benefit Reform.

## **CORPORATE RISK BASED REVIEWS**

### **Financial Regulations (Internal Audit)**

A review to ensure that the regulations are fit for purpose, robust, transparent, reflect best practice and the needs of the Council. The review will also consider ways of improving compliance across the Council.

### **Petty Cash/Cash Payments (Internal Audit & Management)**

To ensure that processes are consistent and robust across the Council and that regulations are being complied with.

### **Data Quality (Internal Audit & Management)**

To be covered as part of audit reviews where relevant plus a review of the policy to ensure that it reflects the Data Quality Standards and that relevant officers are aware of it.

### **Budget Setting (Corporate Risk 2)**

To review the budget setting process to ensure that the process mitigates risk effectively. The review will cover budget ownership; use of historical data; Budget Manager engagement; the sign off process, how well budgets reflect service requirements; flexibility within the 'bottom line' and the role and accountabilities of the Budget Manager, the relevant Divisional Director/Corporate Director and the Finance Business Partner/Corporate Finance.

### **Budget Monitoring (Corporate Risk 2)**

To review the budget monitoring process covering the role and accountabilities of the Budget Manager, the relevant Divisional Director/Corporate Director and the Finance Business Partner/Corporate Finance; the KPO6 process including timeliness; authorisation of expenditure from other budgets; journals (authorised both within and outside of Finance) and reporting.

### **Duplicate Payments (Internal Audit)**

Weakness highlighted during a 2011/12 review caused by duplicate suppliers set up on SAP + weak control over authorisation. Testing across the Council will be undertaken to assess extent of issue.

### **Implementation of Efficiency Savings (including procurement) (Corporate Risk 2, 7, 16)**

Mid-year check on the implementation and management of proposed efficiencies and procurement savings. Detrimental impact on MTFs if not achieved. If another process is in place to check progress then IA to review the process to ensure it is robust.

### **Transformation – Protocol for Managing Organisational Change (Corporate Risk 5 & 6)**

Review of the protocol's 'fitness for purpose', benchmarking against recognised good practice and benchmarking with other authorities. To cover compliance with protocol across the Council and 'lessons learnt' from previous projects. Trade Union opinion also to be considered.

### **Project Management (Internal Audit)**

Review sample of projects (both major and local) to ensure mandatory project management methodology in use and how this adds value and to assess the use of the project management tool (Verto)

### **Income/Debt recovery (Corporate Risk 2)**

A review of the Council's debt recovery policy and processes to ensure a consistent/joined up approach is taken across the organisation. To include a sample check of income streams across the Council to ensure that the processes for recording at point of receipt, banking and recording in the SAP system are robust; that the cost of income collection is known and justified and that write-offs are appropriate.

### **Management of Long term Sickness (Management)**

Sample check of case handling across organisation to ensure that management is robust and in-line with corporate standards and a review of reporting processes/monitoring within Directorates.

### **Contract Monitoring (Corporate Priorities/Plan)**

A review of contract monitoring processes in place for Corporate Contracts covering the adequacy, application and effectiveness of processes in place.

## **DIRECTORATE RISK BASED REVIEWS**

### **CHILDREN & FAMILIES**

### **SCHOOLS**

### **Financial Control & Governance Reviews (Internal Audit)**

Following the demise of FMSiS and the introduction of the less robust Schools' Financial Value Standard (SFVS) Internal Audit will embark on a three year programme of school reviews covering the adequacy, application and effectiveness of financial controls and governance procedures in place. The annual SFVS self assessments undertaken by schools will be utilised as part of the annual risk assessment process to determine which schools will be reviewed by Internal Audit each year with the aim of covering each school at least once within the next three years. In conjunction with Schools Financial Services Team Internal Audit will monitor the self assessments provided by schools and provide appropriate assurance to the S151 officer to facilitate the sign off of the Dedicated Schools Grant (DSG) CFO Statement.

### **Business Continuity/Disaster Recovery (Corporate Risk 12)**

To be picked up during the review of the annual SFVS self assessments, to obtain evidence from schools that adequate arrangements are in place.

## **COMMUNITY, HEALTH & WELLBEING**

### **Client Finances (Internal Audit/Corporate Finance)**

Review of the process for managing Client Finances to ensure robust financial controls are in place to mitigate the risks of loss, fraud and error.

### **Fairer Charging (Corporate Priorities/Plan & Management)**

A review of the financial assessments for chargeable social care services carried out by the Joint Assessment Team to ensure client contributions to services are accurate; in line with Council policy and assessment is timely.

## **ENVIRONMENT**

### **Property Maintenance (Strategic Risk 17)**

A review of planned maintenance for Council owned buildings to ensure that the frequency and quality of cyclical maintenance is appropriate to mitigate significant risks e.g. Health & Safety, Corporate Manslaughter, reputation.

### **Highways Contract (Management)**

A follow-up of the management of the Highways Contract to cover new ways of working being developed.

## **PLACE SHAPING**

### **Commercial Rents/Asset Management (Corporate Risk 3)**

Are we managing leases/assets in the most appropriate way for the current economic climate and in a way that will encourage economic growth in the borough. The review will also cover write offs.

### **Planning Enforcement (Internal Audit)**

Review of adequacy, application and efficiency of controls in place to mitigate risk.

### **Long Term Economic Growth in The Borough (Corporate Risk 3) – A whole risk approach**

Assess the effectiveness of the controls in place mitigating the risk that the Council fail to achieve long term economic growth in the borough. To begin with a joint review of the controls identified as mitigating this risk on the Corporate Risk Register involving Internal Audit, Risk Management and Place Shaping Management.

## **RESOURCES**

### **Concessionary Travel (Management)**

To review the process within Access Harrow to ensure that they are robust and to review the clarity of the accountability for the service.

### **Information Management /Security (c/f from 2011/12)**

A review covering adequacy of and compliance with policies, mitigation of risk, communication and engagement with staff and effectiveness of controls in place.

### **CAPITA (Corporate Finance)**

Transparency of payments and profit element – to be covered by IA reviewing evidence and providing assurance.

### **Pensions (Internal Audit)**

Review of the pension process to ensure adequacy, application and effectiveness of controls in place to mitigate risk.

## **SUPPORT, ADVICE & FOLLOW-UP**

An allowance will be made in the plan for support and advice to managers across the Council and for the development of the Internal Audit service:

### **Suspected Financial Irregularities + Control Reviews**

Guidance will be provided, in liaison with CAFT, to managers undertaking investigations and specific investigations will be undertaken on behalf of managers. Plus system control reviews will be undertaken where weaknesses have been identified as a result of fraud.

### **Professional Advice**

Professional advice will be provided to managers, as required, on risk and control management/issues with particular emphasis being given to providing control advice for Lean Review outcomes.

### **Follow-up**

Follow-up of Red and Amber reports to ensure implementation of agreed audit recommendations.