

INTERNAL AUDIT PLAN 2012/13

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.’

Guidance accompanying the Accounts and Audit Regulations 2003 (as amended) states that, for principal local authorities, proper internal control practice for internal audit are those contained within the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

The Internal Audit Service at Harrow Council is provided by a dedicated in-house team situated in the Resources Directorate. The CIPFA code has been adopted and implemented by the Council’s Internal Audit section and reference is also made to the professional standards laid down by the Institute of Internal Auditors (IIA).

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 Chief Executive, 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 CIPFA practice.

How Internal Audit Links to the Corporate Vision and Priorities

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

The Corporate Vision for 2012/13 is:

Working together: Our Harrow, our community

The overall Priorities for Harrow are:

- **Modernising the Council**
- **Protecting Frontline Services**

The specific Corporate Priorities for 2012/13 are:

- **Keeping neighbourhoods clean, green and safe**
- **United and involved communities**
- **Supporting and protecting people who are most in need**
- **Supporting our town centre, our local shopping centres and businesses**

The corporate vision and 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 2012/13;
- review of the current Corporate Risk Register and Risk Appetite Statement;
- review of the 'audit universe'² and 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
- review of the External Audit plan; and
- consultation with Finance Business Partners on key areas of financial risk.

² The 'audit universe' is all the areas/processes/systems of internal control of the Council that can potentially be subject to an internal audit review

The draft is further refined via consultation with the Chief Executive; Corporate Directors, including the S151 Officer, Directorate Management Teams (senior managers); specific middle managers, as appropriate, to seek views on which areas are considered high risk and to develop the audit approach to specific reviews and the External Auditors.

The draft plan is then presented formally to CSB and the GARM Committee 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 2012/13 plan is determined via a detailed resource calculation for each auditor taking into account available days, actual days 2011/12 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. 900 audit days were identified for the 2011/12 plan and 914 audit days have been identified for the 2012/13 plan based on an average of 191 days per auditor and 150 days for the Service Manager.

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, at a minimum, all high risk reviews are included.

Table 1 below shows the final internal audit plan 2012/13 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
 - WLWA Reviews (overview only for completeness)
- 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

- for those reviews linked to the Corporate Risk Register an indication of whether the risk is below or above the risk appetite line³
- 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

³ A report explaining risk appetite was presented to the GARM Committee's last meeting. The risk appetite of the Council can be defined as "the amount and type of risk that an organisation [the Council] is prepared to seek, accept or tolerate" (Source: British Standard on Risk Management BS31100 2008) or similarly, "The amount of risk that an organisation is willing to seek or accept in the pursuit of its long term objectives" (Source: Institute of Risk Management: Risk Appetite and Tolerance; Guidance Paper 2011). The risk appetite statement is used to draw a risk appetite line and all risks which appear above the risk appetite line will require management review and action by officers of the Council. Risks at an exposure below the line are deemed acceptable.

From the perspective of the Internal Audit Plan internal audit work would only normally be undertaken on risks above the risk appetite line. As shown in the Final Plan table all corporate risks relating to work identified in the plan are above the risk appetite line.

	Risk Assessment H/M/L	Main driver: Corporate Risk Register/ Corporate Priorities/Management/IA/EA/CCG/CF	Risk Appetite Line (Below or Above)	Days in plan	Indicative Timing - Quarter in which should be started	Audit Coverage
Final Plan 12/13						
Reliance/Assurance Reviews						
Housing Rents (+reconciliation of tenants rental control account)	M	IA/EA		20	Q1	Key Control Review, systems notes
Corporate Accounts Payable	H	IA/EA		15	Q1	Key Control Review, systems notes
Corporate Accounts Receivable	H	IA/EA		15	Q1	Key Control Review, systems notes
Payroll	H	IA/EA		2	Q1	System notes, walkthrough. CRSA
Council Tax	H	IA/EA		2	Q1	System notes, walkthrough. CRSA
Treasury Management	M	IA/EA		2	Q1	System notes, walkthrough. CRSA
Housing Benefits (+impact of decreased internal checks)	H	IA/EA		3	Q1	System notes, walkthrough. CRSA
Business Rates	M	IA/EA		2	Q1	System notes, walkthrough. CRSA
Assurance Mapping	n/a	IA/CCG		5	Q1	Completion of Assurance Mapping Exercise
Management Assurance	n/a	IA/CCG		40	Q1,2,3,4	Completion of 2011/12 exercise & development of 2012/13 exercise
Corporate Governance	n/a	IA/CCG		40	Q1,2,3,4	Annual governance review, governance arrangements for new delivery models, drafting AGS
Corporate Strategic Risk Group (CRSG)	n/a	IA		3	Q1,2,3,4	To assist in embedding & enhancing risk management process

Information Governance Board (IGB)	n/a	IA		1	Q1,2,3,4	To ensure that the Council has effective policies & management arrangements covering Information governance
Professional Advice - New /Developing Areas						
IT Working Group	n/a	CP/IA		5	Q1,2,3,4	To evaluate the impact of potential IT changes
Business Support Hub	H	CP/IA		5	Q1,2	To provide professional audit advice covering risk and internal control (includes training on Fin Regulations)
Integration of Public Health	H	CR8	Above	3	Q1,2,3,4	To provide professional audit advice covering risk, internal control and governance
Welfare Reform Project	H	CR10	Above	10	Q1,2,3,4	Covering localisation of Council Tax Support, and Social Fund
Modernising Terms & Conditions of Employment	H	CR6	Above	2	Q1,2	To provide internal audit support on and professional advice on risk and control
Access Harrow	H	CP/IA		3	Q1,2,3,4	Professional advice on risk and internal control as processes are reviewed using lean principles
Shop4Support	H	CP/M		5	Q1,2	To provide risk and control advice on the development of a financial payment process for the Shop4Support on-line social care shopping portal
Corporate Risk Based Reviews						
Financial Regulations	H	IA/M		10	Q2	A review to ensure that the regulations are fit for purpose, robust, transparent, reflect best practice and the needs of the Council.
Implementation of efficiency Savings (including procurement)	H	CR7	Above	10	Q2,3	Mid-year check on the implementation and management of proposed efficiencies and procurement savings.
Transformation - Protocol for Managing Organisational Change	H	CR16	Above	20	Q4	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
Income/Debt Recovery	H	CR2	Above	5	Q1,2	Support for commercialisation Project
Contract Monitoring (Corporate Contracts)	H	CP/IA		20	Q3	A review of contract monitoring processes in place for Corporate Contracts covering the adequacy, application and effectiveness of processes in place.
Petty Cash/Cash Payments	M	IA/M		20	Q2	To ensure that processes are consistent and robust across the Council and that regulations are being complied with. Covering role of Cashiers

Directorate Risk Based Reviews						
Fairer Charging	H	CP/M		20	Q2	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
Client Finances	M	IA/CF		15	Q2	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
Property Maintenance	H	CR17	Above	20	Q2	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 (Follow-up)	H	M		5	Q4	A follow-up of the management of the Highways Contract to cover new ways of working being developed
Planning Enforcement	H	IA		20	Q2	Review of adequacy, application and efficiency of controls in place to mitigate risk
Information Management/Security (c/f)	H	IA/M		20	Q2	A review covering adequacy of and compliance with policies, mitigation of risk, communication and engagement with staff and effectiveness of controls in place
CAPITA	H	CR16	Above	5	Q3	To provide assurance on the Transparency of payments and profit element
Schools Reviews						
SFVS Training	n/a	IA/CF		5	Q1	To prepare schools for the introduction of SFVS
Financial Control & Governance Reviews	H	IA		180	Q3,4	A three year programme of school reviews covering the adequacy, application and effectiveness of financial controls and governance procedures in place
Schools' Business Continuity/Disaster Recovery	M	CR12	Above	20	Q3,4	To be picked up during the review of the annual SFVS self assessments, to obtain evidence from schools that adequate arrangements are in place
Support, Advice & Follow-up						
Suspected Financial Irregularities + Control Reviews	H	IA/M		60	Q1,2,3,4	Guidance to managers on investigations and the undertaking of investigations
Professional Advice	n/a	IA/M		61	Q1,2,3,4	Advice on risk mitigation & control
Follow-up	H-M	IA		40	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		130	Q1,2,3,4	e.g. planning, GARM reporting

WLWA Reviews	H/M	R1,7,9	n/a	40	Q2, 4	
TOTAL AUDIT DAYS				914		

Table 2 shows the reviews taken out of the draft plan and includes the type of review; the audit risk assessment; the main driver; the risk appetite line (where applicable) and a summary of the audit coverage as in table 1 and also the reason it has been taken out of the plan.

	Risk Assessment H/M/L	Main driver: Corporate Risk Register/Corporate Priorities/Management/IA/EA/CCG/CF	Risk Appetite Line (Below or Above)	Reason Taken Out	Audit Coverage
Reviews taken out of Draft Plan 12/13					
Corporate Risk Based Reviews					
Data Quality	M	IA/M		Medium Risk. It may be possible to include coverage of Data Quality in certain reviews on the plan without having to allocate additional.	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	H	CR2	Above	Covered by CIPFA review/review of Integrated Planning Process (being undertaken by Corporate Finance)	To review the budget setting process to ensure that the process mitigates risk effectively

Budget Monitoring	H	CR2	Above	Covered by CIPFA review/review of Integrated Planning Process (being undertaken by Corporate Finance)	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.
Project Management	H	IA		Capital Programme 11/12 covers in part - Cover in 2013/14 plan	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)
Duplicate Payments	M	IA		Medium Risk + CAP/CAR + Procurement plan to commission work	Testing across the Council to identify duplicate suppliers and any duplicate payments
Management of Long Term Sickness	M	M		Medium Risk	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
Directorate Risk Based Reviews					
Commercial Rents/Asset Management	M	CR3	Above	Although linked to a Coporate Risk only a medium audit risk rating	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

Long Term Economic Growth in the Borough	M	CR3	Above	Medium Risk - this could be picked up by Risk Management .	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
Concessionary Travel	M	M		Medium Risk	To review the process within Access Harrow to ensure that they are robust and to review the clarity of the accountability for the service
Pensions	M	IA		Medium Risk	Review of the pension process to ensure adequacy, application and effectiveness of controls in place to mitigate risk

Implementation of the Audit Plan

The Internal Audit Plan will be implemented by the in-house team following practices that comply with the CIPFA Code of Practice for Internal Audit.

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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