

**INTERNAL AUDIT SERVICE
INTERNAL AUDIT PLAN
(Report by the Audit & Risk Manager)**

1. PURPOSE

- 1.1 This report allows the Panel to consider and comment upon the internal audit plan for the period commencing August 2012 before it is finalised and approved by the Managing Director (Resources).

2. CODES OF PRACTICE

- 2.1 The 2006 Code of Practice for Internal Audit published by the Chartered Institute of Public Finance and Accountancy (CIPFA) is recognised as proper practice. The Code requires the Audit and Risk Manager to provide a written opinion on the overall adequacy and effectiveness of the Council's control environment each year.
- 2.2 In December 2011, CIPFA issued a Statement on the role of the Head of Internal Audit in public service organisations. This Statement is recognised as best practice. The Statement expands upon the Code in a number of areas and makes clear that audit planning must be comprehensive and consider the whole control environment, both financial and non-financial, and focus on those areas where assurance is most needed, so that the Audit and Risk Manager's annual opinion is a fair reflection of the overall position.

3. STRATEGIC AND ANNUAL PLANNING

- 3.1 The Internal Audit Service maintains a four year strategic audit plan, listing all the risk and system areas that are considered likely to affect the Council's internal control environment. The strategic plan shows the relative importance of each risk (as identified by the risk register) and system area. To allow for more effective planning, a number of audit areas have been combined so that audits can address common risk themes across services, rather than be conducted on a service by service basis.
- 3.2 Discussions are held with the Managing Directors and all Heads of Service to ensure that the strategic plan is reflective of the issues within the Council and to allow new areas to be identified. Panel Members were also given the opportunity to contribute to the planning process. The 2012/13 strategic plan (excluding specialist computer audit reviews) lists 139 separate areas.

The following areas were added this year.

LGSS contract management
Localism Act
Community Infrastructure Levy
Corporate Office
Improvements to income reconciliation
Management of Anti Social Behaviour
Effectiveness reviews of Panels

- 3.3 To prepare the annual audit plan, the strategic plan is reviewed and audits placed in priority order based on risk, materiality and previous audit review findings. An estimate of the days required to undertake each review is then made based upon its proposed scope. The highest priority schemes which can be delivered within the resources available are then included in the plan. The Chief Officers' Management Team are then consulted prior to the plans submission to the Panel.

4 RESOURCING THE AUDIT PLAN

Internal Audit Staffing

- 4.1 To meet the Panel's minimum assurance requirements agreed in March 2009, it is anticipated that for the four year period commencing August 2012, 1,528 days will be required to deliver the necessary assurances and provision of help and advice across the areas listed in the four year strategic plan.

Based on current staffing, the internal audit service will deliver 1,397 days, with the difference of 131 days being delivered via Deloitte's.

The strategic plan commencing 2012/13 can therefore be delivered from the resources that are currently available to the internal audit service.

- 4.2 The initiatives undertaken in 2011/12 regarding continuous assurance on the key financial systems are still being evaluated but they have been well received by Managers and will result in more frequent and structured internal control reviews, jointly performed by managers and auditors. Consequently time allocated to them has been reduced across the four years of the strategic plan from 259 to 135 days, a saving of 124 days (31 days per year). It is likely that a further small saving may still emerge.
- 4.3 Due to the involvement of internal audit staff in the Employee Liaison Advisory Group (ELAG), it has been necessary to allocate time to meet this requirement. Over the four year plan period this is estimated at 84 days. This increases the need to use Deloitte's but by less than the saving due to continuous assurance. The table below summarises this position:

4 Year Strategic Plan			
	Internal Audit	Deloittes	Total
	days	days	days
Starting Point	1,481	171	1,652
Less Continuous assurance saving		-124	-124
Add ELAG time	-84	+84	0
DRAFT PLAN	1,397	131	1,528

Computer Audit Reviews

- 4.4 No specialist computer audit reviews are currently included in the audit plan. An assessment of the number and scope of reviews will be jointly carried out by IMD and Deloittes. The resulting plan will be presented to the Panel at its September meeting.

5. INTERNAL AUDIT PLAN

- 5.1 The draft plan for 2012/13 is attached.
- 5.2 The audit plan for a complex body such as this Council needs to be dynamic to reflect the changing circumstances that will evolve over the course of the next year. History has demonstrated the need to advance, defer, add or remove audits as circumstances change. The true measure of the effectiveness is determined by:
- Delivering the planned number of audit days
 - Ensuring the effectiveness of those days
 - Being able to justify the reasons for changes to the programme.
- 5.3 It has therefore been agreed by the Managing Director(Resources) that the plan for 2012/13 will be prepared in six month segments. Thus the attached plan details the plan for the first 6 months but just provides the general audit areas for the second six months. The Panel will receive a further report in December which will report on progress to date and detail the plan for the second 6 months (February to July) based on the latest situation.

6. RECOMMENDATION

- 6.1 It is recommended that the Panel:
- a) identify any comments they wish to make to the Managing Director (Resources) before he finalises the audit plan.

ACCESS TO INFORMATION ACT 1985

Strategic Audit Plan
The Council's Risk Register

Contact Officer: David Harwood, Audit & Risk Manager ☎ **01480 388115**



Internal Audit Service

Internal Audit
&
Assurance Plan
2012 - 2013

2012 – 2013 Internal Audit & Assurance Plan

The Internal Audit & Assurance Plan for the period August 2012 to July 2013 has been prepared in accordance with best practice as contained in the 2006 CIPFA Code of Practice for Internal Audit.

The Code requires that Internal Audit provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment and that the opinion should inform the Annual Statement of Assurance on Corporate Governance.

The plan has been developed to take account of this requirement and provides the opportunity for reviews of corporate governance, risk management and operational controls to be undertaken as well as the more traditional financial areas.

All the risks present in the risk register as at 31 May have been included within the four year strategic audit plan, although not all, when considering the service issues identified or alternative assurance available, are required to be audited. Reviews that have clear links to risks within the risk register will consider the effectiveness of the controls that are in place to manage the risks identified. They will also consider the manager's assurance opinion entered into the register.

A summary of the audits planned for the six month period commencing August 2012 are listed on the following pages, together with the name of the Liaison Officer responsible for dealing with any audit report or other issue that arises from an audit review. A further list, detailing the audits anticipated to be delivered in the second half of the year is also included for information purposes.

The annual assurance opinion that I provide will be based upon the findings of the reviews carried out.

In addition to undertaking the audits detailed in the plan, the review of fraud related risk areas will continue. Internal audit will also be involved in providing advice and assistance to managers, advising on new project developments and dealing with any whistleblowing allegations received.

Whilst it is envisaged that all the audits contained in the plan will be undertaken, the identification of any new risks or significant changes in residual risk scores, may require audits to be substituted so as to ensure that reviews are undertaken of areas identified as being of greatest risk to the achievement of Council objectives. Chief Officers and Heads of Service will be informed of any changes before they are introduced.

David Harwood
Audit & Risk Manager
7 June 2012

Corporate Systems

Licensing & Community Safety: C Meadowcroft & S Lammin 5

A review of the arrangements between licensing, community safety and the Police that allow for anti social behaviour issues to be identified and addressed.

Business continuity: C Hall 8

The risk register recognises business continuity and service recovery to be a 'very high' risk. This audit will review the business continuity management procedures in place across a sample of Services and the new arrangements in place to manage this area at senior manager level. This review was included in last year's plan, but was postponed due to Service plans being reviewed.

Emergency planning: E Kendall 7

A review of the procedures and controls that allow the Council to assess the risk of any type of emergency occurring, plan for a co-ordinated response to address that risk, train and prepare staff or volunteers with skills for an emergency and co-ordinate the Council's response. This areas was last reviewed in 2006 and received an limited assurance opinion.

E-marketplace: S Couper 8

The e-marketplace was reviewed in May 2011 as part of the annual creditors audit. The report identified a number of issues dealing with the non-use of e-marketplace within all services, 'rogue' spending and the potential for further savings to be made. This review will examine why employees placing orders for goods and services available in the e-marketplace are not using the service and the steps that could be taken to increase its use so delivering greater savings.

Project Management & Post Implementation Reviews : T Parker 8 5

To review the project management of both capital and revenue projects and the procedures for identifying the benefits subsequently gained from the investment. .

One Leisure

One Leisure: S Bell 8

To review the operation of the Pure therapy service, which is currently operated at One Leisure Huntingdon and St Neots and will open at St Ives in 2013. This area has not been reviewed previously.

Total Allocation 49

Customer Services

Choice Based Lettings: J Barber

7

To review the management and administration of the Choice Based Lettings system, considering the housing application process, tenants wishes, management review and offer/allocation of property. This area was last reviewed in 2008 and received a substantial assurance opinion.

Financial Systems

Identification and continuous auditing of key controls

23

Identification and testing of the effectiveness of key controls within the National non-domestic rating system (12 days).

Quarterly testing of compliance with agreed processes to provide assurance on the controls operation will be undertaken on the following systems:

- Debtors
- Council tax
- Creditors
- Main accounting systems

Note: The NNDR review may be delayed if the Huntingdon Business Improvement District bid is successful.

Improvements to Income Reconciliation: J Barber

5

To provide advice and assistance to the Project Board that is reviewing and replacing the software used to manage income and its subsequent reconciliation.

Legal & Democratic Services

Legal debt collection & recovery: C Meadowcroft

8

To review the legal case management system and all aspects of the debt recovery process. This area was last reviewed in June 2008 and received an adequate assurance opinion. It was included in last year's plan but postponed due to the voluntary redundancy of the post holder responsible for the recovery process.

Environmental Management

Facilities Management: P Jose

8

A review of the management of facilities within Pathfinder House, to include caretaking provision, management of floor space, fire alarm testing and utility costs. This area has not been reviewed previously.

Total Allocation 51

Fraud Related Reviews

Responding to Whistleblowing allegations: T Parker 10
To receive, review and provide advice to managers in respect of whistleblowing allegations received.

Internet monitoring: H Donnellan / C Hall 10
This review will examine employees' use of the internet and the controls in place to identify potential misuse. This review was included in last year's plan, but was postponed due to delays in installation new monitoring software.

Email review: H Donnellan 5
To review employees use of the Council's email system for private or personal correspondence.

Establishment control: H Donnellan 3
Controlling the accuracy of the payroll to reduce the opportunity for fraud is a key risk. With the transfer to the HR/Payroll service to LGSS, and the current monitoring procedures, there is a slight increase in risk that establishment control may not be robust.

Contract & IT Reviews

Tender documents & contract conditions: S Couper/C Meadowcroft 6
To review the process for preparing tender and quotation documents and associated conditions of contract. This area has not been reviewed previously.

Technical computer audit reviews
To be determined.

Partnered Services

LGSS Contract Management: H Donnellan 5
To review the systems and procedures introduced to allow the HR/Payroll service delivered by LGSS to be monitored and contractual service standards delivered.

Total Allocation 39

Total days allocated 139

Audits anticipated to be delivered from February 2013.

Financial Systems

Identification & continuous auditing of key controls	25
New Homes Bonus grant	3

Fraud related reviews

National Fraud Initiative	6
Housing Benefits	12

Partnered Services

HR/Payroll review	15
Recruitment procedures	10
Employee training & development	5

Corporate Systems

Corporate Plan and performance management	10
Equality & Discrimination	5
New legislation	3
Staff appraisals	5

Operations Division

Equipment servicing	6
---------------------	---

Corporate Office

Commercial rents & estate management	8
--------------------------------------	---

Planning & Housing Strategy

Community Infrastructure Levy	10
Historic Building Grants	5

Total Allocation 128