

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: Internal Audit Service: Internal Annual Plan
Meeting/Date: Corporate Governance Panel – 23 July 2014
Executive Portfolio: Resources: Councillor J A Gray
Report by: Internal Audit & Risk Manager
Ward(s) affected: All Wards

Executive Summary

As required by the Public Sector Internal Audit Standards, the Internal Audit & Risk Manager has to prepare an annual audit plan for Panel review and approval. The plan has to provide adequate coverage and scope across the Council's systems so as to allow a written opinion on the overall adequacy and effectiveness of the Council's control environment to be prepared.

The plan for the period April 2014 to March 2015 is attached.

Internal audit resources are sufficient to deliver the annual audit plan. Audit plan coverage is also considered sufficient so as to allow the Internal Audit & Risk Manager to prepare an annual opinion on the Council's control environment.

Whilst changes to the audit plan have always been discussed with the Head of Resources, arising from the peer review conducted earlier in the year, discussions will also be held with the Chairman of the Panel. Significant changes will be reported to the Panel for information.

Financial & Legal implications

There are no financial or legal implications arising from this report

Recommendation:

It is recommended that the Panel approve the Internal Audit Plan for 2014/15.

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1. Background Information

- 1.1 In line with recognised proper practice as contained in the Public Sector Internal Audit Standards (PSIAS), this report outlines key features of the internal audit planning process for the period commencing April 2014.
- 1.2 The PSIAS requires the Internal Audit Manager to prepare:
- at least annually, risk-based plans to determine internal audit priorities; and
 - provide adequate coverage across the Council's systems so as to allow them to provide a written opinion on the overall adequacy and effectiveness of the Council's control environment.
- 1.3 Whilst the audit plan would normally be prepared and presented to the Panel prior to the start of the audit plan year, due to the likelihood of significant changes occurring within the Council in the first few months of the financial year, the Internal Audit & Risk Manager took the decision not to prepare a full years plan until more details were forthcoming about the senior management re-structure, the corporate plan and associated service level plans and priorities and the potential for out-sourcing the IT and Legal services. Panel were informed of this approach via email on the 27 February.
- 1.4 Whilst the senior management restructure has been completed, the new management team will not be in place for a number of weeks. Similarly, Council have approved the Corporate Plan but the detailed key actions that will underpin the strategic themes and outcomes were released only a few days before this report was prepared. Best practice suggests that the audit plan should be consistent with the Council's priorities and goals. The plan being presented will need to be reviewed against the strategic themes and outcomes, and it is likely that some changes will be made. It is not considered appropriate to further delay submission of the formal audit plan for the 14/15 financial year to allow this work to be carried out.

2. Strategic and Annual Planning

- 2.1 The Internal Audit & Risk Manager 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

- 2.2 Discussions have been held with a number of senior managers to ensure that the strategic plan is reflect of the issues within the Council and to allow new areas to be identified. It is intended to hold similar discussions with the new senior management team once they are all in post. Panel Members were also given the opportunity to contribute to the planning process.

The 2014/15 strategic plan (excluding specialist computer audit reviews) lists 156 separate areas.

The following areas were added to the strategic plan this year:

Shared services : IT & Legal Services

Chart of Accounts

Making Assets Count

Fulfilling statutory duties of S151 & Monitoring Officer

One area was deleted from the strategic plan: the review of the final accounts (arising from changes to the International Financial Reporting Standards) preparation process.

- 2.3 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.

3. RESOURCING THE AUDIT PLAN

Internal Audit Staffing

- 3.1 1,800 days will be available to deliver the necessary assurances and provision of help and advice across the areas listed in the four year strategic plan commencing April 2014.

4 Year Strategic Plan		Days	Internal Audit	Mazars
Internal Audit Service resources		2,920		
Less	Leave, sick, elections etc	428		
	Staff development & training	68		
	Management	284		
	Risk Management & Insurance	200		
	Support CGP	40		
	Contingency	100		
Available audit resources		1,800		
Deployed as follows:				
	2014/15	453	369	84
	2015/16	449	375	74
	2016/17	449	375	74
	2017/18	449	375	74
Total resources required		1,800	1,494	306

The total estimated days required to deliver the 4 year strategic plan is 1,825. At 25 days, the difference between the estimated number of days required and those available is not considered sufficient to warrant a request for additional resources.

- 3.2 Over the last couple of years, quarterly auditing of agreed key controls within the main financial systems has been undertaken. This has been successful. 'Continuous auditing' software is being evaluated with a view to further reducing time spent by internal audit in these areas, whilst retaining at least the same level of assurance over these key systems.

4. INTERNAL AUDIT PLAN

- 4.1 The audit plan needs to be dynamic to reflect changing circumstances (risks, operations, programs, systems and controls) and it is anticipated that there will remain the need to advance, defer, add or remove audits throughout the year.
- 4.2 The PSIAS do not stipulate the audit plan period, only the frequency by which it should be prepared. It is therefore proposed that the trial of refreshing the audit plan quarterly to allow changing circumstances to be taken into account should continue. The audit plan will be prepared on a 3+9 basis – that is a detailed three month plan, supported by a rolling nine month fluid plan.
- 4.3 The audit plan contains details of the computer audits that are due to be undertaken during the year. Due to the delayed decision on the IT shared service, the computer plan assumes that the IT service will remain in-house during the year. If that changes, then the computer audit plan will be re-evaluated. Care has been taken when scoping the computer audit plan to ensure that the assurance provided will be of benefit to a shared IT service.
- 4.4 The internal audit plan for 2014/15 is attached. It lists all the areas that, without any change in circumstances, require review during the year. Panel are recommended to approve this plan in outline, but allow the Internal Audit & Risk Manager to amend as required, following consultation with the Head of Resources and Chairman of the Panel. Significant changes to the plan will be reported to the Panel.
- 4.5 The internal audit plan currently contains one review (Chart of Accounts) that could be classified as a 'consultancy' review within the terms of the Internal Audit Charter. If further requests are received, then the agreement of the Head of Resources and Chairman of the Panel will be obtained prior to time being committed to the review. Panel will also be informed of these reviews.

5. OTHER SOURCES OF ASSURANCE

- 5.1 The PSIAS require the audit plan planning process to taking into account what other sources of assurance will be available during the year.
- 5.2 Managers have been requested to provide details of any planned reviews from which assurance could be obtained so as to avoid/minimise duplication of effort, within the internal audit plan. Whilst there are external reviews planned within service areas (e.g. Customer Services, website accessibility), with the exception of the statutory external audit of the accounts and the review by the Cabinet Office of compliance with the Public Sector Network, no external assurances have been identified for 2014/15.

ACCESS TO INFORMATION ACT 1985

Strategic Audit Plan
The Council's Risk Register

Contact Officer:

David Harwood, Internal Audit & Risk Manager
Telephone: 01480 388115



Internal Audit Service

Internal Audit
&
Assurance Plan
2014 - 2015

2014 – 2015 Internal Audit & Assurance Plan

The Internal Audit & Assurance Plan for the period April 2014 to March 2015 has been prepared in accordance with the Public Sector Internal Audit Standards.

The Standards require 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 23 June 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.

The detailed audit plan will be prepared on a 3+9 basis – that is a detailed three month frozen plan, supported by a rolling nine month fluid plan. A summary of the audits planned during the year are listed below.

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, dealing with any whistleblowing allegations received and attending quotation openings to observe managers compliance with the Code of Procurement. The outcomes from this work will inform the annual assurance opinion.

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 changes to the proposed plan so as to ensure that reviews are undertaken of areas identified as being of greatest risk to the achievement of Council objectives. The Head of Resources and Chairman of the Corporate Governance Panel will be informed of any changes before they are introduced.

David Harwood
Internal Audit & Risk Manager
1 July 2014

2014 – 2015 Internal Audit & Assurance Plan

Inherent risk	Risk area	Days	Residual risk	
Red	Making Assets Count	8	Red	
	Loans/investments	5		
Red	Refuse & Kerbside Waste Collection	10	Orange	
	Housing Benefits	10		
	S106 Agreements	8		
	Management of Health & Safety	6		
Red	CCTV	8	Yellow	
	Staff Training & Development	6		
	Bailiffs & Debt Collection Agencies	6		
	Data Protection	5		
Orange	One Leisure	12	Orange	
	Service developed ICT systems	10		
	Promotion of active lifestyles	5		
Orange	Licences	12	Yellow	
	Budgetary control & monitoring	10		
	Housing policy/strategy	5		
	Economic Development/Industrial Units	5		
	Recruiting to 'High Risk' Posts	5		
	Freedom of Information	5		
Yellow	Payroll/HR systems	10	Green	
	Out-sourced - IT Services	10		
	Out-Sourced - Legal Services	10		
	Personnel - casual & temporary employees	10		
	Delivery of Leadership Objectives	10		
	Car Parks	10		
	Email review - non work/private use	10		
	Grants to Outside Bodies	8		
	Payroll - Pay Review Amendments	7		
	Cashiering	7		
	Staff Allowances	6		
	Payment of election fees	5		
	S151 & Monitoring Officer	5		
	IT audits			
	Desktop Management and Delivery	10		
	Uniform Application	10		
	Network Security	9		
	One Leisure Website – Content Management	8		
	Service Desk, Change & Release Management	7		
	IT for Members	5		





2014 – 2015 Internal Audit & Assurance Plan

Continuous audit

Council Tax	5
Business Rates	5
Accounts Receivable (Debtors)	5
Main accounting system	5
National non domestic rates	5
Accounts Payable (Creditors)	5

Consultancy review

Chart of Accounts	20
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Risk Register categories:	Very high	
	High	
	Medium	
	Low	

In addition to the audits listed above, 104 days has been allocated to the following areas: providing help and advice to managers; quality assessment of work undertaken and file review; follow-up reviews of agreed actions introduced; attendance at quotation openings, managing whistleblowing allegations; and supporting the work of the Corporate Governance Panel through developing the annual governance statement, Member committee effectiveness reviews and annual reporting.