

2016/17

Internal Audit Plan



1. Introduction

- 1.1 This document summarises the results of Internal Audit's planning work. It sets out details of:
- The responsibilities and scope of internal audit
 - How the Council's internal audit service is resourced and delivered
 - How internal audit work is reported
 - The proposed programme of work for 2016/17 (the Audit Plan)
- 1.2 The Audit Plan for 2016/17 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards.
- 1.3 The Council has adopted the Public Sector Internal Audit Standards definition of internal auditing:
- 'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.
- 1.4 The work of internal audit is a key element in delivering the Council's strategic priority of corporate effectiveness and business efficiency, but also supports the Council in achieving all the aims and objectives set out in the Sustainable Community Strategy and the Corporate Plan.

2. Internal Audit – Responsibilities & Scope

2.1 The internal audit function is responsible for:

- Assessing and recommending improvements to the Council's governance processes. Specifically, this includes:
 - Promoting appropriate ethics and values within the organisation
 - Ensuring effective organisational performance management and accountability
 - Communicating risk and control information to appropriate areas of the organisation
 - Coordinating the activities of, and communicating information among, the Business Efficiency Board, external audit, internal audit and management
- Evaluating the effectiveness and contributing to the improvement of risk management processes
- Assisting in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement

2.2 The scope of internal audit work includes:

- The entire control environment of the Council, comprising financial and non-financial systems. Assurance services may also be provided to parties outside the Council with the prior agreement of the Business Efficiency Board.
- Reviewing controls that protect the interests of the Council in its dealings with partnerships in which the Council has an involvement.

2.3 The Public Sector Internal Audit Standards require that the internal audit service is delivered and developed in accordance with the internal audit charter. The Council has formally agreed that the provisions set out in section 6.2 of Finance Standing Orders constitute the Council's internal audit charter.

2.4 The establishment and maintenance of adequate control systems is the responsibility of management. Recommendations made by internal audit can reduce risk and improve systems of control. However, the implementation of audit recommendations cannot eliminate risk entirely.

2.5 Whilst it is not the role or responsibility of internal audit to detect fraud, the risk of fraud will be considered in each audit assignment.

3. Resourcing and delivering internal audit

3.1 The level of resource required to deliver an effective internal audit service to the Council has been assessed based on the need to provide adequate audit coverage of the Council's:

- Financial systems
- Risk management and governance arrangements
- Front line services and support services
- Procurement and contract management activity
- Information management arrangements
- Anti-fraud and corruption arrangements
- Schools

3.2 Account has also been taken of the need to be able to resource:

- Unplanned work which may arise during the year
- Follow up work to provide assurance that agreed recommendations are implemented
- Provision of advice and consultancy to internal customers

3.3 The 2016/17 Internal Audit Plan will be delivered predominantly by an experienced and suitably qualified in-house team of 5.09 FTE auditors. This is a reduction of 1.0 FTE from 2015/16, which has resulted from a member of the team taking voluntary severance. The available level of internal audit resource is however still considered sufficient to deliver a robust annual internal audit opinion to the Board.

3.4 As in recent years, a small amount of external support to assist the audit of information management systems will be provided by Salford City Council. Where appropriate, the internal audit team will also collaborate with internal audit colleagues from other local authorities in regard to the approach and delivery of particular audit assignments.

3.5 The internal audit team is managed by the Divisional Manager – Audit & Operational Finance, who also has responsibility for the following functions:

- Purchase to Pay

- Income control (collection and reconciliation of income)
 - Insurance
 - Client Finance (Corporate appointeeships and deputyships)
 - Direct Payments
- 3.6 Arrangements have been agreed to mitigate any potential impairment to independence and objectivity in regard to the audit of these areas. These arrangements will involve the Principal Auditor reporting the findings from the audits directly to the Operational Director – Finance without any influence or involvement of the Divisional Manager – Audit & Operational Finance.
- 3.7 When planning specific audit assignments, other sources of assurance may be taken into consideration in order to ensure the best use of the audit resource. Any work that is necessary in order to place reliance on other sources of assurance will be determined as required for each assignment.
- 3.8 The only planned assurance service to be provided to an external party is an annual audit provided to Manchester Port Health Authority, which is the governing body for the Manchester Ship Canal and River Weaver. Halton Borough Council is one of the funding authorities of Manchester Port Health Authority. The SLA to provide an internal audit service to the Port Health Authority has recently been renewed for a further three years.

4. Reporting arrangements

4.1 At the conclusion of each audit assignment, a draft report is issued to the appropriate manager within the Council. A final report containing management responses to any issues identified is subsequently distributed to:

- The Chief Executive
- The Strategic Director – Community & Resources
- The Operational Director – Finance (s151 officer)
- The Strategic Director and Operational Director responsible for the area reviewed
- Grant Thornton (the Council’s external auditor)

4.2 In each audit report, an overall assurance opinion is provided on the area audited. The opinion is based on the information obtained in the course of the audit and represents an assessment of the effectiveness of the control environment in the area audited. The scale of opinions is set out in the following table:

Assurance Opinion	Explanation
● Limited	A number of key risks are not managed effectively. The control systems in operation are in need of significant improvement.
● Adequate	The control systems in operation are generally sound. However, opportunities exist to improve the management of some risks.
● Substantial	There is a sound system of control in operation to manage risks effectively.

4.3 Throughout the year regular internal audit progress reports are presented to the Business Efficiency Board summarising the outcomes of internal audit work and any significant matters identified. Such matters may include risk exposures, governance weaknesses and value for money issues.

4.4 An annual report is presented to the Business Efficiency Board that provides the Head of Internal Audit’s overall opinion on the Council’s control environment. This opinion forms one of the sources of assurance in support of the Council’s Annual Governance Statement. The opinion is based upon the collective findings from the internal audit work completed during the year.

5. Internal Audit Plan – 2016/17

- 5.1 The Public Sector Internal Audit Standards state that the ‘chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals’.
- 5.2 In preparing the Audit Plan, account has been taken of:
- The Council’s risk management processes
 - The views of senior management
 - The results of previous internal audit work
 - Other existing sources of assurance, including the work of external audit
 - New or emerging risks, including known changes to the Council’s business, operations, programs, systems, and controls
 - The requirement to ensure sufficient coverage in order to provide a robust annual audit opinion
 - Planned work deferred from the 2015/16 Audit Plan
- 5.3 The Audit Plan is presented in a way that shows how each piece of planned work aligns with the Council’s Corporate Priorities. Some planned reviews clearly contribute to more than one priority. For presentational purposes the reviews have been listed under the priority that is considered most closely linked to the review area.
- 5.4 A budgeted time allocation has been set for each assignment included in the Audit Plan. It is accepted that the exact resource requirement for each assignment cannot be forecast with certainty. The plan therefore represents the best estimate of the way in which the Council’s internal audit resources will be deployed.
- 5.5 The intention is to complete all planned work within the year. However, the timing and respective prioritisation of work will take account of:
- The need to finalise any work from 2015/16 that remains incomplete at year-end
 - The need to prioritise the reviews deferred from the 2015/16 Audit Plan
 - The requirement to provide assurance over the Council’s key financial systems
 - The views of management of the service areas in regard to the timing of work
 - Any other factors that may be relevant to the timing of a particular piece of work

- Any urgent unplanned work arising
 - Changes in the level of audit resources available
- 5.6 The Audit Plan will be kept under review during the year and it may be necessary to make revisions to planned work in order to respond to changes in priorities or changes in the level of internal audit resources. Minor changes will be agreed with the Operational Director – Finance. Any significant changes will be reported to the Business Efficiency Board.
- 5.7 The following appendix sets out the proposed Audit Plan for 2016/17 explaining the rationale for each piece of planned work.

SUMMARY INTERNAL AUDIT PLAN - 2016/17

Corporate Priority	Planned Days
Corporate Effectiveness & Business Efficiency:	433
Financial Management	160
People Management	15
Information Management	30
Asset Management	60
Governance	103
Anti-Fraud & Corruption	65
Children & Young People in Halton	186
Employment, Learning & Skills in Halton	10
A Healthy Halton	160
A Safer Halton	50
Halton's Urban Renewal	40
<u>Other work:</u>	182
Contingency	104
Manchester Port Health Authority	3
Completion of outstanding 2015/16 audits	75
Total Planned Days	1061

Corporate Effectiveness & Business Efficiency:

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Financial Management				
Fees & Charges	15	A significant element of the Council's overall income derives from fees and charges. However, there is a pattern of reducing income levels across the Council.	An analytical review will be undertaken examining the Council's key income streams from fees and charges and examine the relationship between, budgeting, charging policy and income generation.	Audit report
Asset Valuation - Highways	15	The 2016/17 financial statements will require the Council to provide a valuation of its highways network calculated at depreciated replacement cost (DRC) instead of historical cost.	The audit will examine the measurement and valuation processes to provide assurance over data quality.	Audit report
Bank Mandates	15	The Council has many bank accounts and it is important that bank mandates are kept up to date to ensure that they are consistent with the delegated authorities set out in the Constitution and are updated to reflect changes in personnel.	The audit will review all current bank accounts and confirm that each account is still required and that the signatories on the bank mandates are appropriate.	Audit report
Agresso Income Manager	20	The Council is due to implement a new income management system in March 2016. This will result in significant changes to the Council's income collection and accounting arrangements.	A full system review will be undertaken to provide assurance that controls over income collection and reconciliation have been maintained. The audit will also examine the impact of the new system in terms of the Council's Payment Card Industry Data Security Standard (PCIDSS) compliance.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
<u>Financial key control reviews:</u>		These systems provide material disclosures for the financial statements.	High level reviews evaluating and testing the effectiveness of the key controls within each financial system	Audit report for each system
Payroll	10			
Loans & Investments	10			
Income Control and Reconciliation	10			
NNDR	10			
Council Tax	10			
Housing Benefit	10			
Accounting Journals	5			
Accounts receivable	10			
Accounts payable	10			
Fixed assets	10			
Total	160			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
People Management				
Learning & Development	15	Learning and development is an investment for any organisation. At a time of continuing funding pressures it is therefore particularly important that there is a clear business link to the needs of the organisation and that learning and development opportunities are provided in a cost-effective manner.	The audit will examine the arrangements put in place to identify and address the learning and development needs of the organisation and individuals. This will include reviewing how the effectiveness of the investment in learning and development opportunities is assessed.	Audit report
Total	15			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Information Management				
Remote and agile working	20	<p>The Council is rationalising its administrative buildings and has implemented an agile working policy. This increasingly results in employees working from a range of locations.</p> <p>Increased adoption of mobile working presents additional security risks which the Council needs to manage.</p>	Review of the arrangements in place to manage the additional risks presented by remote and mobile working.	Audit report
Software asset management	10	<p>Good corporate governance dictates that an organisation should be fully aware of where and how its assets are used. Software asset management enables an organisation to keep better track of the deployment and utilisation of software across the business.</p>	<p>The audit will examine the arrangements that the Council has established to ensure that:</p> <ul style="list-style-type: none"> • The software environment is adequately controlled and only authorised software is in use; • Over or under-licensing of software is identified and is used to inform purchasing decisions. 	Audit report
Total	30			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Asset Management				
Unoccupied Council buildings	20	<p>Unoccupied buildings present a cost and an insurance risk to the Council. They also provide an opportunity to be put to an alternative use or to be sold to generate capital receipts.</p> <p>The Council will also have a new insurer for its property assets from April 2016. It is therefore important that the Council is compliant with any policy requirements in regard to unoccupied buildings.</p>	The review will focus on compliance with conditions of insurance in regard to unoccupied buildings. It will also examine the Council's plans or strategies for future use or disposal.	Audit report
The Stadium	20	The Stadium is a significant asset of the Council and operates on a commercial basis. In a time of severe funding pressures it is of increasing importance that the Council maximises the financial performance of its assets.	The audit will examine lettings, billing and income collection, events, ordering and stock control, utilisation and the overall financial management arrangements.	Audit report
The Brindley Arts Centre	20	The Brindley Arts Centre is a commercial trading undertaking that generates revenue of approximately £1m pa. In 2016/17 it will operate with a budgeted subsidy of £112k (excluding recharges). The facility is working towards achieving a break-even position.	The audit will review the key financial systems in operation focusing on income generation and expenditure controls.	Audit report
Total	60			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Governance				
Governance Framework	15	<p>A revised edition of the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government: Framework' is to be published in 2016.</p> <p>The Framework defines the principles that should underpin the governance of each local government body and provides a structure to assist local authorities with their own approach to governance.</p> <p>The revised Framework will apply from 2016/17.</p>	Self-assessment against updated guidance document 'Delivering Good Governance in Local Government: Framework'.	Audit report
Council Constitution	5	Need to ensure that the Council Constitution reflects changes in the legislation, policies and procedures.	Internal Audit contributes to a working party that meets each year to review and propose changes to the Council's Constitution.	Updated Council Constitution
Annual Governance Statement	5	Statutory requirement for the Council to produce an Annual Governance Statement.	Internal Audit input to the Corporate Governance Group which develops the Annual Governance Statement.	Publication of Annual Governance Statement
Reporting to the Business Efficiency Board	15	The Council Constitution requires Internal Audit to report to the Business Efficiency Board.	Attendance at, and preparation of reports for, the Business Efficiency Board on internal audit and governance related matters.	<p>Audit Plan</p> <p>Regular progress reports</p> <p>Internal Audit Annual Report</p> <p>Annual Fraud & Corruption report</p>
Follow up of internal audit recommendations	50	To provide assurance that agreed internal audit recommendations are implemented.	Follow up of agreed internal audit recommendations to determine whether or not they have been implemented.	Follow up audit reports

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Information Governance	5	Information governance refers to the structures, policies, procedures, processes and controls implemented to manage information at an organisational level. Penalties of up to £500k can be imposed for breaching the Data Protection Act.	Internal audit input to the work of the Information Governance Group	Further development of the Council's information governance arrangements
Working groups / Advice	8	Internal Audit is frequently asked for advice on specific issues and to contribute to various working groups within the Council.	Advice and input to be provided as required	Advice and guidance on risk and control issues
Total	103			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Anti-Fraud & Corruption				
National Fraud Initiative (NFI)	15	NFI matches data across organisations and systems to help public bodies identify anomalies which may signify fraudulent claims and transactions. The Council is required by law to participate in NFI.	Co-ordination and investigation of the data matches identified from the exercise.	An update will be provided for the Business Efficiency Board in the Annual Fraud & Corruption report.
Review and update of Counter Fraud policies	10	Fraud and corruption are ever-present risks to all organisations. It is therefore important that the Council's arrangements to counter fraud and corruption reflect best practice.	Self-assessment against best practice guidance produced by CIPFA in 'Managing the Risk of Fraud'.	Annual report to the Business Efficiency Board on the Council's Anti-Fraud and Corruption arrangements. Update of the Anti-Fraud & Corruption Strategy and Fraud Response Plan.
Fraud awareness & Whistle-blowing initiatives	15	Employee education and awareness of fraud risks form a key element of an organisation's resilience to fraud.	Fraud awareness marketing campaign	Increased fraud awareness amongst employees and Members
Fraud working groups	10	Regional officer groups provide a forum for the exchange of information and a means of sharing best practice in regard to fraud prevention and detection.	Attendance at the Merseyside and Cheshire Fraud Groups and participation in joint initiatives.	Identification and investigation of potential frauds. Training and information sharing across the Cheshire and Merseyside authorities. Re-design of systems where fraud risks identified.
Confidential Offence Reporting	5	Internal audit receives reports from the public that are submitted through the Council's online reporting system. Reports received may relate to suspected fraud but also cover other issues such as fly tipping, noise pollution and child neglect.	The reports are reviewed and assigned to the relevant team within the Council to be investigated.	Investigation of complaints raised by members of the public

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
The Bribery Act	10	<p>An organisation could be liable if one of its employees commits a bribery offence. The person's activities would then be attributed to the organisation.</p> <p>An organisation will not commit the offence of failing to prevent bribery if it can show that it had 'adequate procedures' in place to prevent bribery. The adequacy of procedures will vary according to the types of bribery risks an organisation faces and the nature, size and complexity of its business.</p>	The audit will be a self-assessment of the procedures that the Council has in place to prevent bribery.	Audit report
Total	65			

Children & Young People in Halton:

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Specialist Services	20	A range of specialist services are commissioned from third sector providers. 2016/17 expenditure on commissioned services is budgeted at approximately £2.6m.	The review will focus on commissioning, contract management and financial control arrangements.	Audit report
Troubled Families	20	This is a Government initiative involving local authorities and their partners to help turn around the lives of troubled families in England. Funding is available to local authorities under a payment by results model.	Verification and certification work in respect of the quarterly claims to be submitted in 2016/17.	Annual audit report covering quarterly claims
Birth to 25 Education, Health and Care Plans	20	The Children and Families Bill 2013 extends the SEN system from birth to 25, giving children, young people and their parents greater control and choice in decisions and ensuring needs are properly met. This will include an offer of a personal budget for families with an Education, Health and Care Plan.	The audit will examine the systems and processes established by the Council in response to the new legislation.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
<p><u>School audits:</u></p> <p>All Saints Upton Farnworth Brookvale Ditton Brookfields Astmoor St Mary's The Bridge The Grange OLPS Windmill Hill St Basil's Moore Daresbury Hale CE Saints Peter & Paul St Chad's</p>	126	<p>The Council has 60+ schools that are responsible for setting their own budgets and managing their finances.</p> <p>The frequency of school audit visits is determined by the audit assurance rating from the previous audit:</p> <ul style="list-style-type: none"> • Substantial – 4 year cycle • Adequate – 3 year cycle • Limited – Annual cycle 	A standard audit programme has been developed for school audits, which is tailored to each school as required.	Audit report for each school
Total	176			

Employment, Learning & Skills in Halton:

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Halton People Into Jobs	5	<p>A4e is one of the prime contractors for the DWP's Work Programme, which is being delivered through a number of contract areas. Halton is part of a large contract area which includes Merseyside, Lancashire and Cumbria.</p> <p>The Council acts as a sub-contractor to A4e in delivering employment support services under the programme.</p> <p>As part of the contractual arrangements with A4e, the Council is required to comply with the A4e Security Plan.</p>	Annual verification work in regard to compliance with the A4e Security Plan (ISO27001:05).	Audit report
Halton Apprentice Hub	5	The Council has received a grant of £150k for this scheme. Audit work is required to provide assurance that expenditure is in line with the conditions of funding.	Grant claim audit	Certification of Grant Claim
Total	10			

A Healthy Halton:

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Domiciliary and Personal Care Services	20	The Council awarded new contracts for Domiciliary and Personal Care contracts in 2014/15. The annual total cost of the contracts is over £4.5m. Changes to the arrangements for paying providers are also being introduced as a result of the implementation of CareFirst Financials.	The audit will focus on contract management and payment procedures.	Audit report
Mental Health and Wellbeing	20	The Council has adopted a Mental Health and Wellbeing Strategy. Effective commissioning of services is a key element in improving outcomes for service users.	The audit will cover commissioning, contract management and financial management arrangements.	Audit report
Care Services – Contingency Planning	20	The majority of domiciliary and residential care is commissioned from independent providers. There is consequently a significant risk to the Council should a major provider of care services fail.	The audit will how the Council vets potential social care providers to gain assurance over their financial stability. It will also examine how robust the contingency arrangements are should a major provider fail.	Audit report
Supporting People	20	The Council no longer receives any specific funding in regard to Supporting People however the Council continues to fund a range of services that were previously funded through Supporting People grant. In 2015/16 these services were budgeted at £3.6m.	The audit will examine the accounting and contract management arrangements in regard to housing related support services.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Alternative Day Services	20	<p>The Council provides a range of alternative day services, which include a hair salon, a catering service and a micro-brewery.</p> <p>The operation of trading services present a range of risks in regard to employment issues, financial management, health and safety, and compliance with relevant regulations.</p>	<p>The audit will examine how the Council manages the risks associated with operating trading services, which are provided with the direct involvement of service users.</p>	Audit report
Public Health	20	<p>The Public Health ring-fenced grant funding conditions include specific reporting requirements to the Department of Health. They also require the Chief Executive or S151 Officer to provide a signed statement confirming that the grant has been used to discharge the public health functions set out in Section 73B(2) of the National Health Service Act 2006.</p>	<p>The audit will provide assurance over the data quality arrangements relating to the reporting arrangements for public health.</p> <p>The audit will also provide the Chief Executive / S151 Officer with assurance over the appropriateness of expenditure in order to sign off the 2015/16 year-end Statement of Assurance to the Department of Health.</p>	Audit report
Leisure Centres	20	<p>From April 2016 the Council is taking the management of three leisure centres back in-house.</p>	<p>The audit will examine the staffing, financial management and information management arrangements following the transfer of services from the current provider.</p>	Audit report
Commissioning	20	<p>The Council commissions a wide range of residential/nursing, day and support services from the voluntary and independent sectors.</p>	<p>The audit will examine the Council's corporate approach to commissioning, compliance with the Council's procurement policies and processes, and how the commissioning arrangements help deliver best value.</p>	Audit report
Total	160			

A Safer Halton:

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Trading Standards	15	The service was brought back 'in house' in 2014/15 after being delivered by Warrington under a Service Level Agreement.	The audit will examine service planning and performance reporting in addition to examining controls around expenditure and control over test purchases.	Audit report
Deprivation Of Liberty Safeguards	20	Under the DOLS, local authorities have set timescales for completing a request for a 'standard authorisation' from a care home or hospital. Standard authorisations are used to authorise care arrangements that deprive an individual of their liberty. DOLS also presents a risk to local authorities in regard to potential claims for wrongful detention.	The audit will examine the arrangements that the Council has established for completing requests for standard authorisations. The audit will also focus on how the Council manages the potential risk for those persons receiving care in local authority accommodation.	Audit report
Street Lighting	15	The Council is undertaking a £5.2m programme of work to replace the current conventional street lighting with energy saving LED units.	The audit will provide assurance over the overall programme management arrangements relating to the scheme.	Audit report
Total	50			

Halton's Urban Renewal:

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Highways	15	<p>A six-year contract is in place with 'Tarmac' for highway repairs, which was jointly let with Warrington Borough Council. The annual contract value is £3.5m.</p> <p>The procurement stages of the contract were previously audited but the operation of the contract has yet to be reviewed.</p>	The audit will provide assurance that there are adequate controls to ensure that the contract conditions are complied with for work let under the contract in regards to the quality standards required and agreed cost.	Audit report
Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance)	5	<p>For 2015/16 the Council will receive an allocation of £3.13m for the integrated transport and highways maintenance block grant.</p> <p>It is a requirement that the Head of Internal Audit signs a declaration to confirm that the conditions of funding have been complied with.</p>	Grant claim audit	Certification of grant claim
Regeneration Projects	20	<p>Major regeneration schemes represent a substantial investment by the Council to help encourage economic growth and to improve the quality of life for residents.</p> <p>Schemes can often have complex funding arrangements and frequently involve working with partner organisations.</p>	The audit will examine the arrangements that the Council has in place to secure value for money from investment in regeneration projects. Particular focus will be on the procurement, contracting and programme governance arrangements. The audit will also examine how the Council evaluates the benefits achieved from the investment.	Audit report
Total	40			