

Halton Borough Council Internal Audit Plan - 2012/13



1. Purpose of the Audit Plan

1.1 This plan summarises the results of Internal Audit's planning work. It sets out details of:

- The responsibilities and scope of internal audit;
- Internal Audit's reporting arrangements;
- The proposed programme of work for 2012/13 (the Audit Plan)

2. Internal Audit – Responsibilities & Scope

2.1 Responsibilities

Internal audit is an appraisal function within an organisation. The internal audit function is responsible for:

a) Providing assurance to management that:

- Internal control systems (including risk management and governance arrangements) are adequate and functioning efficiently and effectively;
- The policies and procedures established by management are complied with, are appropriate in current circumstances, and are not wasteful;
- The accounting records and associated financial systems form a reliable basis for the production of the financial statements.

b) Drawing the attention of management to, and recommending remedial action to address:

- Deficiencies in the systems of internal control; and
- Instances of duplicated functions, wastage and inefficiency.

- c) Providing advice on audit related matters, including suspected fraud or corruption.
- d) Providing advice on risk and control issues in regard to systems development.
- e) Providing assurance to the Council's s151 officer on the Council's system of internal control. This forms one of the sources of assurance in support of the Council's Annual Governance Statement.

2.2 Scope

The scope of the internal audit function includes:

- The whole internal control system of the Council including all its operations, resources, services and responsibilities for other bodies; and
- Reviewing controls that protect the interests of the Council in its dealings with partnerships in which the Council has an interest.

The establishment and maintenance of adequate control systems is the responsibility of management. Recommendations made by internal audit can reduce risk and lead to systems of control being considered adequate. However, the implementation of audit recommendations cannot eliminate risk altogether.

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. Reporting Arrangements

3.1 At the conclusion of each audit assignment, a draft report is issued to the appropriate manager within the Council. Once the report has been agreed, a final report is then issued to:

- The Chief Executive;
- The Strategic Director – Policy & Resources;
- The Operational Director – Finance (s151 officer);
- The Strategic Director responsible for the area reviewed;
- The Operational Director responsible for the area reviewed;
- Audit Commission.

3.2 In each audit report, an overall opinion is provided on the area audited. The opinion is based on an assessment of the effectiveness of the control environment in the area audited and the likelihood of objectives being met. The scale of opinions is set out in the following table:

Assurance Rating	Explanation
● Limited	The control environment is in need of improvement. Weaknesses in the control systems may put the service or system's business objectives at risk.
● Adequate	There is basically a sound system of controls. However, opportunities exist to enhance the control environment further.
● Substantial	There is a sound system of control designed to ensure the achievement of the service or system's business objectives.

- 3.3 On a quarterly basis, Internal Audit produces a progress report for the Business Efficiency Board detailing the key issues arising from audit work and progress made against the Audit Plan.
- 3.4 An annual report is presented to the Business Efficiency Board to provide assurance or otherwise on the effectiveness of the internal control framework of the Council. This report is based upon the findings from the work completed during the year.

4. Internal Audit Plan – 2012/13

- 4.1 The Audit Plan is stated in terms of the number of days input, which is calculated based on existing staff numbers. However, the resources available and the exact time required for each piece of work cannot be forecast precisely. The plan therefore represents the best estimate of the audit resources available and the ways in which those resources will be deployed.
- 4.2 The analysis below summarises the planned coverage for 2012/13:

<u>Area</u>	<u>Days</u>
Governance arrangements	60
Anti-fraud and corruption	50
Financial systems	205
Directorate systems & services – Children & Enterprise	145
Directorate systems & services – Communities	180
Directorate systems & services – Policy & Resources	80
Information systems and management	110
Procurement	80
Schools	80
Advice and support	30
Follow up work	25
External work	3
Provision - completion of 2011/12 audits	71
Contingency	120
Total Planned Audit Days	1239

- 4.3 The appendix overleaf shows, for each audit area, the rationale behind its inclusion in the Audit Plan. We have attempted to identify where other sources of assurance, both external and internal, are available. This information has been used to inform the likely scope of planned work.

Appendix 1 – Planned Work

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Governance Arrangements					
Review of authorisation processes (Efficiency Programme workstream)	Existing authorisation processes are considered to be in need of streamlining	None identified	Electronic authorisation rules are maintained within a number of key systems	Provide advice on control issues for new arrangements	Implementation of more efficient authorisation processes
Knowledge Management	Key systems may fail due to loss of key staff and experience	Work of External Audit on main financial systems	Employee Development Review process Business Continuity Plans VER / VR processes	Review of corporate arrangements to ensure continued operation of key systems at a time when the organisation is downsizing	Audit report
Constitution Review	Need to ensure that the Council Constitution reflects changes in the legislation and other changes to Council policies and procedures	None identified	Constitution Review Working Party	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	Statutory requirement for the Council to produce an Annual Governance Statement	Review of Annual Governance Statement by External Audit	Corporate Governance Group	Internal Audit input to the Corporate Governance Group Preparation of the Annual Governance Statement	Annual Governance Statement

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Internal Disciplinary process	Cost and impact of employees being suspended for lengthy periods	None identified	None identified	Full review of the internal disciplinary process and how it is managed	Audit report
Reporting to Business Efficiency Board	The Council Constitution requires Internal Audit to report to the Business Efficiency Board	Not applicable	Not applicable	Preparation of reports for the Business Efficiency Board on internal audit related matters	Audit Plan Quarterly progress reports Internal Audit Annual Report Fraud & Corruption updates
Anti-Fraud & Corruption					
Creditor payments	Potential duplicate payments, supplier fraud, employee fraud	Work of External Audit National Fraud Initiative data matching	Duplicate payments checks using specialist software are carried out prior to each creditor payment runs Manual review of all payments > £500 prior to publication on the Council's website	Substantive testing of invoice payments	Audit report
Fraud Awareness	One of the key defences against fraud is to ensure that employees understand the risk of fraud and how to respond if they suspect fraud	None identified	Previous campaigns to raise fraud awareness Whistleblowing procedures	Development and roll out of a fraud awareness e-learning application developed in-house	Implementation of an e-learning module

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Development of continuous monitoring procedures to highlight potential instances of fraud	Data matching and interrogation techniques can analyse large volumes of information and be used to identify unusual transactions that may be indicative of fraud	Will vary according to the areas examined	Will vary according to the areas examined	Work will focus on emerging risk areas, e.g. amendments to bank details of suppliers	Audit report
Financial systems					
Payroll Cash & Bank Council Tax Housing Benefit Accounting Journals Creditors Fixed Assets Loans & Investments Supporting People	Material misstatements in the Council's accounts if systems are not robust Potential for fraud Financial transactions of a material value are processed through these systems	Work of External Audit	Budget management Performance management reporting	Testing of key controls to provide assurance that the disclosures in the financial statements derived from these systems are not materially misstated	Audit reports
NNDR	Planned changes to the way that NNDR is redistributed will increase the importance of the Council maximising its NNDR collection	Annual external audit of the Collection Fund	Performance management reporting	Review of NNDR collection and recovery procedures	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Sundry Debtors	Increased risk of bad debt due to the economic downturn System changes following the Agresso upgrade	Work of External Audit	Regular Debt Recovery meetings	Full system review including coverage of the process once debts are transferred to legal	Audit report
Creditors	System changes following the Agresso upgrade	Work of External Audit	Duplicate payments checks using specialist software are carried out prior to each creditor payment run	Full system review	Audit Report
Budgetary Control	Increased risk of overspend due to the severe budget reductions	Work of External Audit	Budget management Performance management reporting Outturn statement	Review of budgetary control procedures focusing on areas where spend is more difficult to control, e.g. adult social care	Audit report
Agresso application controls	Agresso underwent a major upgrade in January 2012	None identified	Internal project management and change control procedures	Review of access permissions within the new system	Audit report
Internal charging	Potentially inefficient processes in operation	None identified	None identified	Review of the systems and processes relating to the internal charging of services	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Directorate systems & services – Children & Enterprise					
MyPlace	New facility that opened in 2011 Originally included in 2011/12 Audit Plan	None identified	None identified	Review of key business processes	Audit report
Early Years Grants	Material system used to pay grants Not previously audited	DfE returns	None identified	Full system review	Audit report
YPLA Bursary	New scheme for vulnerable children. Payments made based on eligibility criteria.	YPLA returns	None identified	Review of key controls as specified by the YPLA	Audit report
Halton People Into Jobs	Service has just been awarded two major contracts and income is dependent on meeting pre- agreed targets Service is important given the current economic climate	Grant claims Performance targets	Budget management Performance monitoring reports	Review of key business processes	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Special Educational Needs	<p>The Council has a range of specialist provision for children and young people with additional needs</p> <p>Out of borough Placements in particular can be costly</p> <p>Budget of £1.8M</p>	OFSTED inspections	None identified	Out of borough placements	Audit report
School Improvement Service 0-11	<p>New structure and service – partnership working with Serco and Warrington BC</p> <p>Service delivery and cost risks</p>	None identified	School Improvement Group	Partnership review with Warrington BC and Serco looking at delivery, costs and service risks	Audit report
Out of School Clubs	<p>Financial sustainability issues</p> <p>Potential liabilities falling on the school if clubs fail</p> <p>Potential safeguarding issues</p> <p>H&S / insurance risks</p>	OFSTED inspections	None identified	<p>Review of financial positions at a sample of clubs in the borough</p> <p>Review of contractual arrangements between the schools and the Out of Schools Clubs and how key risks, such as H&S, safeguarding and insurance arrangements, are managed</p>	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Think Family Team (Early Help Support)	<p>Early intervention and collaboration with multi agencies to support and advise families with specific needs and requirements</p> <p>Early intervention grant received used to support service</p> <p>£1.01M budget</p> <p>Not previously audited</p>	None identified	Performance monitoring by Children’s Trust	Review of key business processes	Audit report
Building Cleaning	<p>Traded service</p> <p>Originally included in 2011/12 Audit Plan</p>	None identified	<p>Service users</p> <p>Contract monitoring procedures</p>	Review of contractual arrangements in terms of performance and cost	Audit report
Directorate systems & services – Communities					
Libraries & Bibliographical services	<p>Financial pressures on the Council but still required to meet statutory responsibilities</p> <p>Originally included in 2011/12 Audit Plan</p>	<p>External performance reporting</p> <p>Customer feedback</p>	<p>Budget management</p> <p>Performance monitoring reports</p>	<p>Review of key business processes</p> <p>Utilisation / VFM issues</p>	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Oakmeadow – Older People’s provision	<p>Requested by management</p> <p>Reconfiguration of service provision (from 32 bed unit to 19 intermediate care beds. Some joint provision with the Voluntary Sector (Age Concern) who are renting offices and the development of the canteen provision</p> <p>Originally included in 2011/12 Audit Plan</p>	Care Quality Commission inspections	Budget management Performance monitoring reports	Review of key business processes Charging mechanism for joint provision VFM	Audit report
Homelessness Service	<p>Requested by management</p> <p>Economic downturn creates additional demands on the service</p> <p>Originally included in 2011/12 Audit Plan</p> <p>Not previously audited</p>	None identified	Budget management Performance monitoring reports Internal Scrutiny work – Members of Healthy Halton PPB (results were due November 2011)	Service review Compliance with strategy and relevant legislation	Audit report
Respite Services (Bredon & External Provision)	Value for Money – In-house and external provision	Care Quality Commission inspections	Budget management Performance monitoring reports Benchmarking	Service review Procurement practices	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Public Health Transition Joint Strategic Needs Assessment	<p>The Council is to take on a new role for public health from 2013/14</p> <p>Health & well-being forms the basis of a duty for the PCT and Local Authorities to co-operate in order to develop a whole health and social care response to the health, care and well-being needs of local populations and the strategic direction of service delivery to meet those needs</p>	Healthwatch organisations and the Healthwatch England Committee within the Care Quality Commission	None identified	Transitional arrangements Governance Business needs Data security	Audit report
Carer's breaks and vouchers	<p>Working in partnership with external agencies</p> <p>Not previously audited</p>	External performance reporting	Budget monitoring reports Performance management framework	Systems for making claims Payment systems	Audit report
Parks, sports grounds and nature reserves	<p>Business Plan Objective to continue to improve Parks, Sports Grounds, Open Spaces and Local Nature Reserves</p> <p>Risk of public liability claims if not properly maintained</p>	External performance reporting Customer feedback	Budget monitoring reports Performance management framework	Service management and delivery, integration with other Council services Income streams	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Community Centres	Discretionary service Funding pressures	Customer feedback	Budget management Performance management framework	Review of key systems in operation VFM / Sustainability	Audit report
Trade waste service	Discretionary service Income stream Cost effectiveness / sustainability of service provision	Customer feedback	Budget monitoring Performance management framework	Income collection systems Charging and cost recovery	Audit report
Bulk waste collections and bin deliveries	Income stream Not previously audited	Customer feedback	Budget management	Charging and cost recovery Income collection Service delivery options	Audit report
Directorate systems & services – Policy & Resources					
Highways	Poor maintenance leading to injury and public liability claims against the Council £1.7M budget for highways maintenance Originally included in 2011/12 Audit Plan	Review of highways inspection arrangements by the Council's insurers	Highways inspection regime	Arrangements to defend trip and slip claims Prioritisation of works Contract monitoring procedures	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Car Allowances, Mileage Claims & Expenses	New online claims system introduced in 2011/12 Inherent risk of fraud in regard to expense claims	None identified	Claim authorisation procedures	Compliance with car mileage scheme, terms and conditions	Audit report
Sickness Management (inc Occupational Health)	Sickness absence is a significant cost to the Council Occupational health services should play a key role in helping the Council manage and minimise sickness absence	None identified	None identified	Review of effectiveness and VFM of existing arrangements	Audit report
Administration Shared Service	New Shared Service providing a support service centrally Not previously audited	None identified	None identified	Review deployment of admin resources to assess if business needs are being met Charging mechanisms	Audit report
Information Systems & Management					
SIMS	SIMS is a comprehensive and integrated Management Information System (MIS) for managing school business processes and whole school improvement	Schools buy-in for support services	None identified	Review utilisation/security of systems	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Centralised Storage	Secure and effective storage of data will minimise the Council's exposure to data loss and security breaches	Code of Connection Compliance - GCSx connection Deloitte ISO 27000 audit	None identified	Compliance with Information security standards Review of cost effectiveness of existing arrangements	Audit report
Carefirst 6 (CF6)	<p>Carefirst 6 is a Social Care Database used by the Council. It is a database that stores case recording details for Adult and Children's services</p> <p>CF6 implemented has recently been implemented in the following areas:</p> <p><u>Communities</u> Community Bridge Builders ALD/PSD (Duty Function only) Positive Behaviour team Care Arrangers</p> <p><u>Children & Enterprise</u> Children in Need – Widnes/Runcorn Safeguarding Unit</p>	Care Quality Commission	CF6 User feedback	<p>Post implementation review</p> <p>Compliance with care management guidelines / service procedures</p>	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Management of in-house developments (and end user computing)	<p>In house development may not necessarily provide VFM and meet the needs of end users</p> <p>Need to ensure ongoing resilience, security and support for in house applications</p>	None identified	<p>Change management guidelines</p> <p>System development documentation</p>	Sample testing of recent in-house developments to assess if they have met the original objectives and have delivered VFM	Audit report
Freedom of Information Act requests	<p>New system introduced to record details of how requests have been managed</p> <p>Significant increase in the volume of FOI requests received by the Council</p>	None identified	Management review of responses to FOI requests	Review of new system including effectiveness and completeness of the Council's Publication Scheme	Audit report
Public Health Integration with local authorities – Information Sharing and Systems integration	<p>Confidential data is being shared</p> <p>Access to systems needs to be available at both Health and LA locations</p>	Care Quality Commission	None identified	<p>Project plan</p> <p>Review of key business processes</p>	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Synergy CYP (Children and Young People's Database)	<p>A single integrated database for practitioners across the Council and other external services to record their information against the child / young person and access relevant information on these children / young people.</p> <p>The Synergy Software Suite is considered to be an absolutely essential requirement for the Council.</p>	None identified	None identified	Data security Data sharing protocols	Audit report
Procurement					
Mersey Gateway	<p>Flagship project for the Council</p> <p>Potential for significant reputation damage if project is not delivered successfully</p>	<p>Dept for Transport (DfT) - Gateway Reviews</p> <p>OJEU regulations</p>	<p>MG Executive Board</p> <p>MG Officer Project Board</p>	Procurement process - Dialogue (and Draft Final Tenders)	Audit report
Control of agency / casual staff	Savings from reduction in headcount may not be realised if there is excessive use of agency/casual staff	None identified	Budget management	Spend analysis Examination of the business cases supporting the use of agency / casual staff	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Building Schools for the Future	Major capital scheme affecting two high schools	Local Education Partnership	Contract monitoring procedures	Review of work to date on the two contracts including review of contract payments	Audit report
Lunts Heath Primary School refurbishment	£750K project procured through the Local Education Partnership (LEP)	None identified	Contract monitoring procedures	Current contract audit approach undertaking audit work through the lifecycle of the project	Audit report
Schools					
Individual audits at school level (20 schools)	<p>The Council has 60+ schools that are responsible for setting their own budgets and managing their finances.</p> <p>Collectively, schools' expenditure is of a material nature.</p>	<p>Maintained schools are required to complete the Schools Financial Value Standard (SFVS) once a year. Those schools which never attained FMSiS will be expected to complete and submit the SFVS to their local authority by 31 March 2012. For all other maintained schools, the first run through is required by March 2013. An annual review is required thereafter.</p>	Budget management	A standard audit programme has been developed for school audits	Audit report for each school audited

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Advice & Support					
Information Governance	<p>Information governance refers to the structures, policies, procedures, processes and controls implemented to manage information at an organisational level.</p> <p>Penalties of up to £500,000 can be imposed for breaching the Data Protection Act.</p>	None identified	<p>Information Governance Group</p> <p>Restrictions in data transfers via firewall configuration</p>	Contribution to the work of the Information Governance Group	Further development of the Council's arrangements to manage information securely
General Advice to Schools	Schools regularly contact Internal Audit for advice and assistance on a range of issues	Not applicable	Not applicable	Responding to requests for assistance from schools	Unknown at this stage

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Local Council Tax Benefit Scheme	<p>Included within the Comprehensive Spending Review 2010 the Government announced that it would localise support for Council Tax from 2013-14, reducing expenditure by 10 per cent.</p> <p>Each local authority is required to draw up its own scheme subject to certain restrictions which the Government is not leaving to local discretion.</p>	None identified	None identified	To be agreed with the Divisional Manager - HDL & Revenues & Benefits	To be agreed with the Divisional Manager - HDL & Revenues & Benefits
Follow up work					
Follow up audit reviews	To provide assurance that agreed audit recommendations are implemented	None	None	Follow up of all agreed internal audit recommendations to determine whether or not they have been implemented	Follow up audit reports
External work					
Manchester Port Health Authority	The audit of Manchester Port Health Authority provides a source of external income	Not applicable	Not applicable	Annual internal audit focusing on key controls	Audit report to Manchester Port Health Authority

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Provision for completion of 2011/12 Audits					
<p>Not all planned work for the year will be completed by year-end. A provision is therefore made to allow time for the completion of audit reviews carried over from 2011/12:</p> <ul style="list-style-type: none"> • Use of Consultants • Risk Management • Grants to Voluntary Organisations • Halton Day Services • Overtime • Management of IT Third Party Services • Personalisation 	<p>Completion of 2011/12 work in progress</p>	<p>Not applicable</p>	<p>Not applicable</p>	<p>Completion of work planned as part of 2011/12 Audit Plan</p>	<p>Audit reports</p>
Contingency					
<p>Contingency provision</p>	<p>The contingency provision is built into the Audit Plan to accommodate any unplanned work that may arise during the year.</p>	<p>Not applicable</p>	<p>Not applicable</p>	<p>Unknown at this stage</p>	<p>Unknown at this stage</p>