HALTON
BOROUGH
COUNCIL

INTERNAL AUDIT PLAN 2013/14

1. Purpose of the Audit Plan

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;
- Internal Audit's reporting arrangements;
- The proposed programme of work for 2013/14 (the Audit Plan).

2. Internal Audit – Responsibilities & Scope

2.1   Responsibilities

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'.

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.

2.2   Scope

The scope of the internal audit function 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 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 engagement, 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 and Operational Director responsible for the area reviewed;
- The Operational Director responsible for the area reviewed;
- Grant Thornton (the Council's external auditor).

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. The scale of opinions is set out in the following table:

Assurance Rating	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.

3.3 Throughout the year Internal Audit produces regular progress reports for the Business Efficiency Board Regular summarising the outcomes of internal audit work and any significant matters identified. Such matters may include risk exposures, control weaknesses, governance issues and value for money issues.

3.4 An annual report is presented to the Business Efficiency Board that provides an overall internal audit opinion on the Council's control environment. This will form one of the sources of assurance in support of the Council's Annual Governance Statement. This overall internal audit opinion is based upon the findings from the work completed during the year.

4. Internal Audit Plan – 2013/14

4.1 The Audit Plan is stated in terms of the number of days input, which is 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 the coming financial year :

Area	Days
Governance arrangements	65
Anti-Fraud and Corruption	60
Children & Enterprise Directorate (including schools)	170
Communities Directorate	160
Policy & Resources Directorate (including corporate financial systems)	295
Information systems and management	95
Procurement	60
Advice and support	13
External work	3
Provision – Completion of 2012/13 work in progress	50
Follow up work	25
Contingency	90
Total	1086

4.3   The following appendix 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					
Performance Reporting	The Council's performance reporting regime has recently reviewed by the Efficiency Programme resulting in a more streamlined structure. Our review will examine the reporting process and provide assurance that performance information produced is meaningful, relevant, timely and meets the Council's statutory responsibilities.	None identified	Efficiency Programme	Review of corporate arrangements for performance reporting. We will also review the process and controls governing the selection, collection, processing and analysis of data and how results are reported and utilised to improve performance.	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

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
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
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 Evaluation of out sourced investigations for effectiveness and outcomes.	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 Regular progress reports Internal Audit Annual Report Fraud & Corruption updates

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
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
Application 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 fraudulent activity.	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
Fraud Awareness initiatives	To raise the awareness of Council staff in regard to the incidence of fraud and the arrangements established by the Council to mitigate the risk of fraud.	Not applicable	Low incidence of fraud in the Council. Previous fraud awareness initiatives.	Develop our own in-house fraud awareness e learning training package.	E-learning training

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Staff Vetting	Recent figures suggest the number of insider frauds increased by 52% in the first half of 2012 compared to 2011. Organisations can protect themselves from becoming a victim by carrying out robust pre-employment checks. To ensure the incidence of fraud remains low, it is imperative that the Council has a robust staff vetting procedures.	None	Low incidence of fraudulent activity by employees.	Review the Council's existing staff vetting procedures and assess them against best practice.	Audit report
National Fraud Initiative	The 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.	Not applicable	Not applicable	Co-ordination and investigation of the data matches identified from the exercise.	Results will be summarised for the Business Efficiency Board.

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Directorate systems & services – Children & Enterprise					
Halton People Into Jobs (Enterprise)	The Council has been awarded two major contracts and income is dependent on meeting pre-agreed targets.	Grant claims Performance targets	Budget management Performance monitoring reports	Review of key business processes.	Audit report
Troubled Families (Inspiring Families)	Troubled families are those that have problems and cause problems to the community around them, putting high costs on the public sector. The government is committed to working with local authorities and their partners to help 120,000 troubled families in England turn their lives around by 2015. Claims made under the initiative must be audited by internal audit.	Performance targets	Performance monitoring reports Budget monitoring	Review of scheme within the Council and how effectively resources are deployed to contribute to the targets set by Government. It is essential that robust systems to monitor the effectiveness of the local scheme because it is 'payment by results' therefore the Council bear the risk. Audit of claims submitted.	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Schools: Individual audits at school level Nursery schools – 2 Special schools – 2 Primary schools – 14 High School - 2	The Council has 60+ schools that are responsible for setting their own budgets and managing their finances. Collectively, schools' expenditure is of a material nature.	Maintained schools are required to complete the Schools Financial Value Standard (SFVS) once a year.	Budget management	A standard audit programme has been developed for school audits, which is tailored to each school as required.	Audit report for each school audited
Directorate systems & services – Communities					
Libraries & Bibliographical services	Financial pressures on the Council but still required to meet statutory responsibilities.	External performance reporting Customer feedback	Budget management Performance monitoring reports	Review of key business processes Utilisation / VFM issues	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
Care Assessments & Re-assessments	Care assessments are the basis for how care is delivered and are therefore intrinsically linked to the Council's overall expenditure on adult social care. Therefore care assessments need to be carried out effectively and in a timely manner to ensure that care provision is appropriate.	Care Quality Commission	Care Management guidelines	Assess compliance with the Council's care management guidelines. Evaluate the efficiency of the care management process.	Audit report
Halton Supported Housing Network	Previous non-compliance issues with established policy & procedures.	Standards issued by the Health and Care Professions Council that social workers must comply with. Care Quality Commission	Monitoring of personal allowance expenditure of appointee clients undertaken by the Client Finance team.	Assess the operational aspects of the Network against policy and procedures. Determine value for money under the current model of delivery.	Audit report
Public Health	The Council has assumed new responsibilities for public health function which take effect from April 2013. This involves the transfer of a number of staff and existing public health contracts to the Council.	None identified	None identified	To be agreed with Director of Public Health	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Carer's breaks and vouchers	Recent pressure from Central Government has been to increase the number of carers' breaks. However more emphasis is going to be placed on the quality and actual impact that a carer's break has on an individual. More creative ways to meet the needs of carers are therefore being considered. It is important the risks associated with funding carers' breaks are managed effectively to clearly demonstrate the benefits of the financial support provided.	External performance reporting	Budget monitoring reports Performance management framework	Policy and Framework for Carers Breaks Systems for making claims Payment systems	Audit report
Parks, sports grounds and nature reserves	Business Plan Objective to continue to improve Parks, Sports Grounds, Open Spaces and Local Nature Reserves. Risk of public liability claims if not properly maintained.	External performance reporting Customer feedback	Budget monitoring reports Performance management framework	Service management and delivery, integration with other Council services Risk management arrangements	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Use of Volunteers	Potential risk that volunteers may be classed as employees by HMRC. This may potentially entitle volunteers to employment rights with the Council.	None identified	Council's policy for the use of volunteers	Ensure the use of volunteers across the Council is in compliance with the Council's strategy in relation to volunteers. Identify and review the use of volunteers to ensure the Council fulfils all its responsibilities in relation to individuals and the duties that they are fulfilling, e.g. insurance, deductions.	Audit report
Directorate systems & services – Policy & Resources					
Overtime	Overtime paid at enhanced rates increases pressure on already squeezed budgets. It may be an indication that the current staffing structure is in appropriate for the service. It may also highlight a need for services to be delivered differently.	None identified	Budget monitoring	Review of occurrence of overtime and determine /test business need and highlight more economical ways of delivering the service.	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Sickness Management (including 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
Salary Sacrifice Schemes	The Council has introduced a number of salary sacrifice schemes. HMRC needs to be satisfied that such schemes are set up correctly for them to be considered effective.	HMRC will only consider whether a scheme is effective once it has been set up.	Advice from HR when salary sacrifice schemes are set up.	To ensure that salary sacrifice arrangements are operated in the manner agreed by HMRC. To examine the administration and accounting arrangements relating to salary sacrifice schemes.	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Control of Vehicles, Plant & Equipment	Vehicles, plant and equipment are a material item in the Council's financial statements.	External audit of the financial statements	Annual insurance premium renewal process	To review the arrangements in place to monitor and reconcile the Council's vehicles, plant and equipment, including acquisitions and disposals. To examine the internal communication systems to ensure that insurance cover is amended to reflect changes in assets held.	Audit report
Payroll Cash & Bank Council Tax Housing Benefit Accounting Journals Creditors Fixed Assets Loans & Investments NNDR Sundry Debtors	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

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Creditors (Early Payment Scheme)	The Council is introducing a scheme for suppliers to have the opportunity to be paid early (to assist their cash flow) in return for a discount on the invoice value.	None	None	Review the operation of the scheme to ensure discounts and VAT are accounted for correctly. The cost of administering the scheme is efficient and minimises the overhead on the Council.	Audit report
Council Tax Benefit localisation	The Council has adopted a local scheme for Council Tax support, which is to be introduced in April 2013.	None identified	None identified	Review of the new scheme to ensure that entitlement is calculated correctly.	Audit report
Budget Planner – New Agresso module	New Agresso module introduced for budget modelling. Increased budgetary pressures following funding reductions.	Work of External Audit	Project Implementation Plan Budget management Performance management reporting Outturn statement	Review of budgetary modelling processes.	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Discretionary Support Scheme	From April 2013 the Social Fund section at DWP will no longer make emergency grants and interest free loans. This responsibility has transferred to the Council. A local scheme has been developed to assist people in crisis situations.	None Identified	Budget monitoring	Provide assurance that payments are being made in accordance with the local scheme.	Audit report
Imprest Accounts	Cash inherently poses risks for the Council e.g. theft. It also has insurance implications and staffing resources are utilised for intensive reconciliation processes.	None identified	Year-end reconciliation of imprest accounts	Assessment of the use of cash imprest accounts across the Council, and identifying opportunities to utilise more efficient processes.	Audit report
Recurring Payments (e.g. leases)	New recurring payment module introduced in Agresso.	None	None	Review of system to ensure it is appropriately controlled, operates as intended and is delivering efficiencies.	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Information Systems & Management					
Management of in-house developments (and end user computing)	In house development may not necessarily provide VFM and meet the needs of end users Need to ensure on-going resilience, security and support for in house applications	None identified	Change management guidelines System development documentation	Sample testing of recent in-house developments to assess if they have met the original objectives and have delivered VFM.	Audit report
Document Management	As the Council has adopted electronic storage for the management of data, there is a legacy of paper records. As the ICO threatens compulsory data protection audits of local councils, it is imperative that assurance is provided on the Council's compliance with statutory requirements. Physical storage has a cost implication for the Council and therefore should be kept to a minimum.	Data Protection Registration	None identified	Review the current arrangements against the Council's own document retention policies; assess the cost implication and ensure compliance with legislation.	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Mayrise	This system is utilised in the Highways and Open spaces Divisions. It is used to schedule and allocate work, place orders and manage service delivery in these areas. Produces management information for service performance.	None identified	Budget Monitoring	Review the utilisation of the system, integrity of the data.	Audit report
Roadbase	This system is utilised to manage the maintenance of the Council's fleet vehicles Therefore it is imperative that the system produces accurate data to ensure vehicles are safe. The system also integrates with the creditors system.	None identified	None identified	Application review to provide assurance over the integrity of the data and management information, access controls, input and output of data, interface controls and business continuity arrangements.	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Network Security	The Council's information technology network provides the infrastructure that facilitates communication between users and systems across the Council and with external bodies. One of the Council's key assets, data is accessed and stored on the IT network therefore it is essential that the network remains secure and operational at all times. There is a risk of substantial financial penalties if the Council suffers a security breach.	Lack of security incidents	Penetration Testing	The review will focus on the network perimeter security, including associated policies, standards and procedures as well as the effectiveness of the security implementation.	Audit report
Procurement					
Mersey Gateway - Procurement	Flagship project for the Council. Potential for significant challenge from unsuccessful bidders as they have invested in the contract tendering process (approx. £6m).	Dept for Transport (DfT)) - Gateway Reviews OJEU regulations External Audit	MG Executive Board MG Officer Project Board	Assurance that the agreed procurement process and tender evaluation process have been followed.	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Lunts Heath and Windmill Hill Primary Schools - refurbishment	£750K project procured through the Local Education Partnership (LEP)	None identified	Contract monitoring procedures	Post contract audit approach examining probity and value for money issues.	Audit report
Key Stage 3 & 4 Provision for excluded pupils	There are two service delivery models for excluded pupils both 11-14yrs and 14 – 16 years respectively; a mixture of in- house provision and external providers. In times of reducing budgets there is s a need to ensure value for money is secured for both service delivery models.	Ofsted Inspections	None identified	Review contract letting, contract monitoring arrangements to provide assurance that the Council's Procurement Standing Orders have been complied with and the arrangements offer value for money.	Audit report

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Advice & Support					
Information Governance	Information governance refers to the structures, policies, procedures, processes and controls implemented to manage information at an organisational level. Penalties of up to £500,000 can be imposed for breaching the Data Protection Act. The ICO are threatening Data Protection Audits of Local Council's therefore it is important that the Council has robust arrangements in place.	Potentially ICO Data Protection Compliance Audits	Information Governance Group Restrictions in data transfers via firewall configuration	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
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
Provision for completion of 2012/13 Audits					
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 2012/13: • Budgetary Control • SIMS • Out of School • Special Educational Needs • CRMZ • Carefirst 6 • Synergy	Completion of 2012/13 work in progress	Not applicable	Not applicable	Completion of work planned as part of 2012/13 Audit Plan	Audit reports

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
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
Contingency					

Audit Area	Risk Context / Rationale	Existing External Assurance	Existing Internal Assurance	Planned Internal Audit Coverage	Output
Contingency provision	The contingency provision is built into the Audit Plan to accommodate any unplanned work that may arise during the year.	Not applicable	Not applicable	Unknown at this stage	Unknown at this stage