



Stevenage Borough Council
Audit Committee

Internal Audit Plan 2013-14 Report

26 March 2013

Recommendation

Members are recommended to approve the proposed Stevenage Borough Council Internal Audit Plan 2013-14

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A Proposed Stevenage Audit Plan 2013-14

1. Introduction and Background

Purpose of Report

- 1.1 To provide the Members with the proposed Stevenage Internal Audit Plan 2013-14.

Background

- 1.2 The Stevenage Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It is designed to inform the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Internal Audit annual report.
- 1.3 The SIAS Audit Strategy which the Committee approved in its meeting in March 2012, and which sets out the overall approach adopted to provision of internal audit, was drafted in order to fully comply with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. The Strategy sets out the future direction for the provision of modern and effective Internal Audit Services for the SIAS partner authorities, providing the appropriate level of support and challenge to assist them in meeting their aims and objectives.
- 1.4 The new United Kingdom Public Sector Internal Audit Standards (PSIAS) will apply across the whole of the public sector from 1 April 2013. The SIAS Terms of Reference and Audit Strategy will be updated to reflect the new PSIAS and will be subsumed in an Audit Charter which will be presented to Audit Committee in June 2013.
- 1.5 The PSIAS require that the audit plan 'must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities'. Section 2 of this report is provided in order to fulfil this requirement.

2. Audit Planning Process

Planning Principles

- 2.1 The SIAS Audit Strategy contains eight planning principles which underpin our approach to overall audit planning:
 - Focus assurance effort on the most important issues, the key obligations, outcomes and objectives, critical business processes and projects, and principal risks; pitching coverage, therefore, at both the strategic and key operational aspects of the business;
 - Maintain up-to-date awareness of the impact of the external and internal environment on the organisation's control arrangements;

- Use a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk;
- Take account of dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, but recognising, in a resource constrained environment, that there will be situations when not all needs can be met;
- Identify responsibilities for auditing any services which are delivered in partnership;
- Ensure flexibility so that the plan evolves through the year in response to emerging risks and issues;
- Provide for the delivery of key commitments, such as work done in support of the External Auditor and to deliver governance and counter fraud responsibilities;
- Include provision for responding to management requests for assistance with special investigations, consultancy and other forms of advice.

Approach to Planning

2.2 The approach to audit planning for 2013-14 has been characterised by:

- A Chief Financial Officers (CFO) workshop to identify and assess emerging risks and any assurance requirements for these risks. The workshop also identified potential joint reviews that could be conducted across SIAS partners;
- Consultation with members of the senior management team and identified key officers within the Council to confirm and complement the results of the CFO workshop;
- Application of a risk assessment approach that reflects management's assessed view of risk as well as the view of Internal Audit;
- Cross-comparative work across the 2013-14 plans conducted for all partners of the SIAS;
- Preparation of draft plans and discussion of these with the Council's Audit Champion;
- Clarification of the requirements of External Audit.

2.3 The aim of this approach is to ensure that our work gives assurance on what is important and risky, and by doing so, assist the Council in achieving its objectives.

The Planning Context

2.4 The following considerations have informed the planning process this year:

- a) The challenging context for local government, housing organisations and the general governance, risk management, and internal control environment:
- Further funding reductions taking effect;
 - Efficiency and transformation programmes altering the nature and structure of Councils;
 - Greater transparency and scrutiny of public expenditure.
- b) The challenge of giving value in this context, which means that Internal Audit needs to:
- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives;
 - Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective;
 - Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as 'control risk self assessments' or 'continuous assurance' where appropriate;
 - Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

Internal Audit Plan 2013-14

- 2.5 The draft plan for 2013-14 is included at Appendix A and contains a high level proposed outline scope for each audit and a suggested quarter for delivery.
- 2.6 The table below shows the estimated allocation of the total annual number of purchased audit days for the year.

Purchased audit days	400
Key Financial Systems	100
Operational audits	106
Procurement	32
Joint Reviews	6
Governance and risk	12
Counter Fraud	16
IT Audits	34
Strategic Support*	40
Follow ups	15
Ad Hoc	2
Contingency	37
Total allocated days	400

* This covers provision of the servicing the Audit Committee, External Audit liaison, 2014/15 Audit Planning, 2013/14 Audit Plan Monitoring, SIAS Development and preparation of the annual Head of Internal Audit Opinion.

3. Performance Management

Update Reporting

- 3.1 The work of Internal Audit is reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2013-14 and any proposed changes will be reported to this Committee four times in the 2013-14 civic year.
- 3.2 The implementation of agreed high priority recommendations will be monitored by Internal Audit and progress will be reported as part of the update reporting process.

Performance Indicators

- 3.3 The 2013/14 annual performance indicators and targets were approved at the SIAS Board meeting on the 5 March 2013; they are detailed in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicators

Performance Indicator	Performance Target
a. Planned Days percentage of actual billable days against planned chargeable days completed	95%
b. Planned Projects percentage of actual completed projects to draft report stage against planned completed projects	95%
c. Client Satisfaction percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%
d. Number of High Priority Audit Recommendations agreed	95%
e. External Auditor Satisfaction	Annual Audit Letter formally records that the External Auditors are able to rely upon the range and quality of SIAS' work
f. Annual Plan	Presented to the March meeting of each Audit Committee. Or if there is no March meeting then presented to the first meeting of the new financial year
g. Head of Assurance's Annual Report	Presented to the first meeting of each Audit Committee in the new financial year.

APPENDIX A: PROPOSED STEVENAGE AUDIT PLAN 2013-14

Audit	Proposed Outline Scope / Reason for Inclusion	Target Quarter
KEY FINANCIAL SYSTEMS		
Debtors	To confirm implementation of previous Key Financial Systems audit recommendations and confirm existing controls are operating effectively. Managed audit. Support Council officers to develop and implement CRSA for this area.	3
Creditors	As above. Support Council officers to develop and implement CRSA for this area.	3
Treasury Management	As above. Support Council officers to develop and implement CRSA for this area.	3
Main Accounting System	As above, this is year two of applying the CRSA methodology.	4
Payroll	As above, this is year two of applying the CRSA methodology.	3
Cash and Banking	To confirm implementation of previous Key Financial Systems audit recommendations and confirm existing controls are operating effectively Managed audit. Systems based audit.	3
Capital Accounting	As above	4
Housing Rents	As above	4
Council Tax	As above	3
NNDR	As above	3
Housing Benefits	As above	3
OPERATIONAL AUDITS		
HR and OD risks including learning and development	This area is the only red flag for the audit committee to note from the operational risk registers. In addition, in a period of change there is greater reliance on HR. The audit will review the adequacy of the controls in place to mitigate the risks in this area and assess the robustness of the direction of travel.	1 or 2
Capital Strategy	This has been identified as a very high risk in the Council's risk register.	2 or 3
Programme and	Changes have to be made to drive out savings. The audit will review the change projects	1

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Audit	Proposed Outline Scope / Reason for Inclusion	Target Quarter
Projects benefit realisation	and will assess whether the anticipated benefits are realised and whether value for money has been achieved.	
Single Status	Categorised as very high risk in the Council's risk register.	2
The Impact of Welfare Reform on income.	An emerging risk and categorised as very high risk in the Council's risk register. The audit will review the impact of the changes and the controls that have been put in place to mitigate the risks in this area.	3
Corporate Debt Management and Debt Policies	Managing money is becoming ever more important as available resources decline. The review will examine the policies in place and review their effectiveness. Where possible comparison will be made with other authorities.	3
Overarching review of operational risk management	Previously there has been inconsistent application around the extent to which operational risk management is embedded in the day to day business of the council. The audit will assess whether the identification and management of operational risks is undertaken in line with corporate procedures.	1
PROUCUREMENT AUDITS		
Extended follow up of decent homes	In 2012-13 the audit review of decent homes gave limited assurance and 18 recommendations were made to improve the control environment. An extended follow up will examine the progress that has been made.	3
Housing contracts	The audit will focus on a sample of the Housing contracts and verify that the due process was followed with the result ensuring best value for the council. The review will also verify that there are adequate contract monitoring arrangements in place to ensure that the contract is being delivered in line with the specification.	TBC
<p>JOINT REVIEWS</p> <p>The audits in this section are based on the outcomes of the SIAS workshop attended by Hertfordshire Chief Financial Officers (CFO's) in November 2012 which identified emerging risks confronting local authorities and related assurance topics.</p>		

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Audit	Proposed Outline Scope / Reason for Inclusion	Target Quarter
Waste Partnerships/ Strategy	Effectiveness of consortia contract for arrangements: achievement of value for money and robustness of contract management arrangements.	TBC
Managing Money	<p>This will be a joint review with the other SIAS partners and will involve a self-assessment against pre-determined criteria set by SIAS, followed by a workshop to validate the results.</p> <p>Proposed audit coverage in this area involves comparative review of budget monitoring arrangements across SIAS Partners, exploring key themes such as budget setting, approach to monitoring and virement, timeliness, format of information, budget holder responsibilities, budget holder training, role of finance teams and prudence.</p>	TBC
New Ways of Working	<p>It is proposed that a seminar will be organised, including all SIAS partners, with a view to sharing best practice in this area, and may include input from PwC experts. The key points from the day will be captured with a view to identifying a checklist for best practice and list of future audit topics.</p> <p>New ways of working include use of new financial risk and reward arrangements, for example, payment by results, as well as 'agile' working for staff, i.e. home working and flexible working.</p>	TBC
GOVERNANCE AND RISK		
Risk Management	To provide assurance over the Council's risk management arrangements.	4
Corporate Governance	A review of the governance arrangements is essential to inform the Head of Assurance's opinion and the review also supports the production of the annual governance statement.	4

APPENDIX A: PROPOSED STEVENAGE AUDIT PLAN 2013-14

Audit	Proposed Outline Scope / Reason for Inclusion	Target Quarter
AD HOC	Planned time to provide ad hoc advice that typically takes a few hours to complete.	As and when required
COUNTER FRAUD		
Proactive review	The audit commission has identified housing tenancy fraud as a key fraud risk. In addition, there is the need to ensure the minimum number of tenants are in emergency accommodation. The review will scope the scale of the problem in Stevenage and identify recommendations for action.	1 or 2
Annual Fraud report and monitoring	To write and present the 2012/13 counter fraud report to audit committee. On going fraud monitoring meetings.	Ongoing
Whistle blowing	To undertake the annual review of SBC's whistle blowing policy.	1
IT AUDITS		
Shared Service	Consultancy and advice on new systems and controls for the shared service.	1
Data Protection and Data Integrity	To verify that controls are in place to ensure that the SBC and EHDC partnership arrangement complies the data protection act. In addition, the audit scope will assess whether data is held in a way that allows it to be clearly identified and managed as either East Herts or Stevenage data, and whether it can separated and recovered should the partnership arrangement end.	TBC
Business Continuity	To ensure that there is adequate business continuity arrangements are in place and that agreed policies can be complied with.	TBC
STRATEGIC SUPPORT, GOVERNANCE AND CONTINGENCY		
Head of Internal Audit Opinion 2012/13	To prepare for the Head of Assurance annual opinion for 2012/13 and draft the report	1

APPENDIX A: PROPOSED STEVENAGE AUDIT PLAN 2013-14

Audit	Proposed Outline Scope / Reason for Inclusion	Target Quarter
Audit Committee	To prepare and agree the internal audit committee reports, meet with the audit committee chair prior to the meeting, read committee reports, and present audit reports at the committee meeting.	Ongoing
External Audit Liaison	To meet and provide the external auditors information they require.	Ongoing
Monitoring	To produce performance and billing information, work scheduling and to meet with audit champion.	Ongoing
Public Sector Internal Audit Standards	To provide the council with an Internal Audit Charter that complies with the new Public Sector Internal Audit Standards that are being introduced from 1 April 2013.	1
SIAS development	The council's contribution to developing the partnership.	1
2014/15 Audit Planning	To consult and prepare the 2014/15 audit plan.	3 or 4
FOLLOW UPS		
High priority recommendations	Evidence based quarterly review on the implementation status of high priority recommendations.	Quarterly
Inventory controls	Follow up weaknesses identified from 2012/13 Capital Accounting Audit.	2
Safeguarding	Follow up of previous recommendations.	2
In year follow ups	Contingency specifically earmarked for following up recommendations in previous audit reports.	Ongoing