



Stevenage Borough Council
Audit Committee

Internal Audit Plan 2014-15 Report

24 March 2014

Recommendation

Members are recommended to approve the
proposed Stevenage Borough Council
Internal Audit Plan 2014-15

Contents

1. Introduction and Background

- 1.1 Purpose
- 1.2 Background

2. Audit Planning Process

- 2.1 Planning Principles
- 2.2 Approach to Planning
- 2.4 Planning Context
- 2.7 Internal Audit Plan 2014-15

3. Performance Management

- 3.1 Update Reporting
- 3.3 Performance Indicators

Appendices

A Proposed Stevenage Borough Council
Audit Plan 2014-15

B Proposed Stevenage Borough Council
Audit Plan 2014-15 – Reserve List

1. Introduction and Background

Purpose of Report

- 1.1 To provide Members with the proposed Stevenage Borough Council Internal Audit Plan for 2014-15.

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 supports 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 Shared Internal Audit Service (SIAS) Audit Charter which was presented to the May 2013 meeting of this Committee shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. An updated version of the SIAS Audit Charter will be brought to the June 2014 committee meeting for Member approval.
- 1.4 The PSIAS require that the audit plan must incorporate or be linked to a strategic or high-level statement which:
 - Outlines how the service will be developed in accordance with the internal audit charter
 - Details how the internal audit plan will be delivered
 - Evidences how the service links to organisational objectives and priorities.
- 1.5 Section 2 of this report details how SIAS complies with this requirement.

2. Audit Planning Process

Planning Principles

- 2.1 SIAS audit planning is underpinned by the following principles:
 - a) Focus of assurance effort on the council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.
 - b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the council's control arrangements.
 - c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk;

- d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource constrained environment, all needs cannot be met.
- e) Identification of responsibilities where services are delivered in partnership.
- f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge;
- g) Capacity to deliver key commitments including work undertaken on behalf of External Audit, governance work and counter fraud activity;
- h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

Approach to Planning

- 2.2 In order to comply with the requirements of the PSIAS, SIAS has revised its approach to planning and for 2014/15 has introduced a standard, methodology for all SIAS partners. This revised methodology contains the following elements:

Local and National Horizon Scanning

Where SIAS reviews:

- key committee reports at each client and identifies emerging risks and issues;
- the professional and national press for risks and issues emerging at national level

It is anticipated that in future years, local and national horizon scanning will be undertaken in-year on a continuous basis. This will support the achievement of principle f) above, 'Accommodation of new risks and issues as they emerge.'

Consideration of risk management arrangements

Where SIAS assesses the risk maturity of the council and based on this assessment, determines the extent to which information contained within the council's risk register informs the identification of potential audit areas.

Confirmation of the council's objectives and priorities

Where SIAS confirms the current objectives and priorities of the Council. This information is used to confirm that identified auditable areas will provide assurance on areas directly linked to the achievement of the council's objectives and priorities.

- 2.3 The approach to audit planning for 2014-15 has been characterised by:

- a) Detailed discussions with senior managers and other key officers within the council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the following four steps to assist in the later prioritisation of projects:

Risk Assessment

Where managers and SIAS agree the level of risk associated with an identified auditable area

Other sources of Assurance

Where managers are asked whether assurance in the auditable area is obtained from other assurance providers e.g. External Audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated.

Significance

Where the manager is asked to assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

Timings

Where the manager is asked to identify when an audit should be undertaken to add most value.

- b) Proposed plans are based on the information obtained from the planning meetings. A contingency allocation is determined to allow flexibility to respond to in-year changes in organisational risk and priorities. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.
- c) The proposed 2014-15 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted;
- d) Proposed draft plans are presented to the Strategic Director (Resources) for discussion and agreement;
- e) The views of the council's external auditor are sought to confirm that their requirements are adequately addressed.

This approach ensures that our work gives assurance on what is important and risky and thus assists the Council in achieving its objectives.

The Planning Context

2.4 The context within which local authorities and housing associations provide their services remains challenging:

- Austere public finances will last well into the next parliament, meaning that previous expenditure levels are not sustainable and public leaders expect serious financial difficulty ahead
- Demand continues to rise, driven by complex needs, an ageing population and higher service expectations from citizens

- Technology ranging from use of mobile devices and applications, to Big Data and predictive analytics, is developing rapidly and offers opportunities along with significant risks
 - Major, national programmes in areas like welfare reform and business rate reform, and structural changes such as the introduction of Police and Crime Commissioners, Clinical Commissioning Groups and Local Enterprise Partnerships mean the environment has been relatively unstable.
- 2.5 The resultant efficiency and transformation programmes that councils are in the process of implementing and developing are profoundly altering each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.
- 2.6 The challenge of giving value in this context, 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 2014-15

- 2.7 The draft plan for 2014-15 is included at Appendix A and contains a high level proposed outline scope for each audit and a suggested quarter for delivery. The table below shows the estimated allocation of the total annual number of purchased audit days for the year.

	14-15	%
Purchased audit days		100%
Key Financial Systems	90	23%
Operational audits	153	43%
Counter Fraud	10	2.5%
Risk & Governance	14	3.5%
IT Audits	39	10%
Strategic Support*	46	12%
Contingency	23	2%
Completion of 13/14	15	4%
Total allocated days	390	100%

* This covers areas of activity including supporting the Audit Committee and External Audit liaison

- 2.8 Members will note the inclusion of a provision for the completion of projects that relate to 13/14. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing draws on their time e.g. year end closure procedures.
- 2.9 A list of reserve audits that will be performed in the event that a planned review is cancelled is presented at Appendix B.
- 2.10 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Head of Assurance to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

3. Performance Management

Update Reporting

- 3.1 The work of Internal Audit is required to be reported to a Member Body so that Stevenage Borough 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 2014-15 and any proposed changes will be reported to this Committee four times in the 2014-15 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 Annual performance indicators were approved at the SIAS Board meeting on the 7 September 2011. Details of the targets set for 2014-15 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target
1. Planned Days percentage of actual billable days against planned chargeable days completed	95%
2. Planned Projects percentage of actual completed projects to draft report stage against planned completed projects	95%
3. Client Satisfaction percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%
4. Number of High Priority Audit Recommendations agreed	95%
5. External Auditor Satisfaction	Annual Audit Letter formally records that the External Auditors are able to rely upon the range and quality of SIAS' work
6. 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
7. Head of Assurance's Annual Report	Presented to the first meeting of each Audit Committee in the new financial year.

APPENDIX A: PROPOSED STEVENAGE BOROUGH COUNCIL AUDIT PLAN 2014-15

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Month
KEY FINANCIAL SYSTEMS			
Main Accounting	Key financial system – Control Risk Self-Assessment (CRSA) year 3 (Full Review)	8	Q3
Debtors	Key financial system – CRSA year 2	6	Q3
Creditors	Key financial system – CRSA year 2	6	Q3
Treasury Management	Key financial system - CRSA year 2	6	Q3
Payroll	Key financial system – CRSA year 3 (Full Review)	8	Q3
Council Tax	Key financial system	12	Q3
NDR	Key financial system	12	Q3
Housing Benefits	Key financial system	12	Q3

APPENDIX A: PROPOSED STEVENAGE BOROUGH COUNCIL AUDIT PLAN 2014-15

Cash & Banking	Key financial system	10	Q3
Housing Rents	Key financial system	10	Q3
OPERATIONAL AUDITS			
Data Protection & FOI	Looking at how the Council discharges its statutory obligations in these areas; to include work around data sharing with partners.	15	Q2
Members Locality Budgets	Review looking at whether opportunities for grants are appropriately publicised; the criteria for making decisions are being correctly applied; and that the use of grant monies is evidenced and monitored.	12	Q2
LGA Peer Review	Giving assurance that the outcomes and recommendations from the peer review are being progressed in a controlled manner.	12	Q1
Single Status	Covering Red Book & Green Book staff; further work in this area looking at how it is supported by controls around changes in establishment and interfaces between the Council's HR & Finance systems	12	Q2
CCTV Incorporation	A review of the controls governing the processes associated with establishing the new business model for delivery of CCTV services.	15	Q4

APPENDIX A: PROPOSED STEVENAGE BOROUGH COUNCIL AUDIT PLAN 2014-15

HRA Business Plan	To give assurance around the controls governing delivery of the Authority's medium term plans and priorities for its housing management services.	20	Q2
Off Street Car Parking	Giving assurance in respect of the collection of car park income and the application of trend analysis to facilitate early detection and investigation of changes. In addition we will assess any impact resulting from changes relating to the replacement of car park machinery and the introduction new payment methods.	15	Q4
Homeless / OPS Grants	Follow up to 13/14 work to give assurance that the service review is progressing as expected as well as new work looking at impact on Support [Older People Services] – 'Sheltered Housing' - contract expiring 31 March 2015	12	Q4
PROCUREMENT & CONTRACT MGT			
Procurement Review	Review procurement exercise for the purchase of the new system within the Planning and Building Control services.	20	Q1
Contract Mgt Review	A review looking at the effectiveness of contract management across the Authority with particular emphasis on the contracts associated with the Council's new build project.	20	Q1

APPENDIX A: PROPOSED STEVENAGE BOROUGH COUNCIL AUDIT PLAN 2014-15

COUNTER FRAUD			
NDR Avoidance	Following the HCFO conference it is considered that there could be value in reviewing NDR anti-avoidance arrangements across all authorities in 14/15 and comparing approaches. This would be in addition to the standard NDR control review undertaken as part of main financial system audits.	10	Q4
JOINT REVIEWS			
Risk Mgt & AGS	Scope to be confirmed at SIAS Board	2	TBC
IT AUDITS			
Help Desk Operations	Looking at the arrangements with regard to the new help desk function and to include incident recording and production of management information and the development of a service catalogue for clients.	15	Q3
Change Control	To provide assurance that SBC has a process in place to ensure that the scheduling of any task or action that can alter the organization's IT production environment is carried out in a controlled manner; to include approach to emergency changes, reporting and tracking.	12	Q3
IT Asset Management	Looking at the controls in place to ensure the completeness and accuracy of information in the ICT asset inventory regarding all servers, laptops and desktop PCs in the SBC estate. We will also look at how this impacts other control areas e.g. virus protection.	12	Q3

APPENDIX A: PROPOSED STEVENAGE BOROUGH COUNCIL AUDIT PLAN 2014-15

Risk Mgt & Governance			
Corporate Governance	Annual Coverage	6	Q4
Risk Mgt	Annual Coverage	6	Q4
STRATEGIC SUPPORT & CONTINGENCY			
Head of Internal Audit Opinion 2013/14	To prepare and agree the Head of Internal Audit Opinion for 2013/14	5	Q1
Audit Committee	To provide services linked to the preparation and agreement of Audit Committee reports and presentation of reports / participation at Audit Committee. Provide Committee Member training prior to the committee meetings	10	Q1-4
Client Liaison	To meet with the Council's Audit Champion and other key officers.	8	Q1-4
Liaison with External Audit	As required	1	Q4
Progress Monitoring	Audit plan monitoring and reporting	12	Q1-4

APPENDIX A: PROPOSED STEVENAGE BOROUGH COUNCIL AUDIT PLAN 2014-15

SIAS Development	Included to reflect the Council's contribution to developing the partnership	5	Q1
2015/16 Audit Planning	To provide services in relation to preparation and agreement of the 2015/16 Audit Plan	5	Q3/4
2013/14 Projects	Completion of outstanding work from 2013/14	15	Q1
Contingency	As required	23	
TOTAL AUDIT PLAN DAYS		390	

APPENDIX B: PROPOSED STEVENAGE BOROUGH COUNCIL AUDIT PLAN 2014-15 – RESERVE LIST

Reserve List			
Integrated Financial Planning	Deferred from 13/14, a review looking at the risks associated with the medium term financial strategy and how relative priorities are accommodated within the process.	10	TBC
Use of Consultants	A review looking at how consultants are used across the Authority; how best value is achieved and the decision making process including the assessment of how this approach to resourcing supports long term staffing goals.	12	TBC
Shared Services Benefits Realisation	A review of the mechanisms to measure the achievement of the planned benefits to be derived from the Revs & Bens and IT shared services.	10	TBC
Caretaking Services	A review of controls governing service delivery.	10	TBC
Sheltered Schemes	Looking at the role of general assistants in these schemes.	10	TBC