



North Herts District Council  
Finance, Audit and Risk Committee

Internal Audit Plan 2013-14 Report

20 March 2013

Recommendation

Members are recommended to approve the  
proposed NHDC Internal Audit Plan 2013-14

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## A Proposed NHDC Audit Plan 2013-14

# 1. Introduction and Background

## Purpose of Report

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

## Background

- 1.2 The NHDC 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's 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 IA 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;
- Detailed discussions with members of the senior management team, identified key officers within the Council to confirm and complement the results of the CFO workshop;
- Using the Authority's Corporate Risk Register to focus discussions with Management;
- 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;
- 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.

<b>Purchased Audit Days*</b>	<b>440</b>
Carry forward from 2012-13	5
Contingency	20
Strategic Support**	50
Follow-up of high priority recommendations	7
Key Financial Systems	106
Other financial and operational audits	164
Joint Reviews	4
IT Audit	40
Procurement	34
Counter Fraud	10

\* This figure, which represents a reduction of 50 days (10.2%) when compared with the 2012/13 plan, reflects the application of the planning approach detailed above and our continuing commitment to explore efficiencies that will help deliver a level of service that both, supports the Section 151 Officer, whilst providing value for money; an approach that we will continue to develop.

\*\* This covers officer liaison; servicing the Audit Committee; liaison with External Audit and the annual planning process.

- 2.7 A number of further audits were initially identified as possible audits for 2013-14. When risk assessed, these were not considered of sufficient priority to make the proposed plan. These will be held in reserve (see Appendix B) and considered for inclusion in the event that audits on the proposed plan are no longer relevant due to changed circumstance. Any amendments will be brought before the FAR Committee for consideration and approval.

## 3. Performance Management

### Update Reporting

- 3.1 The work of Internal Audit is required to be reported to a Member Body so that the Trust 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 Annual performance indicators were approved at the SIAS Board meeting on the 7 September 2011. Details of the targets set for 2013-14 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

<b>Performance Indicator</b>	<b>Performance Target</b>
<b>1. Planned Days</b> percentage of actual billable days against planned chargeable days completed	95%
<b>2. Planned Projects</b> percentage of actual completed projects to draft report stage against planned completed projects	95%
<b>3. Client Satisfaction</b> percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%
<b>5. External Auditor Satisfaction</b>	Annual Audit Letter formally records that the External Auditors are able to rely upon the range and quality of SIAS' work

<b>6. Annual Plan</b>	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
<b>7. Head of Assurance's Annual Report</b>	Presented to the first meeting of each Audit Committee in the new financial year



**APPENDIX A: PROPOSED NHDC AUDIT PLAN 2013-14**

<b>Audit</b>	<b>Proposed Outline Scope / Reason for Inclusion</b>	<b>Days</b>	<b>Target Quarter</b>
<b>KEY FINANCIAL SYSTEMS</b>			
<b>Asset Management</b>	Key financial system audit.	12	3/4
<b>Benefits &amp; Rent Allowances</b>	Key financial system audit.	14	3/4
<b>Council Tax</b>	Key financial system audit.	12	3/4
<b>Creditors</b>	Key financial system audit.	12	3/4
<b>Debtors</b>	Key financial system audit.	12	3/4
<b>Main Accounting System</b>	Key financial system audit.	12	3/4
<b>NNDR</b>	Key financial system audit.	12	3/4
<b>Payroll</b>	Key financial system audit.	12	3/4

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<b>Audit</b>	<b>Proposed Outline Scope / Reason for Inclusion</b>	<b>Days</b>	<b>Target Quarter</b>
<b>Treasury Management</b>	<p>Effectiveness of monitoring arrangements over investments and loans given the current economic climate.</p> <p>Flexibility and responsiveness of current arrangements to change.</p> <p>Key financial system audit.</p>	8	3
<b>OPERATIONAL AUDITS</b>			
<b>Council Tax - Amendments</b>	An initial piece of work giving assurance that the new rates and conditions have been correctly applied	5	Q1
<b>Green Spaces Strategy</b>	Controls assurance in respect of how the new strategy will be implemented and how the benefits from the previous strategy have been realised.	20	To be Confirmed
<b>Area Committee Grants</b>	A review which would allow for the sharing good practice across committees and giving assurance that opportunities for grants are appropriately publicised; that criteria for making decisions are correctly applied; and that the outcomes from the use of grant monies are monitored.	15	To be Confirmed
<b>Safe Staffing</b>	A review of the application of safe staffing controls e.g. CRB checking for	10	Q3

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<b>Audit</b>	<b>Proposed Outline Scope / Reason for Inclusion</b>	<b>Days</b>	<b>Target Quarter</b>
	areas of activity that involve NHDC staff or its partners working with children and/or vulnerable adults within the District.		
<b>Partnerships</b>	A review of partnership strategies locally to determine how the Authority identifies opportunities for shared working that could be developed.	12	To be Confirmed
<b>Increasing Financial Hardship</b>	Provide shared learning on how systems are configured and used to control demand sensitive budgets and consider how pro-active budget holders are being about identifying alternative solutions.	12	To be Confirmed
<b>Housing Allocations &amp; Nominations</b>	Controls consultancy on changes to the process for assessing housing register applications and the move towards a more discretionary and less prescriptive approach.	6	Q1/2
<b>Home Improvement Grants (Disabled Facilities)</b>	Giving assurance around how the proposal to move to a single preferred supplier in the procurement of adaptations will allow for value for money to be obtained and demonstrated.	6	Q3
<b>Managing Change</b>	Reviewing arrangements for learning lessons from the numerous major change programmes that have already taken place in Councils including the approach to ensuring resilience and succession planning.	12	To be Confirmed

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<b>Audit</b>	<b>Proposed Outline Scope / Reason for Inclusion</b>	<b>Days</b>	<b>Target Quarter</b>
<b>Subsidised Services</b>	Giving assurance that, where the Authority is delivering a subsidised service, such subsidies are minimised.	10	To be Confirmed
<b>Community Partnerships</b>	A review looking at how the Authority ensures it effectively controls its relationships with those parties it partners with in developments which represent a shared interest.	8	To be Confirmed
<b>Document Retention</b>	Giving assurance that the Authority's approach to retaining and storing data ensures compliance with statutory requirements.	12	To be Confirmed
<b>Consultation for Local Development Plan Framework</b>	Giving assurance around the robustness of the processes used to consult residents including resolving queries and reporting on outcomes.	10	Q2
<b>Assets of Community Value</b>	A review giving assurance around the processing of applications by community groups who consider taking over responsibility for an asset	10	Q2
<b>Equalities</b>	A review of how the Authority discharges its obligations with regard to equalities prior to decisions on new policies and practices being made	10	Q2

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<b>Audit</b>	<b>Proposed Outline Scope / Reason for Inclusion</b>	<b>Days</b>	<b>Target Quarter</b>
<b>Parking Strategy</b>	Controls assurance on the implementation of the new strategy	6	Q1/2
<b>PROCUREMENT</b>			
<b>Contract Management</b>	Giving assurance that contract management policies and procedures are being complied with including the management of poor contractor performance	12	Q3
<b>Procurement</b>	Compliance with procurement process including arrangements for assessing the financial health of key suppliers	12	Q3
<b>Letchworth Contract</b>	A review giving assurances around the integrity of the processes for letting of the contract for Fearnhill Leisure Centre	10	Q2
<b>COUNTER FRAUD</b>			
<b>TBC</b>	Contingency for matters raised from baseline assessment	10	To be Confirmed

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Audit	Proposed Outline Scope / Reason for Inclusion	Days	Target Quarter
<b>JOINT REVIEWS</b>			
<b>Managing Money</b>	Comparative review of budget monitoring arrangements across SIAS Partners exploring key themes, e.g. budget setting, approach to monitoring and use of virements, budget holder training, role of finance teams	2	To be Confirmed
<b>Herts Waste Partnership</b>	Scope of audit under discussion with the Partnership	2	To be Confirmed
<b>IT AUDITS</b>			
<b>Email Encryption</b>	Post implementation review / Software now being rolled out	10	Q2
<b>Cash Receipting System (Post Implementation Review)</b>	Post implementation review covering the migration of data and the operational controls of the new system	10	Q2
<b>Open Data</b>	A review giving assurance that the ICO guidance on publication schemes	10	Q1/2

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<b>Audit</b>	<b>Proposed Outline Scope / Reason for Inclusion</b>	<b>Days</b>	<b>Target Quarter</b>
	and access to data		
<b>TBC</b>	Contingency for matters raised from baseline assessment	10	To be Confirmed
<b>OTHER</b>			
<b>Contingency</b>	To be applied as required	20	N/A
<b>Follow Ups</b>	Giving assurance on the implementation of previous recommendations and any matters arising	7	Q1-4
<b>Strategic Support</b>	Includes Officer liaison; Audit Champion Liaison, Servicing the Audit Committee; Liaison with External Audit and the Annual Audit Planning Process	50	Q1-4
<b>Outstanding from 12/13</b>	Allowance for any work remaining from the 2012/13 plan	5	N/A

**APPENDIX B: AUDITS NOT INCLUDED IN NHDC AUDIT PLAN 2013-14**

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<b>Audit</b>	<b>Proposed Outline Scope / Reason for Inclusion</b>	<b>Days</b>	<b>Target Quarter</b>
<b>Web Accessibility</b>	With more services delivered via this channel this review will look at compliance with the relevant standards around access	10	N/A
<b>Recruitment Process – Re-Engineering</b>	Consultancy piece to assess effectiveness and operation of new processes designed to simplify the recruitment process	10	N/A
<b>BACS (Post Implementation)</b>	Post implementation review of the new software and changes in organisational responsibility	10	N/A