

Internal Audit Annual Plan 2012/13

Annual Internal Audit Plan 2012/13
Date: 27th June 2012

Distribution List:

For Action

- Audit & Governance Committee
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- Strategic & Service Directors
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From

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Final Plan – Audit & Governance Cttee:	27 th June 2012		

1 Introduction, Background and Purpose

Introduction

Legal Framework

The Accounts and Audit Regulations 2011 require that the Council must “maintain an adequate and effective system of Internal Audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”. The Council has determined that the Head of Corporate Finance and Information Services has responsibility for Internal Audit and is the “Responsible Officer” under Section 151 of the Local Government Act 1972 for making arrangements for the proper administration of the Council’s financial affairs. The Internal Audit Section fulfils the Council’s requirements in respect of the Internal Audit function.

The Chartered Institute for Public Finance and Accountancy Code of Practice for Internal Audit in Local Government (CIPFA Code of Practice) established the expected professional standards for internal audit in local government. The CIPFA Code is informed by standards from other professional institutes, including the Institute of Internal Auditors (IIA) and the Government Internal Audit Standards (GIAS) issued by the HM Treasury, and is the standards against which the quality of internal audit in local government is assessed.

The CIPFA Code sets out the requirement for an internal audit plan. The purpose of this report is to present the Audit Plan for 2012/13 to Members for their approval.

Background

The achievement of the Council’s corporate objectives requires all areas of the Council to work effectively and efficiently in its use of resources whilst demonstrating transparent governance arrangements. Internal Audit plays a part in this process and the Audit Plan is designed to run concurrently with the Council’s plans and sets a series of risk based reviews that will help the Council achieve its stated objectives.

Purpose

The plan put before the Audit & Governance Committee provides a robust basis for internal audit work whilst acknowledging and ensuring that sufficient flexibility is retained to allow us to react to significant changes in the risk environment. In producing the plan we have taken account of the current economic and financial pressures on the Council and will continue to ensure that we deliver an efficient and effective service. The purpose of this report is to present the Audit Plan for 2012/13 to the Members of the Audit & Governance Committee for their approval.

2 Compilation, Characteristics and Types of Audits in the Annual Plan

Compilation

The Audit Plan for 2012/13 has been compiled using the revised framework agreed at the Audit & Governance Committee meeting on 28th March 2012. This comprised 3 stages:-

Stage 1 – the plan has been split into strategic areas comprising;

- Annual Requirements
- Probity / Compliance
- ICT
- Value For Money
- Anti Fraud/NFI
- Project Support Work
- Transformation / Financial Support

Stage 2 – the Chief Internal Auditor consulted with Strategic & Service Directors and Heads of Service to negotiate the detail of the Annual Plan

Stage 3 – once the detail of the plan is agreed with officers the finalised plan to be presented to the Audit & Governance Committee to inform and seek approval of the plan and thus outline to Members the direction for audit.

This will ensure that Members are assured that the plan will meet their strategic requirements and the strategic objectives of the Council.

The Plan is intended to be flexible and responsive to the changing needs and demands for audit services and will be reviewed throughout the year. There is regular liaison and consultation with our External Auditor (PriceWaterhouseCoopers) to ensure a good working relationship, maximise use of overall audit resource and enable them to place reliance on, and take assurance from, the work of Internal Audit.

Audit staffing resources are identified and allocated in terms of estimated planned days for audit work. The resource within the Section has been reduced as part of the larger review of Corporate Finance & ICT; the number of Auditors has reduced from 10 to 8 (excluding the Chief Internal Auditor). Further the Section has reduced from 2 Audit Managers to 1 Audit Manager, however, a Computer Audit post has been established. In 2012/13 there is 1 Senior Auditor on extended shared maternity leave until end of August 2012 and 1 Senior Auditor has been seconded to the Transformation Team until December 2012. The plan has been adopted to account for these resources and therefore the number of planned days has reduced from 1958 to 1525.

The Section is staffed with a suitable mix of professionally qualified, part qualified, accounting technician, and experienced staff appropriate to the requirements of the Plan.

Key Characteristics of the Plan

The key characteristics of the Audit Plan are that it provides for flexibility, support, challenge, prioritisation and timeliness.

The Internal Audit Plan continues to be sufficiently flexible to enable assurance to be obtained over current and emerging risks. There was a high demand for assurance work in 2011/12 and this continues into 2012/13, further there has been an increased demand for value for money work, service delivery change / transformation work and advice / support in the areas of change / ceasing of services. Therefore a key characteristic of the plan is its flexibility with time being allocated for this type of work and time also allocated for contingency and consultancy to be applied to emerging risks and to enable the team to react to client demand.

Periods of change increase the potential for risks both positive (opportunities) and negative (hazards), for example the significant change / reduction in the workforce provides opportunity for a breakdown in control as well as an opportunity to consider new, more effective and efficient ways of organising people, systems and processes without impacting adversely on internal control. To reflect this the plan includes time for consultancy / advice and guidance and project / systems development in order to support and challenge officers in the establishment and development of their systems of governance, risk management and internal control.

The pace of change across the Council continues to be rapid due to the need to react quickly and positively to the changes in government funding and how the Council applies that funding to its services. This continued pace of change requires Internal Audit to ensure that changes continue to be prioritised and necessary controls in respect of the changes in service delivery are implemented on a timely basis. The plan allows for time to be allocated as necessary to react in a timely manner to these rapid changes.

In order for Internal Audit to help the Council to continue to respond effectively to the scale and pace of change in 2012/13 and beyond it is critical that the principles outlined above are maintained in the Audit Planning process and Audit Plan. In order for assurance to be obtained it is best that a combination of different types of audit are utilised.

Types of Audit

Annual Requirements

Provides assurance in respect of processes / procedures are operating as expected in regard to those areas that are ongoing systems, for example, debt write off procedures, final account review, misappropriated cheques etc.

Probity / Compliance

Provides assurance to officers and key stakeholders that key systems and processes are operating in compliance with prescribed policies / procedures / regulations and legislation (where relevant) as expected.

Value For Money

Provides assurance to officers and key stakeholders that services / processes operating / utilised are delivering best value for money and / or identifies other methods of delivery where appropriate.

Project Support

Provides early engagement in the development of new systems / processes and make recommendations to mitigate risks where appropriate, further to provide a quality assurance function that projects are managed appropriately.

Anti Fraud & NFI

Provides assurance by undertaking proactive testing of systems and processes to identify potential fraud and misappropriation, as well as non compliance with policies and procedures. In addition Internal Audit investigates potential wrong doing, fraud and corruption.

ICT

Provides assurance that ICT systems / processes are operating as expected and monitors / reviews compliance with Information Security policies.

Advice, Consultancy and Investigations

Internal Audit provide advice and guidance across the Council by attending working groups, responding to telephone queries and undertaking work as requested by Clients. Early advice and support can help maintain a robust control environment.

The approach of utilising different types of audit and ensuring time is retained for Advice, Consultancy and Investigations and Contingency is considered the most effective way of delivering the Audit Plan.

The Audit Plan for 2012/13 is attached at Appendix A.

3 Operating Standards, Measuring and Reporting

Operating Standards, Measuring and Reporting of Internal Audit Activity

Internal Audit operate to standards as set out in CIPFA's Code of Practice for Internal Audit in Local Government in the UK 2006. In doing so Management can be assured that Audit reviews will be to professional standards from officers with integrity providing well considered, impartial advice and sound practical recommendations.

Audit reviews are reported directly to Directors, Heads of Service, Schools and Chairs of Governors as appropriate on a continuous basis throughout the year. There is regular liaison with constructive dialogue and a good working relationship with the External Auditor (PriceWaterhouseCoopers).

Audit and Governance Committee receive quarterly updates on Internal Audit work which would where necessary advise of any significant issues requiring to be addressed by them or any failure or undue delay by Departments to respond to significant audit issues. Additionally, an Annual Audit Report is submitted which summarises the Audit activity for the year and provides an opinion on the overall control environment.

As a management tool Internal Audit utilises the Audit Planning And Control Environment (APACE) system. This enables the planning, recording, monitoring and reporting of all audit activity. Throughout the year the Audit Plan is proactively monitored by the Chief Internal Auditor and Audit Managers to review progress against the Plan. .

The section has a number of performance measures in place including client satisfaction surveys which are undertaken on an ongoing basis. The latest returns from these show a very high level of client satisfaction with Audit work with 96% of clients sampled considering overall audit services to be in the categories of Very Good/Good.

Appendix A: Audit Plan 2012/13

Audit Plan 2012-13 - Summary

Directorate/Area	Days Allocated	% of Total Days
People - Young People and Families	165	12%
People - Older People	180	13%
Chief Executive - Corporate Finance & ICT	89	7%
Chief Executive - Corporate Legal Services	15	1%
Chief Executive - Corporate Personnel	45	3%
Chief Executive - Corporate Commissioning	25	2%
Cross-Cutting Reviews	30	2%
Place - Streetscene	102	7%
Place - Built Environment	102	7%
Corporate Governance	65	5%
ICT	188	14%
Contract Audit	30	2%
Grant Certification	10	1%
Advice, Consultancy & Investigations	200	14%
Contingency (Unallocated)	100	7%
Anti Fraud/NFI	100	7%
Adjustment for Warrington	-50	-4%
Total	1396	100%

Audit Type	Days Allocated	% of Total Days
Probity & Compliance	491	35%
Value for Money (VFM)	155	11%
Project Support	92	7%
Anti Fraud/NFI	100	7%
ICT	188	13%
Other (see above)	370	27%
Total	1396	100%

PEOPLE		<u>Young People & Families</u>		
Auditable Area	Priority	Audit Outline	Audit Type	Indicative Days
Leasing for Schools	H	Processes for entering into leasing agreements including securing and evidencing VFM. Monitoring and termination of leasing agreements including payment of lease rentals, budget control and the disposal of leased equipment.	VFM	25
Children with Disabilities	H	Identification/referral of disabled children, assessment of needs, funding packages and communication with parents	Probity & Compliance	25
Schools - Payments to Self Employed	H	Mechanisms for making payments to self employed suppliers/contractors and ensuring compliance with HMRC requirements and relevant legislation.	Probity & Compliance	15
Schools - Information to Governors	H	Ensure that Governors are provided with information of sufficient quality and quantity and in a timely manner to enable them to fulfill their responsibilities	Probity & Compliance	10
Schools - Medium Term Financial Planning	H	Ensure that adequate financial planning processes are in place with clear links to the school's strategic plan.	Probity & Compliance	10
Schools Procurement	H	Assess current procurement arrangements and evaluate other procurement options with a view to improving VFM.	VFM	20
Youth Service	H	Review of the commissioning process to provide assurance that it is robust and will stand up to scrutiny and challenge.	Probity & Compliance	20
Family Centres	H	Comprehensive review of systems and procedures in operation at the Council's Family Centres.	Probity & Compliance	25
Leaving Care - Commissioning	H	Provide support to a VFM review in respect of the commissioning of the provision of accommodation and outreach support to young people leaving care.	VFM	15

PEOPLE		Older People		
Auditable Area	Priority	Audit Outline	Audit Type	Indicative Days
Community Equipment Service Follow Up	H	Governance arrangements in respect of partnership arrangement with Liverpool Community Health Foundation Trust.	Probity & Compliance	5
Assistive Technology	H	Procurement of equipment, contracts/SLAs in place, out of hours provision, income and performance management.	Probity & Compliance	20
Liquid Logic	H	Ongoing project support work in respect of the replacement of the SWIFT System	Project Support	20
Commissioning of Specialist Transport	H	Client assessments/eligibility criteria and assessment of VFM provided by current commissioning arrangements.	VFM	20
Atkinson Centres	H	Atkinson Centres will open in April 2013. Support will be provided to set up robust systems and procedures.	Project Support	20
Formby Pool & Crosby PFI	H	These leisure centres are operated by 3rd parties. The audit will focus on contract monitoring arrangements and the income sharing arrangements in place.	Probity & Compliance	20
Older People -Income Collection Systems	H	Whole system of area finance inc. prompt/accurate billing of client contributions and debt recovery.	Probity & Compliance	20
Direct Payments	H	Referrals to the scheme, payment mechanisms, monitoring of clients' designated bank accounts and recovery of unspent balances.	Probity & Compliance	20
Older People Charging Policy	H	Benchmarking exercise to assess whether Sefton's Charging Policy is fair and equitable.	VFM	15
Community Care Allocations	H	Review of how consistency and accountability for decisions is maintained, budget monitoring and performance management.	Probity & Compliance	20

<u>CHIEF EXECUTIVES</u>		<u>Corporate Finance & ICT</u>		
Auditable Area	Priority	Audit Outline	Audit Type	Indicative Days
Client Team - arvato Contract Management	H	Application of the arvato contract with particular emphasis on roles and responsibilities of staff, payments made to arvato and whether current governance arrangements provide best VFM.	Probity & Compliance	20
Budget Monitoring	H	Budget setting and monitoring arrangements.	Probity & Compliance	15
Debt Management	H	Compliance with the contract in respect of managing debt, collection rates and systems for writing off debts.	Probity & Compliance	10
Accounts Payable Council Processes - Follow Up	H	Confirm implementation of audit recommendations arising from the 2010/11 audit review which resulted in an overall opinion of 'Weak'.	Probity & Compliance	7
Bank Reconciliation - Follow Up	H	Confirm implementation of audit recommendations arising from the 2010/11 audit review which resulted in an overall opinion of 'Weak'.	Probity & Compliance	7
Health & Safety	H	Measure compliance with CIPFA Matrices/Best Practice.	Probity & Compliance	10
Emergency Planning	H	Measure compliance with CIPFA Matrices/Best Practice.	Probity & Compliance	10
Green Champion	H	Corporate Finance representation at Working Group.	Project Support	10

<u>CHIEF EXECUTIVES</u>		<u>Corporate Legal Services</u>		
Auditable Area	Priority	Audit Outline	Audit Type	Indicative Days
Legal Services	H	Following compilation of Legal Risk Register, area for review will be agreed.	TBC	15
		<u>Corporate Personnel</u>		
Sickness Absence - Follow Up	H	Undertake further work after the 2010/11 audit review and subsequent work by Personnel identified serious weaknesses and discrepancies in the system of capturing and reporting sickness absence.	Probity & Compliance	15
HR Policies	H	Provide assurance that HR Policies are reviewed regularly and in accordance with relevant legislation and best practice.	Probity & Compliance	10
Disciplinary Investigations	H	Review of the arrangements in place for obtaining, recording, maintaining and retaining evidence in respect of disciplinary investigations.	Probity & Compliance	20
		<u>Corporate Commissioning</u>		
Mayors Charity	H	To undertake an independent examination of the accounts in accordance with Charity Commission Guidelines and produce an Independent Examiners Report.	Probity & Compliance	10
Domestic Violence	H	Budgetary arrangements and expenditure including grant monies	Probity & Compliance	15

<u>PLACE</u>		<u>Built Environment</u>		
Auditable Area	Priority	Audit Outline	Audit Type	Indicative Days
New Homes Bonus c/f	H	Ensure arrangements are in place to maximise Sefton's claims for NHB. Review will also look at compliance with legislation, integrity and sharing of relevant data and prompt inclusion of new properties on the CTax base.	VFM	30
Carbon Reduction Commitment Efficiency Scheme	H	Assess Council's ongoing compliance with the Environment Agency's conditions in respect of the Scheme.	Probity & Compliance	15
Cycle Hire Scheme	H	Governance arrangements, income/payment systems, purchasing systems, budget (funding allocation) control and asset control.	Probity & Compliance	12
Asset Management	H	Council's Asset Management Strategy and the processes in place to ensure that the Council obtains best VFM in respect of the usage and disposal of its assets.	VFM	15
Taxi Licencing Enforcement	H	Review proactive enforcement action to ensure compliance with all relevant legislation and regulations e.g. vehicle inspections, insurance and licencing checks.	Probity & Compliance	15
Staff Car Parking	M	All aspects of staff car parking including allocation of parking, enforcement and income.	Probity & Compliance	15

<u>PLACE</u>		<u>Street Scene</u>		
Auditable Area	Priority	Audit Outline	Audit Type	Indicative Days
Refuse Collection Trade and Domestic b/f	H	Map a number of systems in Cleansing to facilitate the introduction of more robust controls by Management.	Project Support	30
Southport Golf Course Systems and Procedures	H	Advice and support to improve controls in regard to collection, receipting and banking of income following an Audit investigation of alleged financial irregularities undertaken in 2011.	Project Support	12
Beach Car Parking Follow-up	H	Confirm implementation of audit recommendations arising from the 2010/11 audit review which resulted in an overall opinion of 'Weak'.	Probity & Compliance	10
Registrars	H	Full review of all risk areas associated with the provision of Registrars service at Southport and Waterloo.	Probity & Compliance	20
Careline	H	Provision of 'out of hours' service by Sefton Security Services.	Probity & Compliance	15
Building Cleaning	H	Current arrangements for the provision of the Council's Building Cleaning operation could be improved to provide better VFM.	VFM	15

<u>CORPORATE GOVERNANCE</u>				
Auditable Area	Priority	Audit Outline	Audit Type	Indicative Days
Annual Governance Statement	H	CIA's input to the Council's AGS.	N/A	10
Review of Constitution	H	Internal Audit input to review of Constitution in response to the Localism Bill/Act.	N/A	15
Mapping Assurance Framework	H	Map all other sources of assurance that contribute to the AGS and inform future Audit Plans.	N/A	30
Trading Services	H	Examination of arrangements in place for undertaking commercial trading activities e.g. services provided at Crosby Lakeside Adventure Centre.	N/A	10
<u>CROSS CUTTING REVIEWS</u>				
Contract Monitoring	H	Review arrangements in place across the Council for monitoring contracts for services delivery by 3rd parties.	Probity & Compliance	30

ICT				
Auditable Area	Priority	Audit Outline	Audit Type	Indicative
Freedom of Information	H	Compliance with the Freedom of Information Act.	Probity & Compliance	25
Annual Billing Checks	H	Annual check to provide assurance regarding the uplift of Revenues and Benefits parameters in the core system (Northgate).	Probity & Compliance	5
School Bank Accounts	H	Project Management of : i) electronic reimbursement of school bank accounts ; ii) set up of control accounts within Oracle for all school bank accounts.	Probity & Compliance	8
Data Protection	H	Review of Council compliance with the Data Protection Act.	Probity & Compliance	25
IS Security Policy Compliance Follow Up	H	Confirm implementation of audit recommendations arising from the 2010/11 audit review which resulted in an overall opinion of 'Poor'.	Probity & Compliance	15
Electronic Communications	H	Support in respect of planned development of modern methods of electronic communication (e.g. Twitter, Facebook, etc.) with the Council's stakeholders.	Project Support	10
Provision of Shared Service	N/A	Shared working arrangements with Warrington MBC	TBC	50
To be determined	N/A	To be determined.	TBC	20
Advice, Consultancy & Investigations	N/A	Provision of advice, consultancy and investigation work.	N/A	30

Appendix B: Internal Audit Resource Analysis 2012/13

Internal Audit Resource Availability - 2012/13

	2012/13
Total Staff Days	2165
Less:	
Public Holidays	84
Annual Leave	263
Special Leave	3
Closedown	36

Total Available Days 1779

Less Audit Activity Outside the Audit Plan :

Sickness	24
Paternity	90
Doctors, Dentists etc Appts	2
Courses / Seminars	7
Other (incl EC DL & ITQ)	14
MDP	8
Audit Improvement	4
Supervision & Management - Audit	114
CIA Supervision & Management (Inc. Risk)	120

Total Days for Planned Audit Work 1396

Utilisation of total available days (%) 78%