



Haringey Council

Report for:	Corporate Committee 14 March 2013	Item number	
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Title:	Annual Internal Audit Plan and Strategy 2013/14 and Internal Audit Charter
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Report authorised by :	Director of Corporate Resources <i>J. Paul 5/3/13</i>
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Lead Officer:	Anne Woods, Head of Audit and Risk Management Tel: 020 8489 5973 Email: anne.woods@haringey.gov.uk
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Ward(s) affected: ALL	Report for: Non-Key Decision
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1. Describe the issue under consideration

- 1.1 The Corporate Committee is responsible for reviewing and approving the annual internal audit plan as part of its Terms of Reference. In order to facilitate this a draft audit plan for 2013/14, together with the internal audit strategy, is provided for review and approval by the Corporate Committee.
- 1.2 In addition, the introduction of the Public Sector Internal Audit Standards on 1 April 2013 requires the Council's internal audit service to have a formal Internal Audit Charter which sets out the purpose, authority and responsibility of the Council's Internal Audit function. The Audit Charter forms part of the Council's overall internal audit strategy and the draft charter is therefore presented to the Corporate Committee for approval.

2. Cabinet Member Introduction

- 2.1 Not applicable



3. Recommendations

- 3.1 That the Corporate Committee reviews and approves the Internal Audit strategy.
- 3.2 That the Corporate Committee reviews and approves the Annual Internal Audit Plan for 2013/14.
- 3.3 That the Corporate Committee reviews and approves the Internal Audit Charter.

4. Other options considered

- 4.1 Not applicable.

5. Background information

- 5.1 Local authorities are required by law to maintain an internal audit function. In addition, The Accounts and Audit (Amendment) (England) Regulations 2011 reinforce the statutory requirement and re-state the need for the Council to maintain an adequate and effective system of internal audit.
- 5.2 Within Haringey, the Internal Audit function is comprised of Deloitte and Touche, who undertake the majority of the internal audit work in accordance with the contract in place, including IT and procurement audit. The in-house corporate anti-fraud team is responsible for investigations into allegations of financial irregularity, pro-active and reactive corporate anti-fraud work, provision of advice on risk and controls and grant certification work.
- 5.3 Appendix A contains the proposed annual audit plan for 2013/14, which is fully risk based and has been derived following consideration of: planned organisational and efficiency savings; risk registers; new projects and procurement activities reported to the Cabinet and the Cabinet Procurement Committee; the Annual Audit and Inspection Letter; changes to legislation; and fraud investigation work completed in 2012/13. This approach reflects current best practice requirements for internal audit and ensures that, over the life of the contract, the Council's key financial and non-financial systems and services will be appropriately reviewed according to risk. This approach also ensures that the Council operates a fully integrated internal audit and risk management process.
- 5.4 Appendix A also includes the audit strategy which will be used to deliver the Council's internal audit plan. The strategy has been drafted in accordance



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with the UK Public Sector Internal Audit Standards (PSIAS) which come into effect on 1 April 2013.

- 5.5 The PSIAS provide a consistent framework for internal audit services across the UK public sector and replace the existing standards and 2006 CIPFA Code of Practice for Internal Audit in Local Government.
- 5.6 One of the requirements of the PSIAS is for the Council to have an internal audit 'charter' which must formally define the purpose, authority and responsibility of the internal audit activity. The charter will also cover arrangements for avoiding conflicts of interest if internal audit carries out any 'non-audit' activities. In Haringey, this applies as the Head of Audit and Risk Management is responsible for the Insurance and Risk Management activities across the Council. These activities are subject to regular independent review by both external audit and Deloitte and Touche to ensure that appropriate arrangements are in place.

6. Comments of the Chief Financial Officer and Financial Implications

- 6.1 There are no direct financial implications arising from this report. The work which will be completed by Deloitte and Touche to undertake the annual audit plan in 2013/14 is part of the three year contract which was awarded, in compliance with EU regulations, from 1 April 2012. The costs of this contract are contained and managed within the Audit and Risk Management revenue budgets which are monitored on a monthly basis.
- 6.2 The audit plan reflects current best practice requirements for internal audit in accordance with UK PSIAS and ensures that, over the life of the contract, the Council's key financial and non-financial systems and services will be appropriately reviewed according to risk. This approach also ensures that the council operates a fully integrated internal audit and risk management process.
- 6.3 The corporate anti-fraud team is responsible for investigations into allegations of financial irregularity, pro-active anti-fraud work, provision of advice on risk and controls and grant certification work. This is on top of the planned work set out in Appendix A.

7. Legal Implications

- 7.1 The Head of Legal Services has been consulted in the preparation of this report, and save to confirm that the Committee has the Constitutional power to make the recommendations sought, and that the Council is a signatory to the new Public Sector Internal Audit Standards, advises that there are no direct legal implications arising out of the report. In so saying, the Head of Legal Services notes that both the Charter, and the Audit Plan and Strategy, adopt industry best practice.



8. Equalities and Community Cohesion Comments

8.1 This report deals with how risks to service delivery are managed across all areas of the council, which have an impact on various parts of the community. Improvements in managing risks and controls will therefore improve services the Council provides to all sections of the community.

9. Head of Procurement Comments

9.1 Not applicable.

10. Policy Implications

10.1 There are no direct implications for the Council's existing policies, priorities and strategies. However, reducing the opportunity for fraud to take place in the first place, and taking appropriate action to detect and investigate identified fraud will assist the Council to use its available resources more effectively.

11. Use of Appendices

11.1 Appendix A – Annual Internal Audit Plan and Strategy 2013/14

11.2 Appendix B – Internal Audit Charter

12. The Annual Audit Plan 2013/14

12.1 The proposed annual internal audit plan for 2013/14 is attached as Appendix A to this report. It gives outline details of the planned audit work on the key financial and other systems of the Council. The detailed scope for each project will be agreed with the client for the work at the planning stage of the audit. Indicative timings for the projects have also been agreed, wherever possible, with the nominated clients to take account of any cyclical or other work pressures, although these may be subject to change during the course of the year.

12.2 The proposed projects have been discussed with directors and their management teams and will be subject to further discussions with the nominated client for each audit as part of the detailed planning process. All completed projects are subject to a formal follow up review process and the results of the follow up reviews will continue to be reported for information to Members, on a quarterly basis.

12.3 We will continue to work with the Council's external auditors, Grant Thornton, to ensure that audit coverage is maximised and duplication is avoided wherever possible in order to make the best use of our combined



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resources. A programme of meetings has already been planned during 2013/14 to ensure that use of audit resources is effective.

12.4 Included in the audit plan (within Corporate Resources and Chief Executive) are audits of key financial systems. We consider key systems to be those which are essential to the successful management of the Council, and where failure of the system would have a material effect on the organisation. These key systems, including payroll, accounts payable, accounts receivable, council tax, and housing benefits are therefore subject to regular review. A programme of full reviews every three years, with high level reviews in the intervening years ensures that all key risks and controls are appropriately reviewed. This programme of work has been agreed with both the managers responsible and the council's external auditors.

