



DRAFT Internal
Audit Strategy
and Operational
Plan for the
period to 31st
March 2011

Presented to Alexandra Palace
and Park Board meeting of: 12th
January 2010

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This report has been prepared for Alexandra Palace and Park Charitable Trust. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein.

1. Introduction

Alexandra Palace and Park Charitable Trust's (APPCT) main function is the upholding, maintaining and repairing of the Palace and to maintain the Park and Palace as a place of public resort and recreation and other public purposes. The Council of the London Borough of Haringey is trustee of APPCT. The Council delegates the entire function of trustee to the Board of APPCT, who are annually elected to sit on the Board and act as the charity trustees.

APPCT has a wholly owned trading subsidiary, Alexandra Palace Trading Limited (APTL). APTL's principal objective is the raising of funds for APPCT through hall and room hires, catering (in-house and concession management), operation of the Phoenix Public House and operation of the Ice Rink and Café. A license to undertake these activities is provided by APPCT.

During 2008, an internal audit of APPCT and APTL and was undertaken by Haringey Borough Council's internal audit team. One of the recommendations made was for formal ongoing internal audit arrangements to put in place. Following a competitive tender exercise in August 2009, Mazars LLP have been appointed as Internal Auditors to both organisations. The Internal Audit Strategy and Operational Plan for APTL has been reported as a separate document to the APTL Board.

At the time of drafting this report, APPCT, APTL, and the Council are in the midst of a governance review to ensure the governance structure is fit for purpose and empowers the trustees to secure a sustainable future for the asset. This review may result in a number of implications for the future content and direction of the Internal Audit Strategy and Plan.

2. The Scope and Purpose of Internal Audit

The purpose of internal audit is to provide the Alexandra Palace and Park Board with an independent and objective opinion on governance, risk management and internal control, and their effectiveness in achieving the organisation's agreed objectives. Internal Audit also has an independent and objective advisory role to help line managers improve governance, risk management and internal control.

The work of internal audit, culminating in our annual opinion, forms a part of APPCT's overall assurance framework.

Our work is delivered in accordance with the Institute of Internal Auditors (IIA) – International Standards.

3. The Internal Audit Strategy and Audit Needs Assessment (ANA) Process

Purpose

The purpose of this document is to provide the Alexandra Park and Palace Board with details of the process adopted to determine an Audit Strategy and Operational Plan for the period ending 31st March 2011. The Operational Plan will run to the end of the next financial year, due to the timing of our appointment and to allow sufficient work to be undertaken in order to provide an annual opinion.

The ANA process is used to direct internal audit resources to those aspects of the organisation that are assessed as generating the greatest risk to the achievement of its objectives.

The ANA Process

In order to understand the issues and risks facing the organisation and determine the audit need, we have undertaken the following:

- We have considered the current context and relationship between APPCT, APTL and the Council. In a number of areas, there will be a need for internal audit reviews to consider systems and processes within both APPCT and APTL
- We have confirmed the core objectives of the organisation and key risks associated with the achievement of those objectives through discussion with:-

APPCT

- Interim General Manager
- Interim Facilities Management Consultant

APTL

- Managing Director
- Head of Finance / Company Secretary
- Acting Head of Events and Operations
- Head of Catering
- Leisure Services Manager
- General Sales Manager

Haringey Borough Council

- Director of Corporate Resources (advisor to APPCT Board, Director of APTL)
- Head of Audit and Risk Management

Others

- External Auditors to APPCT and APTL
- Reviewed key documentation including:
 - APPCT Business Plan 2009/10
 - APPCT Financial Statements for the year ended 31st March 2009
 - Results of Haringey Council Internal Audit review 2008 and subsequent reports on progress of the implementation of recommendations from this review
 - External Auditors, Deloitte, Management Report/Letter for the Year Ended 31 March 2009
- Identified the sources of assurance available to the organisation and the controls in place to mitigate the organisation's risks.
- Considered areas where internal audit coverage would be of benefit and add value.
- Reviewed the findings and recommendations of the internal audit work undertaken by the Council and used our knowledge and experience to identify areas that would benefit from internal audit coverage.
- Considered/identified areas of coverage, having undertaken the ANA, that do not appear as high priority risks, but where internal audit coverage can provide a tangible input to assurance, for example:
 - Work required in order to enable the external auditors to place maximum reliance on internal audit work on core financial systems;
 - Areas of concern flagged by management or Alexandra Park and Palace Board;
 - Emerging issues; and
 - Need for ongoing assurance in relation to key aspects of internal control.

Prioritisation of coverage and resources

The prioritisation of reviews and resources within the Strategy depends upon:

- The priority for each area of coverage for internal audit, in terms of levels of risk to the organisation.
- When the last audit of the area was undertaken (if at all) and what was the outcome.
- When the risk to be considered is likely to impact upon the organisation.
- Whether there are management concerns about the area.
- Whether or not there have been significant systems, staff or organisational changes since the last audit.

During the period of the Strategy and the Plan, the priority and frequency of assignments will be subject to ongoing review in order to recognise changes in the risk profile and/or systems of the organisation. These will be identified through regular liaison with Senior Management and the Alexandra Palace and Park Board.

Our professional judgement has been applied in assessing the level of resource required for the audits identified in the Strategy and Operational Plan. This includes consideration of the complexity of the underlying system, volume and frequency of transactions, sources of assurance and the audit approach to the area under review.

However, the number of days in any one year is a matter for the Senior Management and the Board taking into account the risks of the organisation and the needs in relation to the resources available.

4. **Strategy/Operational Audit Plan for the period ending 31st March 2011**

The draft Internal Audit Strategy covering the period to 31st March 2013 is attached at Appendix A.

At the time of drafting this Strategy and Plan, the Trust is in the process of formalising a Risk Management framework. Consequently we have not been able to place reliance on an established framework/risk register in developing the Strategy and Plan. We have provided resources within the plan to assist the Trust in developing the framework.

The table at Appendix A identifies the auditable areas based on our understanding from meetings with Key Staff and review of key documentation. The justification column provides background information as to the significance of the area as well as sources of assurance including the work previously undertaken by the Council. The auditable areas are then prioritised based on the resources available and the frequency and days assigned identified within the Audit Year (days) columns.

In Appendix B we have detailed the Operational Audit Plan for the period to 31st March 2011. This provides detailed high level scopes, key contacts and provisional timescales for undertaking the fieldwork and reporting to the Alexandra Park and Palace Board based on the perceived risk areas and the resource allocation of days. Appendix C outlines the audit approach we will adopt for each type of audit or review. Appendix D provides an overview of our typical audit approach for individual assignments.

Our tender in August 2009 was on the basis of 15 days of coverage per annum for the APPCT and APTL. However based on our presentation and subsequent discussions with the Head of Finance of APTL, prior to accepting our appointment as internal auditors we expressed our view that it was likely a considerably higher level of resources was required overall, especially early on within the Strategy. This is primarily due to the recommendations raised by the Council and the absence of any previous ongoing internal audit arrangements.

5. Considerations required of the Alexandra Park and Palace Board

Alexandra Park and Palace Board Members are asked to:

- Consider if the Internal Audit Strategy (as set out in Appendix A) covers the organisation's key risks as they are recognised by the Board.
- Consider if the Internal Audit Strategy includes all those areas that the Board would expect to be subject to internal audit coverage, both in terms of our professional responsibilities as well as covering areas of concern flagged by Senior Management.
- Consider if the areas identified in the Strategy and Plan for the period ending 31st March 2011 are those which the Board believes should be covered as a priority and that the level of resources are appropriate given the assurances required.
- Agree the plan for period ending 31st March 2011.

Appendix A –Strategic Audit Plan

Auditable Area	Justification	Audit Year (Days)		
		Period to 31 st March 2011	2011/12	2012/13
Corporate Governance - Strategic	<ul style="list-style-type: none"> Annual requirement under professional standards. Governance review of APPCT and APTL in progress. Results to be considered as part of our annual opinion. In order to add value to the organisation, we will adapt our approach each year. Council Internal Audit in 2008 made recommendation on implementation and embedding of Code of Governance. 	<i>Recommendation to be considered in Follow Up below.</i>	3#	3#
Corporate Risk Management	<ul style="list-style-type: none"> Council internal audit in 2008 made recommendation on implementation of risk management framework. The Trust is currently working on implementing a formalised risk management framework. Annual requirement for internal audit review under professional standards. In order to add value to the organisation, in subsequent years we would adapt our approach each year. For instance, year 1 support in development of framework, year 2 review of framework, Risk Surveys, etc. 	2	#	#
Business Continuity Planning	<ul style="list-style-type: none"> Shared risk with APTL. External Audit Management Report / Letter Recommendation on need to prepare a Disaster Recovery Plan in 2008/09. 	<i>Recommendation to be considered in Follow Up below.</i>	3	-

Joint review of Corporate Governance and Risk Management in 2011/12 and 2012/13.

Auditable Area	Justification	Audit Year (Days)		
		Period to 31 st March 2011	2011/12	2012/13
Core Financial Controls	<ul style="list-style-type: none"> Annual coverage to provide assurance over the operation of financial systems. Financial services/reporting provided by Head of Finance/Finance Team of APTL. Council internal audit review in 2008 included a number of financial related recommendations. Rolling coverage to be determined in conjunction with APPCT and Head of Finance, APTL due to use of the same finance system. Areas to consider - Budget Setting and Control; General Ledger; Purchasing and Procurement; Miscellaneous Income (Community events, licence fee), debtors, payroll, and assets and inventories. SLA with Council on purchasing/procurement. 	1	1	1
Commercial Property Management	<ul style="list-style-type: none"> APPCT is landlord for number of concessions within Park for which it receives income (£289k in 2008/09). Also number of responsibilities for property management under respective leases. 	-	-	3
ICT	<ul style="list-style-type: none"> Limited use of ICT within Trust due to nature of activities and number of Staff. Resources to review ICT areas. For example, ICT Strategy, ICT Security.; Data Protection. 	-	-	-
Human Resources	<ul style="list-style-type: none"> HR support provided by HR department of APTL.. Small number of Staff employed directly by Trust. APTL plan to undertake Internal review of HR in 2009/10. Areas could include: Recruitment, Retention, Staff training and development, Performance Management. Council internal audit recommendation in 2008 on a formal performance review and staff training/development framework. 	<i>Recommendation to be considered in Follow Up below.</i>	1	-

Auditable Area	Justification	Audit Year (Days)		
		Period to 31 st March 2011	2011/12	2012/13
Health and Safety/DDA Compliance	<ul style="list-style-type: none"> Shared responsibilities with APTL. Area of focus for Trust management and number of improvements implemented in past 6 months. H&S Committee in place. 	3	-	-
Facilities / Contract Management	<ul style="list-style-type: none"> Area of significant budgetary spend for Trust. Specific contracts in place for engineering, maintenance and security of site. Also ongoing repairs to the building and equipment not covered under contracted arrangements. Capital bids submitted for ice rink and dilapidations submitted. Currently waiting for outcome All encompassing tender for Facilities Management contract anticipated during Autumn 2010. Work to include consideration of procurement and project management of respective contracts reviewed. Council internal audit in 2008 made recommendations on need for a formalised contract management framework, planned maintenance programme. 	4	-	-

Auditable Area	Justification	Audit Year (Days)		
		Period to 31 st March 2011	2011/12	2012/13
Follow Up	<ul style="list-style-type: none"> Resources to provide assurance over the implementation of internal audit recommendations, both from the prior year, and those scheduled for implementation in the current year. Council internal audit team has undertaken interim follow up of recommendations made as part of review in 2008 in April 2009. Progress report on implementation status of recommendations to Council Audit Committee 5th November 2009. 	1	3	3
Audit Management	<ul style="list-style-type: none"> To be used at Partner and Senior Manager level for client and External Audit liaison and for preparation for and attendance at Alexandra Park and Palace Board. 	2	2	2
Contingency	<ul style="list-style-type: none"> Resources which will only be utilised should the need arise, for example, for unplanned and ad-hoc work and will be subject to prior approval by the Senior Management Team and Alexandra Park and Palace Board. 	-	-	-
GRAND TOTAL		13	13	12

Appendix B – Operational Audit Plan for the period ending 31st March 2011

Auditable Area	Client Contacts (i.e. Senior Management Lead)	Outline Scope	Audit Approach	Planned Days	Target Review Start Date	Target Alexandra Palace and Park Board Meeting
Corporate Risk Management	Interim General Manager	Resources to support Trust in devising and implementing a Risk Management Framework.	Advisory	2	As required.	As completed.
Core Financial Controls	Interim General Manager Head of Finance, APTL	Review of the Trust's core financial systems. Suggested focus on Budget Setting and Control and Procurement. To be undertaken at same time as APTL internal audit of Core Finance systems.	Systematic	1	September/October 2010	December 2010
Health and Safety/DDA Compliance	Interim General Manager	Review of the Trust's arrangements for ensuring compliance with Health and Safety and DDA requirements.	Key Controls	3	September/October 2010	December 2010
Facilities/Contract Management	Interim General Manager	Consideration of the procurement of and the means by which the new facilities management contract is being managed.	Systematic	4	November 2010	January 2011
Follow Up	Interim General Manager	Resources to assess progress in implementing internal audit recommendations.	Follow Up	1	March 2010	June 2010
Audit Management	Interim General Manager	Resources for ongoing audit management, preparation for and attendance at Alexandra Park and Place Board at which internal audit matters are discussed.	n/a	2	n/a	n/a
TOTAL DAYS				13		

Appendix C – Types of Audit Approach

Approach	Description
Systematic audit	An audit in which every aspect and stage of the audited subject is considered, within the agreed scope of the audit. It includes review of both the design and operation of controls.
Compliance Audits	If compliance is deemed to be an issue, these audits test only for compliance with controls.
Key Controls Testing	Audit testing clearly focussed on a small number of material or key controls.
Quality Assurance Review	Reviewing the approach and competency of other reviewers rather than reviewing risks and controls. Designed to form an opinion of the reliance that can be placed on the work of others.
Controls Risk Self Assessment (CRSA)	A technique in which the people who run a system or process review their own risks and controls, usually with a facilitator who ensures a structured approach.
Systems Development Audit	Ongoing review of developing plans and designs for new systems and processes aimed at identifying potential weaknesses in control if the plans and designs go ahead as they are. This will not result in a formal assurance level.
Healthcheck	A high level review of the controls in place within a given area.
Follow up	A review of the actions taken to implement previous recommendations from internal audit or other assurance providers. Wherever possible, this will be linked back to the organisation's own recommendation tracking processes. Testing will be performed, as appropriate, to confirm the success of implementation of agreed actions to manage the risk identified.
Advisory work	The scope and methodology of this work will vary to suit the needs of your organisation, as will the output of this work. Advisory work will not result in a formal assurance opinion.
Checklists	A review to compare the processes in place with recognised best practice.

Appendix D – Our typical approach to Individual Assignments



