



Haringey Council

Report for:	Corporate Committee 20 March 2014	Item number	
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Title:	Annual Internal Audit Plan and Strategy 2014/15
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Report authorised by :	Assistant Director Corporate Governance <i>Bernie Ryan</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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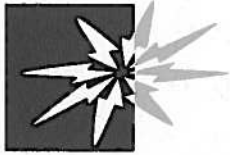
- 1. Describe the issue under consideration**
 - 1.1 The Corporate Committee is responsible for reviewing and approving the annual internal audit plan as part of its Terms of Reference. In order to facilitate this, a draft audit plan for 2014/15, together with the internal audit strategy, is provided for review and approval by the Corporate Committee.

- 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 2014/15.

- 4. Other options considered**
 - 4.1 Not applicable.

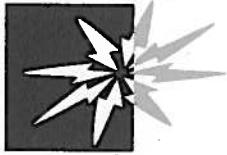


5. Background information

- 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 Mazars, 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 some grant certification work.
- 5.3 Appendix A contains the proposed annual audit plan for 2014/15, which is risk based and has been derived following consideration of: organisational changes; risk registers; corporate programmes and priorities; 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 2013/14. 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 with the 2013 UK Public Sector Internal Audit Standards (PSIAS) which came 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.

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 Mazars to undertake the annual audit plan in 2014/15 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. Assistant Director of Corporate Governance Comments and Legal Implications

7.1. The Assistant Director Corporate Governance has been consulted in the preparation of this report, and advises that in noting that the audit plan reflects current best practice, and the associated strategy has been drafted in accordance with the 2013 UK Public Sector Internal Audit Standards, has no comments.

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.

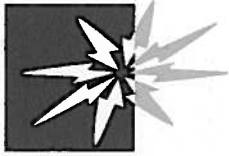
10. Policy Implications

10.1 There are no direct implications for the Council's existing policies, priorities and strategies. However, improving management controls, 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 2014/15

12. The Annual Audit Plan 2014/15



12.1 The proposed annual internal audit plan for 2014/15 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 key changes in approach for 2014/15 are highlighted as follows:

- Significant resources and focus on the key corporate programmes and projects in order to provide senior managers and programme SROs with assurance over key stages and performance of the programmes. The scope and audit resources required (including the seniority of the auditor required) for each audit review will be determined in discussion with the Assistant Director Corporate Programme Office and CIO;
- Resources for business area risk audits allocated in line with the priorities identified in the Council Plan; and
- Allocation of resources to review key corporate processes in order to provide senior managers with assurance that risks are being managed appropriately in the new organisational structure.

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 resources. A programme of meetings is in place to ensure that use of audit resources is effective.

12.4 Included in the audit plan 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.

London Borough of Haringey - Internal Audit Plan and Strategy 2014/15 (DRAFT)

Introduction

This document sets out the 2014/15 annual internal audit plan and audit strategy for Haringey Council. The proposed audits have been discussed and agreed with the Chief Executive and Senior Leadership Team, the Statutory Officers Group, and the nominated clients for the work; and the plan and strategy are submitted to the Corporate Committee for final approval in accordance with the committee's terms of reference. It is proposed that any significant changes to the annual internal audit plan and/or the internal audit strategy are reported during the year to the Corporate Committee for formal approval.

Internal Audit Strategy

This Strategy sets out how the Council's Internal Audit service will be delivered in accordance with the Internal Audit Charter. The Strategy will be reviewed annually and presented to the Corporate Committee for final approval.

Internal Audit Objectives

Internal Audit will provide independent and objective assurance to the Council, its Members, the Chief Executive and Senior Leadership Team and to the Chief Financial Officer to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs. It is the Council's intention to provide a best practice, cost efficient internal audit service which fulfils the requirements of the statutory 2013 Public Sector Internal Audit Standards.

Internal Audit's Remit

The internal audit service is an assurance function that primarily provides an independent and objective opinion on the degree to which the internal control environment supports and promotes the achievement of the Council's objectives.

Under the direction of a suitably qualified and experienced Head of Audit and Risk Management, Internal Audit will:

- Provide management and members with an independent, objective assurance and advisory activity designed to add value and improve the Council's operations;
- Assist the Corporate Committee to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;
- Drive organisational change to improve processes and service performance;
- Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements;
- Work closely with other assurance providers to share information and provide a value for money assurance service; and
- Participate in local and national bodies and working groups to influence agendas and developments within the profession.

Internal Audit will ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice.

Service Delivery 2014/15

The internal audit service will be delivered by a 'mixed economy' of externally procured services under the direction of the Council's Head of Audit and Risk Management and supported by an in-

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house Corporate Anti-Fraud Team. The Council participates in the London Audit & Anti-Fraud Partnership to work with other local authorities on a shared service basis. This includes appropriate: resource provision, joint working, audit management & strategy and a range of value added services.

Internal Audit Planning

Audit planning will be undertaken on an annual basis and audit coverage will be based on the following:

- Discussions with the Council's senior management and statutory officers;
- The Council's Risk Registers and Council Plan;
- Outputs from other assurance providers; and
- Requirements as agreed with the council's external auditors.

The Head of Audit and Risk Management discusses the risk facing the Council with senior managers as part of the annual planning process to ensure that management views and suggestions are taken into account when producing the audit plan. The Internal Audit Plan 2014/15 (attached to this strategy) is composed of the following:

- **Corporate and Business Area Risk Based Audits:** Audits of systems, processes or tasks where the internal controls are identified, evaluated and confirmed through risk assessment process. The internal controls depending on the risk assessment are tested to confirm that they operating correctly. The selection of work in this category is driven by senior managers' own risk processes and may also include work in areas where the Council services are delivered in partnership with or by other organisations.
- **Key Financial Systems:** Audits of the Council's key financial systems where external audit require annual assurance as part of their external audit work programme.
- **Probity Audit (schools establishments):** Audit of a discrete unit. Compliance with legislation, regulation, policies, procedures or best practice is confirmed. For schools this includes assessment against criteria included in the Schools Financial Value Standard.
- **Computer Audit:** The review of ICT infrastructure and associated systems, software and hardware.
- **Contract and Procurement Audit:** Audits of the Council's procedures and processes for the letting and monitoring of contracts, including reviews of completed and current contracts.
- **Counter-Fraud and Ad-Hoc Work:** The in-house Corporate Anti-Fraud Team undertakes a programme of pro-active and reactive counter-fraud investigations. A contingency of audit days are also included in the plan to cover any additional work due to changes or issues arising in-year.

Follow-up

Internal Audit will evaluate the Council's progress in implementing audit recommendations against set targets for implementation. Progress will be reported to management and to the Corporate Committee on a quarterly basis. Where progress is unsatisfactory or management fail to provide a satisfactory response to follow up requests, Internal Audit will implement the escalation procedure as agreed with management.

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Reporting

Internal audit reports the findings of its work in detail to local management at the conclusion of each piece of audit work and at the follow up stage. Summary reports are also provided to the Corporate Committee on a monthly basis and high level reports provided on a quarterly basis. This includes the Head of Internal Audit's annual report which contributes to the assurances underpinning the Annual Governance Statement of the Council.

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Haringey Internal Audit Coverage: 2014/15

The table below sets out the internal audit work to be completed during 2014/15 by the external contractor. The total number of days to be delivered is 850; which does not include audit work that will be completed as part of the Service Level Agreement with Homes for Haringey, or the corporate anti-fraud team's work. The breakdown of work can be summarised as:

Audit area	Client	Quarter	Days
Key Financial Systems (KFS)			
Strategic Financial Management & Budgetary Control – full review	Assistant Director – Finance	3	10
Cash Receipting – high level review	Assistant Director – Finance	3	7
Treasury Management – full review	Assistant Director – Finance	3	10
Accounting & General Ledger – full review	Assistant Director – Finance	4	15
Accounts Payable (Creditors) – full review	Assistant Director – Finance	4	10
Pension Fund Investment – full review	Assistant Director – Finance	4	10
Accounts Receivable (Sundry Debtors) – full review	Assistant Director – Finance	3	10
Housing Benefits – high level review	Assistant Director – Customer Services	3	7
Council Tax – high level review	Assistant Director – Customer Services	4	7
NNDR – high level review	Assistant Director – Customer Services	4	7
Payroll – full review	Assistant Director – Human Resources	4	15
Sub-total – Key Financial Systems			108
Corporate Risk Audits			
Programme and Project Management – key corporate programmes and projects (governance, performance, compliance)	Assistant Director for Corporate Programme Office and Chief Information Officer	1-4	80
Annual Governance Statement – assurance statements controls testing	Assistant Director Corporate Governance	1-4	20
Risk Registers – controls testing for key risk registers	Assistant Director Corporate Governance	1-4	20
Information Management – controls testing and follow up of ICO audit	Assistant Director Corporate Governance	1-4	10
Data quality and Performance Indicators – key corporate services	Chief Operating Officer	2	15
Sub-total – Corporate Risk Audits			145
Business Area Risk Audits			
Teachers' Pensions contributions (Grant certification requirement)	Assistant Director – Finance	1	5
Debt Collection – governance, performance and compliance	Assistant Director – Finance	2	10
Medium Term Financial Strategy – governance, performance and	Assistant Director – Finance	3	10

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Audit area	Client	Quarter	Days
compliance			
Election 2014 Expenditure and Expenses - governance, performance and compliance	Assistant Director Corporate Governance	1	10
Community Safety Partnership – governance and performance	Assistant Director for Environmental Services and Community Safety	2	10
Parking Services – on street income and enforcement	Assistant Director for Environmental Services and Community Safety	1	10
Highways Income – governance, performance and compliance	Assistant Director for Environmental Services and Community Safety	1	10
Environmental Services enforcement – governance, performance and compliance	Assistant Director for Environmental Services and Community Safety	2	10
Safeguarding Adults Board – governance and performance	Director for Adult Social Services	3	10
Implementation of the Better Care Fund – governance and performance	Director for Adult Social Services	3	10
Section 47 investigations – compliance with legislation and procedures	Director of Children’s Services	2	10
Children in Care Plans (including Personal Education Plans) – governance and performance	Director of Children’s Services	3	10
Early Help Pathway Framework – governance and performance	Director of Children’s Services	4	10
Commissioned Services – governance, performance and compliance	Director of Children’s Services	3	15
Private Sector Leasing and Housing Options – governance, performance and compliance	Deputy Director – Community Housing Services	1	10
New Homes Bonus – governance, performance and compliance	Deputy Director – Community Housing Services/ Assistant Director – Finance	3	10
Absence Management – governance, performance and compliance	Assistant Director Human Resources	1	10
Sub-total – Business Risk Audits			170
Corporate IT Audits			
Complaints and DPA (Respond) – application audit	Head of Information Technology	TBC	12
Council website and website security	Head of Information Technology	TBC	12
Environmental Enforcement (PPwiz/M3) – application audit	Head of Information Technology	TBC	12
ICT Strategy – governance, performance and compliance	Head of Information Technology	TBC	12
Benefits & Local Taxation data storage	Head of Information	TBC	12

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Audit area	Client	Quarter	Days
(Comino) – application audit	Technology		
Albacs /ePay – Post Implementation Review	Head of Information Technology	TBC	10
Follow up audit	Head of Information Technology	TBC	2
Schools ICT – risk audit	Assistant Director Schools and Learning	TBC	3
Sub-total – Corporate IT Audits			75
Contract and Procurement Audit			
Specific Contract Audits – key council contracts	Head of Corporate Procurement	1-4	20
Post Contract Evaluation – key council contracts	Head of Corporate Procurement	3	10
Contract Monitoring and Management arrangements – key council contracts	Head of Corporate Procurement	1-4	20
EU contract regulations – compliance with legislation	Head of Corporate Procurement	4	10
Procurement Strategy – governance and communications	Head of Corporate Procurement	2	10
Scheme of Delegation – Contract Standing Orders	Head of Corporate Procurement	2	10
Sub-total – Contract Audits			80
School Audits			
Bruce Grove	School Head teacher	TBC	5
Chestnuts	School Head teacher	TBC	5
Crowland	School Head teacher	TBC	5
Devonshire Hill	School Head teacher	TBC	5
Mulberry	School Head teacher	TBC	5
Risley Avenue	School Head teacher	TBC	5
St Francis de Sale Inf & Juniors	School Head teacher	TBC	5
St Martin of Porres RC	School Head teacher	TBC	5
St Mary's CE Primary (single school)	School Head teacher	TBC	5
Park View Secondary	School Head teacher	TBC	6
South Haringay Junior	School Head teacher	TBC	5
South Haringay Infants	School Head teacher	TBC	5
Rowland Hill Nursery	School Head teacher	TBC	5
Sub-total – School Audits			66
Follow up audits 2013/14 audits			40
Admin and Management			80
Contingency			86
Total – Contractor delivered days			850