



Report for:
APPROVAL

Item Number:

Contains Confidential or Exempt Information	NO
Title	Indicative Annual Internal Audit Plan 2014/15
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Portfolio	Finance & Performance, Cllr Johnson
For Consideration By	Audit Committee
Date to be Considered	20 March 2014
Implementation Date if Not Called In	N/A
Affected Wards	All
Area Committees	N/a
Keywords/Index	Internal Audit, Plan

Purpose of Report:

This report outlines the proposed planned work of Internal Audit for the year 1st April 2014 to 31st March 2015.

1. Recommendation

1.1.1 It is recommended that Audit Committee approves the planned programme of work for 2014/15.

2 Reason for Decision and Options Considered

2.1.1 Internal Audit is an assurance function that provides an independent and objective opinion to Council on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving corporate objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

2.1.2 The assurance gained from the programme of work set out in the 2014/15 Plan will form the main input for the development of the 2014/15 opinion to Council. Assurance will also be sought from third parties.

3 Key Implications

3.1.1 The 2014/15 Plan is an indicative Plan which is kept under review to ensure that it is aligned to emerging risks. It is subject to revisions during the year with approval from the Audit Committee.

3.2 Basis of Plan Compilation

3.2.1 A summary for the development of the Council's annual Audit Plan is set out below. A more detailed rationale can be found at Appendix A.

3.2.2 One to one meetings were held with Directors, Assistant Directors and Service Heads during January – March 2014 to:

- Identify the key risk to service delivery and the service areas to be audited.
- Assess the current systems of internal control and to highlight those requiring an increased audit focus.
- Develop provisional terms of reference and agree the timing and budget for each review.

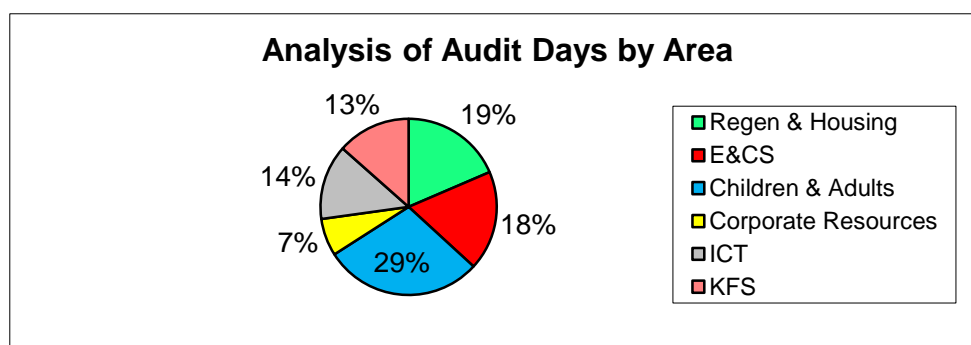
3.2.3 Audits were further identified through discussions with our Internal Audit partners, a review of both strategic and operational risk registers, analysis of audit reports from previous years, advice from the Council's External Auditors and benchmarking of audit plans from other local authorities.

3.2.4 In March 2014, The Draft Audit Plan was subject to an extensive cross Council consultation exercise the rationale for which was to gain agreement from officers, reduce the number of audits being delayed, deferred or deleted and hence lead to a robust Plan that reflects the Council's assurance requirements and risk profile.

3.3 Audit Plan Summary

3.3.1 A summary of the 2014/15 Audit Plan is set out below with a detailed analysis provided at Appendix B.

2014/15 INTERNAL AUDIT PLAN SUMMARY					
AREA	TOTAL	Q1	Q2	Q3	Q4
Regen & Housing	135	22	34	42	37
E&CS	133	24	52	32	25
Children & Adults	212	100	10	60	42
Corporate Resources	50	117	117	117	117
ICT	100	45	20	20	15
KFS	98	0	0	50	48



Commentary

3.3.2 Allocation of the Audit Plan across the Council is broadly the same apart from Children & Adults (C&A) where the figure includes 190 days for school audits.

3.4 Key Financial Systems (KFS)

3.4.1 External Audit places reliance on the work of Internal Audit, particularly when appraising the controls operated by management over the Council's key financial systems i.e. systems responsible for managing the flow of material income or expenditure. Based on discussion with KPMG and improved assurance in this area, these audits are being undertaken on a cyclical basis. Consequently, a 98 day Plan has been agreed for KFS.

3.5 Audits requested by ICT & Internal Audit

3.5.1 A 100 day Plan has been agreed with ICT to review key systems.

3.6 Schools Work

3.6.1 The Council's maintained schools (84) are subject to a 3-year rolling programme of probity style audits, the scope for which is set out below:

- Governance Arrangements
- Financial Management
- Private Fund Accounting
- Staff Expenses
- School Journeys
- Leases
- Procurement
- Lettings
- Assets and Inventory

3.6.2 Substantive on site testing will take place at each school with each audit taking 5 days to complete. On an annual basis, around 28 schools will be audited in this way.

3.6.3 Internal Audit will also carry out special reviews where concerns have been raised about schools either by the governing body, the headteacher or from Ealing's Schools Service.

3.7 Delivery and Performance Targets

3.7.1 Proposed delivery and performance targets are set out below for Committee approval.

Delivery Period	Q1	Q2	Q3	Q4
Target	20%	40%	73%	95%

4 Financial

4.1.1 The revenue budget for Audit & Investigation for 2014/15 incorporates the expenditure cost for the service, including the contract with our Internal Audit Partners - Mazars. Service costs will continue to be reviewed as part of the monthly budget monitoring process.

4.1.2 An analysis of Plan days and costs for 2014/15 is set out below together with comparison figures from the previous 2 years.

	2014/15	2013/14	2012/13
Outsourced Days	806	924	1,013
In-house Days	56	56	56
Total Plan days	862	980	1069
Total Outsourced Cost	£241,508	£285,535	£335,243

4.1.3 Commentary

- The new Audit Plan commences on 1 April 2014 with 862 days at an outsourced cost of £242k which represents a 15% reduction in costs over the 2013/14 Plan.
- Schools and external organisations are charged management fees for work completed under the Internal Audit Plan. The budgeted income for 2014/2015 is £33k.
- The net cost to the Council of the Internal Audit Plan is £209k
- As previously explained, the Plan is dynamic and subject to revision throughout the year and as such the outturn figures for 2014/15 are likely to change from those projected.

5 Legal

5.1.1 All Local Authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and the Accounts and Audit Regulations 2011 (as amended). The Public Sector Internal Audit Standards (PSIAS) requires the proper planning of audit work.

6 Value For Money

6.1.1 Ealing's Internal Audit Services are currently provided by Mazars (formerly Deloitte) via a framework agreement led by the London Borough of Croydon (LBC). The contract places an obligation on Mazars to continuously develop and improve services over the life of the contract, including improved benchmarking of services and costs.

6.1.2 The long-term nature of the contract means that daily rates are held and only increased in line with inflation each year. This provides some stability in costs for future years and avoids market fluctuations. There is also the potential for the day rates to decrease further depending on increased participation by other authorities in the LBC arrangement.

6.1.3 The RPI figure for January, which is used to inflate rates annually, was 2.7%. However, Mazars has agreed to waive this increase consequently, day rates remain the same as in 2013/14.

7 Risk Management

7.1.1 The quality of internal audit services is critical to ensuring that the Council's control environment and risk management processes are operating effectively.

7.1.2 Failure to carry out sufficient audit work will result in a failure to obtain adequate assurance on the Council's control environment. This could result in a failure to comply with statutory obligations under the Accounts and Audit Regulations 2011.

8 Community Safety

8.1.1 Not applicable

9 Links to Strategic Objectives

9.1.1 Internal Audit makes a significant contribution to delivering the Corporate Plan and Council objectives, providing regular assurance to senior management and members on the effectiveness of the corporate governance and internal control framework. Internal audit impacts on all services and functions throughout the Council, including internal and external partnerships and stakeholders. This links to the strategic objective of being a high performing organisation focused on the needs of its community.

10 Equalities and Community Cohesion

10.1.1 No Equality Impact Assessment has been undertaken as the report does not affect the general duties of the Race Relations Amendment Act and the requirements of other equalities legislation.

11 Staffing/Workforce and Accommodation implications:

11.1.1 Not applicable

12 Property and Assets

12.1.1 Not applicable

13 Any other implications:

13.1.1 The quarterly delivery targets give an indication as to the proposed timing of each audit. Exact timing will be agreed with service heads with a view to minimising service disruption while ensuring that the delivery targets are still met.

13.1.2 While preliminary scopes have been developed, planning meetings will be held with key service personnel prior to the start of each audit to discuss, amend and agree the final scope.

14 Consultation

14.1.1 The 2013/14 Plan was compiled by Internal Audit based on discussions with Directors and Service Heads between Jan – March 2014. The Plan was then circulated to relevant officers to agree the inclusion of audits for their service area and the quarterly timing.

15 Timetable for Implementation

Action	Timing
IA Meetings with Directors & Service Heads	Jan –March 2014
Cascade to Executive Directors, Directors and auditees	March 2014
Planning meetings with Service Heads – Q1 audits	March 2014
Work on Q1 audits commences	April 2014

16 Appendices

- Appendix A: Rationale for the development of the Annual Indicative Audit Plan
- Appendix B: 2014/15 Indicative Audit Plan.

17 Background Information

17.1.1 None.

Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Maria Christofi	Maria G. Christofi, Director of Finance (Deputy s151 officer)	7.03.14		
Nigel Watson	Assistant Director of Corporate Finance & Audit	7.03.14		
Sonia Panova	Senior Audit Manager Deloitte	7.03.14		

Report History

Decision type:	Urgency item?
For action	No

Authorised by Cabinet member:	Date drafted:	Report deadline:	Date report sent:
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Report no.:	Report author and contact for queries:
	John Allsop Audit & Risk Manager

Appendix A

Rationale for Development of the Annual Audit Plan

Introduction

The Accounts and Audit Regulations (Amendment) (England) 2011) place a statutory requirement on a local authority to maintain an adequate and effective system of internal control. The Public Sector Internal Audit Standards (PSIAS) are regarded as best practice and is the standard applied to internal audit in the Council.

The Annual Risk based Internal Audit Plan is the framework through which a balanced and structured coverage of the Council's systems and procedures is achieved. The Plan is designed and constructed to enable the Head of Internal Audit to form an opinion on the adequacy of the Council's internal control framework. This opinion forms an important independent view of the Council's operations that feeds into and supports the Authority's Annual Governance Statement.

Key Principles

There are key principles involved in the development of the annual Plan which:

- Is risk based so as to help prioritise audits.
- Is viewed as a flexible and dynamic tool that can be amended throughout the year to reflect changing Council risks and priorities.
- Gives consideration to work performed by other auditors.
- Is developed with the understanding that there are inherent risks and limitations associated with any method of prioritising audits.
- Is aligned to the fundamental principles of the Public Sector Internal Auditing Standards and the Council's Internal Audit Charter.
- Ensures that assignments are mapped to the Council's corporate priorities.

Audit Prioritisation and Selection

The objective of utilising a risk-based audit plan is to identify and prioritise various financial, operational and other threats posing the greatest potential risk and liability to the Council. Detailed below are the factors taken into consideration when determining the areas to be audited and the timing and budget for each audit to be included within Plan:

- The Council's Strategic and operational risk registers.
- Perception of risk from officers, contractors, and audit staff.
- Economic factors such as financial impact, volume of transactions, number of personnel, revenue generated etc.
- Operational factors such as changes in organisation, management, key personnel and information systems;
- Environmental factors such as compliance with statutory regulations and public perception (reputational risk).

In formulating the Plan, extensive consultation takes place with Directors, Heads of Service and External Audit to ensure that the Plan adequately

reflects salient issues. Once consultation is complete, Corporate Board approves the Plan before it is passed to Audit Committee for final sign off.

Appendix B: 2014/15 Indicative Internal Audit Plan

2014/15 INTERNAL AUDIT PLAN					
	Total	Q1	Q2	Q3	Q4
REGENERATION AND HOUSING					
Safer Communities/Environmental Health					
Food Standard Agency Action Plan Follow up	5	-	-	-	5
Environmental Permits	10	10	-	-	-
Empty Property Grants	10	-	-	10	-
Total	25	10	0	10	5
Property and Regeneration					
Community Infrastructure Levy	10	-	-	10	-
Grants to Voluntary Organisations	10	-	-	-	10
Total	20	0	0	10	10
Housing					
Housing Allocations	10	-	10	-	-
Housing Procurement (Temp Accommodation)	12	12	-	-	-
Council Owned Company (Pre-implementation Review)	12	-	12	-	-
Repairs & Maintenance					
Responsive Repairs Contract	12	-	-	-	12
Voids Maintenance Contract	10	-	-	10	-
Electrical & Gas Safety Inspections	12	-	-	12	-
Total	68	12	22	22	12
Built Environment					
Planning Enforcement	10	-	-	-	10
Transport Services	12	-	12	-	-
Total	22	0	12	0	10
REGENERATION AND HOUSING TOTAL	135	22	34	42	37
ENVIRONMENT & CUSTOMER SERVICES					
Civil Protection					
Emergency Planning	10	-	10	-	-
BCP	10	-	-	-	10
Total	20	0	10	0	10
Environment and Leisure					
EMS (Amey) Contract	15	-	15	-	-
Commercial Waste	10	10	-	-	-
Community Centres Compliance Reviews	12	-	-	12	-
Total	37	10	15	12	0
Customer Services					

2014/15 INTERNAL AUDIT PLAN					
	Total	Q1	Q2	Q3	Q4
Council Tax Support Scheme	15	-	-	-	15
Cash Spot Checks -Pitzhanger/Cash Office/Registrars	6	6	-	-	-
Discretionary Housing Payments	10	-	10	-	-
Adult Learning	10	-	-	10	-
Registrars	10	-	-	10	-
Telephone Card Payments	7	-	7	-	-
Total	58	6	17	20	15
Parking Services					
Income Reconciliation	8	8	-	-	-
Serco Contract Management	10	-	10	-	-
Total	18	8	10	0	0
ENVIRONMENT & CUSTOMER SERVICES TOTAL	133	24	52	32	25
CORPORATE RESOURCES					
Business Services					
Occupational Health	12	-	12	-	-
Rendezvous	8	8	-	-	-
Corporate Documents & Storage (Greenford)	10	-	10	-	-
Total	30	8	22	0	0
HR					
Sickness & Absence New System Review	10	-	-	-	10
Total	10	0	0	0	10
Legal and Democratic					
Individual Elector Registration	10	-	-	-	10
Total	10	0	0	0	10
CORPORATE RESOURCES TOTAL	50	8	22	0	20
Information Technology					
Network Management	30	30	-	-	-
CCD	10	-	10	-	-
Firewall/VPN Management	10	-	-	10	-
Remote Working	10	-	-	10	-
Ash Debtor Systems	15	15	-	-	-
Asset Management	10	-	-	-	10
iWorld (Council tax)	10	-	10	-	-
Follow up Q1 recommendations	5	-	-	-	5
Total	100	45	20	20	15
KEY FINANCIAL SYSTEMS					
General Ledger	12	-	-	12	-
Asset Management	12	-	-	-	12
Highways Expenditure Follow up	2	-	-	-	2

2014/15 INTERNAL AUDIT PLAN					
	Total	Q1	Q2	Q3	Q4
Housing & Council Tax Benefit	12	-	-	12	-
Payroll and Employee Expenses	12	-	-	12	-
NNDR Follow up	2	-	-	-	2
Council Tax Follow up	2	-	-	-	2
Corporate Collections Follow up	2	-	-	-	2
Pensions Administration Follow up	2	-	-	-	2
Treasury Management Follow up	2	-	-	2	-
Housing Rents Income and Debtors	12	-	-	12	-
Cash Receipting/ Cash Kiosk	12	-	-	-	12
Social Services Income and Debtors Follow up	2	-	-	-	2
Non Pay expenditure/ Creditors	12	-	-	-	12
Total	98	0	0	50	48
CHILDREN AND ADULTS					
Schools					
School Probity Audits	160	100	-	60	-
Schools 13/14 Probity Audits Follow up	10	-	-	-	10
Post 16-19 Education Extended Follow up	10	--	10	-	-
Total	180	100	10	60	10
Children & Families					
Children's Centres	12	-	-	-	12
Total	12	0	0	0	12
Adults					
Public Health Services	10	-	-	-	10
Residential Care Placements	10	-	-	-	10
Total	20	0	0	0	20
CHILDREN AND ADULTS TOTAL	212	100	10	60	42
CONTINGENCY	10	-	-	-	10
Mortlake	3.5	-	3.5	-	-
Internal Audit Follow up	14	-	-	7	7
Total	14	0	0	7	7
Mazars Management					
Mazars liaison meetings and ongoing support	50	13	12	12	13
In House Management					
Follow up Management & Reporting (JCAD)	20	5	5	5	5
Advice, Administration, Meetings, Contract management	16	4	4	4	4
Audit Plan Development	20	5	5	5	5
Total	56	14	14	14	14

2014/15 INTERNAL AUDIT PLAN					
	Total	Q1	Q2	Q3	Q4
TOTAL PLAN DAYS	861.5	226	167.5	237	231