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Dacorum Borough Council

Draft Internal Audit Operational Plan 2012/13

April 2012

This report has been prepared on the basis of the limitations set out on page 13.

CONTENTS

1. Background

This document sets out the draft internal audit operational plan for Dacorum Borough Council for discussion and approval by the Audit Committee. The purpose of this plan is to identify the work required to achieve a reasonable level of assurance to be provided by Internal Audit in compliance with the Code of Practice for Internal Audit.

The fundamental role of Internal Audit is to provide senior management and the Audit Committee with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control, and to report major weaknesses together with recommendations for improvement. This role is fulfilled by carrying out appropriate audit work in accordance with an annual operational plan as approved by the Audit Committee.

2. 2012/13 Audit Planning

As part of the audit planning, for 2012/13 we have prepared a proposed plan of internal audit work for the period 1 April 2012 to 31 March 2013.

The Internal Audit Plan 2012/13 was developed based on:

- Discussions with key members of management;

- Review of the risks and priorities contained in DBC's strategic and operational risk registers;

- Review of DBC's key objectives, plans and frameworks;

- Reference to previous audit and assurance work and the progress towards implementing recommendations; and

- Discussions with our external audit colleagues in respect of the content of the plan.

The Internal Audit Plan 2012/13 detailed in Appendix A particularly seeks to:

- Address areas of specific concern identified by management; and

- Provide independent assurance where high reliance is placed by management on first and second layers of defence.

The Internal Audit Plan will remain flexible during the current financial year to adapt, as required, to the changing needs of DBC. Any proposed changes to the Internal Audit Plan, in year, will be presented to the Audit Committee for approval

3. Assurance Framework

To help ensure the good governance of the Authority; arrangements need to be made to provide assurance across the Authority that the systems, policies, processes and people put in place are operating in a way that is economic, efficient and effective in driving the delivery of objectives.

Assurance Mapping is a method of identifying the key forms of assurance required. It is increasingly used to help those responsible for governance, and ultimately, signing off the Annual Governance Statement (AGS) to determine on what they need assurance, and how best to get it.

The assurance process requires the Authority to identify the key sources of assurance available to it, to assess the quality of each in providing assurance that the Authority's risk management, control and governance processes are likely to ensure the achievement of the organisational goals and objectives. The Assurance Map will provide a record of the Corporate Leadership Team's determination of its assurance requirements and its decisions on how its assurance needs are met.

The Assurance Framework will provide a systematic, top-down identification and analysis of the assurance needs of the Senior Management Team (SMT) and other key stakeholders, and the complete and seamless fulfilment through co-ordinated actions of the various assurance providers and the right combination of direct, risk and independent assurance activities as shown in the diagram below:
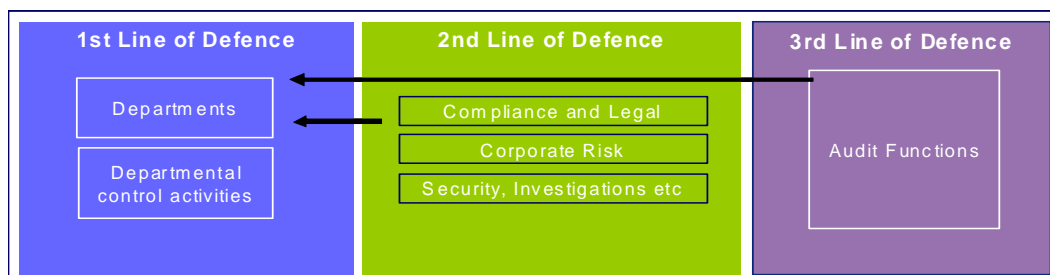
The analysis underlying the development of the assurance map aims to establish and record how the SMT fulfils its assurance needs and highlight any areas where the SMT has insufficient or unreliable assurance. In particular, the assurance map will show the combination of direct assurance, risk assurance and independent assurance provided and any assurance gaps such as:

- Areas / risks not covered; or
- Areas / risks with insufficient or unreliable assurance.

A system that provides good coordination and evaluation of the work of the auditors, inspectors and reviewers will bring increased benefits to both the Authority and the review bodies. It will help minimise the burden on the Authority by reducing overlap and allow potential gaps in assurance to be identified and addressed. It also will enable limited resources to be targeted at the key risks faced by the Authority.

The process for gaining assurance about the effectiveness of the key controls is fundamentally about taking all the relevant evidence together and arriving at informed conclusions. The most objective assurances are derived from independent reviewers which include Internal and External Audit and these are supplemented by non-independent sources such as internal management representations, performance management and self assessment reports.

The assurance process will identify the key sources of assurance available to DBC, and assess the quality of each in providing assurance that DBC's risk management, control and governance processes are likely to ensure the achievement of the organisational goals and objectives.

As part of the 2012/13 internal audit plan we are proposing to produced a draft Assurance Framework which reflects the risks and priorities contained in DBC's strategic and operational risk registers.

Our intention is that this draft framework will be updated to reflect DBC's changing risk management, control and governance processes and in future years will be more closely linked to the annual internal audit plan. An example of an Assurance Framework Dashboard is shown in Appendix B.

4. Recommendation

The Audit Committee is asked to approve the Internal Audit Plan 2012/13 that has been reviewed and accepted by management.

Internal Audit Plan 2012/13   Appendix A

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days	Status	Opinion	Recommendations			Comments
								1	**2**	**3**	
Core Financial Systems	Main Accounting	Covering adequacy and effectiveness of controls including access control, journals, virements, etc. CRSA to be applied.	F1, F3, FR – F01	Operational	5						
	Budget Control / Savings Realisation	Focus on significant savings initiatives / projects across the Council. To cover strategic approach to co-ordinating savings initiatives and also specific key examples in each Department.	F1, F3, FR – F01	Operational / External / Business Change	8						
	Income & Debt Management	Covering adequacy and effectiveness of controls over the Accounts Receivable system. CRSA to be applied.	FR – R03	Operational	5						
	Accounts Payable	Covering adequacy and effectiveness of controls over the payment of creditor invoices. CRSA to be applied.	F1, F3, FR – F01	Operational	5						
	Treasury Management, Cash & Bank	Covering adequacy and effectiveness of controls over investments, loans, management information, etc. CRSA to be applied.	F1, F3, FR – F01	Operational	5						
	Payroll	Covering adequacy and effectiveness of controls over starters, leavers, amendments, etc. CRSA to be applied.	F1, F3, FR – F01	Operational	6						
	Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	F1, F3, FR – F01	Operational	8						
	NNDR	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	F1, F3, FR – F01	Operational / Business Change	8						
	Housing & Council Tax Benefits	Covering adequacy and effectiveness of controls including new claims, amendments, backdated benefits, payments and reconciliations. CRSA to be applied.	FR – R02	Operational / Business Change	10						
	Housing Rents	Covering adequacy and effectiveness of controls over the management housing rents and service charges.	F1, F3, FR – F01	Operational	6						

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days	Status	Opinion	Recommendations			Comments
								1	**2**	**3**	
Core Financial Systems Total					**66**						
Operational Risks	S106 Agreements	Covering adequacy and effectiveness of controls over the recording / monitoring of Section 106 Agreements.	M1, M4	Operational	7						
	Procurement	Covering adequacy and effectiveness of the Council's corporate approach to procurement.	F2	Operational / Emerging	8						
	Contract Management	Covering adequacy and effectiveness of the Council's corporate approach to contract management.	F2, HL – M01	Operational / Emerging	8						
	Building Control	Covering adequacy and effectiveness of key controls over the building control process.	ND I01	Operational	6						
	Sickness Management	Covering adequacy and effectiveness of key controls over the management of sickness and other types of absence management.	I2, ND – I03	Operational	7						
	Housing Allocations	Covering adequacy and effectiveness of controls over the housing allocation process, including new arrangements that are due to be implemented in the coming months.	HL R01	Operational / Business Change	7						
	Homelessness	Covering adequacy and effectiveness of key controls over how the Council deals with the most vulnerable citizens in the provision of housing assistance.	LDR – M01	Operational / Emerging	8						

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days	Status	Opinion	Recommendations			Comments
								1	2	3	
Operational Risks Total					51						
Strategic Risks	Regeneration	Project management assurance in respect of significant regeneration schemes, including Maylands, Public Service Quarter, Old Town and Jarman Park.	M1, M4	External / Emerging	16						
	Housing Self Financing	Assurance over the design and application of controls relating to areas such as investment decisions, asset management, HRA business planning, procurement of repairs and maintenance and contract management.	F4, HL – I02	External / Emerging	7						
	Asset Management	Assurance over the design and application of controls relating to areas such as asset management strategy, capital accounting, partnership arrangements with voluntary sector / local community groups, etc.	FR – F05	Operational / Business Change	8						
	Community Infrastructure Levy	Covering adequacy and effectiveness of controls over the introduction of the levy, including its collection and accounting processes.	M1, M4	Operational / Emerging	6						
	Performance Management	Covering adequacy and effectiveness of the Council's strategic approach to performance management (including management information, target setting, reporting, roles and responsibilities etc) following the re-structuring of the Council.	M2	Operational	10						
	Partnerships	Covering adequacy and effectiveness of key controls over partnership governance and management arrangements.	F2, M4	Emerging / External	8						
	Emergency Planning	Covering adequacy and effectiveness of key controls over emergency planning and readiness.	LDR – R04	Business Change / External	7						

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days	Status	Opinion	Recommendations			Comments
								1	2	3	
Strategic Risks Total					**62**						
ICT	Server Virtualisation	Postponed from 11-12. This audit is designed to provide assurance over the Councils virtualisation of its server environment to help ensure that appropriate security controls have been put in place to secure hardware and data. In addition that appropriate capacity issues have been addressed to provide expected future data and system growth	STCO_RO4	Operational	10						
	IT Service Delivery	To provide assurance over the potential shared service arrangements for the provision of IT. The specific scope will be agreed with management but would look to provide assurance over the possibilities for information sharing and the transition of services.	STCO_RO4	Operational / Business Change	15						
ICT Total					**25**						
Governance, Fraud & Other Assurance Methods	Governance & Risk Management	Covering adequacy and effectiveness of the risk management process following the re-structuring of the Council and the revised RM Strategy and Procedures. Covering adequacy and effectiveness of corporate governance arrangements.	FR – I01, M2	All	5						
	Counter Fraud	Internal Audit will continue to work with the Council in the development of a fraud risk register, the provision of fraud awareness training, pro-active fraud exercises, etc.	All	All	30						
	Control Risk Self Assessment	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities. To be utilised on a number of the core financials and will be issued prior to fieldwork and used to scope the audit.	F1, F3, FR – F01	Operational	8						
	Continuous Auditing	Data analysis scripts will be written on which both identify anomalies as well as comparing the number of anomalies occurring on a period by period basis.	F1, F3, FR – F01	Operational	8						

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days	Status	Opinion	Recommendations			Comments
								1	2	3	
Fraud & Other Assurance Methods Total					**51**						
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.			10						
	Management				25						
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources).			15						
Other Total					**50**						
Total					**305**						

Assurance Framework Dashboard - an Example   Appendix B

Statutory Obligations / Principle Objectives	Risk Category	Key Risks	Assurance Source											Residual Assurance Risk Rating	Actions
			Policies & Procedures	Performance Monitoring	Partnership Monitoring	Regulatory Compliance				Risk Management		External Audit	Internal Audit		
…	Operational	Move to new premises cannot be achieved on time as a result of delays to the fit-out contract and furniture procurement	🟢	🟠	🔴					🔴			🔴	🔴	Minimise through …
…	External	Macro-economic climate impacts on partner's ability to meet contractual obligations	🟢	🟢	🟢					🔴		🟠	🟠	🟠	Minimise through …
…	Financial	Failure of a major strategic partner impacts on the delivery of the Council's services	🟢	🟠	🟠					🔴		🟠	🟠	🟠	Minimise through …
…	Financial	Delivery of efficiency savings rendered impossible due to unforeseen increases in costs and volumes	🟢	🟢						🔴		🟠	🟠	🟠	Minimise through …
…	Operational	Treasury management system malfunctions and/or system crashes	🟢	🟢						🟢		🟢	🟢	🟢	None noted

●	Assurances accord with accepted good practice
●	Assurances in place offer scope for improvement
●	Assurances, where in place, require substantial improvement

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

London

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