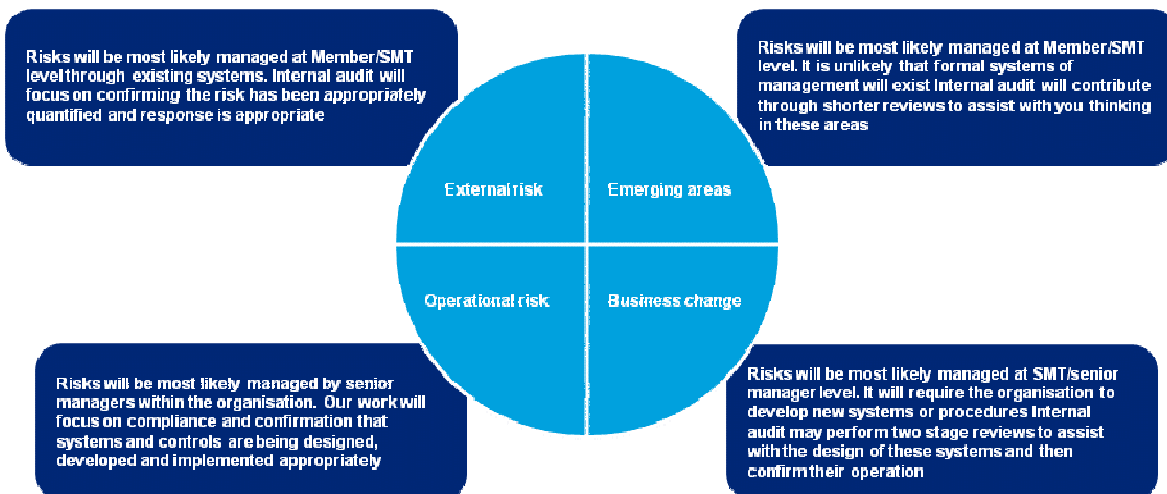# Internal Audit Planning

Introduction

In response to a Matter Arising raised by the Audit Committee on 8th December 2011, attached at Appendix 1, Internal Audit have analysed the audits, split into services, carried out in the past four years (since Deloitte took on delivery of the internal audit plan). Utilising the most recent available strategic and operational risk registers, we have highlighted where internal audit assurance has been provided in respect of a specific risk.

To assist with the context of how we approached this, we met with the Audit Committee Chair and Assistant Director – Finance & Resources and agreed to outline our approach to internal audit planning which is summarised below.

Constructing the Audit Plan

In completing our risk assessment, we draw on our understanding of Dacorum Borough Council and our existing knowledge of the local government sector. We enhance our understanding of DBC via review of corporate documentation (such as Committee minutes, Corporate and Service Risk Registers and reports issued by your external auditors) as well as through interviews with members of the senior management. We categorise your risks as follows:

The Operational Plan is developed through the identification of individual audit assignments and their allocation to the above risk categories. We combine our assessment of the overall risks you face with a more traditional internal audit assessment of inherent risk, control risk and materiality to identify the sequence in which we perform our work. To ensure that we track the type of work we are performing, we identify whether the work is based on a cyclical review of your systems or in response to a one off risk within the organisation.

In an effort to ensure Audit resources are being used at their most optimum level in terms of effectiveness and efficiency, we assess where DBC is obtaining its assurance from, other than Internal Audit, and assess to what degree this can be relied on and the impact on the amount of Audit input that will be required in a specific area. In order to gain assurance from elsewhere, we take into account the official reports produced from a number of external assurance providers, as well as placing reliance on some key internal processes. Alternative sources of assurance would include the following:

- External Auditors
- Internal Auditors of Third Party Suppliers

- Health & Safety Executive
- Department of Work and Pensions
- Risk management reporting
- Performance management reporting

The types of audits we undertake as part of delivering the audit plan can be broken down as follows:

- Strategic risks, eg project management
- Key assurance systems, eg risk management, data quality
- Assurance for external audit, eg payroll, benefits

The means by which internal audit provides assurance can be broken down as follows:

- Risk-based audits
- Confirmation testing
- System / key control testing
- Data mining

In addition, another means by which we are increasingly providing our clients assurance is through the introduction of Control Risk Self Assessment (CRSA). We have developed CRSA templates in a number of areas, including many of the core financial systems.

From review of your risk registers, there are four themes that, whilst not audited in their own right, have been covered as part of other audits:

- Service / business planning – risk management, corporate governance and a number of operational audits.
- Performance management – performance indicators, data quality and a number of operational audits.
- Localism – asset management, risk management.
- Communication & Consultation – performance indicators, data quality, complaints, data protection / FoIA.

The 2012/13 audit plan, which is a separate Audit Committee agenda item, continues to focus on many of the above themes, including risk management, performance management and asset management.

Appendix 1 – Audit Coverage 2008/09 – 2011/12

Risk Category	Audit Area	08/09	09/10	10/11	11/12	Risk Ref.	Risk / Reason for Audit
	Financial Services						
All	Risk Management	✓	✓	✓	✓	FR-I01	• To support the HoIA Annual Opinion. • Over-arching assurance process required for annual opinion. • Failure to align Council aspirations for service delivery with application of revenues.
Operational	Main Accounting	✓	✓	✓	✓		• Assurance required by external audit.
Operational	VAT	✓	✓				• Compliance with VAT requirements. • VAT savings opportunities.
Operational	Treasury Management	✓	✓	✓			• Assurance required by external audit.
Operational	Income Management		✓	✓		FR-R03	• Assurance required by external audit. • Failure to take advantage of new opportunities to improve income and VFM.
Operational / External / Business Change	Budgetary Control	✓	✓	✓	✓	F1 F3 FR-F01 FR-F03/04 FR-R01	• Assurance required by external audit. • Resource base affected by slow recovery from recession resulting in lack of funds to deliver on commitments & policies. • Failure to achieve identified savings to ensure that the budget remains balanced. • Lack of capacity to provide effective financial support. • Overspend / underspend against budget. • Lack of understanding of financial management across the Council.
Operational	Accounts Payable	✓	✓	✓	✓		• Assurance required by external audit.
Operational	Capital Accounting		✓	✓		FR-F02	• Assurance required by external audit. • Capital programme not delivered.
Operational	Payroll	✓	✓	✓	✓		• Assurance required by external audit.
Operational	Accounts Receivable	✓	✓	✓	✓		• Assurance required by external audit.
Operational	Cash & Bank	✓					• Assurance required by external audit.

Risk Category	Audit Area	08/09	09/10	10/11	11/12	Risk Ref.	Risk / Reason for Audit
Environmental Services							
Emerging / External	Carbon Reduction			✓			• Compliance with CRC requirements.
Operational	Waste Services	✓		✓			• Risk-based systems audit.
Operational	Waste Recycling				✓	ND-F01	• Failure to monitor the variation in projected levels of income for recyclables.
Operational / External	External Funding	✓					• Risk-based systems audit.
Operational	Environment Health / Food Safety				✓		• Risk-based systems audit.
Legal Governance							
External / Operational	Complaints	✓			✓	M2	• Failure to shape services based on robust understanding of customer's needs
All	Corporate Governance	✓	✓	✓	✓	M2	• Failure to shape services based on robust understanding of customer's needs • Over-arching assurance process required for annual opinion.
Operational	Data Quality		✓	✓	✓	M2	• Failure to shape services based on robust understanding of customer's needs
External / Operational	Data Protection / FoIA	✓		✓			• Compliance with legislative requirements.
Operational	Land Charges			✓			• Risk-based systems audit.
Operational	Records Management	✓					• Compliance with local procedures and legislative requirements. • Risk-based systems audit.

Risk Category	Audit Area	08/09	09/10	10/11	11/12	Risk Ref.	Risk / Reason for Audit
Development, Management & Planning							
Operational	Planning Fees				✓		• Risk-based systems audit.
Operational	Section 106		✓	✓			• Risk-based systems audit.
Operational	Building Control	✓					• Risk-based systems audit.
Performance, Policy & Projects							
Business Change	Project Management	✓	✓		✓	M1 M4	• Failure to plan for change and growth of the Borough and to deliver required regeneration and infrastructure. • Failure to achieve efficiencies and improvements through alternative service delivery models
Operational	Health & Safety	✓		✓	✓	I2 Numerous	• Failure to effectively manage health and safety. • Failure to adopt service specific best practice approach to health and safety.
Operational	Human Resources		✓	✓	✓	ND-I03	• Failure to management sickness levels and staff retention.
Operational	Sickness Management		✓			I2 ND-I03	• Failure to effectively manage health and safety. • Failure to management sickness levels and staff retention.
Operational	Leased Cars	✓					• Risk-based systems audit.
Operational	Performance Indicators	✓				Numerous	• Failure to achieve headline service objectives.
Operational	Mobile Phones	✓					• Risk-based systems audit.
Business Change	Housing IT System		✓		✓	HL-I04	• Failure to upgrade the housing IT management system.
Operational / External	IT Security				✓		• Failure to secure IT resources effectively. Audit requested to be brought forward following information leakage.
Business Change	IT Service Desk / Change Management			✓		STCO-R04 STCO – R08	• Lack of capacity and financial resources to transform services through ICT. • Lack of capital or revenue funding.
External / Emerging	IT Legislation			✓			• Risk non compliance with Data Protection Act 1998 and Freedom of Information Act 2000

Risk Category	Audit Area	08/09	09/10	10/11	11/12	Risk Ref.	Risk / Reason for Audit
Operational	Network Controls	✓					• Core infrastructure backbone providing IT resources to the Council high risk area.
Business Change	Employment Information System	✓					• Risk-based systems audit.
Operational / Emerging	Internet / Emails	✓					• Completed as part of legacy audit plan. High volume usage and reliance on communications
Business Change	CRM	✓					• Assurance audit activity based on highest risk applications due to processing of sensitive data and monetary value of transactions. In addition assurance work over internal controls of recently implemented applications. • Areas audited – Agresso Financials, Northgate Housing, Northgate Revenues and Benefits, CRM, Planning, Capita Income Management
Operational	Application Reviews	✓	✓	✓			• Failure to manage IT resources adequately.
	Partnerships & Citizen Insight						
External / Emerging	Partnerships	✓	✓		✓		• Risk-based systems audit.
	Resident Services						
Operational	Sports Trust	✓					• Risk-based systems audit.
Operational	Community Safety		✓				• Risk-based systems audit.
Operational	Homelessness	✓	✓	✓		LDR-M01	• Failure to reach our most vulnerable citizens in the provision of housing assistance.
Operational	Voids & Allocations			✓			• Risk-based systems audit.
Operational	Housing Register & Lettings	✓					• Risk-based systems audit.

Risk Category	Audit Area	08/09	09/10	10/11	11/12	Risk Ref.	Risk / Reason for Audit
Property & Place							
Operational	Street Cleansing		✓				• Risk-based systems audit.
Operational	Address Management			✓			• Risk-based systems audit.
Operational / Business Change	Housing Repairs & Maintenance	✓	✓	✓	✓		• Risk-based systems audit.
Operational	Housing Asset Management				✓	FR-F05	• Opportunity to generate additional income from commercial assets under localism agenda.
Operational	Grounds Maintenance		✓				• Risk-based systems audit.
Operational	Agency Costs			✓			• Risk-based systems audit.
Democratic Services							
Operational	Elections			✓		LDR-R01	• Failure to deliver successful elections.
Commercial Assets & Property Development							
Operational	Property			✓	✓	FR-F05	• Opportunity to generate additional income from commercial assets under the localism agenda.
Operational	Car Parking	✓	✓				• Risk-based systems audit.
Operational	Estates		✓				• Risk-based systems audit.
Revenues, Benefits & Fraud							
Operational	Council Tax	✓	✓	✓	✓		• Assurance required by external audit.
Operational	Business Rates	✓	✓	✓	✓		• Assurance required by external audit.
Operational	Hsg & Council Tax Benefits	✓	✓	✓	✓	FR-R02	• Assurance required by external audit. • Personal hardship caused by poor processing of benefits.
External	Grant Claims		✓				• Compliance with grant requirement.
Business Change	Cash Receipting / e-payments			✓			• Risk-based systems audit.

Risk Category	Audit Area	08/09	09/10	10/11	11/12	Risk Ref.	Risk / Reason for Audit
Regulatory Services							
All	Business Continuity & Disaster Recovery	✓			✓	FR – I04 LDR-R06	• Failure to maintain an effective business continuity plan.
External	Emergency Planning	✓				LDR-R04	• Failure to have a robust system in place to deal with contingencies.
Operational	Licensing	✓		✓			• Risk-based systems audit.
Commissioning, Procurement and Compliance							
Operational / Emerging	Procurement	✓				F2 LDR-F01/F02	• Lack of effective procurement and contract management. • Lack of resources to be able to spend appropriate time analysing the Council's 3rd party expenditure / to be able to implement Category Management approach to 3rd party expenditure.
Operational / External	Contract Management		✓	✓		F2 HL-M01	• Lack of effective procurement and contract management. • Failure to put in place systems which exert financial control over contractors.
Business Change	Credit Cards	✓					• Risk-based systems audit.
Tenants and Leaseholders							
Operational	Housing Rents	✓	✓	✓	✓		• Assurance required by external audit.
Operational	Right to Buy	✓					• Risk-based systems audit.
Emerging	HRA Self-Financing				✓	F4 HL-I02	• Contingency – management assurance prior to self-financing. • Impact of failure to effectively plan for self financing. • Failure to adapt to / understand/ influence Council's response to Localism Bill.

Risk Category	Audit Area	08/09	09/10	10/11	11/12	Risk Ref.	Risk / Reason for Audit
Strategic Planning & Regeneration							
External / Emerging	Waterhouse Square		✓			M1	• Failure to plan for change and growth of the Borough and to deliver required regeneration and infrastructure.
External / Emerging	Regeneration		✓	✓		M1	• Failure to plan for change and growth of the Borough and to deliver required regeneration and infrastructure.