

Dacorum Borough Council

Draft Internal Audit Operational Plan 2013/15

November 2013

This report has been prepared on the basis of the limitations set out on page 9.



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1. Introduction

Our role as Internal Auditors is to provide management and the Audit Committee with independent assurance over the effectiveness of your risk management, governance and internal control environment. Our approach complies with professional practice and both CIPFA and Public Sector Internal Audit standards. Our aim is to add value and support the achievement of your objectives by providing assurance that controls are in place to achieve those objectives.

However, responsibility for these arrangements remains with management and Internal Audit can only provide “reasonable assurance” over the controls in these areas. Internal Audit cannot guarantee against material errors, loss or fraud. We will work with our External Audit colleagues to ensure we minimise duplication of effort and maximise the benefit you receive from audit resources.

2. Internal Audit Planning

This document sets out the draft internal audit operational plan for Dacorum Borough Council (DBC) for the period 1st November 2013 to 31st March 2015. Following the change in Internal Auditors the main aim of the plan for the first five months is to ensure that a Head of Audit Opinion can be given that provides adequate assurance to support the Annual Governance statement and to meet the requirements of the External Auditors.

Our aim in the 2014/2015 financial year will be to look more systematically at the Council's risk profile and use the Council's own risk management process and risk register as a starting point for our audit planning. This framework represents the Council's own assessment of risk and therefore an internal audit plan using this process as a basis will address the key risks and issues facing the Council. We will then aim to provide support in developing control frameworks to address these risks and issues.

As part of the audit planning, for 2013/15 we have prepared a proposed plan of internal audit work for the period 1 November 2013 to 31 March 2015.

The Internal Audit Plan 2013/15 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;
- Review of the plan produced and work completed by the previous Internal Audit team;
- 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 2013/15 detailed in Appendix A particularly seeks to:

- Provide reasonable assurance to support the AGS and External Auditors;
- Assess all key risk areas over a number of years;
- Address areas of specific concern identified by management;
- Address key risk areas identified in the Council's own risk management processes;
- Rely on 3rd party assurances where appropriate; 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 financial year to adapt, as required, to the changing needs of DBC. Any proposed changes to the Internal Audit Plan or the scope or resources to be applied to specific reviews will be discussed with management and presented to the Audit Committee for approval.

3. Recommendation

The Audit Committee is asked to approve the Internal Audit Plan 2013/15 that has been reviewed by management and discussed with the Chair of the Audit Committee.

Internal Audit Plan 2013/15 Appendix A

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2013/14	Proposed Quarter 2013/14	Planned Days 2014/15
Core Financial Systems	Main Accounting	Covering adequacy and effectiveness of controls including access control, journals, cost centre management, virements, year-end accounting and system interfaces. CRSA to be applied.	F1, F3, FR – F01	Operational	7	Q4	7
	Budgetary Control	Consideration of the strategic approach to budgetary control, setting and monitoring budgets, including confirmation that cost improvement plans have been implemented, management reporting.	F1, F3, FR – F01	Operational			8
	Accounts Receivable	Analysing the management of the Accounts Receivable system by considering invoicing and credit notes, creation and amendment of debtor accounts, debt recovery, write-off and management reporting. CRSA to be applied.	FR – R03	Operational	7	Q3	7
	Accounts Payable	Evaluating the payment of creditor invoices, creation and amendment of supplier accounts, payments, security of cheques, and management of high value and urgent expenditure. CRSA to be applied.	F1, F3, FR – F01	Operational	7	Q3	7
	Treasury Management, Cash & Bank	To review the controls over cash flow forecasting, investments, loans, compliance with the Prudential Code and generation of management information. CRSA to be applied.	F1, F3, FR – F01	Operational	7	Q3	7
	Payroll and Pensions Administration	Assessment of controls over starters, leavers, amendments, expenses, overtime, voluntary deductions and management of the outsourcing arrangements. CRSA to be applied.	F1, F3, FR – F01	Operational	10	Q3	
	Council Tax	To review the controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	F1, F3, FR – F01	Operational	10	Q4	
	NNDR	Evaluation of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	F1, F3, FR – F01	Operational / Business Change	10	Q4	
	Housing Benefit & Council Tax Support	Review of controls including new claims, size criteria, benefit caps and discounts, amendments, backdated benefits, payments and reconciliations, considering the application of Universal Credit. CRSA to be applied.	FR – R02	Operational / Business Change	10	Q4	
	Housing Rents	Analysis of controls over the management of housing rents, service charges, valuations/inspections and rent reviews.	F1, F3, FR – F01	Operational	7	Q4	
	Housing Repairs	Assessing controls over the management of planned and responsive repairs, including request and completion of work, quality review and performance monitoring arrangements.	F1, F3, FR – F01	Operational		Q4	10

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Core Financial Systems Total					75		46
Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2013/14	Proposed Quarter 2013/14	Planned Days 2014/15
Operational Risks	Procurement	Evaluating the Council's corporate approach to procurement, including value for money considerations and ensuring that Council requirements are met.	F2	Operational / Emerging			12
	Contract Management	Reviewing the Council's corporate approach to contract management, including identification of contractual requirements and monitoring achievement. Focus on specification of Customer Services Unit.	F2, HL – M01	Operational / Emerging	8	Q4	
	Planning	Covering key controls over the planning process. The review will look at the approach to re-engineering the service in light of the national planning guidance, as well as ensuring the Council embeds the new process including all measures are in place in order to avoid special measures and financial penalties.	ND 101	Operational	8	Q4	
	Human Resources	Analysis of key controls over recruitment, workforce planning, sickness absence, appraisals and training.	I2, ND – 103	Operational	8	Q4	
	Partnership Arrangements	Assess the arrangements in place for joint strategic needs assessments and the changes in commissioning services.	F3, M1	Operational			10
	Customer Services	Focusing on areas such as effectiveness of customer service centre, customer feedback and complaints, and the telephony project.	M2	Operational			10
	Capital Projects	To review the Council's project management of the significant capital developments that are underway (sale of civic centre, public sector quarter) and the links to the current strategic review of land assets. The review will also look at the whole approach that the Council takes to project management, with a focus on particular projects.	F2, M2	Operational			10
	Efficiency Savings	Evaluation of the process in place for ensuring savings are being made, eg. identification and project management of savings and budgetary control.	F1, F3	Operational			10
Operational Risks Total					24		52

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2013/14	Proposed Quarter 2013/14	Planned Days 2014/15
Strategic Risks	Regeneration	Providing project management assurance in respect of significant regeneration schemes.	M1, M4	External / Emerging			10
	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			10
	Community Infrastructure Levy	Assessing the controls over the introduction of the levy, including its collection and accounting processes.	M1, M4	Operational / Emerging			7
	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
	Emergency Planning	Reviewing the adequacy and effectiveness of key controls over emergency planning and readiness.	LDR – R04	Business Change / External			8
Strategic Risks Total							45
Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2013/14	Planned Quarter 2013/14	Planned Days 2014/15
ICT	Data Security and PCI DSS	The specific scope will be agreed with management but would look to provide assurance over information governance, customer data security and adherence to Caldicott.	STCO_RO4	Operational			20
	ICT Development – new systems	The specific scope will be agreed with management but would look to provide assurance over pre and post implementation reviews, with focus on strength of controls.	STCO_RO4	Operational / Business Change			15
ICT Total							35

Governance, Fraud & Other Assurance Methods	Corporate Governance	Evaluating the adequacy and effectiveness of corporate governance arrangements in accordance with the CIPFA code of practice.	FR – I01, M2	All	8	Q4	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			15
	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	Q3 and Q4	7
	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	Q4	7
Fraud & Other Assurance Methods Total					24		34
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued to confirm whether the Council remains exposed to the risks identified through assurance work.			5		10
	Management				12		25
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources).			10		40
Other Total					27		75
Total					150		287

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

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