

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE**

**28th June 2013**

**Report of: Service Director - Finance**

**Title: Internal Audit Plan 2013/14**

**Ward: Citywide**

**Officer presenting report: Melanie Henchy-McCarthy/ Alison Mullis,  
Chief Internal Auditor (Job Share)**

**Contact telephone number: 0117 92 22448**

**RECOMMENDATION**

The Audit Committee is recommended to approve the Internal Audit Plan for 2013/14.

**Summary**

The attached report presents the Internal Audit Plan for 2013/14 for approval by the Committee. It details the planning process and identifies key areas of focus for the year. This report was presented to the Deputy Mayor and Executive Member for Finance and Corporate Resources on 19th July 2013.

**The significant issues in the report are:**

- the role of the Audit Committee in relation to the Internal Audit Planning process (paragraphs 1.1 to 1.3)
- the change to quarterly re-assessment of the plan (Paragraph 3.1)
- the planning process (Appendix A – Section 2)
- the Internal Audit Plan (Appendix A)

**Policy**

The Audit Committee Terms of Reference includes overseeing the activity of Internal Audit.

**Consultation**

**Internal:** Strategic Directors, Service Director: Finance, City Director

**External:** None necessary

## **Purpose of the Report**

- 1.1 The Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end, it should seek assurance that the key areas that contribute to this framework are operating properly.
- 1.2 The Council's Internal Audit service is a key component of the assurance framework and the Audit Committee's Terms of Reference includes a requirement to provide independent assurance to the Council in relation to internal audit activity.
- 1.3 The Audit Committee need to consider if the work of Internal Audit is planned to provide it with the assurance they require and monitor the service's performance against the plan.

## **Legal Framework**

- 2.1 Internal Audit is a statutory requirement for local government under the Accounts and Audit Regulations 2011:
  - a) Section 151 of the Local Government Act 1972 requires every authority to make arrangements for the proper administration of its financial affairs and ensure that one of the officers has responsibility for the administration of those affairs. Internal Audit supports the role of the Section 151 Officer by assessing the financial controls of the Council, in particular in relation to the main financial systems and provide assurances to the External Auditor regarding the reliance that can be placed upon these in agreement with working protocols developed with them.
  - b) Section 6 of the Accounts and Audit Regulations states that 'a relevant body shall maintain an adequate and effective system of internal control in accordance with proper internal audit practices'. These regulations emphasise the much wider role for Internal Audit and the need to consider all internal control arrangements and places emphasis on risk management and risk based audit planning.
- 2.2 The new Public Sector Internal Audit Standards 2012 are effective from 1st April 2013 and include guidance that the Committee should review, assess and approve the Internal Audit work plan.

## **Internal Audit Plan**

- 3.1 The attached report details the processes undertaken to formulate the audit plan. The Committee will note an intended change in approach this year in that the plan will be re-assessed quarterly, with senior managers, to ensure it remains relevant and correctly focussed throughout the year in line with changing and emerging risks. This is felt appropriate given the level of change currently faced across the Council.
- 3.2 Performance against completion of the quarterly the plan will be measured and

reported.

#### **4. Other Options Considered**

4.1 None necessary

#### **5. Risk Assessment**

5.1 An adequate and effective internal audit service, as well as a statutory requirement, is an integral part of good governance. A sound Internal Audit planning process minimises the risk of non-compliance with statute and good practice, and at the same time maximises the value that Internal Audit adds to the Council's governance arrangements and internal control environment.

#### **6. Equalities Impact Assessment**

6.1 None required for this report.

#### **7. Legal and Resource Implications**

**Legal** - none sought

**Resources** - none arising from this report.

**Appendices:** Appendix A - Report - Audit Plan for Internal Audit 2013/14

#### **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 Background Papers:**

Audit planning files  
Public Sector Internal Audit Standards 2012



---

---

## INTERNAL AUDIT REPORT



## CORPORATE SERVICES

---

---

Information Classification: Level 1 Due care

# Audit Plan for 2013/14

Date: 11th June 2013

Issued by

A. Mullis & M. Henchy-McCarthy

Chief Internal Auditor (J/S)

---

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Public Sector Internal Audit Standards 2012)

---

Information classification guidance is on the Source in <http://intranet.bcc.lan/ccm/content/file-storage/css/ict/ict-service/information-classification-guidance.en>

# 1. Purpose of this Annual Plan Report

1.1 This report provides an overview of Internal Audit's proposed work plan for 2013/14. Its purpose is to:

- Provide the Audit Committee with a summary view of the planned Audit coverage for 2013/14;
- Provide details of the methodology used to formulate the Plan;
- Draw attention to key areas within the proposed Plan;
- Provide details on the plan monitoring process, together with the follow-up and escalation process.

# 2. Formulation of the Plan

2.1 The Internal Audit planning process reflects the requirements of the Public Sector Internal Audit Standards 2012 and results in a risk based audit plan which is sufficiently flexible to reflect the changing risks and priorities of the council. Delivery of the plan will enable the Chief Internal Auditors' to provide an evidence based opinion on the control environment in support of the Annual Governance Statement (AGS). The plan was formulated after consideration of the following:

- the Corporate and Directorate Risk Registers.
- early results of the Annual Governance Review process and the draft AGS (also being considered by the Committee).
- outcomes of audits in 2012/13 and ongoing work
- an assessment of fraud risks following the formulation of a Fraud risk Assessment across the whole of the Council, as recommended by the National Fraud Authority in the Fraud Strategy for Local Government.
- areas where assurance is provided by other auditors/inspectors
- The views obtained following consultation with:
  - The City Director
  - Strategic Directors
  - Service Director - Finance who is also the section 151 Officer
  - Other Service Directors/Managers in key areas
  - the External Auditor

2.2 Additionally, the plan reflects the ongoing need to facilitate and embed risk management across the council and the development of robust counter-fraud arrangements.

2.3 The Council is continuing to go through a period of large scale change to deliver services and priorities as well as budget reductions. To ensure that the audit plan remains relevant throughout the year, it is considered more effective during current times to have a fluid plan which is re-assessed quarterly in line with changing and emerging risks faced by the Council. This will be done in discussion with senior managers across the Council and is a change to previous planning methodologies where a plan was set for the entire year and audit assignments completed in order of priority over the whole year. Appendix A provides detail of planned Internal Audit work for quarters 1 & 2 together with areas it is currently felt are relevant for the remainder of the year if the risk environment does not change considerably.

2.4 The figures below provide the Committee with a summary view of the proposed coverage for 2013/14, split by audit type (figure 1) and Directorate (figure 2).

Figure (1)

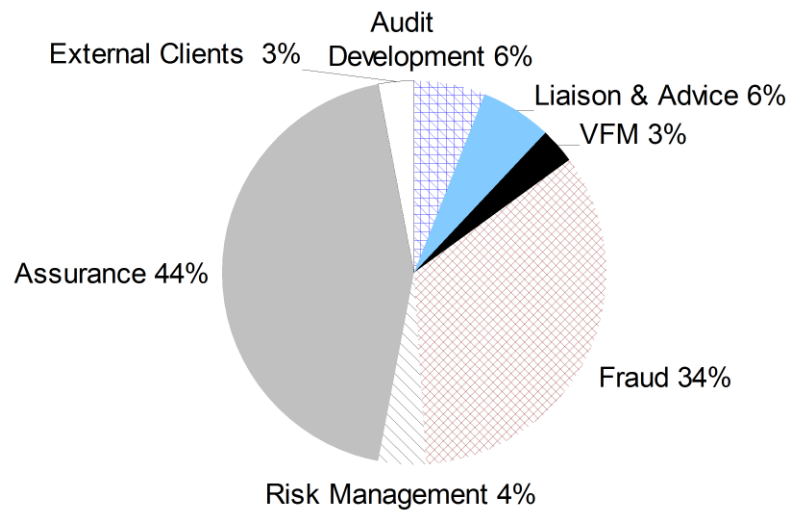
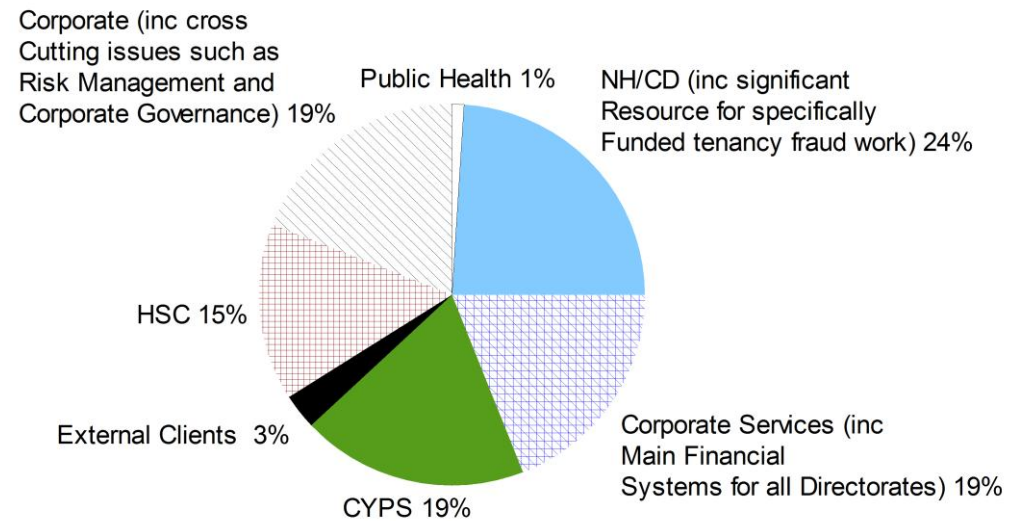


Figure (2)



2.5 Internal Audit maintains an up-to-date Audit universe which contains many important areas where Audit attention is considered beneficial, but resources are not available to carry out the work at this current time. These areas will be considered as part of the quarterly review and as such would be covered should resources become available. The level of resources available to Internal Audit during 2013/14 allows for only the very highest risk areas to be included in the plan.

- 2.6 Whilst Value for Money (VfM) work represents a small percentage of the overall Audit plan, VfM is integral to all of our work and is considered at each audit assignment as a matter of course. Additionally our proactive fraud and irregularity work often identifies significant VfM opportunities. This small allocation relates to specific and targeted VfM work we aim to complete which is not specifically covered elsewhere in the plan.
- 2.7 A flexible contingency allowance has been incorporated into the plan to allow for fraud responsive work, however with the introduction of a dedicated Fraud/Irregularity and VfM Team this year it is envisaged that should responsive work not materialise, this resource will be used to complete pro-active fraud work, further VfM exercises or other assurance work where it is considered a priority. The directorate allocations in figure (2) include an estimated proportion of the contingency for fraud responsive work.
- 2.8 The plan includes an allowance for Public Health audit issues, the details of which will be confirmed as we become better aware of areas where Internal Audit assurances are required in this area. The allocation for Neighbourhoods and City Development looks high but this is due to a significant allocation for targeted work on tenancy fraud which is separately funded.
- 2.9 To ensure the section continues to meet the requirements of legislation, relevant Codes of Practice, and remains up to date, the plan includes a resource to allow for research and development of new methodologies. This is particularly important during the current time when everybody is trying to deliver a better service with less resource.

### 3. The Audit Plan – Key Features

- 3.1 The plan reflects the highest risk areas to the Council and is designed to ensure that our assurance is targeted effectively to enable us to provide an opinion on the whole governance, risk and control framework. Significantly, this year, it is currently appropriate to ensure our resource is focussed in the following areas:
- Financial Governance -The plan contains a high level of resource devoted to financial governance particularly in light of the recent migration to the new financial system and the issues identified concerning financial governance in 2011/1 and 2012/13. The focus of this work in the first half of the year will be that of signing off the control processes under the new arrangements for each key area of financial governance with some detailed fraud and error testing to supplement this. As the implementation of the new system and finance structure settles down, assurance work will be extended to full reviews of the financial system controls and processes.
  - Information Security Governance – the plan includes early consideration of the security arrangements following migration to the new desktop together with a series of risk based reviews throughout the year to evaluate information security governance in higher risk areas.
  - Fraud – Given the continued increase in the risk of fraud as a result of the current economic circumstances and extensive change agenda, nationally and locally, the plan includes a strong anti-fraud agenda this year supported by the formation of a dedicated Fraud/Irregularity/VfM team within Internal Audit. In the early part of the year, provision has been made to pilot, with the National Fraud Authority, an exercise to identify and determine best practice in relation to NNDR fraud. Additionally, our work in the area of Tenancy Fraud will be continued and enhanced to

best utilise the funding awarded by the Department for Communities and Local Government for this purpose. Provision is also made to ensure targeted work is completed in several other high risk fraud areas and to review the output from the National Fraud Initiative in a timely and effective way.

- Procurement and Commissioning represent a significant element of the Council's operations and is an area where poor controls and non-compliance with best practice is likely to result in poor value for money for the Council. Previous Audit involvement in this area has identified this as a continuing risk for the Council and hence reviews in this area are included in the plan.
- Follow up – the timely implementation of audit improvement recommendations remains a risk for the Council. Where 'Significant' or 'Of Concern' levels of risk are identified by our work, our follow up programme will continue to highlight and escalate to senior management and the Audit Committee those areas where timely improvements are not made.
- Governance and Risk Management continue to be features of the Audit Plan. Our work on risk management will be expanded this year with the temporary appointment of a Risk Lead. This challenging role will drive forward improvements to risk management and ensure our strategic and operational risk management arrangements are effective. Additionally, increased Audit involvement in this area will help enhance our understanding of risks across the Council, informing our audit planning process, to ensure the continued focus on high risk areas.
- Value for money is key to making the most of the resources we have. As mentioned previously, targeted exercises have been identified for completion this year to supplement the VfM work already done as part of our assurance coverage and the proactive/reactive fraud/irregularity work completed.
- Other high risk reviews are included in the plan based on our own risk assessment and the results of the consultation process described in section 2 above. These elements of the plan include:
  - audit coverage of high risk strategic and operational systems;
  - involvement (assurance or consultancy work) with some of the key change programmes happening across the Council;
  - providing the required assurances for maintained schools; and
  - grant certification where audit sign off has been identified as required.

3.2 From a review of the provision of Internal Audit Services to maintained schools as part of the Trading with School process we recommend maintained schools are the subject of an Internal Audit visit at least once every five years unless other factors require a more frequent review. When determining the schools audit plan for 2013/14 Internal Audit have considered factors such as: results from Schools Financial Value Standard assessments; whether schools have opted out of the Council approved financial system; and any reported concerns.



## 4. Plan Monitoring

- 4.1 Performance against completion of the quarterly plan will be measured and reported on a quarterly basis. The Audit Committee will be kept updated on the progress of the planned coverage and of how the service is progressing towards its set targets. Where issues arise which would significantly affect the service's ability to provide sufficient audit coverage to inform the annual opinion, the Committee will be updated at the earliest Committee meeting or off-line should the need arise.

## 5. Follow Up & Escalation Procedure

- 5.1 Follow-up audits are included in the plan with any arising in-year follow-up to be considered as part of the quarterly review of planned work.
- 5.2 Details of Audit follow up work will be reported to the Committee as part of the half-yearly and annual reports, with ad-hoc reports brought to the Committee should the need arise. Directorates that fail to implement significant recommendations within the agreed timescale, will be brought to the attention of the Committee.
- 5.3 The Escalation Procedure includes escalating issues of concern through the management structure and ultimately to the Audit Committee. Members are able, if appropriate, to call the relevant Strategic Director or Service Director/Manager to explain any failure to satisfactorily implement improvement recommendations or to confirm their acceptance of the risks associated with non- implementation of recommendations.

## 6. Context

- 6.1 The Audit Committee's Terms of Reference includes a strategic requirement to ensure that the Council's internal control and assurance framework is operating effectively. To enable them to do so, the Committee needs to ensure it seeks assurance that key areas that contribute to this framework are robust. The work of Internal Audit is a key component of the assurance provided to the Committee in fulfilling this role.
- 6.2 The Public Sector Internal Audit Standards 2012 guidance on the role of Audit Committees in relation to Internal Audit suggests that it should involve reviewing, assessing and approving the Internal Audit work plan and strategy for delivery of the Audit Service. Whilst this report will enable the Committees input to the work plan, the higher level statement of service delivery has previously been included in Internal Audit's Charter and Strategy which was approved by the Committee on 9<sup>th</sup> June 2006. These documents are periodically reviewed, and to date have only required minor updating. However, with the introduction of new Public Sector Internal Audit Standards which are effective from 1<sup>st</sup> April 2013, a full review of the Charter and Strategy is currently in progress and will be brought to the Committee for approval at their September 2013 meeting.
- 6.3 The Internal Audit Annual Plan is attached at Appendix A for the Committee's consideration.

**INTERNAL AUDIT PLAN FOR 2013/14**Directorate Key

CORP	Corporate/Council Wide
CS	Corporate Services
CYPS	Children & Young People Services
HSC	Health & Social Care
NH/CD	Neighbourhoods & City Development
PH	Public Health
External	Services Provided to Bodies Outside of the Council

**Assigned Reviews for quarter (1) & (2)**Assurance

Directorate	Subject
-------------	---------

**Financial Governance**

CS	Agresso Business World – Debtor Process sign off
CS	Agresso Business World - User set up
CS	Agresso Business World – Ordering and Payment Process – sign off
CS	Agresso Business World - Bank Reconciliation Process sign off
CS	Agresso Business World – General Ledger/Income Manager Process sign off
CS	Agresso Business World Data Migration Review (incl cut off)
CS	Corporate Payroll System
CS	Treasury Management
CS	Financial Regulations Review
CORP	Corporate Debt project
CYPS	Personalisation Direct Payments (Young People)
CYPS	Monitoring Schools Financial Value Standard Returns to inform audit planning and collation of returns
CYPS	Formula for Financing Schools
CYPS	Schools Outsourcing Financial Systems
CYPS	Children in Residential Care - Sample of homes – financial administration arrangements
CYPS	Primary School Capital Programme
HSC	H&SC Direct Payments
HSC	Departmental Financial Administration

**Procurement**

CORP	Contracts where Payments are made in Advance
CORP	EXOR (Database of approved contractors)
HSC	Strategic Commissioning Arrangements within H&SC – Learning Difficulties, Mental Health
NHCD	Lovells (Decent Home Partnership)
NHCD	Metrobus (Bus Rapid Transit)
NHCD	Waste Services Collection, Street Scene etc.

**IT Reviews**

CS	ICT Support Services (Service Desk & user admin/security)
CS	New desktop systems security
CS	Northgate System IT Review
NHCD	Housing Rent System (ICT) – BCP, DR, Logical Security, Resilience
CS	Bacstel System
CYPS	Protocol System

**Other High Risk**

CORP	Licensing
CS	Facilities Management - Markets Operations
CS	HB Assessment Teams
CS	Member's Services ( Equipment, telephones etc)
CS	Electoral Registration System
CYPS	Inhouse Fostering Service
CYPS	CYPS Information Security to include paper handling
CYPS	Independent Fostering Service – Commissioning Foster Carers
HSC	Short Term Assessment and Reablement Service (STAR) North Star/South Star and Intermediate Care Service
HSC	Safeguarding arrangements in H&SC
NHCD	Engineering Practice
NHCD	Governance arrangements - Tenancy Management Organisations
CS	Carbon Efficiency Grant
CYPS	Troubled Families Initiative Grant Certification Process

### Follow Up Reviews

Directorate	Subject
CORP	Use of Consultants (Cross directorates) – Follow Up
CS	Building Practice - Electrical Follow up
CS	Bank Reconciliation and Main Accounting Follow up
HSC	Hsc Financial Systems - Series X follow up
HSC	Direct Payments – High Value Case Follow Up
HSC	Supporting People – Follow Up
NHCD	Museum collection - new collection – Follow Up
NHCD	Parks - Major Contracts, e.g. Grounds Maintenance Follow Up
NHCD	M Shed Follow Up

### Fraud

Directorate	Subject
CORP	Annual Fraud Survey
CORP	National Fraud Initiative - Review of output
CORP	Procurement Fraud - awareness training
CORP	Fraud Awareness/Web page/Bulletin
CORP	Fraud policy and strategy review
CORP	National Fraud Initiative Download
CS	Whistleblowing compliance with best practice
CS	Creditor Duplicate Testing (CFS to ABW)
CS	Creditor Fraud/Error Testing
CS	NNDR Fraud Testing
HSC	Electronic Monitoring System Contracts – Monitoring of providers.
NHCD	Fraud investigations in progress (parks, supporting people, gas, others)

### Risk Management

Directorate	Subject
CORP	Integration with planning performance management – work commissioned by SLT
CORP	Corporate Risk Register Approach Review and Maintenance. Including assessing the extent to which risk registers drive management team meetings
CORP	Annual Governance Statement
CORP	DRR Approach Review - extent to which risks are discussed at DLT.
CORP	Risk in decision making - tool to advisors
CORP	Risk Management Policy and Strategy Review
CORP	Project Risk Management - alignment to standard

### Specific Vfm Exercises

Directorate	Subject
CS	Creditor to Debtor analysis - VFM
CS	Discretionary Reliefs Council Wide

**Summary of potential coverage for residual part of 2013/14**

**Assurance**

Directorate	Subject
<b>Financial Governance</b>	
CS	Agresso Business World – Debtors
CS	Agresso Business World Phase II
CS	Agresso Business World – Budgetary Control
CS	Agresso Business World – Ordering and Payments
CS	Agresso Business World ICT Review (Logical Security, back up, support, continuity etc)
CS	Agresso Business World - Bank Reconciliation
CS	Benefit Overpayments (recovery and write offs)
CS	Welfare Reform - council tax reduction scheme
CS	Welfare Reform – Social Fund Administration (£1.1m)
CYPS	Children in Care District Offices - Review Financial Administration Arrangements
CYPS	School Fund Audit Certificate - Monitoring and chasing the return of Audit Certificates. 9 Special Schools, 5 Secondary Schools, 75 Primary, 29 Nurseries and CC's
CYPS	Schools Transferring to Academy Status – Monitor use of budget pre transfer
HSC	Client and Carer Financial Services
HSC	Departmental Financial Administration within District Offices
HSC	Budget Constraints/Containment of Overspends. Financial Forecasting Arrangements
NHCD	City Docks - operations financial management and income
NHCD	Parking – Income
<b>Procurement</b>	
CORP	Procurement & Commissioning Strategy & Risk
CORP	Waivers which were previously agreed by IA
CORP	Project/Programme costs and benefits realisation
CYPS	Strategic Commissioning (Possibly NEET, Youth Links)
H&SC	Strategic Commissioning - Other high risk areas
NHCD	Sports Centres contract – Monitoring
<b>IT Reviews</b>	
CS	Decommissioning of Financial Systems
CYPS	Pearsons Financial System – Post Implementation review
HSC	Replacement of Social Care System and ancillary finance system
<b>Other High Risk</b>	
CORP	LEP and City Deal
CORP	Gateway projects (impact assessments & projects)
CORP	Information management project/Intelligent Council
CS	Employment Status review
CS	Discretionary Relief Fund (£213k)
CYPS	Childrens First Project + Other Change Programmes
CYPS	Children's Centres Thematic Audit
CYPS	Nurseries - Thematic audit
CYPS	Series of School Reviews
CYPS	Recruitment & Selection (inc Disclosure and Barring Service Checks) and Code of Conduct two separate audits Schools/Non schools
CYPS	Review of Traded Service Function
HSC	Asylum Support and Refugee Integration Service
HSC	Special Projects within HSC – (Retirement Living, Delivering Effective Social Care, Transformation Projects)
HSC	Physical and Sensory Impairment
HSC	HSC Information Security
HSC	Care Quality Commission Action Points
HSC	Recruitment and Selection and Code of Conduct/CRB checks
HSC	Safeguarding and administration of Service Users Finances in Internal and External Care Homes and Day Centres
NHCD	Crisis Loans
NHCD	Planning Community Investment Levy (was s106)
NHCD	Voids
NHCD	Homelessness - strategy use of resources
PH	Public Health – post implementation review and other reviews i.e. GP commissioning
CORP	Urbact Grant
CS	Elena Funding
CS	Other grant work
NHCD	Scambuster Grant Audit

### **Follow Up Reviews**

Directorate	Subject
HSC	Payments to Private Day Centres/Residential Care Homes – Payments for services Follow Up
HSC	Safeguarding arrangements in H&SC – Follow up
HSC	Direct Payments General Audit – Follow Up
NHCD	Landlord Services Follow Up & use of new frameworks
CYPS	Children in Need - Follow up of Ofsted findings
NHCD	General Provision - Financial Grants & External Support - Grant Certification Process.

### **Pro-active Fraud**

Directorate	Subject
CORP	Investigation Protocol review, monitor, update.
CORP	Money Laundering (Reporting Officer Role)
CORP	Fraud Risk Assessment Development and Review
CS	Procurement analytics

### **Risk Management**

Directorate	Subject
CORP	Risk Management in the change agenda/commissioning process
CORP	Risk Management Reporting
CORP	Risk and Assurance Mapping - carrying on from statutory assurance mapping
CORP	Risk Management Group

### **Specific VfM Exercises**

Directorate	Subject
CS	Expenses Fraud/VfM testing
CS	Departmental Payroll Testing
CS	Commercial Estate Management – Value for money aspects e.g. commercial letting

### **Audit Development**

Directorate	Subject
CORP	Audit Automation
CORP	Service Review (including Shared Service)
CORP	Development of Audit Service - Brochure etc

### **Audit work which carries on throughout the year**

Type	Directorate	Subject
Assurance	ALL	Audit Committee Servicing
Liaison and Advice	CORP	Corporate Liaison and Advice
Development	CORP	Intranet
Development	CS	Network Groups
External	External	Avon Fire & Rescue Service Contract
Fraud	CORP	Warning Bulletins
Fraud	CORP	GAIN enquires
Fraud	CORP	Fraud and Irregularity Contingency/Proactive Fraud Work
Fraud	NHCD	Tenancy Fraud Initiative
External	External	Internal Audit Services to Academies