

TITLE	Internal Audit and Investigations Plan 2014/15
FOR CONSIDERATION BY	Audit Committee on 4 February 2014
WARD	None specific
DIRECTOR	Julie Holland, Interim Head of Business Assurance & Democratic Services

OUTCOME/ BENEFITS TO THE COMMUNITY

The Council's Internal Audit and Investigations Plan details the Internal Audit and Investigations activity and seeks to:

- provide all key stakeholders with independent assurance that the risks within the Council's fundamental systems and processes are being effectively managed;
- allow the Council to demonstrate it is complying with the relevant legislation and applicable professional standards;
- demonstrate the Council's commitment to good governance and a zero tolerance approach towards fraud and corruption; and
- set out that the team's resources are being properly utilised;

RECOMMENDATION

The Audit Committee is asked to approve

- 1) the proposed Internal Audit and Investigations Plan for 2014/15
- 2) the decision to **not** complete any of the reviews that comprise the Optional Plan.

SUMMARY OF REPORT

The outcomes from internal audit and investigations work in the proposed plan underpin the Head of Internal Audit's Annual Opinion on the overall adequacy and effectiveness of the Council's internal control environment. This opinion supports the Council's Annual Governance Statement which is a statutory report.

We have set out the overall planning framework which incorporates a core plan of 778 days. This we have labelled the core plan (Section 1) and is deliverable within the current resource allocation. In order to assist the Audit Committee in determining if this provides adequate assurance we have detailed a list of the next audits that we would complete with additional resources up to 970 days (Section 2). To visually illustrate this point we have produced a representation of the current risk appetite applied to the corporate risk register. This has formed the basis of our judgment on which reviews should be included/excluded from the core plan.

In producing the 2014/15 Internal Audit and Investigations Plan, the high-level areas where we expect to utilise our resources are set out. The Chief Executive, Strategic Directors and the Chair of the Audit Committee have been consulted with regards to the individual reviews that make up each of the high-level categories.

Background

The planning approach is to prioritise high risk areas of the Council's operation. This is balanced by the need to provide assurance over key financial systems that are fundamental to the successful operation of the Council. The plan needs to balance the competing needs of Internal Audit stakeholders and strike the appropriate balance between core assurance that internal control, governance and risk management is functioning effectively and seeking value added activity valued by management.

The plan is aligned to the councils corporate risk register and provides coverage over the top eight risks (rated as high risk areas). It also provides coverage over areas of key strategic, reputational and financial risk.

Analysis of Issues

The key issue for consideration is whether the Internal Audit and Investigations Plan has the appropriate high-level coverage and is focused on the key areas of risk facing the Council. Audit Committee should ensure that there is adequate coverage to provide appropriate assurance.

Key considerations:

- Is the risk appetite and resource allocation appropriate given the level of risk the council is currently facing?
- Are there any high risk areas that are not being covered by the plan?
- Is there appropriate balance between assurance and advisory work to ensure the effective utilisation of internal audit and investigations expertise?
- Is there sufficient contingency to enable a flexibility of response to changing needs?
- Is there the right balance between short term and medium term planning horizons?

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

Other financial information relevant to the Recommendation/Decision

None.

Cross-Council Implications
None.

Reasons for considering the report in Part 2
Not applicable.

List of Background Papers
<ul style="list-style-type: none"> o Accounts and Audit Regulations 2011 o Public Sector Internal Audit Standards

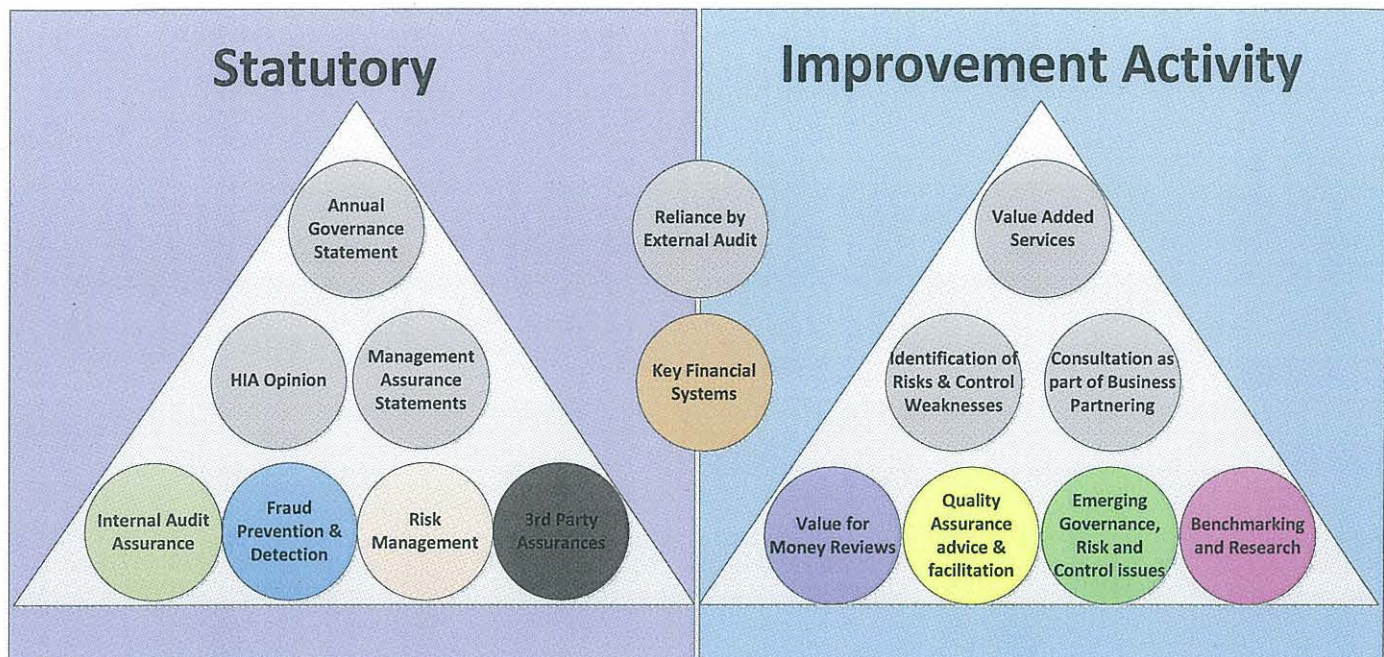
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Date 24 January 2014	Version No. 1

Wokingham Borough Council

Internal Audit & Investigations Service Plan 2014/15

1.0 Overall Strategy & Vision

- 1.1 This Service Plan sets out how the Council's Internal Audit & Investigations service will be developed and delivered in accordance with the Internal Audit Charter and the requirements of the Audit Committee in their oversight of governance, risk management, control and anti-fraud activity. It also sets out how the service will be delivered to meet the requirements of the Public Sector Internal Audit Standards.
- 1.2 Our vision is to use our independence and objectivity to become the 'trusted advisor' to the organisation by positively strengthening and improving governance.
- 1.3 The key aims of the service are to:
- Provide independent and objective assurance and advice to the organisation, supporting the overall aims and objectives of the Council; and
 - To prevent, detect and deter fraud and error.
- 1.4 The key areas of work, supporting those aims and to provide the Head of Internal Audit statutory opinions are:
- Risk management and control assurance;
 - Assessment of internal control effectiveness and efficiency;
 - Supporting the Audit Committee by demonstrating the importance of good governance and ensuring internal control improvements are delivered;
 - Fostering an awareness of risk and control across the organisation;
 - Consultative business partnering supporting organisational change to improve processes and service performance;
 - Fraud prevention and detection; and
 - Ability to respond to urgent events.
- 1.5 The annual audit plan is produced following consultation with key stakeholders and considering risk registers, reports from external inspectorates (e.g. External Audit) and legislative updates as well as exercising our own professional judgement. The outcomes from the audit plan underpin the Head of Internal Audit's Annual Opinion on the overall adequacy and effectiveness of the council's internal control environment. This opinion supports the council's Annual Governance Statement which is a statutory report.
- 1.6 Internal Audit must remain independent of all activities that it audits to enable auditors to remain objective and impartial. Where individual internal auditors are involved in business partnering or providing advice on the design of new internal controls, they will have no direct operational responsibility and will not be involved in any subsequent audit or review.
- 1.7 In addition, the team provide Internal Audit and Investigation services to external customers. This service generates income for WBC and is a valuable developmental tool for the team, increasing their experience and enabling good practice to be shared with WBC.
- 1.8 The two main functions of Internal Audit are split between the statutory responsibilities of the council and improvement as follows:



2.0 Internal Audit Planning

2.1 Audit planning is undertaken on an annual basis and audit coverage will be based on the following:

- Consultation with the Council’s Leadership Team (CLT) and management;
- Consultation with the Audit Committee;
- The Council’s Risk Register; and
- Requirements as agreed with External Audit (Ernst and Young)














2.2 Audits and Investigations are conducted using a risk based approach. This enables the finite resources of the team to be focused on risk areas that have been identified which may prevent the achievement of the Council’s aims and objectives.

2.3 The usual timetable for the development of the plan is as follows:

November	Refresh of the “Audit Universe” (list of all areas potentially auditable)
November – December	Meetings with Directors to discuss potential review areas
January	Consultation with external auditors, Ernst and Young
February	Presentation and consultation with Audit Committee
March – April	Scheduling of audits in liaison with Directors and management teams

3.0 Internal Audit & Investigations Strategy 2014/15

3.1 The proposed Internal Audit and Investigations Strategy for 2014/15 is as follows:

Internal Audit Work	Category	Estimated Days
Key Financial Systems		174
Internal Audit Assurance Work		239
Risk Based Internal Audit Reviews linked to the Corporate Risk Register	 	90
Follow up activity		35
Grant Certification		29
Total Internal Audit Days		567
Other Work		
Benefit Fraud and Council Tax Reduction Investigations		350
Pro-active Anti Fraud Initiatives/ Management requested Investigations	 	300
Internal Audit Consultancy & Advisory Work	   	111
Risk Management Facilitation		20
Annual Governance Statement and Good Governance Survey Facilitation		30

Contingency		50
Total Other Work		861
External Work	Income Generation	120
Total		1,548

3.2 The detailed audit plan is shown in Appendix A. The plan will be subject to ongoing review to ensure it remains aligned with the council's objectives and the risks identified by management in the risk registers. Any changes will be reported to the Corporate Leadership Team and Audit Committee.

3.3 The plan will also be reviewed when the impact and timing of the Single Fraud Investigation Service (SFIS) becomes clear. SFIS will be part of the DWP and will conduct single investigations covering all welfare benefit fraud (including housing benefit fraud currently undertaken by the team). It is planned that the transfer and national roll out will be between October 2014 and March 2016. This will have a major impact upon the benefit fraud and council tax reduction investigations the team conduct and the implications will be communicated to the Audit Committee when they become clear.

4.0 Reporting

4.1 Internal audit reports the findings of its work in detail to key officers at the conclusion of each piece of audit work and in summary to the Corporate Leadership Team and Audit Committee on a quarterly basis. This includes the Head of Internal Audit's annual report which contributes to the assurances underpinning the Annual Governance Statement of the Council.

4.2 Internal Audit recommendation priority ratings & definitions are shown on Appendix B (to be added for Audit Committee).

4.3 The definition of assurance levels are shown on Appendix C (to be added for Audit Committee).

5.0 Follow Up

5.1 Internal Audit will evaluate the Council's progress in implementing management agreed recommendations against set targets, however detailed follow up work will not be done for low priority recommendations.

5.2 Where progress is unsatisfactory or management fail to provide a satisfactory response to follow up requests, Internal Audit will implement the escalation procedure as agreed with management. Progress on the implementation of the recommendations will be reported to Audit Committee annually.

5.3 As part of the restructure and creation of Governance and Improvement Services, where possible resources from elsewhere in Governance and Improvement Services will support managers in their improvement activity and in implementing action plans arising from internal audit recommendations.

6.0 Performance Monitoring & Quality Assurance

6.1 The work of Internal Audit will follow the Public Sector Internal Audit Standards which came into effect on 1 April 2013. The team previously following the Institute of Internal Auditors

(IIA) Standards and the aim is to be fully compliant with the new Public Sector Internal Audit Standards by 31/03/15.

- 6.2 Performance of the Internal Audit and Investigations Team will be measured by the following indicators to support a robust service.
- 6.3 Progress will be reported quarterly to the Corporate Leadership Team and Audit Committee. This will also include an update on the progress made against the delivery of the Internal Audit Plan. The report will provide details of audits completed to date, the assurance opinions given and the number and type of recommendations made.

Ref	Description	Target
KPI 1	Client Satisfaction Score – based on client feedback from post audit engagement questionnaires (currently 77.5% due to low response rate)	90%
KPI 2	Improvements to the Control Environment – internal control and risk management improvements recommended to management accepted or implemented (accepted currently 100%)	100%
KPI 3	Number of assurance days delivered supporting the Head of Internal Audit Opinion (including Assurance & Key Financial Systems work)	236
KPI 4	Number of advisory days delivered	106
KPI 5	Benefit Overpayments	£200k
KPI 6	Net value of Proactive work – net value of non-benefit related overpayments/savings detected	£100k
KPI 7	Sanctions applied – sanction following completion of benefit fraud investigation which could be prosecution, a caution or an administrative penalty.	23

INTERNAL AUDIT AND INVESTIGATIONS PLAN 2014/15

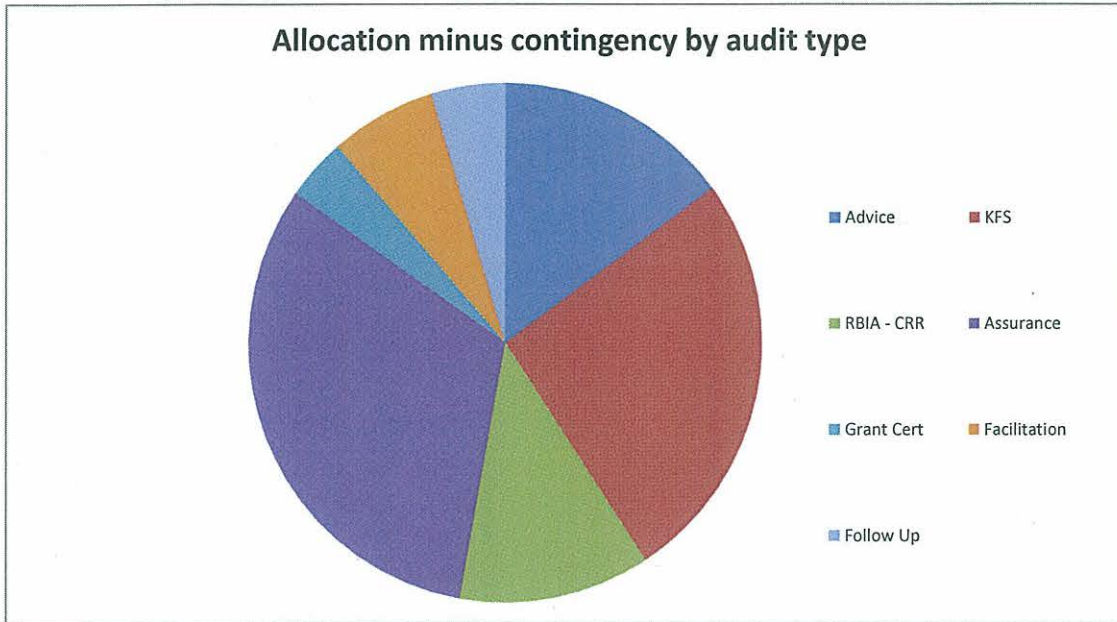
Appendix A

Business Assurance Planned Work Core Plan Only	Total Days 2013/14	Total Days 2014/15	Comment on difference
Internal Audit Key Material Financial Systems Work	183	174	Efficiencies in approach in 14/15.
Grant Certification	20	29	Two additional grants to certify in 14/15.
Risk Based Internal Audit Reviews linked to the Corporate Risk Register	68	90	Increase in number of Risk Based reviews.
Internal Audit Assurance Work	215	239	From reduction in contingency in 14/15.
Internal Audit Consultancy & Advisory Work	70	111	From reduction in contingency in 14/15.
Follow-up of previous Internal Audit recommendations	30	35	Increase in numbers of recs to follow up (based on actual time taken).
Corporate Investigations	100	40	Reduction due to risk assessment of referrals.
Benefits Fraud & Council Tax Reduction (CTR) Investigations Work	350	350	CTR work will increase in 14/15, Benefit Fraud days will reduce.
Proactive Fraud Prevention Work	200	260	Increasing in 14/15 to meet the increased financial target.
Risk Management Facilitation	40	20	Reduced in accordance with risk champions model.
Annual Governance Statement and Good Governance Survey Facilitation	10	30	No Good Governance Survey in 13/14
Contingency	200	50	Reduced contingency in 14/15.
Total	1,486	1,428	

INTERNAL AUDIT AND INVESTIGATIONS PLAN 2014/15

The 2014/15 Internal Audit & Investigations Plan provides a high-level estimation of where we expect to utilise our resources over the coming year.

We believe this allocation provides the most overall value to our stakeholders using a risk-based approach to internal control, governance, risk management and fraud.



Advice is work whose primary purpose is to support management to improve systems and processes, mitigate risk and enable the achievement of objectives.

Key Financial Systems (KFS) cover the core financial processes of the council that have a material impact on the financial position of the council.

RBIA - CRR is Risk Based Internal Audit Reviews that provide assurance on the Council's strategic risks identified in the Corporate Risk Register

Assurance is work to provide comfort to key stakeholders (CLT & Audit Committee) that risks to objectives are being effectively mitigated and arrangements are operating as expected.

Grant Cert is work to certify grants on behalf of the council to external funding bodies

Facilitation is activity is to support management in their management of risk and the production of the Annual Governance Statement.

Follow Up is activity is to ascertain the implementation of agreed management actions.

INTERNAL AUDIT AND INVESTIGATIONS PLAN 2014/15

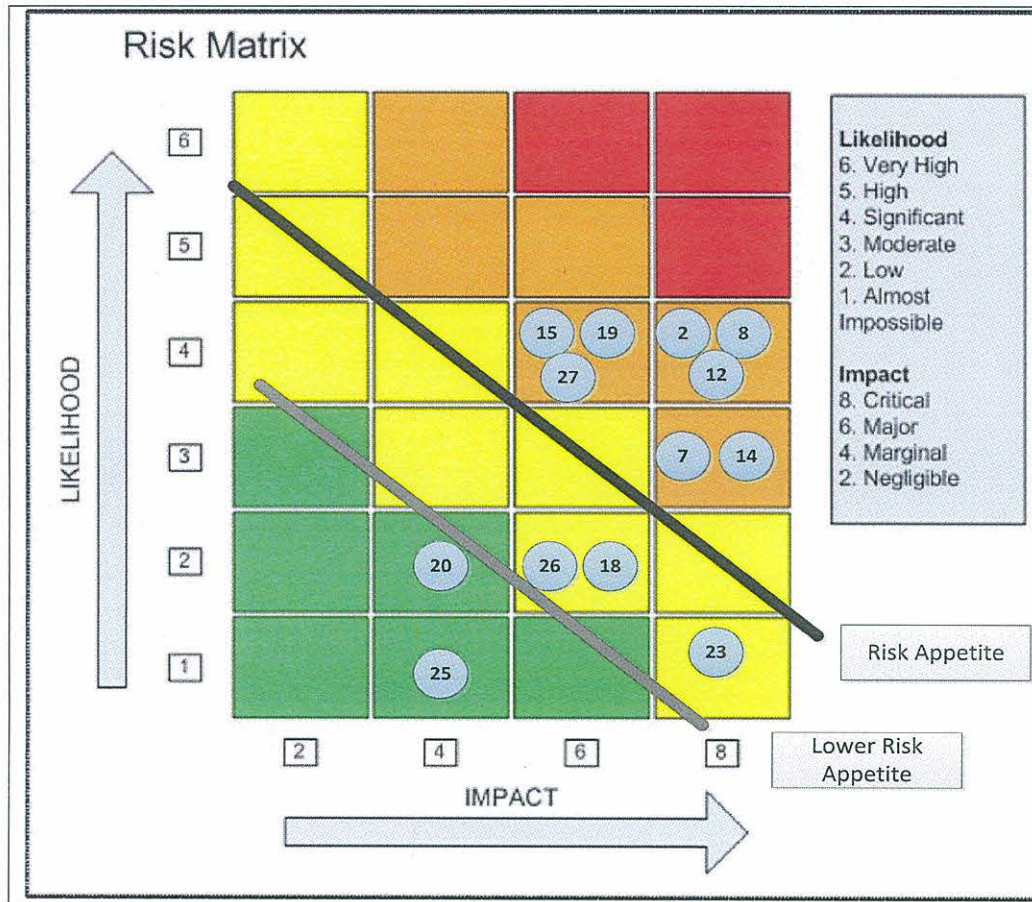


Illustration to assist in understanding the risk appetite using the Corporate Risk Register

The 2014/15 Internal Audit & Investigations Plan is based on a current risk appetite demonstrated by the black line. This shows that the higher risks on the corporate risk register are included within the plan. This has been used as the basis for assessing whether to include the other reviews in the plan. This risk appetite is deliverable within current resources.

The grey line labeled "Lower Risk Appetite" provides an illustration of the level of risks that is outside the tolerance of the current plan (core plan). To illustrate this risk threshold we have identified those reviews that are just below the risk appetite by including the "Lower Risk Appetite" reviews in the optional review element of the plan. Under the current proposals none of these reviews will be conducted this year. Therefore you are asked to accept this level of risk appetite in approving the core plan.

Internal audit would require additional resources to deliver reviews from the list of optional reviews.

INTERNAL AUDIT AND INVESTIGATIONS PLAN 2014/15

Section 1 - Core Plan

Ref	Audit title	Type	Department	Budget (days)
1	Housing Benefits	KFS	Finance & Resources	15
2	Housing Rents	KFS	Finance & Resources	12
3	Budgetary Control & Reporting	KFS	Finance & Resources	15
4	Capital Programme (Allocation, Accounting & Budgetary Control)	KFS	Finance & Resources	15
5	Council Tax & NNDR	KFS	Finance & Resources	15
6	Fixed Asset Register	KFS	Finance & Resources	10
7	Material Schools	KFS	Finance & Resources	5
8	VAT	KFS	Finance & Resources	10
9	Treasury Management	KFS	Finance & Resources	10
10	BACS	KFS	Finance & Resources	5
11	Bank Reconciliations	KFS	Finance & Resources	7
12	Cashiers	KFS	Finance & Resources	5
15	Main Accounting	KFS	Finance & Resources	10
16	WISER Reconciliation Checks	KFS	Finance & Resources	5
17	Payroll	KFS	Finance & Resources	10
18	Schools financial controls	KFS	Finance & Resources	25
19	Corporate Governance	Assurance	Chief Executive	15
20	Ethical Governance	Assurance	Governance & Improvement	10
21	Information Governance	Assurance	Finance & Resources	10
22	Effectiveness of Internal Audit	Assurance	Head of Internal Audit Opinion	7
23	Effectiveness of Audit Committee	Assurance	Head of Internal Audit Opinion	5
24	Risk Management	Assurance	Head of Internal Audit Opinion	10
25	Balanced Scorecard	Assurance	Governance & Improvement	10
26	Corporate/Service Planning	Assurance	Governance & Improvement	10
27	School Place Provision - Corporate Risk 2	RBIA - CRR	Children's	10
28	Safeguarding Vulnerable Adults - Corporate Risk 8	RBIA - CRR	Health & Wellbeing	10
29	Infrastructure Repair - Corporate Risk 12	RBIA - CRR	Environment	15
30	Safeguarding Vulnerable Children - Corporate Risk 7	RBIA - CRR	Children's	10
31	Delivery of Key Objectives - Corporate Risk 14	RBIA - CRR	Governance & Improvement	10
32	Judicial Review - Corporate Risk 15	RBIA - CRR	Governance & Improvement	10
33	Strategic Infrastructure Provision - Corporate Risk 19	RBIA - CRR	Environment	10
34	Health and Social Care Failure - Corporate Risk 27	RBIA - CRR	Health & Wellbeing	15
35	HWB Strategic Response to Increased Demand	Advice	Health & Wellbeing	10
36	Optalis - Effectiveness of Growth Strategy	Assurance	Health & Wellbeing	10
37	Wokingham Housing Limited Company - Operations	Assurance	Health & Wellbeing	10
38	Town Centre Regeneration	Assurance	Town Centre Regeneration	15
39	Property Services	Advice	Finance & Resources	10
40	Procurement	Assurance	Finance & Resources	10
41	Coaching Culture Embeddedness Review	Assurance	Chief Executive	15
42	Schools Transport Planning - forecasting/budgeting	Advice	Children's	10
43	Local Children's Safeguarding Board	Assurance	Children's	10
44	Troubled Families/Family First Grant Certification (twice a year)	Grant Cert	Children's	10
45	Support in implementing organisational change	Advice	Chief Executive	10
46	Contract Management	Advice	All	15
47	Software Licences	Assurance	Finance & Resources	10
48	WISER Security Controls	Assurance	Finance & Resources	10
49	Cloud Computing	Assurance	Finance & Resources	10
50	Major Corporate Projects	Assurance	Governance & Improvement	20
51	WSP Partnership	Advice	Environment	7
52	Community Services Structure	Advice	Environment	7
53	Community Infrastructure Levy (S106 Transition)	Assurance	Environment	10
54	Grounds Maintenance	Advice	Environment	7
55	Elections	Assurance	Governance & Improvement	10
56	Integrated Transport IT Block & Integrated Transport Maintenance Block	Grant Cert	Environment	7
57	Local Sustainable Transport Fund (Travel Behaviour and Sustainable Chilterns Gateway grants)	Grant Cert	Environment	7
58	Decent Homes and Twyford Orchards grant	Grant Cert	Health & Wellbeing	5
59	Facilitating the AGS	Facilitation	Chief Executive	15
60	Facilitating Risk Management	Facilitation	Chief Executive	20
61	WISER Project Board Attendance	Advice	Finance & Resources	5
62	Good Governance Survey	Facilitation	Chief Executive	15
63	People Strategy (Organisational Development)	Assurance	Finance & Resources	10
64	Tender Opening Attendance and Analysis of Tender Results	Assurance	All	12
65	Review and Update of Audit Committee Handbook	Advice	Head of Internal Audit Opinion	5
66	Unallocated Days for Advice	Advice	All	25
67	Follow up activity	Follow Up	All	35
68	Contingency Days	All	All	50
	Total			778

INTERNAL AUDIT AND INVESTIGATIONS PLAN 2014/15

Section 2 - Optional Reviews

Based on the resources for 2014/15, these reviews will not be included in the plan, unless another audit is delayed/withdrawn.

Ref	Audit title	Type	Department	Budget (days)
1	Station Link Road Project Board Attendance	Advice	Environment	5
2	Effectiveness of early intervention (Triage) Children's Services	Assurance	Children's	10
3	Preparedness for Social Care Bill*	Assurance	Health & Wellbeing	15
4	Transfer of responsibilities to Town/Parish Councils	Assurance	Environment	10
5	Impact of Free Schools on Children's Services	Assurance	Children's	10
6	Early Years - Provider visits	Assurance	Children's	10
7	Transition - Children's to Adults	Assurance	Children's	12
8	Change and Improvement activity Effectiveness - Corporate Risk 26	Assurance	Chief Executive	10
9	Protection of confidential/ sensitive data - Corporate Risk 18	Assurance	Finance & Resources	10
12	Public Health Integration Agenda	Assurance	Health & Wellbeing	15
13	Libraries Strategy	Assurance	Environment	10
14	Health and Safety	Assurance	Finance & Resources	10
15	Tell us once	Assurance	Finance & Resources	5
16	Additional Major Corporate Project Support	Advice	Governance & Improvement	20
17	Transport Contracts	Assurance	Finance & Resources	10
18	Shared Legal Solutions	Assurance	Finance & Resources	10
19	Additional Risk Management Facilitation	Facilitation	Chief Executive	20
	Total			192

*Would be included in 2015/16 plan as high priority area

INTERNAL AUDIT AND INVESTIGATIONS PLAN 2014/15

Section 3 - Proactive Anti-Fraud Work

Ref	Title	Department	Budget (days)
1	Council Tax Reduction	Finance & Resources	40
2	Council Tax Discounts and Exemptions	Finance & Resources	40
3	Housing Services incl. Housing Applications, Right to Buy, Tenancy Fraud.	Health & Wellbeing	40
4	Procurement	All	20
5	Personal Budgets	Finance & Resources, Children's and Health & Wellbeing	15
6	Direct Payments	Finance & Resources, Children's and Health & Wellbeing	15
7	Care Home Placements	Health & Wellbeing	15
8	Other Anti-Fraud work to be confirmed incl. Fraud Awareness		75
	Total		260