

AGENDA ITEM: 9

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Meeting	Audit Committee
Date	24 March 2011
Subject	Internal Audit, Risk Management and Corporate Anti Fraud Team (CAFT) Annual Plan 2011-12
Report of	Assistant Director of Finance – Audit and Risk Management
Summary	The Committee is asked to consider and endorse the Internal Audit, Risk Management and Corporate Anti-Fraud Team (CAFT) Annual Plan for 2011-12

Officer Contributors	Maryellen Salter, Assistant Director of Finance – Audit and Risk Management & Clair Green – (Acting) Head of CAFT
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A: Internal Audit, Risk Management and CAFT Annual Plan 2011-12
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Maryellen Salter 020 8359 3167

1. RECOMMENDATIONS

- 1.1 That the Audit Committee endorses and comments on the Internal Audit, Risk Management and Corporate Anti Fraud (CAFT) Annual Plan for 2011-12.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 At the meeting of this Committee on 17th February 2011, Members were presented with the Internal Audit Strategy for 2011-12.
- 2.2 The Annual Plan has been prepared in accordance with the approved Strategy.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 A comprehensive Internal Audit Plan is essential to giving an annual Internal Audit Opinion on the internal control environment (ICE) which is fundamental for the achievement of the Council's objectives. This opinion forms an integral element of the Annual Governance Statement.
- 3.2 Each internal audit has been mapped to the corporate priority that it supports, in addition the Annual Plan is based on the risks identified by the organisation.

4. RISK MANAGEMENT ISSUES

- 4.1 The Plan supports the Council's risk management system and processes as each internal audit will either comment on how well risks are being managed or how effective the controls to mitigate the risks in the area under review are. Outcomes from the internal audits will either confirm effective management of risk or suggest areas for improvement. In addition, this will provide Directors with assurances that managers are being effective in managing the risks within the service.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Effective systems of audit, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community. Individual audits assess as appropriate the differential aspects on different groups of individuals.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 This Plan, by being based on the risks of the organisation, will ensure the appropriate allocation of resources to those areas that require audit review and assurance. In addition, the follow up of priority one audit recommendations will ensure that a positive culture of internal control improvement is achieved.

7. LEGAL ISSUES

- 7.1 None.

8. CONSTITUTIONAL POWERS

- 8.1 The Constitution Part 3, Responsibility for Functions, details the terms of reference of the Audit Committee including:

“To consider the head of internal audit’s annual report and opinion and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council’s corporate governance arrangements.”

9 BACKGROUND INFORMATION

- 9.1 Attached to this report at Appendix A is the proposed Internal Audit, Risk Management and Corporate Anti-Fraud Team (CAFT) Annual Plan for the year 2011-12 prepared after discussions with directors; workshops with internal audit, risk management and CAFT colleagues; a review of the Council’s risk management system both at a corporate and directorate level; and a consideration of local and national emerging issues.
- 9.2 Previously the Committee were provided with separate Internal Audit and CAFT annual plans however this year they are presented in a way which highlights the ways in which we now work in practice: a joined up approach in ensuring the Council has robust processes to improve its internal control environment and anti fraud arrangements.
- 9.3 Members should be satisfied that the Plan will assist them in making their assessment of the internal control environment prior to approving the attached Plan.

10. LIST OF BACKGROUND PAPERS

- 10.1 Any person wishing to view any of the supporting papers should telephone 020 8359 3167.

Legal: MAM
Finance: MC/JH

Appendix

London Borough of Barnet
Internal Audit, CAFT and Risk Management
Annual Plan 2011-12 - Draft

Maryellen Salter, Assistant Director of Finance, Audit and Risk Management
Clair Green, (Acting) Head of Corporate Anti Fraud Team (CAFT)

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1. Introduction and Overview

This document presents the Council's operational internal audit, risk management and anti-fraud plan for the period 2011-12. The plan covers the work of both the in-house team and the Councils Internal Audit partner.

Over the past year the Internal Audit practice has continued to improve and develop based on the findings from the external audit review of its effectiveness, and participating in CIPFA's benchmarking club. Going forward the service is responding to the major challenges the Council is facing, in particular around:

- Reduced government funding and budget pressures; and
- Achieving the ongoing objectives of the Councils "One Barnet" transformation programme.

In 2011-12 we have developed smarter and better ways of providing internal audit, risk management and Corporate Anti Fraud Team (CAFT) services to deliver efficiency savings whilst endeavouring to enhance customer satisfaction. This is the first year in which the resources of the Internal Audit and Risk Management service have been combined with CAFT resources to highlight our targeted approach to delivering these resources more effectively.

Risk Based Internal Audit Plan

The plans are set out in the following pages and show the proposed projects to be covered for each Directorate, with separate sections describing the corporate audits, IT audits and work undertaken on behalf of schools. In line with CIPFA Best Practice, the 2011-12, fully risk based internal audit plan, has been formulated by:

- Reviewing the updated corporate and directorate risk registers and selecting a number of the high to medium risk areas for audit review;
- Undertaking a workshop between Internal Audit, Risk Management and Fraud colleagues to challenge areas for review;
- Meeting with officers in each Directorate in order to understand strategic and operational plans for 2011-12 that are likely to have a significant impact on the control environment; and
- Ensuring coverage of the core aspects of the Council's governance and control environment in order to be able to support the S.151 Officer in the production of the Annual Governance statement.

In order to provide good audit coverage of high risk areas, it has been agreed with the Chief Executive and Deputy Chief Executive that for the operational audit plan for 2011-12, the in-house team and the contractors will jointly deliver 1,402 audit days. The plan is to be split according to the respective skills, resources and specialisms of the in-house team and contractor.

Managed Audit Approach

Internal Audit is committed to the managed audit approach, which ensures joining up with External Audit to make the best use of resources and to avoid duplication of effort. We liaised with External Audit during the planning of this Annual Plan thereby ensuring coverage of the corporate risks.

Emerging Issues

The current national setting for local government is constantly changing and evolving. In addition, the Council's transformation agenda is beginning to take shape. By setting an Internal Audit Plan for 2011-12 in March 2011 we recognise that a number of national and local issues have not been fully embedded and as such an internal audit review in an area may not be of value or not yet possible to scope. As such there are a number of issues that we will continue to monitor throughout the year and consider diverting resources to an area that requires attention:

- Council's Public Health powers - Plans to hand public health budgets back to local authorities in England were announced on 30 November 2010. The white paper 'Healthy Lives, Healthy People: Our Strategy for Public Health in England' sets out the government's long-term vision for the future of public health in England and aims to create a 'wellness' service and to strengthen both national and local leadership. Budgets for tackling public health problems, such as obesity and smoking, will be devolved to local authorities for the first time since 1974 and Councils will employ directors of public health, to decide how the money is spent and commission local services from the private and voluntary sectors. Although Council's will only be given public health shadow allocations in 2012 it will be important for the Council to manage the transition successfully and ensure relationships are formed with GP consortia at an early stage.
- The Government intends to roll out Community Budgets nationally by 2013-14, this will put councils and their partners in the driving seat by pooling funds for tackling these families' needs into one budget so communities can develop local solutions to local problems. The Council will pilot the Community Budgets from 2011-12 and therefore it will be essential that the programme of work is in place to ensure the objectives of community budgets are starting to be realised.

- Information Governance – the Information Governance Council is to reconvene to co-ordinate next steps in relation to the Council's overall arrangements to manage information, including systems, data sharing, data protection, freedom of information, and the transparency agenda. Our plan for 2011-12 will focus on data protection however it will keep a watching brief on the additional areas covered in the Information Governance Council's workplan.

Proactive Anti-Fraud work

The level of proactive anti-fraud work will be dependent on how much reactive work is received by the CAFT. As a result not all areas will be reviewed in 2011-12. Any areas that are still relevant will be carried forward to 2012-13.

2. Overall Summary

Our work for 2011-12

As summarised in the tables below Internal Audit, Risk Management and CAFT, will deliver 1,402 audit and corporate anti-fraud days in 2011-12. The total days per Service Area along with the key risk areas being addressed is summarised in the tables below:

Directorate/Service Area	Total Annual Planned days	Example risk areas covered
Corporate Cross Cutting	135	Increase of homelessness due to changes in economic conditions and benefit funding; increase in domestic violence due to a failure to achieve synergies in communications between the Council and partner organisations; failure to implement the transformation agenda; failure to achieve the level of savings required following the comprehensive spending review; risks of fraud across supplier details and contracts; failure to understand and act on complaints received; risk that the Council will not meet the required milestones of the Carbon Reduction Commitment;
Integrated specialist audits	45	Failure to comply with strict guidelines for the investment of public money; insufficient risk management processes to assist managers in decision making; failure to realise capital receipts in accordance with need.
Fundamental and Financial Systems	160	Absence of robust internal control increases the risk of fraud or non-compliance; risk of non compliance with financial regulations and to assist the Deputy Chief Executive in discharging his s.151 responsibilities.
Adults Social Care and Health	50	Failure to manage the consequences of the fairer contributions policy; inadequate procedures to prevent fraud when implementing self directed support; failure to implement and monitor compliance with statutory duty of right to control.

Directorate/Service Area	Total Annual Planned days	Example risk areas covered
Children's Services	170	Failure to address shortfall in school places; failure to uphold financial management of schools; lack of monitoring of grant funding conditions in respect of nurseries; risks that foster carer recruitment will be unsuccessful which will result in further escalation of costs.
Planning, Environment and Regeneration	45	Risk that the Council will not take full advantage of the new home bonus; risks that contracts will not be managed appropriately; risk that the parking service will not delivery on recovery plan.
Corporate Governance	45	Risk of non compliance with the data protection act; risk that the electoral role will be inaccurate.
Chief Executives Service	20	Risk of a lack of change within the organisation to deliver better resident satisfaction.
Deputy Chief Executive Service	40	Risk that Human Resources information will be inaccurate and therefore not allow services to manage their staff effectively.
Commercial Services	60	Failure to have commercial contracts that deliver value for money; risks of fraud within facilities management; Failure to deliver IT resources appropriately without a strategy; risk that the functionality of an IT system may not be appropriate to the needs of the service.
Continuous auditing and Anti fraud	395	Absence of robust internal control increases the risk of fraud or non-compliance.
Management and follow-up	237	N/A
Total days	1,402	

3. Detailed Internal Audit, Risk Management and CAFT plan

Corporate Cross Cutting

135 days of the audit programme are allocated to this area of work, covering areas which cross Council departmental boundaries. These audits will cover the following priorities: Better Services with Less Money; Sharing Opportunities and Sharing Responsibilities; and A successful London Suburb.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Access to housing and effect on homelessness	Review the trends in private rented sector against the current Housing Strategy. Ensure that the Council has a robust understanding of the drivers that impact on homelessness. This review will focus on effective communications between Housing, Housing Benefits, Adults and Children's Services. We will also review the adequacy of mitigating action taken to reduce the risks.	1	25	2
Domestic Violence	Review controls surrounding those at risk of domestic violence. Consideration to the Council's relationships with other agencies to ensure that is working effectively across partnerships and directorates.	1	25	4
One Barnet programme	Ensuring consistency of approach when carrying out the projects under the One Barnet programme, this will consider the approach to business cases, financial modelling, risk management, procurement and anti fraud measures. Ensuring that the Council is achieving efficiencies and synergies in their approach.	1	25	2

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Complaints	Ensuring that there are mechanisms in place to understand compliments, comments and complaints and services are using these to build into business processes.	1	15	1
Budget monitoring/savings	Review a sample of services to ensure that regular challenge and understanding of a directorate budget is carried out at senior management teams. Also, includes a review of the budget savings identified through the budget setting process and how they have materialised throughout the year in line with expected efficiencies and service reductions.	1	35	3
Climate Change	Complete review of documentation for the Carbon Reduction requirement.	1	10	2
Review of invoice processing	To include a review of the process to change supplier details as the risk of fraudulent changes to suppliers' bank account details has been identified as a fraud risk in Protecting the Public Purse.	1	*	N/A
Total		5	135	-

* To be determined within the year dependent on resources available due to reactive work

Integrated Specialist Audits

45 days to be used for strategic support and projects with a high degree of specialist input. This will cover the following priorities: Better Services with Less Money.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Treasury Management	Risk system review of processes for compliance with established procedures.	1	15	3
Risk Management	Assessment of the effectiveness of risk management arrangements throughout the Council. This will include a review of the implementation of enhancements to the risk management processes.	1	15	3
Capital Programme/Fixed Assets system	Review of capital programme governance. Review of specific controls surrounding the fixed asset system.	1	15	3
Total		3	45	-

Fundamental and Financial System reviews

160 days of the audit programme are allocated to this area of work, covering projects which provide assurance on the operation of the Council's Key Financial Systems. This will cover the following priorities: Better Services with Less Money.

Area of review	Description of Work	No. of Reviews	No of audit days	
Continuous auditing of key controls	<p>Dissemination of key controls within the Council's key financial systems, with four monthly testing of key controls. Year end walk through and reporting on steady state systems to be completed in quarter 3 to ensure compliance with external audit requirements. System processes include:</p> <ul style="list-style-type: none"> • Housing Benefits • Council Tax • NNDR • Payroll • Pensions • Cashbook • Accounts payable • Income and debt management <p>Liaison to occur between CAFT and IA throughout this process for their understanding of any specific fraud risks that are apparent in each system.</p> <p>Particular attention to Housing Benefits, Council Tax and NNDR where a new system will be in place.</p>	8	160	Various
Total		8	160	-

Adults Social Care and Health

50 days of the audit programme are allocated to this area of work, covering projects within the Adults Social Care and Health Directorate only. This will cover the following priorities: Sharing opportunities and sharing responsibilities; and Better services with less money.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Self directed support	Proactive anti fraud work in this area to ensure the arrangements are fit for purpose.	1	*	N/A
Fairer contributions	A review of the fairer contributions policy to assess impact on personal budget holders and the links to care service delivery.	1	25	4
Right to control	This Statutory Duty came into existence December 2010, we will review how the Directorate has established controls to ensure that it complies with the requirement.	1	25	3
Total		3	50	-

* To be determined within the year dependent on resources available due to reactive work

Children's Services

170 days of the audit programme are allocated to this area of work, covering projects within the Children's Services Directorate only. This will cover the following priorities: Better services with less money, Sharing opportunities and responsibilities, and a successful London suburb.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Nursery Funding	Proactive counter fraud work to review nursery funding and correct use of grants.	1	*	N/A
Schools	Continuous auditing of schools over a three year period to ensure compliance with financial regulations, focus on primary schools.	30**	120**	Various
School placements	Review school placements admissions system to ensure that children are placed efficiently and effectively.	1	15	2
Foster Carers	Review of the strategy to ensure the Council continues to recruit new foster carers to replace existing establishment and meet financial challenges. Consider the Council's relationship with foster carers, particularly focusing on support they receive for challenging cases.	1	20	3
Systems based reviews	Review of the time taken by social carers in administrative tasks as opposed to case work.	1	15	1
Total		34	170	-

* To be determined within the year dependent on resources available due to reactive work

** Will be dependent on the level of demand for schools audits given change in approach to undertaking this work

Planning, Environment and Regeneration

45 days of the audit programme are allocated to this area of work, covering projects within the Planning, Environment and Regeneration Directorate only. This will cover the following priorities: A successful London Suburb, and Better services with less money.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
New homes	Ensure that the Council's regeneration programme is delivered according to plans to take advantage of the new homes bonus.	1	15	4
Contract management	Review of the Directorates Arrangements for contract management.	1	15	3
Parking	On-going follow up work to ensure identified weaknesses from previous reviews have been followed up and actioned.	1	15	2
Total		4	45	-

Corporate Governance

45 days of the audit programme are allocated to this area of work, covering projects within Corporate Governance only. This will cover the following priorities: Better Services with Less Money

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Data protection	Following up from the recommendations from external review of data protection and ensuring recommendations are implemented across the authority through compliance reviews in directorates.	Various	30	2
Electoral register	Review of controls to ensure that the electoral register is accurately updated. Also include joint work with CAFT.	1	15	1
Total		1	45	-

Chief Executives Service

20 days of the audit programme are allocated to this area of work, covering projects within Chief Executives Service only. This will cover the following priorities: Better Services with Less Money.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Customer Service Organisation	A detailed review of the risk management arrangements surrounding this project.	1	20	2

Deputy Chief Executives Service

20 days of the audit programme are allocated to this area of work, covering projects within the Deputy Chief Executives Service only (Fundamental Systems are also relevant for work performed on behalf of the s.151 officer). This will cover the following priorities: Better Services with Less Money.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Data Quality of Human Resources data	Review the quality of the HR data being reported on a quarterly basis through the performance report.	1	20	3
Establishment list	Review of establishment list information against the individual directorate budgets to ensure that the establishment list remains up to date.	1	20	3
Total		2	40	-

Commercial Services

60 days of the audit programme are allocated to this area of work, covering IT, estates and asset management, and procurement. This will cover the following priorities: A successful London suburb, and Better Services with less money.

Area of review	Description of Work	No. of Reviews	No of audit days	Quarter
Commerciality of contracts	Focused internal audit reviews on the Council's major contracts, covering both compliance with the Council's procurement process as well as targeted reviews of specific contracts to ascertain the benefits realised from these commercial agreements.	1	15	4
Electronic Document Records Management	To assess project governance arrangements and the provision of related advice and guidance during the implementation of the solution.	1	15	1
Liquidlogic	Functionality review of the system surrounding common assessment framework (Children's Service).	1	15	4
IT Strategy	Review of the Council's strategic direction within the IT department to ensure that IT systems are fit for purpose.	1	15	4
Total		5	60	-

Continuous Audit and Anti-fraud

The anti-fraud plan covers investigations into all “internal” instances of suspected fraud, corruption and money laundering, ongoing proactive anti-fraud work including National Fraud Initiative (NFI) coordination and Investigation and fraud awareness training. This area **excludes** work undertaken by the CAFT in relation to housing and council tax benefit fraud and compliance. This will cover the following priorities: Better Services with Less Money.

Area of review	Description of Work	No. of Reviews	No of audit days
Fraud awareness training	CAFT will deliver fraud and anti money laundering training through e-learning materials and will present to Risk and Fraud forum.	N/A	-
Anti fraud advice and co-ordination	Ad hoc advice and assistance to all service areas in matters relating to internal fraud, corruption and/or money laundering.	N/A	100
NFI co-ordination	Ongoing NFI co-ordination and support including data uploading, training, assistance and investigation of relevant matches in accordance with Audit Commission timelines.	-	30
Payroll payment claims	Check sample of high overtime claims, sleep in, call out payments etc to supporting documentation. To include a focus on higher risk areas.	1	10
Vetting and barring	Ensuring arrangements are robust	1	10
Right to work in the UK	Targeted testing to verify compliance with checks that Council employees have the right to work in the UK	1	10
Referrals and investigations	Approximate times allocated to those referrals and investigations (reactive work)	Various	235
Total		3	395

Management and Follow-up

237 days of the audit programme are allocated to this area of work, covering service administration, planning and follow-up of high priority recommendations arising from our work to ensure implementation within agreed timescales. There are no specific priorities that are covered in this area.

Area of review	Description of Work	No of audit days
Management, Audit Risk Assessment and planning.	Updating of audit risk assessment, strategy and preparation of new operational plan each year and management of contractor. Attendance at audit committees and providing guidance and support to the Chair of the Audit Committee.	100
Risk Management	Facilitating the embedding of risk management throughout the organisation.	45
Assurance reports	Regular monthly reports to statutory officer group on compliance with key controls.	12
Follow-up	We will follow-up those audits with limited or no assurance and update the audit committee for priority one recommendations; these will be in line with management dates agreed for implementation.	80
Total		237