

Management Board

AMENDMENT TO INTERNAL AUDIT PLAN FOR 2008/09

Paper by the Director of Internal Audit, Office of the Chief Executive

1 Purpose

1.1 This paper seeks the Board's endorsement of additions to the Internal Audit Plan for 2008/9, prior to the Audit Committees' meetings on 22 October.

2 Conclusions and Decisions

2.1 The Management Board is asked to take note of the proposed additions to the Internal Audit Plan for 2008/9, and to let the Director of Internal Audit know their views on future priorities to be included in the plan and the Internal Audit Strategy for 2009/10 to 2014/15.

3 Audit Programme for 2008/9

2.1 Progress against the 2008/9 Audit Plan is set out in the regular tracker document that is provided to the Audit Committee (available separately if requested). This shows that the majority of the current audit plan is expected to be completed by the end of the calendar year.

2.2 The Plan, as agreed by the Audit Committees, was deliberately designed to be achievable and to allow myself, as the new Director of Internal Audit, to shape the full year coverage.

2.3 I propose to develop an outline 5 year Internal Audit Strategy for 2009/10 to 2014/5 to take to the January 2009 Audit Committee, with a view to finalising this in March/April. This strategy will outline the overall approach to internal audit and the principles that will guide the development of the annual operational Audit Plan. This will allow a more systematic approach to producing a risk-based plan. In the meantime the Management Board is asked to consider priorities for internal audit work in the remainder of 2008/9. Subject to the views of the Management Board, the final proposal will be taken to the Audit Committees on 22 October for approval.

2.4 I have set out the possible areas for internal audit coverage under 3 categories:

- current additions to the plan as requested by management,
- proposed additional work that I believe would be appropriate, and

- other potential topics that have arisen from my discussions across the House that could be covered.
- 2.5 The Management Board is asked to review the suggested topics, suggest any additional topics to be considered and suggest relative priorities between the options offered.

3 Current additions:

3.01 Two pieces of work have been requested by management in addition to the current agreed plan:

- 3.1 Furnishings Group:** A focused review of the procurement, contract management and budgetary controls systems in the Interior Design and Furnishings Group, because of management concerns about practices in place. (Estimate 20 days of HoC staff)
- 3.2 Childcare Vouchers:** Review of the effectiveness of proposed changes to the system for the administration of the childcare vouchers. (Estimate 15 days of HoC staff)

4 Proposed additional work:

4.01 The following topics are felt by internal audit to be the main priorities for immediate internal audit involvement.

- 4.1 Members Estimate payments:** There is currently no internal audit work in the 2008/9 plan under this Estimate, nor were any included in the 2007/8 plan, given some over-run from the previous year. We would propose to do standard testing of key controls, that would complement/supplement that being done by the NAO, ensuring full testing of key controls in all areas (such as Members signatures, receipts and evidence of Operations Directorate checks). This audit would concentrate on ensuring that current controls are robust, rather than being concerned with proposed changes to the system. (Estimate 30 days of HoC staff)
- 4.2 Payroll:** The payroll system has not been reviewed recently and is one of the fundamental financial systems for both the Members and Administration Estimates. A standard audit approach would evaluate and test the key controls and would be carried out in liaison with the NAO, with the objective that the quality of the work meets their requirements and that they can rely upon our work for their own purposes. (Estimate 30 days of HoC staff)
- 4.3 IT Controls:** The only work being done around Information Technology is an assessment of the assurances that can be gained from the PICT Healthcheck and this gives little assurance on the controls being operated over Information and Communication systems.

A review could be carried out of IT controls using the COBIT methodology, which is an international framework for such work. (Estimate that work allocated to PwC specialists with a budget of around £40,000, and around 20 days joint work from internal audit)

4.4 Risk Management and Assurance: We are already working with colleagues in the Office of the Chief Executive on exploring options for the development of integrated systems for Risk Management, Assurance and Performance Management. In particular this includes work on Assurance Mapping already in the programme. It is proposed that internal audit resource continue to be involved in developing assurance maps. (Estimate 25 days of HoC staff)

5 Potential Topics:

5.01 The following topics have been identified as potential areas for internal audit, from some of the meetings that I have held over the last two months. The Management Board is asked to consider what areas should be priorities for when internal audit time may become available.

5.1 Other Financial systems: A review of other key areas in financial accounts, such as reconciliations of control accounts, debt management and asset register could be considered. These would normally be on a rotational plan.

5.2 Key non-financial controls: There are a number of key controls operating across the House service in operational or administrative systems that are relied upon by management. These range from controls over the appointment and introduction of new staff, to the compliance with mandatory policies. An audit in this area would give assurance that controls are operating as intended.

5.3 Management of individual corporate risks: Particular corporate risks could be audited to review the effectiveness of the management of the risks, and not just for the assurance on controls. Such a review would be relatively in-depth for each risk.

5.4 Project assurance: Specific projects could be reviewed to provide independent assurance that they are likely to be in budget, in time and within quality requirements.

5.5 Contract assurance: A range of contracts could be reviewed, particularly those of high value or high criticality, for assurance that procurement has been correctly carried out and that they are being effectively managed.

5.6 Income: Whilst only around £9 million of income is generated by the House, a review of the controls over this area could help to give assurance as to the completeness and accuracy of collection.

- 5.7 **Business cases:** A review of the robustness of selected Business Cases, combined with a review of the proposed change to guidance
- 5.8 **Fraud assurance:** A review of the House's fraud policy and strategy, as well as potential directional testing in this area

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