Appendix 1

Internal audit risk assessment

2012/2013

London Borough of Lambeth

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Introduction and approach

Introduction

This document sets out suggested internal audit reviews for the London Borough of Lambeth, 2012/13. This is based upon our assessment of the risks facing the Council and we are now seeking the views of management in determining which reviews are to be included in our 2012/13 internal audit plan.

Our approach to developing the audit plan is set out below.

Defining the Audit Universe

Dividing the organisation into auditable units

We identify the auditable units within the organisation based on the organisational structure, risk profile and the results of interviews.

Any processes which run across a number of different units within the organisation and which can be audited once are pulled out as a separate auditable unit (cross-cutting systems and processes).

Risk Assessment

Assessing the risk profile inherent to each auditable unit and adjusting for the strength of the control environment

The suggested reviews set out in the following pages are based upon the following considerations:

- Assessing each auditable unit within the audit universe for potential impact and likelihood of the risks inherent in the auditable unit.
- Consideration of the control environment in each auditable unit, taking into consideration findings from previous audits and other issues identified by management.
- Ensuring coverage of the core aspects of the Council's governance and control environment in order to be able to support the S151 Officer in the production of the Annual Governance statement.

This approach enables us to direct audit effort to areas of high risk and high reliance on controls operating effectively.

Your corporate level priorities and risks have been mapped to the auditable units to demonstrate how our work will support achievement of the priorities and provide assurance over the key risks that Lambeth faces.

Risk assessment

The total number of available Internal Audit days for 2012/13 is around 1,600 days (to be finalised following the completion of a procurement exercise for external provision from 1/6/12). It is anticipated that the external provider will deliver 900 of these days and the in-house team will deliver 700 days. These days will be aligned to the Council's two Corporate Transformation Priorities and the three Borough priorities, as follows:

- Corporate Transformation Priorities
  - Becoming a Cooperative Council
  - More preventative and targeted services
- Borough Priorities
  - A caring borough
  - A safe and secure borough
  - An aspirational borough

We have indicated which department is likely to be the lead department for each review, or whether the review will be cross-cutting across a number of Council departments.

The reviews listed on the following pages are suggestions based on our risk assessment. We will need to prioritise these in order to develop an audit plan that can be delivered within the resources available whilst also satisfying management and Corporate Committee that the Council's key areas of risk have been adequately covered.

The following table sets out our suggested reviews for 2012/13.

Risks Identified	Nature of Risk (and Reference)	Lead department for the review	Current Risk Register Rating	Internal Audit Assessment of Risk	Audit Days	Proposed Internal Audit Action
Becoming a Cooperative Council						
Cooperative Council Failure to adequately safeguard interests of Lambeth's residents and other stakeholders when transferring services to Cooperative Council partners.	Customer/ Citizens Threat; Financial Threat CYPC0017	Cross-cutting	Medium	Medium	30	A review of the commissioning and clienting arrangements in relation to the Cooperative Council initiative. To include a review of the early adopters which become operational in April 2012.
Additional capacity has been included under this heading to undertake further reviews as the programme develops.					30 (additional capacity)	A review of alignment between the Council's corporate plan and implementation structures for clear line of sight over staged delegation of responsibility. To include assessment of capacity building across the organisation to monitor how resources are expended.
Support Services Redesign of support services may not be appropriately managed resulting in reduction of service quality.	Customer / Citizens Threat	Cross-cutting	N/a	High	20	A review of the support services programme.
Failure to maintain Capital Asset base Failure to maximise use of assets for service delivery.	Financial Threat HO0209	Cross-cutting	High	High	20	A review of service asset planning, including the implementation of the office accommodation strategy.
Organisational Capability and Workforce Planning Risk of reduced control, loss of institutional memory and reduced management capacity due to transformation programmes. Risk of workforce not possessing the skills required for new models of delivery.	Management Threat ACS0142 HO0208 OCEHR0018	Cross-cutting	High	High	30	A review of arrangements for maintaining institutional memory, management capacity and control during transformation / restructure programmes. In addition, to review the arrangements for ensuring the workforce has the skills required for new models of delivery.

Risks Identified	Nature of Risk (and Reference)	Lead department for the review	Current Risk Register Rating	Internal Audit Assessment of Risk	Audit Days	Proposed Internal Audit Action
Partnerships and New Models of Delivery Appropriate governance models may not be in place for key partnerships or new models of delivery resulting in objectives not being met or significant service delivery failure.	Customer / Citizens Threat OCEPEP0001	Cross-cutting	High	Medium	25	Review a sample of key partnership and/or new delivery models to ensure that appropriate and robust governance arrangements have been established and that they are operating. To include a review of how management assesses the benefits realised by these arrangements.
Localism Act The requirements of the Localism Act have not been identified or understood by the Council and are therefore not implemented as intended potentially resulting in a breach of the legislation or reputational damage.	Customer / Citizens Threat	Cross-cutting	N/a	Medium	20	A review of the arrangements that the Council has put in place to understand and meet the requirements of the Localism Act. This could include targeted reviews of specific changes e.g. planning rules.
Project Signal Project signal may not deliver the desired benefits to the Council.	E-government / Technology Threat FNS0060	ICT	Medium	Medium	20	A review of project signal to assess whether benefits have been realised. Also to provide assurance over the contract management arrangements in place.
				Total Days	**195**	

Risks Identified	Nature of Risk (and Reference)	Lead department for the review	Current Risk Register Rating	Internal Audit Assessment of Risk	Audit Days	Proposed Internal Audit Action
More preventative and targeted services						
Savings programme Failure to manage significant reductions in income streams. Failure to achieve reductions in expenditure resulting in overspending.	Financial Threat FN0088 FNF0050 ACS0145 ACSA0053 ACSC0041 ACSC0053 CYP0069 CYP0070	Cross-cutting	High	High	40	A review to assess the Council's response to lessons learnt from the savings programme in 2011/12 and a review the controls in place to manage risks to the savings programme in 2012/13 and beyond. Options for this review include: • A review of budget monitoring and management of income generation and collection. • Review to include Continuous Auditing and Monitoring of controls around savings performance. • Impact of significant organisational change on the MTFS
Supplier Failure Failure of the Council's key suppliers having an adverse impact on service provision.	Customer / Citizens Threat ACS0137	Cross-cutting	High	High	20	A review of arrangements in place across the Council to assess supplier resilience and put in place contingency plans in the event of supplier failure.
Use of consultants Use of consultants may not represent value for money and may limit retention of organisational knowledge.	Financial Threat / Management Threat	Cross-cutting	N/a	Medium	15	A review of the use of consultants across the Council, including an assessment of implications under the agency workers directive.

Risks Identified	Nature of Risk (and Reference)	Lead department for the review	Current Risk Register Rating	Internal Audit Assessment of Risk	Audit Days	Proposed Internal Audit Action
Failure to maintain adequate controls over Key Financial Systems	Financial Threat	F&R	N/a	High	250	A programme of continuous auditing and monitoring to cover the key controls in place over the following systems and processes: • Payroll • Pensions (new for 2012/13) • Accounts Payable • Accounts Receivable • Cash • Parking • Temporary Accommodation • Housing Benefits • Housing Rents • Housing Repairs • Council Tax • NNDR • Treasury Management (new for 2012/13) • Contract Monitoring • Framework Financials
CYPS Performance Management Performance management information may not be adequate and provide early warning of any areas of under-performance..	Customer / Citizens Threat	CYPS	N/a	Medium	15	A review of performance management arrangements in place in a sample of CYPS Services.

Risks Identified	Nature of Risk (and Reference)	Lead department for the review	Current Risk Register Rating	Internal Audit Assessment of Risk	Audit Days	Proposed Internal Audit Action
Oracle R12 – Control Design Analysis Controls requirements may not be defined resulting in the lack of implementation of controlled processes that leverage system functionality.	E-government/ Technology Threat FNS0067	ICT	N/A	Medium	30	This audit will include the following two key elements: • Based on the results of prior audits of Oracle, understand management's progress towards implementing controls in the existing environment and within R12 • Leverage the external provider's proprietary knowledgebase of Oracle R12 controls to assess requirements definition for the future state Oracle environment.
Oracle R12 – Project Assurance Arrangements for managing the implementation of Oracle R12 (Athena) may not be in place to effectively manage the scope, timescale, and budget resulting in a lack of benefits realisation.	E-government/ Technology Threat FNS0067	ICT	N/A	High	25	Integrate within the project team, through key stakeholder meetings to provide feedback on project management during the ongoing delivery of the implementation.
Software Asset Management Arrangements may not be in place to manage the procurement, deployment, and retirement of software assets resulting in overspend or lack of compliance with software contracts	E-government/ Technology Threat FNS0068	ICT	N/A	Medium	20	Perform a software asset management health check, assessing the current level of maturity of management's processes and develop the baseline 1 vendor (e.g., IBM / EMC / Microsoft) to validate license compliance.
Network Performance Monitoring Controls over the monitoring of network performance may not be in place resulting in reduced productivity and degradation of user experience.	E-government/ Technology Threat	ICT	N/A	Medium	15	Assess existing processes to monitor network performance, and assessments of excessive and inappropriate use of the internet. For excessive usage, evaluate the operating effectiveness of existing practices implemented by IT. For inappropriate usage, evaluate procedures performed by IT, HR, and IA to follow-up on notifications of inappropriate usage.

Risks Identified	Nature of Risk (and Reference)	Lead department for the review	Current Risk Register Rating	Internal Audit Assessment of Risk	Audit Days	Proposed Internal Audit Action
Controls optimisation	N/A	Cross-cutting	N/A	N/A	30	Working with management to assist in optimising controls.
Compliance Audits (see below)	N/A	Cross-cutting	N/A	N/A	300	See detail below
Other Assurance/Advisory	N/A	Cross-cutting	N/A	N/A	50	Ad hoc advice and support.
				Total Days	**810**	
A caring borough						
Foster Carer/Adopter recruitment and payment processes Recruitment of Foster Carers/Adopters may not adequately safeguard children. Invalid payments could be made to Foster Carers/Adopters	Customer / Citizens Threat; Financial Threat	CYPS	N/a	Medium	15	A review to assess the adequacy of arrangements for recruiting, monitoring and paying those providing foster care and adoption within the borough.
Looked After Children Placements for looked after children may not represent value for money and may not be monitored to ensure quality of service.	Customer Citizens Threat / Financial Threat	CYPS	N/a	Medium	20	A review of the arrangements in place for Looked After Children including out of borough placements.
Self Directed Support Resource Allocation System may have an adverse financial impact on the Council.	Financial Threat; Management Threat ACSP050008	ACS	N/a	Medium	20	A review of the Resource Allocation System, to provide assurance over the assumptions and application of the model.
Social Work Practice Pilot New way of delivering social work may have an adverse impact on service delivery.	Customer / Citizen Threat	ACS	N/a	Medium	15	To review the pilot exercise to ensure that appropriate controls are in place, the objectives of the pilot were achieved and that any lesions learned have been identified.

Risks Identified	Nature of Risk (and Reference)	Lead department for the review	Current Risk Register Rating	Internal Audit Assessment of Risk	Audit Days	Proposed Internal Audit Action
Deputyship and Appointeeship The Council may not fulfil its responsibilities in relation to deputyship and appointeeship cases, in particular in relation to safeguarding client funds and claiming income due to clients.	Reputational Threat ACSR0049	ACS	Medium	Medium	15	A review of the arrangements in place over deputyship and appointeeship to assess whether the Council is fulfilling its responsibilities.
				Total Days	**85**	
A safe and secure borough						
Highways Arrangements for repairs and maintenance of highways may not be adequate resulting in poor quality roads across the borough.	Customer / Citizen Threat	HRE	N/a	Medium	25	A contract management review of the highways contract to ensure that key targets are being met and that payments are made in accordance with the contract and only for approved and completed works.
Housing Support and Housing Allocations Arrangements for assessing applications for housing support and making housing allocations may not be robust, resulting in allocations being made inappropriately.	Financial Threat; Customer / Citizen Threat	HRE	N/a	High	20	A review of the processes in place around assessment of applications for housing support and making housing allocations. Including a consideration of whether there are adequate controls in place to prevent and deter fraud in this process.
Homelessness Assessments Arrangements for homelessness assessments may not be adequate.	Customer / Citizen Threat	HRE	N/a	Medium	15	A review of the processes in place for homelessness assessments.
IT Security – Application Security Review	E-government / Technology Threat	ICT	N/A	Medium	20	Assess user security and administration processes supporting the application in line with management's policies and good practices. Also, review whether management has appropriate processes to enforce effective segregation of duties. We will determine which systems this review will focus on at detailed scoping stage.

Risks Identified	Nature of Risk (and Reference)	Lead department for the review	Current Risk Register Rating	Internal Audit Assessment of Risk	Audit Days	Proposed Internal Audit Action
IT Healthcheck (GCSx compliance)	E-government / Technology Threat	ICT	N/A	Low	15	Procurement of specialist IT Healthcheck by suitably accredited company – annual review under the GCSx requirements
eCommerce & PCI Compliance Governance over compliance with PCI may not be in place resulting in non-compliance and the increased likelihood of data breaches.	E-government / Technology Threat	ICT	N/A	Medium	20	Understand existing processes for obtaining electronic payments (non revs, bens/parking), and assess management's current governance over PCI compliance.
				Total Days	**115**	
An aspirational borough						
Procurement Controls over engagement and management of Council procurement may not adequately ensure Value for Money on 3rd party expenditure.	Financial Threat; Customer / Citizens Threat	F&R	N/a	Medium	20	Overarching review of the Council's procurement functions to ensure adequate monitoring of spend occurs and engagement of 3rd parties is coordinated to achieve maximum value for money. To include: • A review of the operation of procurement boards. • A review of the changes proposed in relation to the creation of a "sourcing desk" for lower value purchasing.
Contract Management Risk that contract savings may not be realised and that contracts may be poorly managed resulting in substandard services.	Financial Threat; Customer / Citizens Threat	Cross-cutting	High	High	30	Review of a sample of contracts across the Council to assess arrangements for managing contracts and ensuring that value for money and any agreed savings are achieved.

Risks Identified	Nature of Risk (and Reference)	Lead department for the review	Current Risk Register Rating	Internal Audit Assessment of Risk	Audit Days	Proposed Internal Audit Action
Strategic Transformation The Council's strategic transformation projects may not deliver what they are intended to or may have an adverse impact on services.	Management Threat; Financial Threat; Customer / Citizens Threat	Cross-cutting	N/a	High	20	A review of the overall governance arrangements for the Council's strategic transformation programme. An assessment of whether there is effective central coordination of key projects across the Council and whether the objectives of these individual projects are aligned with each other. To include a review of the impact that the strategic transformation programme is having on performance, and the arrangements in place to ensure that performance is maintained.
Management Oversight Key Council policies and procedures may not be complied with, resulting in breaches of internal control.	Management Threat	Cross-cutting	N/a	Medium	20	A review of how management are monitoring compliance with key policies and procedures. To include a review of performance management through the one-to-one process and the appraisal process and whether issues of non-compliance are addressed through these processes.
Pupil Place Planning Pupil numbers increase with insufficient school places in Lambeth to meet demand.	Customer / Citizens Threat CYP0072 CYPB0060	CYPS	High	High	20	A review to assess the adequacy of arrangements to plan for increased pupil numbers. To include a review of: • The robustness of pupil number projections • Plans to create additional places • Management of school construction and expansion programmes (including BSF) • Maintenance of schools to prevent school closures

Risks Identified	Nature of Risk (and Reference)	Lead department for the review	Current Risk Register Rating	Internal Audit Assessment of Risk	Audit Days	Proposed Internal Audit Action
Building Schools for the Future The BSF project may not be adequately monitored resulting in failure to deliver the project to the required standard or by agreed deadlines.	Customer / Citizens Threat CYPB0063 CYPB0064 CYPB0065 CYPB0068 CYPB0069 CYPB0070	CYPS	N/a	Medium	20	A project assurance review of the BSF programme.
Young People's Learning Agency There may not be adequate arrangements in place around the claiming of YPLA funding.	Financial Threat	CYPS	N/a	Medium	15	A review of arrangements in relation to YPLA funding, including the processes in place for claiming and certifying funding.
Schools	Customer Citizens Threat/ Financial Threat	CYPS	N/a	Medium	150	Provide assurance over the finance and governance arrangements in schools via a sample of risk assessed audits at individual schools and themed reviews.
Events Income The events service may be unable to achieve the £1.795m income target set for 2012/13	Financial Threat ACS0145	ACS	High	High	15	A review of financial models and budget monitoring for events income to ensure that plans to achieve the 2012/13 income target are robust and achievable and that progress towards achievement of this target is monitored. Assessment of arrangements for collection of events income, including a follow up of recommendations made in 2011/12 (report ref ACS02).

Risks Identified	Nature of Risk (and Reference)	Lead department for the review	Current Risk Register Rating	Internal Audit Assessment of Risk	Audit Days	Proposed Internal Audit Action
Implementation Monitoring	N/A	Cross-cutting	N/A	N/A	75	Follow up of 2011/12 audit recommendations to assess the extent to which these have been implemented.
				Total Days	**385**	
Other						
Management					100	
Contingency					100	
				Total Days	**200**	
			Total Days Covered by this Risk Assessment		**1,790**	

Appendix 1: Compliance audits

In addition to the reviews suggested above, we have identified the following potential areas which could be subjected to compliance audit reviews to establish the extent to which departments comply with Council-wide policies and procedures, or opportunities for Internal Audit to assist management the other assurance and advisory activities:

a) Cross-Cutting Compliance Audits

- Asset Registers
  - Buildings (links to Carbon Reduction Commitment)
  - IT Equipment (recycling arrangements, non usage, staff reductions or New Ways of Working)
- Establishment Listings (reconciling staff/agency/consultants to establishment)
- HR/Ethical Registers
  - Declaration of Interests
  - Code of Conduct declarations
  - Gifts and Hospitality/ Bribery
- Contracts <£25k follow up
  - Exemptions to the Mandatory Links to the Contract Register (by subjectives)
  - Circumventing procurement financial level rules
- Carbon Reduction Commitment
- Risk Management
- Section 106 Agreements

b) Systems Compliance Audits

- Additional Payments
  - Legitimacy/compliance with policy and approvals
- Travel Related Expenditure
  - Allowances
  - Vehicles
  - Penalty Charges, Congestion Charges
- Miscellaneous Income
- Accounting arrangements
- Miscellaneous Expense Accounts
- Recharges
- Accurate Account Coding

c) Other Assurance and Advisory activities

- National Fraud Initiative
- Service Assurance Statements
- Schools Finance Value Standard
- Audit Advice and Engagement
  - Procurement Boards (challenge role)
  - Projects (challenge role)
  - Professional Advice (including the development of Good Practice Notes)
  - Working Groups
- IT Data Security Issues

This document has been prepared only for the London Borough of Lambeth and solely for the purpose and on the terms agreed within our Contract dated June 2007. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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