

INTERNAL AUDIT PLAN 2008-2009

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BERR Internal Audit / Companies
House, ARC

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1 Introduction and Purpose of this Plan

- 1.1 The Chief Executive of Companies House, as Accounting Officer, is responsible for maintaining a sound system of internal control that accords with Treasury guidance and supports the achievement of Companies House policies, aims and objectives; and for safeguarding public funds and departmental assets.
- 1.2 The overarching objective of an Assurance Strategy is to provide the Accounting Officer, Audit Committee, Steering Board and BERR Accounting Officer with assurance on the quality and effectiveness of the framework of control operating within the organisation. Assurance work should therefore normally focus on ensuring that key risks are being managed effectively.

2 Role of Internal Audit (IA)

- 2.1 IA provides an independent and objective opinion to the Accounting Officer on risk management, control and governance, by evaluating their effectiveness in achieving Companies House agreed objectives.
- 2.2 Establishment and maintenance of the system of internal control remains the responsibility of management under the oversight of the Steering Board and Audit Committee. However, IA can provide targeted consultancy to help management enhance the control environment.

3 Needs Analysis

- 3.1 The identification of assurance needs is based on:
 - an assessment of risk from the Risk Management framework;
 - independent review of Companies House risks by internal audit, with additional coverage recommended as appropriate;
 - review of the draft Business Plan and Strategic Direction;
 - identification of stakeholder expectations, including external certification requirements.
- 3.2 A full copy of the ANA (Audit Needs Assessment) has been submitted separately.
- 3.3 Note that the robustness of the risk management process, and hence the amount of reliance that can be placed on it in building this plan, is regularly reviewed by BERR. The most recent (2006) assessment gave a 'satisfactory' rating; a further review is due during this financial year.
- 3.4 Preparation of this assessment has involved interviews with Directors and Senior Managers from across Companies House.
- 3.5 To determine the coverage necessary we applied the following considerations:

- assurance coverage is risk focussed, deploying limited audit resources on key risk areas;
- experience of relative strengths in risk management, control and governance will inform any assessment of audit coverage required;
- some high risk areas are likely to require more frequent review;
- the extent to which work not carried out by IA can be relied upon/verified;
- the audit of projects and developing systems, including change processes will be based on their individual risk impact potential; and
- Verification of implementation actions taken in-year.

3.6 Given the increasingly fast pace of change in organisations, including Companies House, and hence key risks varying frequently, we have adopted the current best practice of focussing on an annual plan of internal audit work rather than a longer planning horizon. This is the second year that this approach has been used.

3.7 Each review has been categorised as **Priority 1**, **Priority 2**.

4 Assurance Working Procedures and Practices

Assurance Reporting

Organisational Level

4.1 IA will report progress against plan and summarise key findings from reports and other sources of assurance to the Audit Committee, culminating in an Annual Assurance Report. This will summarise assurance activity throughout the year and provide an overall opinion on Companies House control and governance arrangements.

Assignment Level

4.2 IA will prepare written reports summarising audit coverage, findings, recommendations for improvements (where appropriate) and an overall opinion on the risks reviewed. Reports will be issued to appropriate levels of management, to the Accounting Officer and the Audit Committee. Other assurance functions will use their own reporting arrangements with copies of reports provided to IA. Key issues raised in these reports will inform IA's consideration of the broad control environment and the context of the wider assurance programme. Where necessary they will also be brought to the attention of the Audit Committee.

Quality Standards

4.3 IA staff carrying out audit work will be required to conduct it in accordance with the Government Internal Audit Standards (GIAS) Other assurance providers will be expected to meet the professional ethical standards that apply to their areas of activity. In addition a benchmarking exercise against best practice will be carried out regularly.

Performance Measures and Indicators

4.4 The primary performance measure will be the delivery of Assurance to the Audit Committee quarterly in line with agreed programme timings or an explanation of variations. In addition results of customer satisfaction questionnaires issued following each assignment will be reported to the Audit Committee. Additional performance indicators may be discussed and agreed with the Accounting Officer and the Audit Committee.

Assurance to BERR Principal Accounting Officer

4.5 In addition to the Chief Executive of Companies House, IA provide assurance to the BERR Principal Accounting Officer on the organisation's framework of control. IA obtain this assurance through their:

- Involvement in Assurance planning and reporting;
- Presence at Audit Committee and Risk Management Group;
- Delivery of the Assurance Strategy;
- Copies of all other assurance reports.

5 Assurance Plan 2008/09

Introduction

5.1 The plan will be delivered by means of a partnership arrangement between BERR Internal Audit and the Companies House ARC team. Reviews will be split between BERR IA and Head of ARC, based on the principles set out below. .

5.2 The decision on who should perform the work is based on the following criteria:

- Independence – areas requiring review fully independent of Companies House will be performed by BERR IA (e.g. risk management);
- Complexity – reviews requiring specialist skills and experience will be performed by appropriate staff in BERR IA, ARC or a specialist provider;
- Knowledge of Business – where knowledge of the business would be an advantage in efficiently and effectively completing a review the ARC team will lead or contribute to a review;
- Time on site – where a review would require an extended period on site, the ARC team will be used if appropriate;
- Availability of Resources – the availability of suitable resources to deliver work within a suitable timescale will be a factor.

5.3 The resource split required to deliver shared assignments will be agreed jointly by IA and CH, with IA acting as owners of the strategy. IA may therefore use their discretion to decide how best to deliver the programme.

5.4 The ARC team will deliver their element of the plan through the resource of the Head of ARC who is MIIA (Member of the Institute of Internal Auditors)

qualified. The ARC team includes members who are qualified MIIA, PIIA and ACCA as well as others undergoing training. This provides skill and knowledge development in risk and control, management theory, IT and the running of reviews. As such it covers much of the work already being carried out by the team as well as building skills that would assist in the delivery of an internal audit service through an internal team. An ongoing contribution to training costs is included in staff overhead rates.

5.5 The ARC team will continue to deliver efficiency and effectiveness and consultancy reviews as agreed by Companies House management.

Costs Of Delivery

Provider	Days	Daily Rate	Cost
BERR IA Staff	35	£425	£ 14,875
IA Specialist (PwC)	15	£1,100	£16,500
ARC	465	£233	£108,345
Total	507		£ 139,720

Assurance Operational Plan 2008/09

Coverage 08-09	Draft Scope	Days	Planned Timing
CAP Assurance Strategy Priority 1	Continuing assurance over the CAP Programme. Weekly engagement based on agreed Critical Success Factors and risks with regular milestone reports to the Audit Committee.	155	On-going throughout the remainder of the programme by ARC with technical support from PwC. Reports produced for key milestones and on-going challenge and assurance in-year.
Post CHIPS Changes/post go-live issue resolution Priority 1	<p>CHIPS will be going live with a number of outstanding defects. In addition there is a high number of Changes raised by the business in preceding years that have been put on hold until CHIPS is delivered.</p> <p>This review will ensure that post CHIPS changes are appropriately prioritised and delivered, given the finite resources and time available and the impact of CAP development.</p> <p>It will identify the impact of CHIPS on the operational delivery of the core business and ensure that core quality and timeliness of delivery is not impeded excessively.</p>	52	<p>TBC post go-live.</p> <p>By ARC with technical support from PwC.</p>
STAR Assurance Strategy Priority 2	<p>Work on the STAR Programme was deferred during 2007-08 due to the impact of CHIPS and CAP.</p> <p>CAP Development is still likely to result in minimal progress of the programme during 08-09. Internal Audit will seek to agree Critical Success Factors and Risks with the programme when it is possible to do so and engage in on-going audit coverage, as per CHIPS and CAP.</p>	50	<p>On-going throughout the remainder of the programme by ARC with technical support from PwC. Reports produced for key milestones and on-going challenge and assurance in-year.</p> <p>Assurance requirement for 08-09 dependent on impact of CAP on the STAR Programme.</p>
Business Continuity Priority 1	Review of Companies House capacity for Business Continuity.	30	Full risk based review.
Compliance Priority 1	Review of processes and controls that ensure that our customers comply with the requirements of the Companies Act and other legislation relevant to their filing duties. Issues identified will also help in the preparation for changes to compliance processes under CAP.	25	Full risk based review.
Human Resource Planning Priority 2	Review to ensure that Companies House will have sufficient numbers of staff and skills to meet its current and future requirements.	20	Full risk based review.

Environmental Audit Priority 2	Compliance review in support of ISO14001. Carrying out internal audit against is a requirement to hold this standard.	20	6 monthly compliance programme covering Crown Way and Nantgarw.
Information Security Priority 1	Compliance review in support of ISO27001. Additional systems reviews commissioned where weaknesses identified. To include coverage of CHIPS post go-live in preparation for CHIPS being included in the ISO27001 certification.	40	Monthly compliance programme plus specific technical review commissioned as required.
Company Hijacking Priority 2	Review of the controls in place to minimise Company Hijacking, focussing on the elements of the 3 point plan (PROOF, Monitor and Web Filing). The review will consider the suitability of controls for current operations and how effective they are for the future, as we move to increased e take up.	30	Full risk based review.
Finance Compliance Priority 2	Annual compliance review of key financial controls.	35	Commence Oct 08
Risk Management Priority 2	Review of the approach and delivery of risk management at Companies House. Given ARC's involvement in risk management at Companies House this review will be delivered independently by BERR.	25	Full risk based review.
Total Direct Days		482	
Annual Planning, SIC, Attendance at Audit Committee Inc planning meeting of the Directors attended by ARC and BERR IA		25	Commence Dec 08
Total Days		507	

Note: Technical support and BERR IA Quality assurance

Staff from PwC will work with ARC at key milestone points on CAP to support the preparation of milestone reports, based on ARC's on-going fieldwork. They will independently feedback to BERR HIA to give assurance that the work can be relied on. This will be on a secondment basis.

Post CHIPs work will be similarly supported/quality reviewed.

BERR IA staff will review the terms of reference of the Financial Compliance review and meet with the ARC team at the planning stage to ensure appropriate coverage of key controls.

Further collaboration between ARC and BERR on Information Security may be required during the year, given the need for BERR Accounting Officer assurance on this area.

Additional technical support will be provided as required. To be identified by the Head of ARC/BERR HIA.