

Brighton & Hove City Council

For general release

Meeting: Overview and Scrutiny Organisation Committee

Date: 24TH May 2004

Report of: Deputy Chief Executive and Director of Corporate Services

Subject: Internal Audit Plan 2004/05

Ward(s) affected: All

1. Purpose of the report

- 1.1 The purpose of this report and associated appendices is to inform Members of the planned internal audit coverage for 2004/05.
- 1.2 The Accounts and Audit Regulations 2003 require every local authority to maintain an adequate and effective internal audit service. This includes compliance with "proper practices" one of which is reporting to an Audit Committee or equivalent. The Overview and Scrutiny Organisation Committee has this role at the City Council, as an equivalent committee.

2. Recommendations

- 2.1 Members are asked to note the Internal Audit Plan for 2004/05 as set out in Appendix B.

3. Information/background

Purpose and basis of annual internal audit plan

- 3.1 The Internal Audit Plan is designed to ensure sufficient coverage and information to form an opinion on the adequacy of the arrangements to provide a proper and effective internal control framework for the city council.
- 3.2 The Internal Audit Plan is based on a full risk assessment of the City Council's systems and operations. Full consultation has been carried out including with TMT members and senior management.
- 3.3 The key elements of the Internal Audit Pan are contained on pages 1 – 8, then sets out the work planned corporately and departmentally that includes specific reviews and support.

- 3.4 It should be noted that audit planning is a dynamic process. As such the annual plan will be subject to constant review to identify any amendment needed to reflect changing priorities and emerging risks.

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Financial implications

There are no financial implications arising directly from this report although an effective internal audit service is critical in ensuring sound financial governance and providing value for money opportunities.

Legal implications

Statutory compliance for City Council in providing an adequate and effective internal audit service.

Corporate/Citywide implications

There are no implications arising directly from this report

Risk assessment

Included in the text of the report. The internal audit plan is based on a full risk assessments measuring the following, based on probability and impact:

- Materiality
- Control risk
- Corporate importance
- Service delivery/performance
- Sensitivity

Sustainability implications

There are no direct environment implications arising from this report

Equalities implications

There are no equalities implications arising directly from this report

Implications for the prevention of crime and disorder

There are no implications for the prevention of crime and disorder arising from this report.

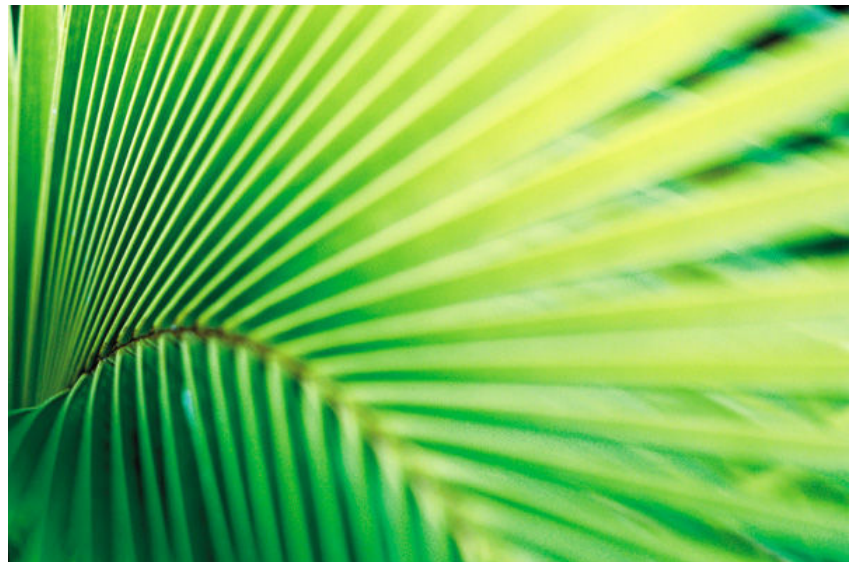
Background papers

- Accounts and Audit Regulations 2003
- CIPFA Code of Practice for Internal Audit in Local Government 2003
- Internal Audit Services Team Plan

Contact Officer

Ian Withers, Head of Internal Audit, Corporate Services, Tel: 291323

Internal Audit Plan 2004/05



Ian Withers

Head of Internal Audit

March 2004

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SECTION 1

INTRODUCTION

1. This plan summarises the projected areas of internal audit work for Brighton & Hove City Council in respect of 2004/05.
2. The Accounts and Audit Regulations 2003 require every local authority to maintain an adequate and effective internal audit service. The Director of Finance & Property also has statutory responsibilities under S151 of the Local Government Act 1972. An important element in supporting each of these is Annual Internal Audit Plan.
3. The plan builds upon the successful roles, objectives and approaches to service delivery of internal audit, developed since created in 1997. The plan has been constructed with a clear risk focus, and is designed to offer assurance on business critical areas of operational and strategic activity.
4. This Plan is aimed at:
 - TMT Members
 - Other Senior Managers and Officers throughout the City Council
 - Overview, Scrutiny and Organisation Committee (OSOC) Members
 - The Audit Commission
 - Internal Audit Staff
5. Our service complies with professional standards of the Chartered Institute of Public Finance (CIPFA) and Institute of Internal Auditors (IIA). Our terms of reference are contained in the Audit Charter in Appendix C. We have adopted the following definition for internal auditing:

“Internal Auditing is an independent, objective assurance and consultancy activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes” (Institute of Internal Auditors 2004)
6. Internal audit is an agent of change and as such advises on best practice and recommends improvement in control and operational management to reduce risk of loss, error, fraud and achieve value for money in service provision.

PURPOSE AND BASIS OF THE PLAN

7. When designing the annual audit plan we take into account the requirements of professional standards namely the Code of Practice for Internal Audit Local Government (CIPFA) and International Standards for Internal Auditing (IIA), together with the available human and financial resources and the audit approach best suited to discharge our responsibilities for providing an effective service.
8. Our planning also gives wider consideration to both the performance improvement regime, and the wider needs of our stakeholders. The positioning of Internal Audit allows us to work closely with teams responsible for performance management, projects, corporate governance and financial management.

DEVELOPING THE PLAN

9. In preparing our internal audit plan, we have taken into account a number of key factors, including:
 - | | |
|---|--|
| City Council Priorities, Plans and Strategies | City Council's priorities, corporate plan, improvement plan, departmental development plans, team plans and medium term financial strategy |
| Consultation | Interviews with senior managers and others to assess the impact of change on the control environment, risks, concerns and value for money opportunities. See Appendix B. |
| Audit Commission | Close co-ordination of our plans with those (including inspection) of the external auditor (the Audit Commission's local audit team) and incorporation of their priorities and concerns. |
| TMT Members | Discussion and presentation of the draft plan for their service, and adjustments where possible to accommodate their priorities and concerns. |
| Our extensive knowledge and experience of the City | Being an in-house service provider we have extensive knowledge and experience of the City Council's services, structure and |

Council

associated control environment, key risks and performance.

10. The risks were analysed, in terms of the "likelihood" of them occurring and their potential "impact" if they did occur using a number of factors (see Appendix A) to produce a risk assessment, held on our audit management database (Galileo)
11. Potential "impact to the Council includes financial loss, failure of services, not meeting statutory requirements and deterioration in reputation. The risk level was measured in terms of high medium and low in respect of both dimensions. Each review in the annual audit plan has been assigned the appropriate risk category from our risk assessment.
12. The Chief Executive and Acting Director of Finance & Property (Section 151 Officer) have approved the plan and it will be submitted to Overview Scrutiny and Organisational Committee for endorsement. The committee is considered to be an Audit Committee equivalent, for the City Council.

KEY ELEMENTS

Statement on Internal Control

13. Under the Accounts and Audit Regulations 2003, the City Council is required to undertake an annual review of the effectiveness of its system of internal control. The City Council must produce a statement on internal control, signed by the Leader and/or the Chief Executive and included in the year-end published accounts.
14. Although the statement is a corporate responsibility, a key element is our review work in providing the necessary assurance and evidence to ensure the statement can be signed. Further guidance is expected from CIPFA.

Corporate Governance

15. Internal Audit Services has a pivotal role in City Council's Corporate Governance Framework. As part of the City Council's Local Code of Corporate Governance, based on the CIPFA/SOLACE model (five dimensions), we will carry out an annual assessment on the level of compliance and areas requiring attention to further strengthen the City Council's governance arrangements.

Information and Communication Technology

16. Within Internal Audit Services we employ a specific dedicated computer auditor to carry out technical reviews and also to provide specialist advice to clients in business critical areas. This is also supported by our "partnership" arrangement with Deloitte & Touche.
17. We also have specialist audit software tools to assist clients. For example computer assisted audit techniques (CAATs) for data extraction and manipulation, exception reporting and for process mapping.

Contracts, Procurement and Major Development

18. An important issue will be the renewal and re-tendering of existing and new contracts. Our audit approach will be directed towards the continued process of embedding effective controls in the process and innovative arrangements for service delivery. Other areas to which we will give particular attention include:
 - effective risk assessment of partnerships and contracts (particularly where PFI is involved);
 - training in contracts and procurement;
 - awareness of B&H and EU contracts regulations; and
 - contracts Standing Orders and Codes of Practice (COPS)
19. Procurement is seen as a major area for corporate improvement over the coming year and the level of resources allocated to related reviews and audit work in the reflects this.
20. We will maintain our contribution to existing and future major development schemes. This will be throughout the year by for example independently evaluating specific processes or ad hoc advice.

Support for City Council Priorities 2004/05

21. Our audit work is aimed at supporting the City Council's Priorities, business objectives and continuous improvement. This is achieved, in ensuring the adequacy of systems, processes, management of risks and optimal use of resources.

Liaison with Audit Commission and other Review Agencies

22. We will ensure the Audit Commission, as appointed external auditors can place sufficient reliance on our work for opinion purposes and ensure an effectiveness relationship with them such that maximum return is received from the total audit resources deployed, i.e. there is no duplication of effort or unnecessary overlapping of roles and responsibilities.
23. Our audits of fundamental systems will in part provide assurance to the City Council and under Managed Audit arrangements to inform that Audit Commission's formal opinion on the City Council's published financial statements.
24. Managed Audit arrangements will be further developed in 2004/05, whereby we will also review a selection of grant returns on behalf of the external auditor. This should reduce overall audit costs, our day rate being substantially lower than external audit.
25. The Audit Commission's Audit Letter for 2003 continued to recognise our service as high quality and being able to place reliance on our work. Unfortunately in the last CPA refresher, we only received a score of 3 out of 4, due to significant staff shortages in 2002/03 impacting on our planned coverage. With staff appointments made in 2003/04 we are confident of scoring 4 from the next CPA assessment.
26. We will continue to work closely with the Risk Manager in ensuring agreed strategies help to minimise the risks and control weakness in the City Council and embed the risk management process.
27. Through close liaison and where appropriate joined-up work programmes with the Project Services Team, we optimise the use of resources in particular our skills and experience to make a positive contribution to reviews.

Anti- Fraud and Corruption Work

28. The Internal Audit Plan provides a number of audit days to undertake corporate anti fraud and corruption work and contingencies in the directorate support. This is principally to respond to management concerns and allegations. In addition, we will also adopt a proactive approach to the prevention of fraud and corruption including:
 - participation in the Audit Commission's National Fraud Initiative data matching exercise, 2004. We will provide data and investigate significant resultant matches;

- development of Computer Audit Assisted Techniques (CAATs) to assist in testing transactions for fraud particular for fundamental systems;
 - provision of anti fraud and corruption awareness training and advice to officers and members;
 - review the City Council's Anti Fraud & Corruption Policy to ensure current; and
 - work closely with the Monitoring Officer and Human Resources staff, to help implement the recently revised Whistleblowing Policy, and will act as required investigating any matters that are brought to our attention.
29. We are an integral part of the National Anti Fraud Network (NAFN), hosting the southern area that provides intelligence lead services for in excess of 190 local authorities.

Audit Consultancy

30. In addition to our planned audit work, we provide an internal consultancy service to all directorates of the Council. This is commissioned on an ad-hoc basis and charged at an agreed day rate. Recent examples include PFIs, Waste Management, Housing Management and EB4U.

Value for Money Auditing

31. Our reviews will include a substantial element of value for money auditing in examining the economy, efficiency and effectiveness of services examined. In particular we will seek to identify opportunities by challenging "the norm".
32. It is understood that future Comprehensive Performance Assessments (CPA) carried out by the Audit Commission will include arrangements local authorities have in place for embedding value for money and reviews of its services.

Support for Members

33. We will continue to support the Overview and Scrutiny Organisational Committee (OSOC) and related panels, the Standards Committee, and related member functions.

Staff Training & Development

34. Staff training and development is seen as key to maintaining the effectiveness of the internal audit service and responding to future demands of clients. Training needs of staff are continually reviewed against key competencies to ensure they are equipped with the skills and knowledge required.
35. Opportunities are provided for professional training and we currently have three members of staff pursuing qualifications. Other training is provided both internally and externally in addition to mentoring and coaching as part of the service's training and development plan.

INTERNAL AUDIT APPROACH

36. Our approach adopted is one in which a risk-based based methodology is employed to systems reviews. Each review audit will provide an opinion on the adequacy and effectiveness of the controls in place to manage the business risks.
37. The plan will be subject to continuous review to identify any amendment needed to reflect changing priorities and emerging risks. It is flexible, containing an element of contingency to accommodate reviews, which could not have been reasonably foreseen.
38. We will continue to develop new approaches to our audit work in particular control and risk self-assessment to optimise coverage and use of our resources.
39. Formal audit reporting processes are in place to ensure that clients provide prompt and adequate responses to audit reports. In addition regular liaison meetings with senior management will review the progress of audit work, future plans and issues arising.
40. Annual and half-yearly reports to senior management and OSOC will summarise the key issues arising from in the above reporting process and other audit work.

INTERNAL AUDIT RESOURCES EMPLOYED

41. The audit coverage contained in this audit plan has been prepared to reflect the available resources. Our financial budget allows funding for 12 full-time (equivalent) staff. Allowing for time spent on activities other than direct work (e.g. administration and training) and excluding leave, the number of audit days to be provided is 2,250, an increase of 150 days from 2003/04 which results from planned increase in efficiency

42. The total coverage, when taken together with the number of audit days provided, is not significantly out of step with other similar sized local authorities.

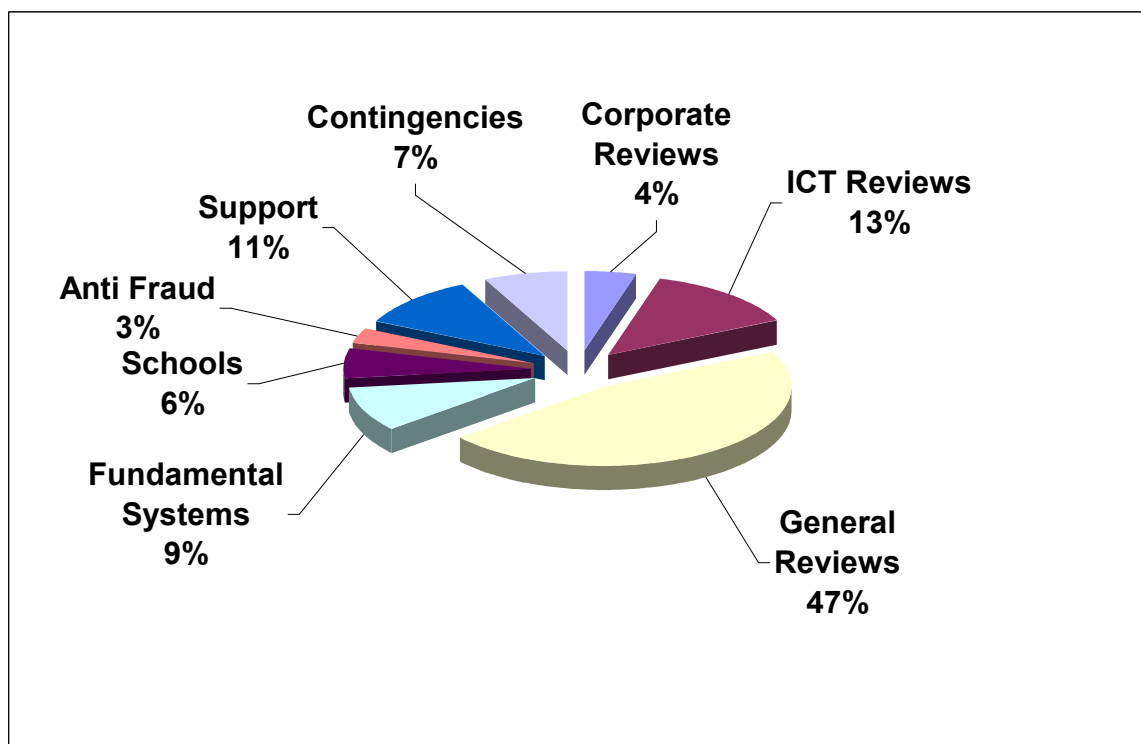
OUR PERFORMANCE MANAGEMENT

43. To achieve our planned coverage and a high standard of customer care, we establish service targets and continually measure performance against them. In particular five aspects of our service, shown in the table below.

Aspect of Internal Audit Service	Performance Indicators	Target
Cost and Quality of Input	- Service costs - Planned Days Delivered - Direct time as % of total time	- Within budget 100% 74%
Productivity and Process Efficiency	- Achievement of annual plan (%) - Achievement of high-risk audits (%) - Issue of draft report after completion of fieldwork - Client responses to draft audit reports - Issue of final report after agreement with client of draft	90% Minimum 100% - Within 10 Days - Within 15 Days - Within 5 Days
Quality of Output	- Client satisfaction levels (including added value from audit recommendations), source customer satisfaction questionnaires - External audit reliance on work of internal audit	90% of scores within good to very good - Full reliance and positive comments in Annual Letter
Compliance with Professional Standards and Quality	Internal Audit Code of Practice in Local Government (CIPFA)	100% met or exceeded
Outcomes and degree of influence	Implementation of recommendations (%)	100% of High Priority 90% of Medium Priority

SECTION 2**INTERNAL AUDIT COVERAGE 2004/05**

44. The annual internal audit plan is set out on the following pages and first shows the proposed reviews to be undertaken on a corporate basis, fundamental systems, ICT followed by specific reviews for each individual directorate.
45. The anticipated proportion of our direct time is shown visual visually below.

Planned time to undertake the Internal Audit Plan 2004/05

1. Corporate and Cross Cutting Audits

Internal Audit Review	Risk Level	Coverage	Planned Quarter
Corporate Governance	Medium	Assessment of corporate governance arrangements including against the CIPFA/SOLACE model and compliance with the Local Code of Corporate Governance.	2
Absence Management	High	The level of staff absence in particular sickness, remains at a high level and concern. This review will examine the adequacy of data capture, corporate management information available and action taken. To include joint review with Assistant Director of Customer Services on "hot spots" within Housing & City Support. It will also follow-up on previous internal and external audit reviews.	1
Income Generation	Medium	Follow-up on work of working party in 2003/04 and to further identify opportunities for income generation.	2
Register and Declarations of Interests	Medium	Review the City Council's processes and controls over ensuring interests are recorded and monitored. Review to include the requirements for Statement of Accounts.	1
Client Management of Service Contracts	Medium	Review of effectiveness of client management in respect of sample of contracts and corporate arrangements to ensure the City Council obtains best value from contracts.	1
Financial Management	Medium	Follow-up to audit carried out in 2002/03 on financial management in the City Council. The audit will include comparison to the forthcoming Audit Commission best practice guidance.	2

Flexible Working	Medium	This review will follow-up on previous audit work carried out in 2003/04 and review the outcome of pilots in terms of control, productivity and cost effectiveness.	2	
Project Governance	High	Reviewing the support provided to projects and general adequacy of programme management.	1	
Statement of Internal Control	High	Review the City Council's process for making a Statement of Internal Control.	1	
Anti Fraud & Corruption Initiatives				
Anti Fraud & Corruption Policy Statement		Annual review of policy	3	
Anti Fraud Awareness Training		Provision of series of workshops on anti fraud and corruption to enhance awareness of staff to the issues, risks and actions.	1-4	
National Anti Fraud Initiative 2004		Participation in Audit Commission scheme, including data extraction for matching purposes, investigating matches, co-ordination and follow-up.	3-4	
Corporate Support				
Chief Executive Support		To provide support as required.	1-4	
External Liaison		Liaison with other internal audit sections for example best practice service provision and innovations to add value to the City Council from reviews and advice.	1-4	

Audit Commission Liaison/ Joint Working	Regular liaison over audit coverage.	1-4
Committee/Members Support – Scrutiny	Providing support including advice and reporting to OSOC, including scrutiny panels.	1-4
Committee/Members Support – Standards	Providing support including advice and reporting to Standards on governance issues.	1-4
Committee/Members Support – General	Ad hoc support and advice to members and committees.	1-4
Corporate Governance Initiatives & Support	Providing support and advice to the City Council on governance issues.	1-4

2. Fundamental Systems (Under Managed Audit Arrangements)

Internal Audit Review	Risk Level	Coverage	Quarter
Budget Management	High	Systems based considering key risk exposures in line with the managed audit approach.	4
Creditors	High	Systems based considering key risk exposures in line with the managed audit approach. The audit will include the use of CAATS for data extraction and testing.	2
Debtors	High	Systems based considering key risk exposures in line with the managed audit approach. The audit will include the use of CAATS for data extraction and testing. This review will also review the effectiveness of debt recovery, monitoring processes and write off to improve control and identify opportunities for performance improvement.	2
Capital Accounting	High	Systems based considering key risk exposures in line with the managed audit approach.	2
Treasury Management	High	Systems based considering key risk exposures in line with the managed audit approach.	2
Payroll	High	Systems based considering key risk exposures in line with the managed audit approach. The audit will include the use of CAATS for data extraction and testing.	2
Council Tax	High	Systems based considering key risk exposures in line with the	1

		managed audit approach. The audit will include the use of CAATS for data extraction and testing.	
NNDR	High	Systems based considering key risk exposures in line with the managed audit approach. The audit will include the use of CAATS for data extraction and testing.	2
Housing Benefits	High	Systems based considering key risk exposures in line with the managed audit approach. The review will include overpayments and assessments. The audit will include the use of CAATS for data extraction and testing.	2
Housing Rents	High	Systems based considering key risk exposures and in line with the managed audit approach. Linkages to debt management review. The audit will include the use of CAATS for data extraction and testing.	1
End of Year Reconciliation Process	High	Review of end of year reconciliation of feeder systems to the general ledger.	1

* The Audit Commission will review the Main Accounting System and End of Year Process

3. Information Technology

Internal Audit Review	Risk Level	Coverage	Quarter
Applications & Operating Systems			
IWorld Revenues & Benefits	High	To review the adequacy of application controls, in particular reporting.	2
EDRM (Comino)	High	To review the adequacy of application controls.	2
OHMS	High	To review the adequacy of application controls.	2
CAPS Local Land Property Gazetteer	Medium	To review the adequacy of application controls.	1
Radius Powersolve	High	To review the adequacy of application controls.	2
E-Payments (Received)	High	To review the adequacy of controls in particular security of income transactions to the City Council and public.	3
E-Procurement	Medium	To contribute to feasibility work, review acquisition and ensure any solution meets the business needs of the City Council.	3
CareFirst	High	To review the application controls of CareFirst and the further developments/enhancements.	3
CareFirst - Functionality	High	To review the functionality of the system, in particular the adequacy and accuracy of management information for effective service provision. This review will be carried out jointly with Project Services	1

Centrix Telephone System	High	Reviewing replacement system.	3
Electronic Data Records Management System Acquisition	High	Review of acquisition and implementation process to ensure robust and beneficial to the City Council.	1-3
Resourcelink HR System		Review of the use of Resourcelink as a management tool, including data integrity and reporting. Certain elements will be carried out jointly with Project Services.	1
Financial Information Systems	Medium	To contribute to the project being managed by Project Services, to review current suitability of financial information systems.	1
Security & Control Reviews			
Disaster Recovery	High	Following concerns raised in 2003/04, this review will evaluate the adequacy of arrangements introduced.	4
E-mail Content Control	Medium	Review the e-mail security and administration arrangements including policy and guidelines, audit trails and monitoring arrangements.	1
Physical/Environmental Controls	Medium	Review the adequacy of arrangements to protect essential ICT hardware.	3
Network Controls	High	Review the adequacy of network security including configuration, management trails. Specialist IT audit software will be used to analyse vulnerabilities.	2
Internet Controls	High	Review of internet security arrangements and administration controls including web browser security, firewall architecture, firewall management and administration, firewall audit trails, packet filtering rules and access monitoring.	2

Systems Reviews			
Project Management	High	To review the adequacy of project management for ICT projects in accordance with standards.	3
Management Issues			
ICT Security Policy	High	To review the adequacy of the policy and compliance by users.	3
ICT/IS Strategy	High	A full review of ICT Strategy was carried out in 2003/04. This review will evaluate the effectiveness of action taken to introduce a strategy.	3
ICT Acquisition/Procurement	Medium	Review the adequacy of arrangements in terms of control and service delivery to the internal customer. To further examine opportunities for improvement economies from the procurement process.	2
Information Governance	High	The City Council is facing significant demands on the way it currently gathers, uses and provides information with legislation such as the Data Protection Act 1998 and the Freedom of Information Act 2000 raising new requirements and duties. This review will examine the preparedness of the City Council in meeting legislative requirements. It will also include records managements.	2
Integration of Information Systems (Health & City Council)	High	To review progress made on integration, access to information and security.	1
Mobile Computing	High	A working group has been established by ICT to examine the	1

		opportunities for mobile working. This review will ensure the adequacy of control.	
Anti Virus Controls	High	Review the arrangements for protecting the City Council from virus attacks either through the firewall or remote working.	2
Software Licensing	Medium	To review the adequacy of arrangements for the management of software licensing and compliance by users.	3
ICT Provision	Medium	To review the planning of ICT provision across all directorates to ensure it meets the service needs of users. The review will include IT support to schools and the effectiveness of this for schools to "buy in".	1

4. Children Families & Schools

Internal Audit Review	Risk Level	Coverage	Planned Quarter
School Budgets	Medium	Review to include licensed deficit schemes and recovery plans and achievement of balanced budgets.	2
Children's Trust	High	Reviewing processes for commissioning services, pooled budgets. The review will also include VFM implications, ensuring the City Council is maximising the value of any change.	1-4
Family Placements	High	The high cost of placements is a continuing financial pressure on the City Council. Due to the financial significance, this review will further examine the adequacy of controls, management of risks and action by management.	4
Grant Funded Posts	Medium	Review the funding arrangements and financial implications to the City Council once funding ceases.	1
Health & Safety in Schools	High	To review the adequacy of current arrangements for health and safety and support to schools, in particular risk assessments.	1
Youth Service	Medium	Review the adequacy of control over the service including potential developments.	4
Young Asylum Seekers	Medium	Review the funding arrangements and impact on service.	1
Neighbourhood Team (3)		Neighbourhood teams are currently being established resulting from the Children's Trust. This review will examine the strategy, funding implications, and monitoring arrangements for delivery.	2

Nursery Places in Schools	Medium	To contribute to a planned review on funding issues.	1
Childcare Grant	Medium	To review the adequacy of controls for receipt of grant and distribution.	3
Standard Schools Audits - Primary	Variable	Visits to 15 schools to assess the adequacy of governance and financial management and provide advice and support as required. Visits are based predominately on a risk assessment plus a rolling programme. Our school audit programme is based on the Audit Commission's "Keeping Your Balance". Principal areas are: • Governance • Financial Planning and Controls • Budget Monitoring • Data Security • Payroll • Procurement • Voluntary Funds • Income Banking • Petty Cash	1-4
Standard Schools Audits – Secondary	Medium	Visits to 3 schools to assess the adequacy of governance and financial management and provide advice and support as required. Visits are based predominately on a risk assessment plus a rolling programme. Our school audit programme is based on the Audit Commission's "Keeping Your Balance".	1-4
Standard Schools Audits – Special		Visits to 1 school to assess the adequacy of governance and financial management and provide advice and support as	3

		required. Visits are based on a cyclical programme plus taking into account any concerns raised. Our school audit programme is based on the Audit Commission's "Keeping Your Balance".	
Control Self-Assessment Questionnaires		This involves each School selected, completing a controls questionnaire, identifying risks and creating their own "action plan" to improve controls. We will analyse results and benchmark each School according to their responses. Follow-up action may be taken with certain Schools.	2, 3 & 4
Schools Thematic Reviews - Asset Management		To review arrangements to ensure adequate control.	1
Schools Thematic Reviews - Procurement		To review arrangements to ensure adequate control and achievement of VFM.	3
Directorate Support			
Contingency for ad-hoc work (Unplanned work and Advice & Information)		Provision of support and advice to management and small contingency for ad hoc work requested.	1-4
Contingency for ad-hoc work (Fraud & Irregularities)		Provision for investigation of fraud and irregularities either found or reported by management to Internal Audit Services.	1-4
Implementation Audits		Follow up work to review progress on action taken on implementing audit recommendations	1-4
Residual Audits B/F 2003/04		Completion of audits to final report and agreement of action plan by management.	1

5. Communications & Democratic Services

Internal Audit Review	Risk Level	Coverage	Planned Quarter
City Direct Phase II	Medium	To review the adequacy of control and project management over phase II including implications for the City Council.	3
Communications Best Value Review	Medium	To review the adequacy of this review including providing challenge.	1-2
Tourism Strategy	Medium	To review the implementation of the policy and its effectiveness.	2
Royal Pavilion	Medium	To review the adequacy of control operating at Royal Pavilion, including income & expenditure and security of assets.	2
Libraries	Medium	To review the decision making process in relation to service provision.	3
Museums	Medium	To review the adequacy of control operating at museums. Scope to include management and security of assets.	2
Members Allowances	Medium	To review the adequacy of control over the payment of members allowances.	4
Directorate Support			
Contingency for ad-hoc work (Unplanned work and Advice & Information)		Provision of support and advice to management and small contingency for ad hoc work requested.	1-4

Contingency for ad-hoc work (Fraud & Irregularities)	Provision for investigation of fraud and irregularities either found or reported by management to Internal Audit Services.	1-4
Implementation Audits	Follow up work to review progress on action taken on implementing audit recommendations	1-4
Residual Audits B/F 2003/04	Completion of audits to final report and agreement of action plan by management.	1

6. Corporate Services

Internal Audit Review	Risk Level	Coverage	Planned Quarter
Strategy & Governance			
Risk Management Process	Medium	To review adequacy of risk management process as part of assurance for Statement of Internal Control.	4
Business Continuity	High	Follow-up to 2003/04 audit which gave no assurance.	3
Partnership Governance	Medium	Following guidance implemented in 2003/04, to review compliance with this and the effectiveness.	3
Conduct of Officers	Medium	Review the implementation of expected national standards.	3
Equalities Standard	Medium	Follow-up to the audit carried out in 2003/04, to examine action taken and updating gap analysis.	3
EB4U	Medium	Review of administrative systems.	1
Human Resources			
Recruitment & Retention	High	Review effectiveness of recruitment and retention including "gatekeeping", application of policies and effective provision.	2
Single Status	Medium	Review progress made and control.	2
HR Strategy	High	To review HR strategy and work force planning.	2

Economic Development & Regeneration			
Provision of grants to voluntary organisations	Medium	Review the process for the provision and allocation of grants dealt with directly by the City Council and monitoring their use.	3
Finance & Property Services			
Ordering of Goods & Services	Medium	Following issues raised in the last creditors audit and the need for improvement in KPI, this review will examine the process for ordering and authorisation of transactions for performance and economic improvement.	1
Corporate Credit Cards	High	Following the introduction of new guidelines over issue and use in 2003/04, this review will examine effectiveness of the new controls in particular over accountability and expenditure by senior managers.	2
Euro Preparations	Medium	To review current position of the City Council in respect of preparation and potential risks. To further examine arrangements in areas such as tourism to accept Euros.	3
Officers Expenses & Allowances	Medium	There are currently a number of processes by which officers claim expenses and allowances, some involving a significant administration overhead. This review will seek to recommend the most advantage in terms of control and economy. The review will also include the use of taxis.	2
Buildings Security	Medium	Review the adequacy of arrangements for the main buildings including risks of loss of data.	1
Partnering	Medium	Review partnering arrangements including control and optimal benefit to the City Council.	2

Property Disposal	High	Review of process for property disposal to ensure income to the City Council is maximised.	4
Office Cleaning Contract	Medium	To review and appraise the arrangements in place for this new contract including performance monitoring.	2
External Property Consultants	High	Review re-letting of contract to optimise benefit to the City Council. And adequacy of monitoring arrangements.	1
Municipal Markets	Medium	Review arrangements for the management of Municipal Markets to ensure maximisation of income to the City Council.	3
Major Projects, Procurement & Venues			
Procurement Strategy	High	Review the strategy to ensure effective and meets the needs.	1
Contracts Letting Process	Medium	Review of 2003/04 process on letting the old EML contracts. Focus on lessons to be learnt for the future.	1
Contract Negotiation	High	Review arrangements including support and training provided to officers responsible.	3
Civic Catering Contract	Medium	Review of new arrangements.	3
Directorate Support			

Major Projects & Developments including: • Library PFI • Brighton Centre • Black Rock • King Alfred • Shoreham Airport • Preston Barracks • Community Stadium	Review and support of major projects and development to ensure adequate control and maximised benefit to the City Council.	1-4
Contingency for ad-hoc work (Unplanned work and Advice & Information)	Provision of support and advice to management and small contingency for ad hoc work requested.	1-4
Contingency for Contract Management	Providing support including advice to senior managers on contract procedure e.g. compliance/application of contract standing orders, EU procurement requirements, Waivers	1-4
Contingency for ad-hoc work (Fraud & Irregularities)	Provision for investigation of fraud and irregularities either found or reported by management to Internal Audit Services.	1-4
Implementation Audits	Follow up work to review progress on action taken on implementing audit recommendations.	1-4
Residual Audits B/F 2003/04	Completion of audits to final report and agreement of action plan by management.	1

Director of Finance & Property Support	To provide the necessary assurance and evidence that will allow the Director of Finance and Property to discharge his/her statutory 151 responsibilities. The support will also include the Management Team.	1 -4
Deputy Chief Executive & Director of Corporate Services Support	To provide support as required.	1 -4

7. Environment

Internal Audit Review	Risk Level	Audit Outline	Quarter
Waste PFI	High	Continue to review specific elements of the partnership with ESCC and contract with Onyx for waste disposal. These include operational management for service delivery, data collection and verification systems.	2,3
Bulky Waste Service	Medium	To review management arrangements of the service, in particular controls over payments.	1
Leisure Centres	Medium	Review of client management arrangements to ensure City Council is obtaining best value.	4
Rapid Transport	High	To review project expenditure and delivery.	1-4
Car Parking Services	High	Including on street and off street. To review collection and accountability of income, operation of contract with NCP and progress made with business planning.	2
Grounds Maintenance (Client side)	Medium	Review of effectiveness of client side arrangements for the service.	4
Grounds Maintenance (Provider)	High	To review arrangements for the operation of the contract including savings plan. This will include management of nursery (plants), supplies and provisions and employees additional payments, overtime etc.	2
Grounds Maintenance –	Medium	To review fleet management including provision, utilisation and	2

Vehicle Fleet Management	m	maintenance. This review will be carried out in conjunction with the fleet management review of City Clean to identify opportunities for increased economies.	
Golf Courses	Medium	To review management arrangements in particular to ensure the efficient and cost effective operation of golf courses (2).	1
Sports Pavilions	Medium	To review the cleaning contract following concerns raised over effectiveness.	1
Management of Open Spaces	Medium	To review the management of open spaces, in particular the effectiveness and opportunities for improvement.	2
City Clean			
City Clean Contracts	Medium	To review the adequacy of controls including performance management.	3
Vehicle Fleet Management	Medium	The vehicle fleet represents a high cost to City Clean and this review will examine the adequacy of control over utilisation, achieving VFM and identify opportunities. The review will also include arrangements for disposal.	2
Fuel Contract & Arrangements	Medium	To review adequacy of control over the contract, expenditure and issue.	3
Waste Recycling	Medium	Review the operation, management and control monitoring of the operator's contract for household waste disposal recycling centres, including the recycling incentive bonus scheme.	3
Directorate Support			

Contingency for ad-hoc work (Unplanned work and Advice & Information)	Provision of support and advice to management and small contingency for ad hoc work requested.	1-4
Contingency for ad-hoc work (Fraud & Irregularities)	Provision for investigation of fraud and irregularities either found or reported by management to Internal Audit Services.	1-4
Implementation Audits	Follow up work to review progress on action taken on implementing audit recommendations	1-4
Residual Audits B/F 2003/04	Completion of audits to final report and agreement of action plan by management.	1

8. Housing & City Support

Internal Audit Review	Risk Level	Coverage	Planned Quarter
Adult Social Care & Health			
Home Care (In-house and externally sourced)	High	To review service performance issues and processes, including identifying opportunities for cost improvements.	2
Section 31 Arrangements	High	To monitor partnership arrangements with the Health Sector; in particular pooled budget arrangements with the PCT, governance arrangements and achievement of the financial recovery plan.	3
Learning Disabilities	High	To review the commissioning strategy and management of high cost placements. Audit to be carried out through close working with South Coast Audit.	2
Continuing Care – 28 Day Rule	Medium	To evaluate the adequacy of operational controls to ensure recovery of costs from the PCT.	1
Income Collection/Write off procedures	Medium	Review of income collection to focus on debt collection, management review and compliance with procedures.	4
Single Assessment Process (SAP)	High	To review the integration of the process between the City Council and Health Sector.	1
Delayed Transfers	High	Follow-up to previous year's audit and to assess the current position	4

			as regards implications to the City Council.	
HR Resourcing	Medium		To review HR resource management in Adult Social Care, in particular over absence and use of agency/contract staff.	3
Customer Services				
Pathfinder Project	Medium		To review project management arrangements and outcome in providing assurance.	1
Housing Benefits Investigation Team	High		Review effectiveness of HB investigations arrangements including performance and case management.	1
Cheque Control	Medium		Review adequacy of stock control, issue and use of pre-printed cheques. To further examine control over manual cheques including authorisation levels.	2
Housing Management				
Housing Voids	Medium		Review of efficiency in particular the whole voids process.	2
Housing Repairs and Maintenance	High		To review the efficiency of the service including the split between emergency and planned maintenance work.	4
Housing Stock Options Appraisal	High		To review the process for identification and management of associated risks.	1-2
Leasehold Management	Medium		Review of Leasehold Manual and other reforms following legislative change.	4
Housing Strategy				
Application, assessment and allocations	High		To undertake an "end to end" process review – from identification of tenant through to assessment and letting.	2

Homelessness including Emergency and Temporary Accommodation	High	Review to consider procurement arrangements surrounding private sector leasehold accommodation to assess whether obtaining good value.	1
Integration and Management of Adaptations	Medium	Review adequacy of control.	3
Supporting People	High	Review the new system controls in place for managing funds for the care element in supported housing under supporting people.	3
HMO Licensing	Medium	Following legislative changes repealing HMO Registration, this review will review new arrangements and associated controls.	2
Housing Repayable Loans	Medium	Following change from home improvement grants to re-payable loans this review will examine the adequacy of controls and risk of future recovery.	3
Directorate Support			
Contingency for ad-hoc work (Unplanned work and Advice & Information)		Provision of support and advice to management and small contingency for ad hoc work requested.	1-4
Contingency for ad-hoc work (Fraud & Irregularities)		Provision for investigation of fraud and irregularities either found or reported by management to Internal Audit Services.	1-4
Implementation Audits		Follow up work to review progress on action taken on implementing audit recommendations	1-4
Residual Audits B/F 2003/04		Completion of audits to final report and agreement of action plan by management.	1

Appendix A

Risk Factors used in Audit Risk Assessment

Risk Factors	Triggers/Consequences
Control Risk	• Past breakdowns in control • Past audit opinions • Control weakness/non compliance • Maturity of systems • Level of reported errors • Extent of dissemination • Political & Corporate governance structure • Level of fraud risk • Physical security and location • Interlinked and dependent systems (i.e. reliance) • Strength of support arrangements • Reliance on key staff • Management's risk appetite and level of residual risk
Corporate Importance	• Criticality to achievement of priorities and business objectives • Client requests for assistance
Materiality	• Financial stability and welfare • Income streams and cashflow • Revenue & capital expenditure • Potential losses • Value, type and volume of transactions • Assets at risk
Service Delivery/Performance	• Performance/KPIs (i.e. Outcomes) • Use of resources (i.e. 3 Es) • Projects and impact/risk • External audit & inspection comments • Service changes and reviews (e.g. BVRs) • Other services, systems

Sensitivity	• Statutory Breach • Level of legislative and regulatory change • Non compliance • Censure by audit/inspection • Financial (grants, surcharges etc) • Litigation • Reputational and adverse publicity risk
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Appendix B

Internal Audit Plan 2004/05

Consultations with TMT Members and Senior Managers

Directorate	Name	Position
Chief Executive	David Panter	Chief Executive
Housing & City Support	Ian Long Denise D'Souza Valerie Pearce Jugal Sharma Pam Montgomery Philip Letchfield	Director Director of Community Care Assistant Director, Customer Services Assistant Director, Housing Strategy Assistant Director Housing Management Head of Performance & Development
Children, Families & Schools	David Hawker Elizabeth Wylie Colin Tucker Rosalind Turner	Director Assistant Director, Strategy & Planning Assistant Director, Special Services Assistant Director, Community & Families
Communications & Democratic Services	Tony Miller Bill Parslow	Director Assistant Director, ICT & E-Government
Corporate Services	Alan McCarthy Catherine Vaughan Chris Taylor Alex Bailey David Fleming Scott Marshall Angela Dymott Abraham Ghebre-Ghiorgis Mark Lamb Maggie Squire Jackie Algar Elaine Hughes Mark Ireland	Assistant Chief Executive and Director Acting Director of Finance & Property (Section 151 Officer) Chief Finance Officer (Retired March) Director of Strategy & Governance Assistant Director, Major Projects & Procurement Assistant Director, Economic Development & Regeneration Assistant Director, Property & Design Head of Law Director of Human Resources Head of Performance Risk Manager Head of Procurement Head of Strategic Finance
Environment	Jenny Rowlands Pat Foster Judith Macho	Director Assistant Director, Quality of Life & Green Spaces Assistant Director, Public Safety
Audit Commission	Bobby Grant	Manager, Local Team

Directorate	Name	Position
South Coast Audit (for Health Partnership)	Simon Maddocks	Manager

Internal Audit Charter

Introduction:

Internal Audit is an independent, objective assurance and consultancy activity designed to add value and improve the organisation's operations. It helps the authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit is an agent for change. As such it advises on best practice and recommends improvements in control and operational management to reduce risks of loss, error, fraud and achieve best value in service provision.

Role:

Section 151 of the Local Government act 1972 requires every local authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs.

The City Council is required under the Accounts & Audit Regulations to maintain an "adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices"

Professional Standards:

The internal audit service will meet or exceed the Code of Practice for Internal Auditing in Local Government and the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

Code of Ethics:

Our auditors will seek to comply with the ethical codes issued by the relevant professional bodies. The main principles to be observed are: integrity, objectivity, competence and confidentiality.

Authority:

Authority is granted for full, free and unrestricted access to any and all the Council's records, physical properties, and personnel relevant to any function under review. All employees are requested to assist Internal Audit in fulfilling their function. Internal Audit shall have free

and unrestricted access to and freedom to report to the Chief Executive, all levels of management and elected members.

Documents and information given to Internal Audit during a review will be handled in the same prudent manner as by those employees normally accountable for them.

Organisation:

The Head of Internal Audit reports functionally to the Chief Executive, Director of Finance & Property, TMT members and Member's Committees. Also administratively to the Director of Finance & Property

Independence:

All audit activities shall remain free of influence by any element of the Council, including matters of audit scope, procedures, timing or report content that permit maintenance of an independent mental attitude necessary in rendering objective reports. Internal audit personnel report to the Head of Internal Audit, whom reports functionally and administratively to the Section 151 Officer.

Audit Scope:

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the Council's system of internal control structure, risk management process and quality of performance in carrying out assigned responsibilities to achieve stated goals and objectives. It includes:

- Reviewing the reliability and integrity of financial and operating information
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations
- Reviewing the means of safeguarding assets
- Reviewing specific operations at the request of senior management and members

Audit Planning:

Annually, the Head of Internal Audit shall submit an Annual Internal Audit Plan, summarising reviews to senior management and members of the Overview and Scrutiny Organisational Committee (OSOC) for

endorsement. The plan shall be flexible for continual re-assessment and needs of senior management and members.

Reporting:

A written report will usually be prepared and issued at the conclusion of each audit and distributed as appropriate. Significant reports will be issued to the Chief Executive, Director of Finance & Property and Lead Members as necessary.

Final reports will include agreed management action plans of management responses and corrective action to audit recommendations made. Appropriate follow-up action shall be taken on audit findings and recommendations.

The Head of Internal Audit will produce an annual report for senior management and OSOC of audit activity and providing an opinion on the adequacy of the control framework and management of risks.

Appendix D

Internal Audit Management Team Responsibilities

Ian Withers Head of Internal Audit Extension: 1323	Overall leadership and management of:- Internal Audit, incl. - Corporate Governance - Corporate Support - Support to Section 151 Officer - External Liaison Consultancy Services National Anti-Fraud Network (NAFN)
Mark Romain Audit Manager Extension: 1315	Internal Audit

Internal Audit Staff

Monica Brooks	Principal Auditor (P/T)	Extension 1329
Marina Bland	"	" 1325
Richard Seager	"	" 1317
Kathleen Downes	"	" 1318
John Lazarus	Principal Contracts Auditor	" 1320

Peter Baker	Principal Computer Auditor	"	1332
Tony Barnard	Auditor	"	1330
Chris Tait	Auditor	"	1316
Mark Winton	Auditor	"	1319
Elizabeth	Auditor	"	1314
Atkinson	Auditor (P/T)	"	1325
Tracy Stewart	Consultant Auditor	"	1323
Paul Bridger			

National Anti-Fraud Network (NAFN)

Jeremy Frost, NAFN Regional Intelligence Manager	"	1322
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