

Audit & Business Risk



Internal Audit Strategy and Annual Plan 2010-11

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Introduction & Overview

Purpose of this report

1. This document sets out the City Council's Internal Audit Strategy and Annual Plan for the year 2010/11.
2. The City Council's internal audit function is provided by Audit & Business Risk, part of the Finance & Resources Directorate, together with our 'internal audit partner' Deloitte. The terms of reference are attached at Appendix C.
3. Internal Audit supports and contributes to the achievement of the City Council's five priorities for 2008-11 and in particular, *better use of public money*. Also the Finance & Resources Directorate's Objectives, *to drive better value for money by transforming our services and supporting other services in their transformation and to ensure effective governance and management of resources within the Council*.
4. Our strategic vision is to continually add value at corporate, departmental and service level by working with management to review and improve internal control, risk management, corporate governance and the achievement of value for money. Our service is customer focussed and our approach and performance standards support this.
5. The purpose of the Internal Audit Strategy and Plan is to:
 - Provide independent and objective overall assurance to Members, TMT and other senior managers on the effectiveness of the City Council's control environment
 - Identify the key risks facing the City Council to achieving its objectives and determine the corresponding level of audit resources
 - Add value and support senior management in providing effective control and identifying opportunities for improving value for money
 - Support the Director of Finance & Resources in fulfilling obligations as the City Council's nominated Section 151 Officer
 - Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations.
 - Optimise the use of audit resources available and provide an effective service

Providing Assurance

6. The Internal Audit Strategy and Plan is aimed primarily at providing ongoing and annual assurance to the City Council to provide confidence to its stakeholders. This is layered in order to achieve a more focussed and targeted assurance across a wide range of the City Council's systems and activities. The layers of assurance are spread across the thematic reviews and a mix of corporate, specialist, service and continuous audit reviews.

Key Core Deliverables for 2010/11

The following are considered to be our key deliverables:

- To provide ongoing assurance to management on the integrity, effectiveness and operation of the City Council's internal control system.
- Delivery of the Annual Audit Plan in particular high risk audit reviews.
- To be responsive to transformational change and service demands.
- To continue to meet the requirements of the 'managed audit' arrangements with the City Council's external auditors to further develop our partnership working relationships.
- To further embed integration of internal audit work with governance and managing risk to produce a clearly coordinated risk-based approach to the audit of business/operational systems across the City Council.
- To ensure agreed management actions to audit recommendations made are fully implemented, in particular the high priority ones.
- To deliver the statutory requirements of the Accounts and Audit Regulations 2006.
- To continue to develop and have a lead in the City Council's corporate governance arrangements including review and production of the 'Annual Governance Statement' to provide assurance on the City Council's governance arrangements and any areas for improvement.
- To provide an effective reactive corporate counter fraud service in accordance with the City Council's Counter Fraud Strategy and maximise financial recovery
- Continue to be proactive in counter fraud including delivery of comprehensive fraud awareness training programme to assist managers and staff in the prevention and detecting of fraud and irregularities.
- To continue to develop our role and work closely with the Audit Committee.
- To significantly contribute and support the City Councils Value for Money Programme. In particular by ensuring our audit work is focussed on effective change and delivery of service improvements.

The Role and Purpose of Internal Audit in the City Council

7. The statutory basis for internal audit is local government in provided in the Accounts and Audit Regulations 2006, which states that *a local authority shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practice*. The City Council has recognised this statutory requirement in its financial regulations.
8. In addition to the above, the Director of Finance & Resources has a statutory duty under Section 151 of the Local Government Act 1972, to establish a clear framework for the proper administration of the local authority's affairs. To perform that duty the Section 151 Officer relies on amongst other things, the work of Audit & Business Risk Services in reviewing systems of internal control, financial management and other assurance processes.
9. The standards for 'proper practice' in relation to internal audit are laid down in CIPFA's Code of Practice for Internal Audit in Local Government (Updated in 2006). We continually ensure compliance with these professional standards and reflected in our terms of reference contained in our Audit Charter, shown at Appendix C.
10. The standard and quality of internal audit is principally scrutinised in five ways:
 - An annual review of the effectiveness of internal audit required by the Accounts & Audit Regulations 2006, reported to the Audit Committee
 - The external auditor seeks to place reliance upon the quality and standard of work our work through principally the 'managed audit' process and reports this to the Council in the annual audit and inspection letter
 - The external auditor carries out a more detailed triennial review
 - The Comprehensive Performance Assessment, Use of Resources measures the effectiveness and performance of internal audit against specified criteria
 - Customer feedback and perceptions

Protocol for Audit Reviews

11. For each audit review carried out, the responsible Director (audit Owner) and/or the Service Head will be involved in the scoping to ensure appropriately focused on key perceived risks, providing assurance and maximising added value. Terms of reference will be produced for each audit review and agreed to ensure the scope, objectives and approach are understood and agreed.
12. Draft internal audit reports will be issued for discussion with the appropriate levels of management and normally set-out in the terms of reference. We would not normally issue draft reports to Directors unless specifically requested or, if we consider the need to communicate issues and concerns arising from reviews at this stage.

13. Final internal audit reports will be issued after the agreement of draft reports and contain completed management actions plans that will identify those responsible for implementation and timescales. The final reports will always be issued to the Director designated as the Audit Owner and responsible for the area reviewed.
14. Agreed actions or recommendations will be followed-up, depending on their priority but this will usually be between three to six months from the issue of the final. A report will be completed and distributed in line with the final report.

Key Issues and Priority Areas for 2010/11

15. Having regard to the current risk profile of the City Council, the following areas have been identified as key issues and priority areas of our work for 2010/11:

Corporate Governance Arrangements

16. The City Council's corporate governance framework covers all aspects of its business, including risk management, internal control and ethical standards. We have a key role to play in reviewing the framework and providing assurance that it operates effectively. This forms the basis of Annual Governance Statement approved by Members and signed by the Leader and Chief Executive. In addition for 2010/11 an update to the CIPFA/SOLACE Framework is expected that will require a corresponding update to the City Council's Code of Corporate Governance.

Key Financial Systems

17. The effectiveness of controls and management of risks within key financial systems remains a core part of our audit work. This work is important in providing annual assurance to the City Council and to meet the requirements of the Audit Commission under the 'managed audit' arrangements and carried out in accordance with International Standard of Auditing (ISA) 315.
18. Our work will include the continued review of CIVICA Financials, departmental material financial systems and the provision of professional advice and support for existing and future developments.

Business Transformation and Value for Money

19. With the significant financial challenges facing the public sector, the City Council are in the process of delivering a major Value for Money programme for the transformation of services. Our Annual Audit Plan will be flexible enough to respond to emerging issues and risks from change.
20. Value for money (VFM) will continue to be an integral part of our risk based audit approach, in particular being alert to opportunities and ensure reporting in issues raised and agreed management actions from audit recommendations. In addition we will support VFM reviews, considering changes to the control environment and risk exposure, provide assurance on programme management and realisation of benefits.

21. During 2010/11 there will be organisational change moving to an Intelligent Commissioning. This will have an impact on governance and internal controls and we will ensure our Annual Plan is responsive.

Risk Management

22. We have a key role to promote effective risk management across the City Council and to assess compliance with good risk management practices and the adequacy of controls put in place by management to mitigate risks in their service areas.

ICT and Data Security Management

23. Due to this high risk to the City Council, we will review the management and controls for existing and future development of systems and services. The planned ICT reviews have been based on a comprehensive ICT risk register. Data security management will be a key part of our work for the forthcoming year due to issues emerging and consequential risk, across the public sector and new standards.

Partnerships

24. The City Council is increasingly operating and delivering services jointly through partnerships. This also brings significant risks to the City Council and the delivery of services. We will continue to review key partnerships and also work with auditors from partner organisations for effective coverage and providing assurance.
25. Partnership governance is a key part of the Audit Commission's Comprehensive Performance Assessment and will be more so for the future Comprehensive Area Assessment. We will continue to build on our previous work and deliver this through joint working where appropriate.

Contracts, Procurement and Major Projects

26. Changing approaches to procurement and contract management are a key part of delivering improved services. This also brings additional inherent risks that need to be managed. Major projects also represent a high risk to the City Council in terms corporate importance and resources. Our audit work will continue to focus on embedding risk management and controls.

Comprehensive Area Assessment (CAA) Use of Resources

27. The City Council recently received an overall score of 3 out of a possible 4 for the Use of Resources in 2009. Our work will focus on assisting with improvement through review, learning from best practice and making practical recommendations for improvement particularly for internal control, governance and value for money.

Counter Fraud

28. We have a lead responsibility for corporate counter fraud and will continue to review and develop the robustness of the City Council's arrangements. We will continue to work

closely, internally with other services involved in investigating fraud and externally with other anti-fraud agencies, Police and the Audit Commission.

29. During 2009/10 we commissioned a major accountancy firm to undertake a fraud risk assessment and measurement exercise. The outcome of this will be used to inform a great deal of proactive fraud work.
30. The National Fraud Authority (NFA) recently published a national report "A fresh approach to combating fraud in the public sector". This again will be used as a valuable source on information for our proactive fraud work particularly in the area of intelligence sharing with other organisations.

Schools

31. Our audit strategy in relation to schools has changed over the past three years with the requirement for all schools to meet the Financial Management Standard in Schools (FMSiS). We are the City Council's accredited external assessors for ensuring schools meet the Standard and undertake visits on a three year cycle basis.
32. As reliance is placed on the FMSiS reviews for assurance on management and governance processes we have moved away from 'traditional' establishment reviews to thematic ones. These review particular systems or areas of control across a number of schools, adding greater value by also disseminating best practice and control improvements to all schools.

Audit Committee

33. We will work closely with Audit Committee Members in developing its role not just in relation to best practice but also as part of effective corporate governance of the City Council.

Relationships with other Assurance Providers

34. In developing the Annual Internal Audit Plan, consideration has been given to the assurance work carried out by others such external audit and inspectors and those involved in performance, transformational change and value for money, to avoid duplication and maximise the use of limited resources available.
35. The City Council benefits from an external audit fee that includes a significant reduction on the normal Audit Commission basic fee for a Council with Brighton & Hove's level of expenditure and risk profile. The lower fee arises from the external auditor's opinion on the quality of internal audit as well as placing reliance on the work undertaken by internal audit under 'managed audit' arrangements.
36. Internal audit and external audit will continue to work closely together to ensure the City Council's total audit resource is effectively managed and targeted. However the prescribed requirements of the International Standards on Auditing have had a detrimental impact on the reliance that can be placed on the systems work of internal audit. External audit are now required to undertake a certain level of systems work, irrespective of the level of reliance.

37. We will continue working closely with internal auditors of the City Council's partner organisations under agreed protocols. For example undertaking joint reviews to use the audit skills and experience of both partner organisations.

Our Performance Management

38. To achieve planned coverage, deliver a high standard of customer care and demonstrate effectiveness of the service, we have well established performance targets based on best professional practice and easily comparable with other organisations.
39. Performance indicators and targets are shown at Appendix D for five aspects of our service:
- Cost and quality of input
 - Productivity and process efficiency
 - Quality of output
 - Compliance with professional standards
 - Outcomes and degree of influence
 - Our Staff

Provision of the Internal Audit Service for 2010/11

40. The provision of Internal Audit to the City Council is delivered by our in-house team, supplemented by specialist ICT and general audit assurance work as required, outsourced with our 'external partner' Deloitte Public Sector Ltd.
41. The Internal Audit Service will ensure continuous improvement and opportunities for more efficient and effective ways of service delivery are achieved. It is regularly benchmarked with both other public and private sector providers to ensure effective and competitive.

Internal Audit Resources for 2010/11

42. In order to achieve the Annual Audit Plan, the appropriate level of resources is made available to Audit & Business Risk and includes the required mix of skills, experience and specialisms required.
43. The Internal Audit Plan is resourced by calculating the number of productive days available within the Internal Audit Team. The Internal Audit Team's establishment is 11.5 FTEs comprising the Head of Audit and Business Risk (proportion), Audit Manager, Principal Auditors and Auditors. The projected productive internal audit days available for 2010/11 are 1,970. This is a small reduction from 2009/10.

44. The number of productive audit days are inevitably limited but out work is prioritised on the basis of risk to be able to provide overall assurance and add value.
45. Based on past experience and good practice, the Annual Internal Audit Plan includes a small contingency for unplanned work requirements to ensure we are able to respond to changing needs and demands.
46. The effectiveness of internal audit and added value to the City Council is highly dependent on the quality of staff. We ensure our staff maintain and develop their skills and professional competence.

Developing the Annual Internal Audit Plan 2010/11

47. The methodology used for developing the Annual Internal Audit Plan focuses upon the quantification of the risks associated with achieving corporate and departmental objectives.
48. The Annual Internal Audit Plan is aligned to the City Council's priorities and business planning framework to ensure coverage of its main business processes, projects, assets, and performance. Also compliance issues significant to the City Council's strategic direction, risk environment, objectives and business goals.
49. The process uses four sources of risk identification to arrive at an Annual Internal Audit Plan.
50. Firstly, a comprehensive internal audit risk assessment using five weighted categories of risk, a full explanations of the measures given shown at Appendix B:
 - Control risk;
 - Corporate importance including criticality to the achievement of priorities, legislative and regulatory impact;
 - Corporate materiality;
 - Value for money and service delivery; and
 - Corporate sensitivity and impact on the City Council's reputation.
51. These categories are used to determine a risk rating of high, medium or low to reflect the inherent risk or vulnerability. Due to limited audit resources, our planned audit is focussed on areas of high and medium risk.
52. Secondly, internal audit planning is linked to the City Council's risk management process and we use the corporate and directorate risk registers as far as possible. Audits are where possible, cross referenced to corporate risks on the Annual Internal Audit Plan.
53. Thirdly information is gathered through regular consultation meetings with key managers including TMT Members, Assistant Directors and Service Heads, and the City Council's partners. The information includes areas of concern and where internal audit review would be beneficial. Specific management requests for audit reviews are considered and

included as appropriate. We also discuss the requirements with external audit to ensure reliance can be placed on the internal audit work.

54. Fourthly, the use of Cumulative Audit Knowledge and Experience (CAKE) in determining the most effective use of our resources for maximum added value.
55. A number of planned audits, particularly those details in Key Financial Systems will be carried out as part of Internal Audit's statutory requirements to provide assurance to the Director of Finance & Resources (Section 151 Officer) on the effectiveness of internal controls operating in the council.
56. Audit work covering governance will contribute towards the Head of Audit & Business Risk's overall assurance on corporate governance arrangements which forms part of the Annual Governance Statement.
57. The Annual Internal Audit Plan is indicative and it is inevitable that changes will be made during the year as the risk profile of the City Council changes. This will be achieved through ongoing review and amendment, in consultation with the relevant audit owners and service managers to reflect the needs of the City Council and to add maximise value.
58. The Audit Committee will be kept informed of progress against the Annual Audit Plan and agree any significant changes during the year.

Annual Internal Audit Plan 2010/11

59. Appendix A shows the Annual Internal Audit Plan and provides a brief summary of each review under thematic areas. The plan also shows the significance of each review in terms of risk (high, medium and low) and where relevant, cross referenced to the City Council's corporate risks. The allocation of the 1,970 audit days is summarised in table 2 below together with the number of specific audit reviews
60. The Counter Fraud Programme is included in the plan and includes both pro-active and reactive audit work. The number of direct days has been increased for 2010/11 in response to the growing risk of fraud due principally to a period of recession.
61. A limited time contingency has been provided for unplanned work and extending time for planned reviews. This will in particular be used to respond to emerging issues, risks and to have the capacity to respond to requests from senior managers.

Table 1 – Summary of Internal Audit Annual Internal Audit Plan 2010/11

Thematic Area	Number of Specific Reviews	Audit Days
Corporate Governance Arrangements	9	102
Corporate Cross Cutting Audits	11	151
Fundamental and Key Financial Systems	12	201
Procurement & Contract Management	11	136
Information Technology	15	173
Service Specific	36	536
Counter Fraud Programme	7	255
Corporate Support	-	100
Grants & National Performance Indicators	-	27
Other Direct Audit Activity	26	289
Totals	116	1970

62. For each internal audit review, an audit risk ranking (High, Medium or Low) is provided together where applicable with the latest corporate risks. The City Council's corporate risks are shown in full in table 3 below:

Table 2 - Corporate Risks (Source: Corporate Risk & Opportunity Register 2009)

Risk No.	Risk Summary
CR1	Council Housing Stock Condition
CR2	Financial Outlook for the Council
CR3	Long Term Funding for Educational Premises
CR5	Brighton Centre
CR9	Major Projects
CR11	A Deserved Reputation for Excellence and a Staff Culture to Deliver
CR13	Waste Reduction and Disposal
CR14	Equal Pay
CR15	Effective Procurement Process and Co-ordinated Organisational Compliance
CR17	Investing in the City's Sustainable Future
CR18	Protection of Vulnerable Children

63. The Annual Audit Plan includes the quarter when the audit review is planned to be undertaken. Wherever possible this has been agreed with management during the planning process. There is however flexibility to respond for example to pressures on services audited and audit resource availability.
64. In addition to the Audit Committee receiving regular progress reports against the plan, Directors and Assistant Directors will be provided with progress reports as necessary through the year summarising the outcome of reviews and other audit work for the quarter and planned for the quarter ahead. The Head of Audit & Business Risk and/or Audit Manager will also attend their Directorate Management Team (DMT) meetings as required, to discuss audit coverage and outcomes.

Appendix A

DETAILED INTERNAL AUDIT PLAN 2010/11

Corporate Governance Arrangements

This part of the Annual Plan covers key areas of the City Council's corporate governance arrangements and part of the wider review to produce the Annual Governance Statement.

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		Timing
					Overview	Audit Owner	
A026	Business Continuity Management	Medium	CR6	5	Follow-up to 2009/10 review on the effectiveness of arrangements in place for continuity of services after an incident affecting business critical areas of the City Council's operations.	Director of Environment	Quarter 4
A181	Risk Management	Medium	All	15	Assessment of the effectiveness of risk management arrangements throughout the City Council. This will include both the management of strategic and operational risks and the level of risk maturity of the City Council.	Director of Finance & Resources	Quarter 2
A007	Annual Governance Statement	High	All	14	Annual review of overall governance to assess the adequacy across the Council. To produce Annual Governance Statement with action plan.	Director of Strategy & Governance	Quarters 1 - 4
A053	Corporate Governance Framework	High	All	10	To review the council's arrangements against the new GIPFA/SOLACE Framework.	Director of Strategy and Governance	Quarter 4
A161	Partnership Governance	High	CR2	18	To provide assurance on the adequacy of risk management arrangements through examining a sample of major/significant partnerships. This are has become an increasing priority under CAA.	Director of Strategy and Governance	Quarter 3
A027	Business Planning	Medium	CR11	12	To review the Business Planning Framework in particular to ensure processes are embedded, operational and effective for the City Council's needs. Review to include Directorate Development Plans and links with other processes such as risk management. workforce planning and financial planning (MTFS).	Director of Strategy and Governance	Quarter 4

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		Timing
					Overview	Audit Owner	
A061	Data Quality	Medium	CR11	8	Follow-up review on the effectiveness and embedding of the Data Quality Policy, processes and controls operating. The review will also be carried out under 'Managed Audit' arrangements with the Audit Commission.	Director of Strategy & Governance	Quarter 3
A054	Corporate Health & Safety	Medium	CR18	12	This function is high profile and of corporate importance. The review will include overall management and compliance with health and safety requirements.	Director of Strategy and Governance	Quarter 4
A068	Declarations of Interest, Gifts & Hospitality	Medium	CR2	8	To ensure processes are robust including effective approval and monitoring of registering declarations of interest, gifts and hospitality. The review will include both officers and members.	Director of Strategy and Governance	Quarter 3
				102			

Corporate Cross Cutting Audits

This area of work will cut across departmental boundaries (excluding specialist areas).

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		Timing
					Overview	Audit Owner	
A025	Premises Security	Medium	CR3	8	A review of premises security for number of City Council establishments.	Director of Finance & Resources	Quarter 2
A206	Value for Money Programme Management	Medium	CR2	12	To review the VFM programme management arrangements.	Director of Finance & Resources	Quarters 2
A098	Value for Money – Workstyles	Medium	CR2	8	This audit will review the outcomes from VFM Phase II review in terms of impact on controls and management of risks (in particular interdependencies).	Director of Finance & Resources	Quarters 2
A256	Capital Programme Management	Medium	CR2	20	This audit will review of the capital programme governance of the overall programme and key projects within it. It will therefore ensure there is adequate aggregate control of the capital programme (e.g. managing slippage, reporting etc) and individual projects.	Director of Finance & Resources	Quarter 1
A022	Budget Management	Medium	CR2	20	This audit will review budget management arrangements across the council, in particular the effectiveness of controls for setting, monitoring, controlling and reporting. The audit will also include alignment to business plans and guidance/support/empowerment given to budget holders.	Director of Finance & Resources	Quarter 2
A172	Project Management	Medium	CR9	14	This audit will review the effectiveness of project management across the council, in particular compliance with good practice and local standards.	Director of Finance & Resources	Quarter 1
A199	Sustainability and Corporate Responsibility	Medium	CR17	12	Follow-up to the 2009/10 review in particular mapping critical management processes, assessing, benchmarking and testing operational effectiveness of controls.	Director of Strategy & Governance	Quarter 2

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		Timing
					Overview	Audit Owner	
A002	Attendance/Absence Management	High	CR11	12	Follow-up to the 2009/10 review on absence management in particular sickness and the effectiveness and design of policies and guidance. Further to make comparison with best practice of other public sector organisations and determine measures that can be taken to improve.	Director of Strategy and Governance	Quarter 3
A174	Employees Vetting and Recruitment Process	High	CR11	15	To review the effectiveness and compliance with procedures. The review will include compliance with the Information Safeguarding Authority's requirements in relation to the vetting and barring scheme due to go live in November 2010.	Director of Strategy & Governance	Quarter 2
A257	Training & Development	Medium	CR11	20	To review effectiveness of arrangements and controls over staff training and development in supporting the achievement of the City Council's objectives.	Director of Strategy & Governance	Quarter 2
A249	Records Management Policy	Medium	CR2	10	To review controls over records management including compliance.	Director of Finance & Resources	Quarter 1
				151			

Fundamental and Key Financial System Reviews

This area of work provides assurance on the operation of the City Councils Key Financial Systems.

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		Timing
					Overview	Audit Owner	
A146	Main Accounting System/General Ledger	High	CR2	12	Systems based audit to document, evaluate and test key system controls including controls to ensure all expenditure is correctly stated, suspense accounts are being managed effectively, controls around the use of journal transfer, operation of key interfaces and key account reconciliations between the feeder systems and general ledger.	Director of Finance & Resources	Quarter 4
A056	Creditors/Accounts Payable	High	CR2	25	Systems based approach considering key risk exposures and including process mapping of key controls. Control testing to provide assurance that accurate, timely payments are made only to legitimate creditors for goods and services provided to the Council. The approach will include continuous auditing of key controls through the year using techniques such as data mining.	Director of Finance & Resources	Quarter 1 - 4
A067	Debtors/Accounts Receivable	High	CR2	20	Systems based approach considering key risk exposures and including process mapping of key controls. Control testing to provide assurance that accurate, timely debtor's invoices are raised and there is effective collection and recovery of income due.	Director of Finance & Resources	Quarter 4
A034	Cash Collection and Bank	High	CR2	10	Systems based approach considering key risk exposures, including process mapping of key controls and compliance testing to provide assurance.	Director of Finance & Resources	Quarter 4
A204	Treasury Management	Medium	CR2	8	Systems based approach considering key risk exposures, including process mapping of key controls and compliance testing to provide assurance. The review will also include the City Council's compliance with recent Audit Commission Guidance.	Director of Finance & Resources	Quarter 4

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Overview	Audit Owner	Timing
A059	Council Tax	Medium	CR2	20	Systems based audit to document, evaluate and test key system controls. To include liability, billing, collection and recovery to maximise income to the City Council. The audit will include appropriate data extraction, analysis and matching.	Director of Finance & Resources	Quarter 4
A154	NNDR (Business Rates)	Medium	CR2	10	Systems based audit to document, evaluate and test key system controls and risk exposures. To include liability, charging, billing, collection and recovery.	Director of Finance & Resources	Quarter 4
A115	Housing & Council Tax Benefits	High	CR2	25	Systems based audit to document, evaluate and test key system controls and risk exposures. In particular verification of claimant data and assessment of entitlement to benefits, reconciliation and management reporting to reduce the risk of fraud, error and inefficiency. The approach will include continuous auditing of key controls through the year using techniques such as data mining.	Director of Finance & Resources	Quarter 1-4
A117	Housing Rents	High	CR2	20	Systems based audit to document, evaluate and test process, key controls and risk exposures.	Director of Finance & Resources	Quarter 4
A029	Capital Accounting and Expenditure	High	CR2	12	Systems based approach considering key risk exposures and including process mapping of key controls. The review will include the accuracy of forecasting, performance reports identifying slippage and cost overruns accurately, project outcomes and lessons learnt for future projects. The audit will include the system for the management of fixed assets, recording and mechanisms for valuing and depreciating.	Director of Finance & Resources	Quarter 4
A011	Management of Fixed Assets	Medium	CR2	15	Review of the system operating for the handling, recording and accounting for fixed assets including the verification and valuation processes. The scope will include the recently implemented IT system, disposals and changes in valuations.	Director of Finance & Resources	Quarter 3

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Overview	Timing	
AI 62	Payroll/HR	High	CR2	24	Systems based approach considering key risk exposures and key controls. As HR and payroll and undergoing significant change, the review will include new and amended processes. The approach will include continuous auditing of key controls through the year using techniques such as data mining.	Director of Strategy & Governance and Director of Finance & Resources	Quarter 1-4
				201			

Procurement and Contract Management Reviews

This area of work will be cross cutting but specific specialist area.

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Overview	Audit Owner	Timing
A024	Building Schools for the Future	High	CR3	15	To examine controls and risk management and ensure project delivery is managed within an effective and efficient governance structure.	Director of Children's Services	Quarter 1 - 4
A195	Street Lighting Contract	Medium	CR15	8	Follow-up to the 2009-10 review on the effectiveness of contract management arrangements and operation of the contract.	Director of Environment	Quarter 3
A131	Integrated Waste Management Contract - Contract Management	High	CR15	20	Joint review with ESCC Internal Audit on the effectiveness of arrangements for contract management and achieving value for money. The review will include recycling and monitoring of key targets.	Director of Environment	Quarter 1
A142	Leisure Management Contract	Medium	CR15	12	To review the re-letting of the Leisure Management Contract in particular the internal support provided to the process	Director of Environment	Quarter 1
A258	City Clean Contracts	Medium	CR2	12	To review controls over contracts including Bulky Waste, Gulley Cleaning and Public Toilets.	Director of Environment	Quarter 2
A258	Contract Letting and Renewal	Medium	CR15	18	To review the adequacy of the contract letting process in particular compliance with contact standing orders.	Director of Finance & Resources	Quarter 3
A170	Procurement Cards	Medium	CR2	8	To review the controls over the introduction and operation of procurement cards.	Director of Finance & Resources	Quarter 3
A248	Energy Contracts	Medium	CR2	8	To review the letting, management and operation of the City Council's Energy Contracts including the control over billing.	Director of Finance & Resources	Quarter 1
A246	ICT Contracts	Medium	CR2	12	To review the effectiveness of arrangement for ICT contracts and management.	Director of Finance & Resources	Quarter 1

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Overview	Audit Owner	Timing
A118	Housing Repairs Contract	High	CR1, CR15	15	To review the adequacy of controls and management of risks in the new contract procurement arrangements for housing repairs.	Director of Culture & Enterprise	Quarter 3
A253	Lift Maintenance (Housing)	Medium	CR1	8	To review the effectiveness of contract management arrangements to ensure VFM and mitigate risks.	Director of Housing, Culture & Enterprise	Quarter 2
				136			

Information Technology

This area of specialist work covers key ICT projects, security and risks.

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		Timing
					Overview	Audit Owner	
A259	Housing Management Application (OHMS)	Medium	CR2	12	To review the system security and controls within the system. The review will also examine actions being taken for replacement.	Director of Finance & Resources	Quarter 2
A123	ICT Risk Assessment	Medium	CR2	6	To review, update and agree with ICT Management Team.	Director of Finance & Resources	Quarter 1
A134	Internet Security, Social Networking and E-mail	Medium	CR2	12	To review the effectiveness of controls and policies.	Director of Finance & Resources	Quarter
A124	ICT Governance	High	CR2	12	To review ICT governance arrangements including acquisition of new systems and decision making processes.	Director of Finance & Resources	Quarter
A260	Information Management & Data Sharing	High	CR2	12	To review effectiveness of controls over data sharing, in particular with partners.	Director of Finance & Resources	Quarter
A261	Configuration Management Hardware * & Software)	Medium	CR2	12	To review the effectiveness of controls and optimisation.	Director of Finance & Resources	Quarter
A189	Software Licensing	Medium	CR2	8	To review the effectiveness of controls and protection of the City Council.	Director of Finance & Resources	Quarter
A062	Data Management and Security Arrangements	High	CR2	12	To review the effectiveness of management and security arrangements over in particular critical/sensitive data, including testing to validate controls in place and review of existing and required guidance to staff on acceptable practice for data handling.	Director of Finance & Resources	Quarter 2

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Overview	Audit Owner	Timing
A247	Human Resource System Implementation (iTrent)	High	CR2	20	Post implementation review of Phase 1 implementation of the new HR and Payroll System (iTrent) including data migration and error rectification and reconciliation from parallel. The review will further examine the effectiveness of controls in Phase 2 of the implementation in particular self-serve.	Director of Strategy & Governance and Director of Finance & Resources	Quarter 1-2
A262	Recruitment System (iGrasp)	High	CR2	6	Post implementation of the recruitment system (iGrasp) in terms of controls and fulfilling the business needs of the City Council.	Director of Strategy	Quarter 2
A148	Mobile Computing	Medium	-	10	To evaluate the adequacy of security in relation to mobile devices for remote and homeworking across the City Council.	Director of Finance & Resources	Quarter 3
A074	Disaster Planning and Recovery	High	CR2	12	To review the effectiveness of disaster recovery arrangements in particular for business critical systems. The review will include back-up and off-site storage arrangements to ensure security of the Council's data.	Director of Finance & Resources	Quarter 3
A263	ICT Equipment Life Cycle	Medium	CR2	12	To review processes and controls for procurement to disposal.	Director of Finance & Resources	Quarter 1
A264	Use of Spreadsheets and Databases	Medium	CR2	15	To review the development and usage of adhoc spreadsheets and databases which hold critical and/or sensitive data separately from the core systems. To include controls and guidance in place surrounding their use to ensure data is held securely.	Director of Finance & Resources	Quarter 2
A060	Data Protection	Medium	CR2	12	To review the City Council's arrangement and ensure compliance with the current Data Protection Act and planning for the revised one in particular data sharing.	Director of Finance & Resources	Quarter 3
				173			

Service Specific Reviews

These audit reviews are considered to be specific to directorates and their operational activities.

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		Timing
					Overview	Audit Owner	
A139	Learning Disabilities	Medium	CR2	12	To review the effective of controls and management of risks for the service, in particular relationships with the PCT and health care funding.	Director of Adult Social Care	Quarter 3
A187	Section 75 Agreements (Adult Services)	Medium	CR2	20	This review will examine the effectiveness of the two Section 75 agreements with Sussex Partnership Trust for mental health and South Downs Health Authority for intermediate care.	Director of Adult Social Care	Quarter 1
A250	Residential Care for the Elderly	Medium	CR2	20	An 'end to end' review of residential nursing care to ensure consistent processes and controls in place to meet clients' needs.	Director of Adult Social Care	Quarter 1
A265	Personalisation	High	CR2, CR15	25	To seek to provide early assurance on the robustness of systems to be developed and embedded during 2010/11.	Director of Adult Social Care	Quarter 1 -4
A266	Care Plans and Resources Allocation System (RAS)	High	CR2	12	To review the effectiveness of controls for resource allocation to clients.	Director of Adult Social Care	Quarter 1
A072	Personal Budgets & Direct Payments	High	CR2	12	This to include those to have personal budgets, the allocation of funds based on authorised need and monitoring the use of funds to ensure they are used for intended purpose.	Director of Adult Social Care	Quarter 2
A254	Joint Commissioning	Medium	CR2	12	To review controls and outcomes of joint commissioning with the PCT.	Director of Adult Social Care	Quarter 1
A202	Transport Management (Adult Social Care)	Medium	CR2	12	This review will examine the control over direct client transport provision including effective utilisation, procurement and disposal.	Director of Adult Social Care	Quarter 1

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Overview	Audit Owner	Timing
A061	Adult Social Care – Data Quality	Medium	CR2	8	This will specifically review the data quality of CareFirst.	Director of Adult Social Care	Quarter 3
A251	Falmer Academy	Medium	CR2	8	To review the transition arrangements to an Academy, in particular transfer of budgets and support service provision.	Director of Children's Services	Quarter 1
A252	Portslade Academy	Medium	CR2	8	To review the control over the transition arrangements to an academy. In particular issues such as forward funding and expenditure.	Director of Children's Services	Quarter 1
A124	Schools Thematic Review – ICT Security	Medium	CR2	15	To review the effectiveness of ICT security across a number of schools.	Director of Children's Services	Quarter 3
A181	Schools Thematic Review – Application of Risk Management Arrangements	Medium	CR2	12	To review the effectiveness of risk management arrangements across a number of schools.	Director of Children's Services	Quarter 3
A267	Schools Thematic Review – Financial Reconciliation	Medium	CR2	15	To review the effectiveness of regular reconciliations carried out between SIMS and Authority Financials..	Director of Children's Services	Quarter 3
A187	Section 75 Agreements (Children's Services)	Medium	CR2	12	This review will examine the effectiveness of the controls over the Section 75 agreement.	Director of Children's Services	Quarter 1
A268	Transfer of Post 16-19 funding Learning Skills Council	Medium	CR2	20	To provide assurance to ten Section 151 Officer that the funds for 16-19 adult learning are managed appropriately, are used for the intended purposes and that statutory and legal requirements are met.	Director of Children's Services	Quarter 1 & 4
A061	Data Quality – Children's Services	Medium	CR18	8	To review the robustness of data quality and completeness to be used in decision making e.g. whole life costing for care.	Director of Children's Services	Quarter 4
A138	Learning Development Centre	Medium	CR18	12	To review the effectiveness of management arrangements and controls.	Director of Children's Services	Quarter 1

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Overview	Audit Owner	Timing
A031	On-Street and Off Street Parking Income	High	CR15	20	To review the systems for collecting, controlling and monitoring of parking income from on-street pay and display machines and car parks. The review will include new management arrangements for car parks.	Director of Environment	Quarter 4
A269	Parks and Open Spaces	Medium	CR2	10	To review control over income and utilisation.	Director of Environment	Quarter 1
A270	Management of Events	Medium	CR2	12	To review the controls over events across the City and whether costs are fully captured and recharged. To include loss of income streams from for example parking suspension and decision making process.	Director of Environment	Quarter 1
A271	City Clean Expenditure	Medium	CR2	15	To review the financial controls operating, in particular for high expenditure areas such as agency staff.	Director of Environment	Quarter 4
A039	City Parks	Medium	CR2	12	To review the control over expenditure for City Parks including contracts and suppliers.	Director of Environment	Quarter 1
A136	King Alfred Leisure Centre	Medium	CR2	8	Follow-up to the 2009/10 review on the effectiveness of controls operating at the Leisure Centre.	Director of Environment	Quarter 1
A272	Seafront Services	Medium	CR2	12	Follow-up to the 2009/10 review on the Seafront Services in particular trading activities for adequacy of control.	Director of Environment	Quarter 2
A202	Traffic Management	Medium	CR11	12	This review will examine the effectiveness of control for traffic management across the City.	Director of Environment	Quarter 1
A043	Management of Commercial Properties	Medium	CR2	12	To review the effectiveness of management arrangements to maximise income to the City Council.	Director of Finance & Resources	Quarter 1
A255	Property Legal Compliance	Medium	CR2	12	This review will seek assurance that there are effective arrangements in place to ensure compliance with various requirements including health & safety, DDA, Legionella, Fire Safety Regulations.	Director of Finance & Resources	Quarter 1

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Overview	Audit Owner	Timing
A273	Imprest Accounts Automation of Imprest Accounts Processing	Medium	CR2	12	To review the management arrangements and control of imprest accounts including automation of processing.	Director of Finance & Resources	Quarter 1
A176	Registrars Service	Medium	CR2	12	To review the effectiveness of controls operating over income, expenditure and statutory duties.	Director of Finance & Resources	Quarter 1
A137	Land Charges	Medium	CR2	8	To review the effectiveness of controls over income.	Director of Finance & Resources	Quarter 2
A207	VAT Accounting	High	CR2	6	Follow-up to the 2009/10 review to review effectiveness of accounting arrangements.	Director of Finance & Resources	Quarter 3
A019	Brighton Centre	Medium	CR2	12	To review adequacy of systems for income and expenditure, in particular for events.	Director of Housing, Culture & Enterprise	Quarter 4
A021	Royal Pavilion	Medium	CR2	12	To review adequacy of systems for income, expenditure and trading systems.	Director of Culture and Enterprise Services	Quarter 4
A274	Museums Service	Medium	CR2	8	To review the effectiveness of controls over income and expenditure over the Museums Service.	Director of Culture and Enterprise Services	Quarter 1
A143	Libraries (Stock Management)	Medium	CR2	8	To review the stock security arrangements for a sample of libraries.	Director of Culture and Enterprise Services	Quarter 1
A275	Housing Tenancy Management	Medium	CR2	11	Follow-up to the 2009/10 review on the effectiveness of control over tenancy management in particular the unauthorised sub letting of council properties.	Director of Housing, Culture & Enterprise	Quarter 1
A061	Housing Decent Home Standard – Data Quality	Medium	CR1	8	To review data quality arrangements for the decent homes national indicator.	Director of Housing, Culture & Enterprise	Quarter 4
A276	Future Job Fund	Medium	CR2	15	To review the controls over the management of funds. To include process for decision making, accounting and reporting.	Director of Housing, Culture & Enterprise	Quarter 1

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details	
					Overview	Timing
A059	Council Tax Single Persons Discounts and Exemptions	Medium	CR2	12	To review the effectiveness of controls to maximise income collected. In particular to review proactive exercises for data sharing and to maximise income.	Director of Finance & Resources Quarter 2
A274	Bereavement Services	Medium	CR2	10	This review will follow-up the 2009/10 review on the controls in operation over the service.	Director of Finance & Resources Quarter 2
A133	International Financial Reporting Standards (IFRS)	Medium	CR2	12	To review the council's readiness and management arrangements for compliance.	Director of Finance & Resources Quarter 1-4
A140	Leasehold Charges	Medium	CR1	12	Review of annual service charges calculation, accuracy of charges levied on leaseholders, billing, collection and recovery.	Director of Housing, Culture & Enterprise Quarter 2
A147	Members Allowance	Medium	CR11	10	To assess the arrangements for and the management of the Members Allowances Scheme	Director of Strategy & Governance Quarter 3
				536		

Counter Fraud Programme

The counter fraud programme includes reactive investigations into suspected fraud and corruption and proactive work.

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Overview	Audit Details	Audit Owner	Timing
F001	Investigations into Fraud & Corruption (Reactive)	High	CR2	120	Carrying out investigations as and when required into referrals received into suspected cases of fraud and irregularities. Referrals may be received: <ul style="list-style-type: none"> ▪ From management ▪ Received via the confidential anti fraud hotline and website ▪ Found from internal audit reviews carried out ▪ Received under the Whistleblowing Policy Referrals will be risk assessed and investigated accordingly.		Director of Finance & Resources	Quarters 1 - 4
F277	Fraud Risk Assessment and Loss Measurement	High	CR2	12	Follow-up to the review carried out in 2009/10 to embed fraud risk registers, measurement, reporting and actions resulting.		Director of Finance & Resources	Quarter 1
F278	Counter Fraud Strategy, Fraud Response Plan, and other Protocols and Guidance.	High	CR2	20	Ongoing review of policies, protocols and guidance to ensure effective and current. Where considered necessary appropriate ones will be revised, approved and implemented.		Director of Finance & Resources	Quarters 1 - 4
F279	Sanctions Policy and Arrangements	Medium	CR2	10	To review the effectiveness of the City Councils Sanctions Policy/s.		Director of Finance & Resources	Quarter 2
F280	National Fraud Initiative (NFI)	High	CR2	10	To complete the National Fraud Initiative exercise for the City Council. This will include investigating significant data matches and instigating recovery. To further consider improvement to controls to mitigate future fraud risk.		Director of Finance & Resources	Quarter 1 - 4
F281	Data Mining for identifying suspected fraud.	Medium	CR2	12	This review will use data mining tools for example data matching and exception reporting to identify potential fraud.		Director of Finance & Resources	Quarter 2

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Overview	Audit Owner	Timing
F282	Money Laundering Strategy and Arrangements	Medium	CR2	8	Review of money laundering arrangements (including Policy) and compliance with 2007 regulations.	Director of Finance & Resources	Quarters 1
F283	Fraud Awareness Training	High	CR2	25	To provide awareness training across the Council using e-learning modules developed for staff and managers.	Director of Finance & Resources	Quarters 1-2
F284	Agency Liaison and intelligence exchange	-	CR2	8	Liaison and information exchange with Police and other Anti Fraud Agencies including Police, DWP and NHS.	Director of Finance & Resources	Quarters 1 - 4
F162	Payroll - Payment Claims	Medium	CR2	12	Proactive review a sample of claims including for overtime, allowances and expenses to supporting evidence.	Director of Finance & Resources	Quarters 3
F285	Identity and Right to work in the UK	Medium	CR2	8	Targeting testing to verify compliance with checks that employees have the right to work in the UK. The review will also include working with the Borders Agency on gate keeping and raising awareness of for example false documentation.	Director of Finance & Resources	Quarters 1
F216	Whistleblowing	Medium	CR1	10	This is a follow-up to the 2009/10 review to implement actions around communication, cases management, policy revision etc.	Director of Strategy & Governance	Quarter 3
				255			

Corporate Support

This area of work provides support to both key officers and members.

Ref.	Audit/Area	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		Timing
					Broad Scope	Audit Owner	
A286	Audit Committee Support	-	-	20	Providing support including advice and reporting to Audit Committee.	Director of Finance & Resources & Director of Strategy & Governance	Quarters 1 - 4
A287	Section 151 Officer Support	-	-	20	To provide the necessary assurance and evidence that will allow the Director of Finance and Property to discharge her statutory 151 responsibilities. The support will include that given to the Finance & Resources Management Team.	Director of Finance & Resources	Quarters 1 - 4
A288	Committee/Members Support General	-	-	10	Providing support to other members of executive, regulatory and overview and scrutiny functions..	Director of Strategy & Governance	Quarters 1 - 4
A289	Advice & Information to Directorates	-	-	50	To provide ad hoc advice and information to directorates as required, including participation in programme boards and working groups.	Various	Quarters 1 - 4
				100			

Grants and National Performance Indicators

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		Timing
					Overview	Audit Owner	
A290	Local Area Agreement (LAA) Certification	-	CR2,11	12	The Department of Communities and Local Government require us to audit the arrangements in place for compiling the grant claim for projects funded from LAA. To validate the completeness and accuracy of LAA spend for grant certification purposes.	Director of Finance & Resources	Quarter 1
A291	Contingency for other Grants	-	CR2	15	Auditing other grants as required for certification purposes.	Director of Finance & Resources	Quarters 1 - 4
				27			

Other Direct Audit Activity

Ref.	Audit Review	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		Timing
					Overview	Audit Owner	
A292	Financial Management Standard (FMSIS) in Schools External Assessments	Medium	-	52	The Department for Children, Families and Schools (DCFS) require all schools to meet the FMSIS. The S151 Officer will need to demonstrate that the standards set by the DCSF have been met, or an action plan is in place. We have been chosen to undertake the external assessments on whether the school meets the standard. We will also be involved in providing training to schools and undertake re-assessments of failed or conditional pass schools.	Director of Children's Services	Quarters 3 & 4
A293	External Liaison	-	-	12	External liaison with partners and other public sector organisations to share and compare information on best practice and areas of significant risk.	-	Quarters 1 - 4
A294	Audit Commission Liaison	-	-	12	Liaison and support to external audit including ISAs impact, CPA, Anti Fraud & Corruption.	-	Quarters 1 - 4
A126	Implementation Reviews	-	-	30	This work will assess the progress made in implementation agreed audit recommendations, in particular high priority.	Various	Quarters 1 - 4
-	Contingency for unplanned audit work	-	-	143	Contingency for unplanned audit work, in particular to be responsive to audit work emerging from the City Council reorganisation.	Various	Quarters 1 - 4
-	Residual audits brought forward from 2009/10	-	-	40	Contingency to cover the completion of reviews brought forward to agreement and issue of final audit reports.	Various	Quarter 1
				289			

Appendix B

Risk Categories used in Audit Risk Assessment

Risk Category	Measures
Control Risk	<ul style="list-style-type: none"> • Management concerns • Nature of operations and pace of change • Relative complexity of systems and degree of likely error • Past breakdowns in control • Audit history including previous concerns raised and past audit opinions • Degree of recent change that has arisen in the system • Level of reported errors • Extent of dissemination • Political & Corporate governance structure • Level of fraud risk including incidence • Physical security and location • Interlinked and dependent systems (i.e. reliance) • Strength of support arrangements • Reliance on key staff • Identified risks in corporate, departmental and project risk registers
Corporate Importance	<ul style="list-style-type: none"> • Effect of any inability to achieve management defined and service objectives • Dependence on effective systems and processes
Corporate Materiality	<ul style="list-style-type: none"> • Service costs • Financial value, type and volume of transactions • Potential losses from irregularity, inefficiency, illegality or failure • Assets at risk
Value for Money and Service Delivery	<ul style="list-style-type: none"> • Performance/KPIs (i.e. Outcomes) • Comprehensive Performance Assessment (CPA) • Projects and impact/risk • External audit & inspection issues raised • Poor areas of Value for Money

Risk Category	Measures
Corporate Sensitivity and impact on the City Council's Reputation	<ul style="list-style-type: none"> • Sensitivity/confidentiality of information processed • Legal and regulatory compliance requirements • Management concerns and sensitivities • Loss of credibility and public confidence • Censure by audit/inspection • Financial (grants, surcharges etc) • Reputational and adverse publicity risk

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Terms of Reference for the provision of Internal Audit Services

1. Purpose

- 1.1 The Terms of Reference is for the provision of Internal Audit Service within Brighton & Hove City Council. It is reviewed and approved on an annual basis to ensure that current needs are met.

2. Role and Function

- 2.1 Internal audit is an assurance function that primarily provides an independent and objective opinion and adds value to the City Council on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. The service is delivered by the Audit & Business Risk Division within the Finance & Resources Directorate.
- 2.2 The control environment comprises the systems of governance, risk management and internal control.

3. Reporting Lines & Relationships

- 3.1 Audit & Business Risk provide the City Council's internal audit function and are part of the Finance & Resources Directorate. The Head of Audit & Business Risk reports functionally to the Chief Executive, Director of Finance & Resources (Section 151 Officer), other Directors and members of the Audit Committee. Administratively the Head of Audit & Business Risk also reports to the Director of Finance & Resources.
- 3.1 The Audit Committee is responsible for approving the Internal Audit Strategy and Annual Audit Plan. The Head of Audit & Business Risk reports regularly to the Audit Committee on progress against the Annual Audit Plan and key issues arising.

4. Independence and Accountability

- 4.1 Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements and recommendations. Internal auditors have no operational responsibility.
- 4.2 Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. Internal Audit has unrestricted access to officers, members, council records and to report in its own name.

- 4.3 The existence of an internal audit function within the City Council does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well ordered manner.

5. Statutory Role

- 5.1 Internal auditing is provided as a statutory service in the context of the Accounts & Audit Regulations 2003 (as amended 2006), which states that a relevant body shall maintain an adequate and effective system of internal audit of its accounting systems and its system of internal control in accordance with the proper Internal audit practices.
- 5.2 The statutory role is recognised and endorsed within the City Council's Financial Regulations, which provides the authority for unlimited access to officers, Members, documents and records and to require information and explanation necessary.

6. Consultancy and Advisory Role

- 6.1 Audit & Business Risk also perform a consultancy or advisory role on an ad hoc basis or as part of the Annual Internal audit Plan, as requested by management. Reports from this type of work contain findings and recommendations particularly to add value to the City Council's services in achieving value for money in its use of resources. Any consultancy and advisory work carried out shall not jeopardise the Internal Audit independence.

7. Internal Audit Standards

- 7.1 There is a statutory requirement for Audit & Business Risk to work in accordance with the 'proper audit practices'. These are effectively the CIPFA Code of Practice for Internal Audit in Local Government that accompanies the Accounts & Audit Regulations 2003 (as amended 2006).

8. Internal audit Scope

- 8.1 The scope for Audit & Business Risk is 'the control environment comprising risk management, control and governance'. This means that the scope of Audit & Business Risk includes all of the City Council's operations, resources, services and responsibilities in relation to associated partner organisations. The priorities for Audit & Business Risk will be determined by a process of risk assessment.

9 Internal audit Resources

- 9.1 Audit & Business Risk will ensure as far as possible that it appropriately staffed in terms of numbers, skills and experience. The Head of Audit & Business Risk is responsible for appointing of staff and will ensure these are made in order to achieve the appropriate mix of qualifications, experience and skills.
- 9.2 The Head of Audit & Business Risk is responsible for ensuring that the resources of Audit & Business Risk are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby he concluded that resources were insufficient, he must formally report this to the Director of Finance & Resources (Section 151 Officer) and the Audit Committee.

- 9.3 Where necessary to provide an adequate, effective and professional service the Head of Audit & Business Risk will outsource internal audit work to supplement internal resources but will ensure quality is not compromised.
- 9.4 If Internal auditors are appointed from operational roles elsewhere within the City Council, they do not undertake an audit in that area directly within one year unless by prior agreement.

10. Fraud and Corruption

- 10.1 Managing the risk of fraud and corruption is the responsibility of management. Internal audit reviews alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Audit & Business Risk will, however be alert in all their work to risks and exposures that could allow fraud or corruption.
- 10.2 The Head of Audit & Business Risk has lead responsibility for corporate counter fraud activities including proactive initiatives, maintaining and developing an effective framework, and advising management.

11. Reporting Accountabilities

- 11.1 A written internal audit report will be prepared for every audit carried out and issued to the appropriate manager responsible for the area under review. Internal audit reports will include an 'opinion' on the risk and adequacy of controls, which together will contribute to the annual audit opinion on the City Council's control environment.
- 11.2 Audit & Business Risk will make practical recommendations based on the findings of the audit work and discuss these with management to establish appropriate action plans.
- 11.3 Management are expected to implement all agreed recommendations within a reasonable timeframe. Each internal audit will be followed up normally within six months of issue, in order to ascertain whether agreed actions have been implemented effectively.
- 11.4 The Head of Audit & Business Risk reports regularly to the Audit Committee on progress made against the Annual Audit Plan and the summarised outcomes of individual audits.
- 11.5 The Head of Audit & Business Risk provides an Annual Internal Audit Report to the Audit Committee that includes an opinion on the adequacy and effectiveness of the control environment.

12. Responsibilities

- 12.1 In meeting its responsibilities, the activities of Audit & Business Risk will be conducted in accordance with the City Council's objectives, established policies and procedures. In addition, internal auditors comply with the Code of Practice for Internal Audit in Local Government (CIPFA).

- 12.2 Audit & Business Risk will co-ordinate effectively with the Audit Commission (as the City Council's appointed external auditors) for optimal audit coverage and to ensure that appropriate reliance can be placed on internal audit work.
- 12.3 Audit & Business Risk will work the internal audit functions of the City Council's partner organisations to ensure the robustness of controls and risk management arrangements, to protect the City Council's interests.

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Appendix D**Service Performance Targets**

Aspect of Service	Performance Indicators	Target
Cost and Quality of Input	<ul style="list-style-type: none"> • Service costs • Planned days delivered • Productive/direct time as % of total time 	<ul style="list-style-type: none"> • Within budget • 100% • 71%
Productivity and Process Efficiency	<ul style="list-style-type: none"> • Achievement of annual plan (%) • Delivery of high risk audits (%) • Issue of draft report after completion of fieldwork • Client responses received to draft audit reports from issue • Issue of final report after agreement with client of draft 	<ul style="list-style-type: none"> • 95% Minimum • 100% • Within 10 Days • Within 15 Days • Within 10 Days
Quality of Output	<ul style="list-style-type: none"> • Client satisfaction levels (including added value from audit recommendations), source customer satisfaction questionnaires • External audit reliance on work of internal audit 	<ul style="list-style-type: none"> • 90% of scores within good to very good • Reliance placed
Compliance with Professional Standards	<ul style="list-style-type: none"> • CIPFA Code of Practice for Internal Audit in Local Government (2006) 	<ul style="list-style-type: none"> • 100% compliant
Outcomes and degree of influence	<ul style="list-style-type: none"> • Implementation of agreed recommendations • CAA Use of Resources 	<ul style="list-style-type: none"> • 98% of High Priority Recommendation • 85% of Medium Priority Recommendations • Minimum Level 3
Our Staff	<ul style="list-style-type: none"> • Professionally Qualified • Annual Training & Development Received (Minimum) 	<ul style="list-style-type: none"> • 80% • 5 Days