



## ***Audit & Business Risk***

# **Internal Audit Strategy and Annual Audit Plan 2012-13**

**March 2012**

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## 1. Forward

Internal Audit at Brighton & Hove City Council plays an essential role in supporting the Council to achieve its objectives and outcomes. The Annual Audit Plan for 2012/13 is thus derived from an Audit Risk Assessment and focuses on areas where we can add the most value and provide assurance that the Council's risks are being properly managed.

Our objective is to promote and champion sound governance throughout the Council and provide objective assurance to add value to management by ensuring key business controls are operating, risks managed and value for money is achieved.

We continue to innovate and adopt new approaches to ensure that the council receives an efficient and effective internal audit service that adds value. This includes for 2012/13 the introduction of continuous auditing and data mining to deliver efficiency savings and safeguard the council from fraud whilst enhancing customer satisfaction.

The council's internal audit function is provided by Audit & Business Risk, part of the Finance Unit, together with our 'Internal Audit Partner' Deloitte Public Sector Internal Audit Ltd. The updated Internal Audit Terms of Reference are attached at Appendix B.

## 2. Introduction

### 2.1 Purpose of this report

This document sets out the Internal Audit Strategy and Annual Audit Plan for Brighton & Hove City Council for the financial year 2012/13.

The purpose of the Internal Audit Strategy and Annual Audit Plan is to:

- Ensure effective audit coverage and a mechanism to provide independent and objective overall assurance in particular to Members, Strategic Leadership Board (SLB) and the Corporate Management Team (CMT);
- Optimise the use of audit resources available, given that they are limited;
- Identify the key risks facing the 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 in fulfilling obligations as the Council's nominated Section 151 Officer; and

- Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2011.

## 2.2 Providing Assurance

The Internal Audit Strategy and Plan is aimed primarily at providing ongoing and annual assurance to the 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 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.

## 3. Key Core Deliverables for 2012/13

The Annual Audit Plan is expected to cover core deliverables as follows:

- To provide ongoing assurance to management on the integrity, effectiveness and operation of the 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 Council's external auditors and reliance placed on our audit work;
- To continue to develop our partnership working relationships;
- To further embed integration of internal audit work with governance and managing risk to produce a clearly co-ordinated risk-based approach to the audit of business/operational systems across the 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 2011;
- To continue to develop and have a lead in the council's corporate governance arrangements including review and production of the 'Annual Governance Statement' to provide assurance on the council's governance arrangements and any areas for improvement.;
- To provide an effective reactive Corporate Counter Fraud Service in accordance with the Council's Counter Fraud Strategy and the Local Government Fraud Strategy "Fighting Fraud Locally";

- Continue to be proactive in counter fraud including delivery of a comprehensive fraud awareness training programme to assist managers and staff in the prevention and detection of fraud and irregularities;
- To continue to develop our lead role and work closely with the Audit Committee; and
- To significantly contribute and support the councils Value for Money Programme. In particular by ensuring our audit work is focussed on effective change and delivery of service improvements.

## 4. The Role and Purpose of Internal Audit

The statutory basis for internal audit in local government is provided in the Accounts and Audit Regulations 2011 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 Council has recognised this statutory requirement in its financial regulations.

In addition to the above, the Director of Finance 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 internal audit work for reviewing systems of internal control, financial management and other assurance processes.

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 (last updated in 2006). We continually ensure compliance with these professional standards and these are reflected in our Terms of Reference, shown at Appendix B.

The standard and quality of internal audit is principally scrutinised in three ways:

- An annual review of the effectiveness of internal audit required by the Accounts & Audit Regulations 2011;
- The Audit Commission (external auditors) 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; and
- Customer feedback and perceptions

## 5. Protocol for Audit Reviews

For each audit review carried out, the responsible Head of Service, Lead Commissioner or Director (Lead Client) and Service Manager will be consulted in the scoping to ensure appropriately focussed on current key perceived risks and issues. Terms of reference will be produced for each audit review and agreed to ensure the scope, objectives, approach, timetable are understood and agreed.

Draft internal audit reports will be issued for discussion with the appropriate levels of management and normally be set-out in the terms of reference.

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 'Lead Client' responsible for the area reviewed.

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.

## 6. Approach to developing the Annual Audit Plan

The approach used is primarily developing a risk assessment to identify areas for including in the Annual Audit Plan. A summary of the approach is set out below.

<p><b>Step 1</b></p> <p><b>Understand the strategic and operational priorities together with risk</b></p>	<ul style="list-style-type: none"> <li>• Understand Council structure and service areas including planned changes during 2012/13</li> <li>• Quantifying risks associated with achieving corporate and service level objectives</li> <li>• Obtain information from for example strategic and operational risk registers</li> <li>• Identify corporate level objectives and risks</li> <li>• Utilise local and national knowledge</li> <li>• Consultation with SLB and CMT members and other key managers</li> </ul>
<p><b>Step 2</b></p> <p><b>Define the audit universe</b></p>	<ul style="list-style-type: none"> <li>• Identify all the auditable entities within the Council. Auditable entities can be functions, systems, establishments, locations or applications</li> </ul>
<p><b>Step 3</b></p> <p><b>Assess the inherent risk</b></p>	<ul style="list-style-type: none"> <li>• Assess the inherent risk of each auditable entity based on impact and likelihood criteria so the plan is focussed on the most risky areas</li> </ul>
<p><b>Step 4</b></p> <p><b>Assess the strength of the control environment</b></p>	<ul style="list-style-type: none"> <li>• Assess the strength of the control environment within each auditable entity.</li> <li>• Assessment based on: <ul style="list-style-type: none"> <li>- knowledge of the control environment</li> <li>- Information obtained from other assurance providers</li> <li>- Materiality</li> <li>- Corporate importance and sensitivity</li> <li>- Outcomes and timing of previous audit coverage</li> <li>- Management concerns</li> </ul> </li> </ul>
<p><b>Step 5</b></p> <p><b>Calculate the audit requirement rating</b></p>	<ul style="list-style-type: none"> <li>• Calculate the audit requirement rating taking into account the inherent risk assessment and the strengths of the control environment for each auditable entity</li> </ul>
<p><b>Step 6</b></p>	<ul style="list-style-type: none"> <li>• Determine the timing and overview for each audit</li> </ul>



## Determine the annual audit plan

- review
- Consider additional requests for audit reviews, for example regulatory driven audits, grants audits and consultancy reviews

The Annual Audit Plan will be indicative and it is inevitable that changes will be made during the year as the risk profile of the Council changes. This will be achieved through ongoing review and amendment, in consultation with the relevant lead clients and service managers to reflect the changing needs of the council and to add maximum value.

The Audit Committee will be kept informed of progress against the Annual Audit Plan and agree any significant changes during the year.

## 7. Internal Audit Resources and Skills Required

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. This includes general audit skills in respect of systems and internal control reviews and appropriate coverage in specialist areas such as ICT, contract audit and counter fraud.

The Annual Audit Plan is resourced by calculating the number of productive days available within the Internal Audit Team supplemented by Deloitte Public Sector Internal Audit Ltd our "Internal Audit Partner". The Internal Audit Team's establishment for 2012/13 10.2 FTEs comprising the Head of Audit and Business Risk (proportion), Audit Manager, Principal Auditors and Auditors. The projected productive internal audit days available for 2012/13 is 1810 that includes the Counter Fraud Programme. This is a very small decrease from 1840 planned days for 2011/12.

A restructure of the Internal Audit Team was carried during 2011/12 which resulted in changes to the skills mix of the team whilst maintaining sufficient coverage with reduced financial resources. Recruitment to the new posts will take place in the first quarter and any loss of planned audit days from any delay in recruitment; will be met by budget flexibility to procure additional audit days externally under a framework contract from Deloitte Public Sector Internal Audit Ltd.

Our professional judgement has been applied in assessing the level of resource required to deliver the Annual Audit Plan. The level of resource applied is a product of:

- The complexity of the areas to be reviewed;
- Factors such as number of locations, number and frequency of transactions; and
- Assurance that can be brought forward from previous audits and other internal and external reviews carried out.

Staff development needs are continually assessed to ensure we maintain the level and mix of skills required to deliver a highly professional and added value internal audit service

## 8. Annual Audit Plan 2012/13

Appendix A shows the detailed Annual 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 council's corporate risks. The allocation of the 1,810 audit days is summarised in Table 1 below together with the number of specific audit reviews.

A small amount of contingency has been provided for unplanned or reactive work. This will be used to respond to emerging issues, risks and to requests from senior managers.

**Table 1 – Summary of Annual Audit Plan 2012/13**

Thematic Area	Number of Specific Audit Reviews	Audit Days	Pages
Corporate Governance Arrangements	10	125	13
Corporate Cross Cutting Audits	19	238	16
Fundamental and Key Financial Systems	12	205	20
Procurement & Contract Management	8	116	23
Information Technology	21	230	25
Service Specific	37	337	30
Counter Fraud Programme	4	288	34
Corporate Support	-	85	36
Grant Certification	-	30	37
Other Direct Audit Activity	-	156	37
<b>Totals</b>	<b>111</b>	<b>1810</b>	

The Annual Audit Plan includes the indicative quarter during the year 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.

In addition to the Audit Committee receiving regular progress reports against the plan, Corporate Management Team (CMT) Members 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 Unit Management Team meetings as required, to discuss audit coverage and outcomes.

## **9. Key Issues and Priority Areas for 2012/13**

Having regard to the current risk profile of the council, the following areas have been identified as key issues and priority areas of our work for 2012/13:

### **9.1 Governance Arrangements**

The council's governance framework covers all aspects of its business, including risk management, internal control and ethical standards. We have a key role to play in assessing the effectiveness of governance arrangements by comparison with principles contained in the CIPFA/SOLACE Governance Framework (Delivering Good Governance in Local Government, 2007). We also provide proactive advice on improving governance arrangements and disseminating best practice information.

A number of audits will support this assessment of governance arrangements and will take account of the Council's new operating model. These include the Performance & Risk Management Framework, Data Quality and Budget Management. The statutory Annual Governance Statement will be produced in June, approved by the Audit Committee and signed by the Leader and Chief Executive.

### **9.2 Key Financial Systems**

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 Council and to meet the requirements of the Audit Commission. We continue to develop our audit approach to give greater assurance and ensuring it meets the requirements of the International Auditing Standards (ISAs).

### **9.3 Business Transformation and Value for Money**

With the significant financial challenges facing the public sector, the council continuous to deliver 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 changes from this programme.

Value for money (VFM) will continue to be an integral part of our risk based audit approach, in particular being alert to opportunities for improved efficiency, effectiveness and economy. A key part of achieving good VFM and improved services is procurement and a number of audits will review this to provide assurance.

### **9.4 ICT and Information Governance**

Information technology is fundamental to the delivery of the Council's services and an area of rapid change. Due to this high risk to the council, providing assurance on the adequacy of systems and controls is a key part of our Annual Audit Plan. Our work recognises the pace of change and adoption of new information technology and as such will be well informed to focus our resources on areas of highest risk and benefit.

## **9.5 Partnerships**

The council is increasingly operating and delivering services jointly through partnerships. This also brings risks and opportunities to the 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.

A key area of our work on partnerships in 2012/13 will be on the upcoming changes to the NHS and its impact on the Council. Specific examples include the emergence of GP Consortia and changes in responsibility for Public Health.

## **9.6 Schools**

The audit of schools absorbs a significant audit resource, in addition to a significant commitment from the schools and it is important that our work is focussed on the areas of highest risk together with providing assurance to governing bodies. Our approach is therefore to undertake thematic reviews to optimise the deployment of resources and obtain an proportionate level of assurance.

As a result of changes to the risk environment, there will be occasions when it is beneficial to carry out reactive audit reviews at individual schools. We will liaise closely with management to identify these changes and programme audit reviews accordingly. Changes could include budget deficits, control failures, fraud or changes of key staff.

We will consider requests from schools to undertake audit reviews for assurance purposes where there has been no demonstrable change to the risk environment but the schools may be expected to meet the costs of the audits.

## **9.7 Counter Fraud**

We are responsible within the Council for Corporate Counter Fraud and will continue to review and develop the robustness of the Council's arrangements. We will continue to work closely both internally and externally with bodies such as the Police, Audit Commission and National Fraud Authority.

A recent annual report by the National Fraud Authority gave a headline figure for indicative loss due to fraud in local government of £2.1 billion, an increase of £684M from 2010. In response to these headline figures, we have increased our counter fraud coverage, in particular proactive work to safeguard the council.

## **9.8 Implementation of Agreed Audit Recommendations**

At the end of each audit review, an audit report will be produced containing agreed management actions to audit recommendations made. We will ensure these agreed

actions to audit recommendations are fully implemented to ensure improvements to the council's control environment and value for money. We will focus on high and medium priority audit recommendations.

## 10 Our Performance Management

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.

Performance indicators and targets are shown at Appendix C for six 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; and
- Our Staff.

We will ensure continuous improvement of the Internal Audit Service and adopt new approaches. It is regularly benchmarked with both other public and private sector providers to ensure efficient, effective and competitive.

## Appendix A

# INTERNAL AUDIT PLAN AND INDICATIVE TIMELINE 2012/13

## Governance Arrangements

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

Ref.	Audit Review	Internal Audit Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A007	<b>Annual Governance Statement 2011/12</b>	High	15	Annual review of overall governance to assess the adequacy across the council. To produce Annual Governance Statement with action plan and to monitor progress made on specific actions to improve controls around specific governance areas.	Chief Executive & Chair of Audit Committee	Quarters 1 - 4
A053	<b>Corporate Governance Framework</b>	High	20	A revised national Corporate Governance Framework Standard for Local Government is expected from CIPFA/SOLACE during 2012/13. This audit will carry out a gap analysis of the Council's arrangements with the new standard and actions required.	Chief Executive	Quarter 3
A324	<b>Neighbourhood Governance</b>	Medium	15	Options around new forms of neighbourhood governance that seek to find an approach to the Localism Act are currently being considered. Central to this is the commitment to a more open and transparent to residents in terms of power to make decisions about services and influence budgets. This audit will examine the effectiveness of controls being designed in the process whilst achieving the objective.	Strategic Director Resources & Communities	Quarter 2
A181	<b>Risk Management</b>	Medium	6	Follow-up to 2011/12 audit review to assess the effectiveness of risk management arrangements throughout the council. This will include both the management of strategic and operational risks and the level of risk maturity of the council.	Director of Finance	Quarter 3

Ref.	Audit Review	Internal Audit Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A054	<b>Corporate Health &amp; Safety</b>	Medium	8	This function is high profile and of corporate importance. The review will include overall management and compliance with health and safety requirements including the new safety management system.	Head of HR and Organisational Development	Quarter 4
A068	<b>Declarations of Interest, Gifts &amp; Hospitality</b>	Medium	12	To review processes to ensure robust, clearly communicated and complied with. This will include effective approval and monitoring of registering declarations of interest, gifts and hospitality. The review will include both officers and members.	Head of Legal & Democratic Services	Quarter 4
A172	<b>Project Management (Including Programme Management Office)</b>	Medium	15	During 2011/12 new corporate expectations regarding project management and arrangements regarding how projects are to be supported have been significantly revised with the introduction of the Programme Management Office (PMO). This audit will examine the methodology and control over projects used across the Council to provide assurance that operating effectively and compliance to corporate guidance. It will further review the effectiveness of the PMO role.	Head of Policy, Performance & Analysis	Quarter 3
A323	<b>Performance &amp; Risk Management Framework</b>	Medium	15	During 2011/12 a new Performance & Risk Management framework was introduced. This audit will review the controls over the operation of the framework including how it supports commissioning and being joined up across the Council.	Head of Policy, Performance & Analysis	Quarter 1
A061	<b>Data Quality</b>	High	12	This review will examine the effectiveness of controls to manage and monitor the quality of data produced at various levels across the Council. The review will include data quality relating to Intelligent Commissioning for decision making.	Head of Policy, Analysis and Performance	Quarter 2
A026	<b>Business Continuity Management</b>	High	7	Review on the effectiveness of arrangements in place for how the council prepares for recovery from a major incident to ensure continuity of services.	Head of Planning & Public Protection	Quarter 4



Ref.	Audit Review	Internal Audit Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
			125			

### Corporate Cross Cutting Audit Reviews

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A325	<b>Major Capital Projects</b>	High	20	This audit will review the Council's management and governance arrangements for major capital projects.	Strategic Director Place	Quarter 1
A326	<b>Public Health</b>	High	12	Following the issue of the White Paper in relation to PCT services transferring to local authorities, this audit will assess the management arrangements to ensure a successful transition is achieved.	Director of Public Health	Quarter 2
A129	<b>Insurance</b>	Medium	10	This audit will review the current arrangements that the Council has in place for insurance. It will further consider the implications and impact for any changes in service provision will have on insurance.	Director of Finance	Quarter 1
A022	<b>Budget Management</b>	Medium	15	To review the effectiveness of controls for budget management, in particular financial reporting and budgetary control with a view to ensuring accurate and timely information is produced and reviewed by the appropriate level and that action to address any issues of concern is undertaken promptly and effectively. The audit will also include examining actions taken and reported on the realisation of budget savings for 2012/13.	Director of Finance	Quarter 3
A128	<b>Income Collection Arrangements</b>	High	15	The audit will review cash collection and banking arrangements, and assess the adequacy of the cash/bank reconciliations. The audit will also include carrying out spot checks of a sample of tills/floats/safes.	Director of Finance	Quarter 1

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A207	<b>Management of Value Added Tax (VAT)</b>	Medium	15	This review will examine the effectiveness of the Council's systems and control for the management of VAT. The review will include compliance with VAT guidance, VAT records and returns, Inputs (e.g. Expenditure/Repayments), Outputs (Income/Receipts), goods, services and reconciliations. The review will also evaluate that the adequacy of awareness of VAT issues and training to avoid any unnecessary financial loss.	Director of Finance	Quarter 1
A164	<b>Petty Cash</b>	Medium	12	This review will examine the management and control of petty cash at service and establishment level, in particular within Children and Families.	Director of Finance	Quarter 1
A170	<b>Procurement Cards</b>	High	15	A new system for procurement cards is due to go live in May 2012. Some initial work has been carried out in 2011/12 on the effectiveness of controls designed over the management and controlling the issue and use and this will be further expanded including testing of transaction data to ensure compliance with guidance and financial regulations by service users.	Director of Finance	Quarter 2
A267	<b>Financial Regulations</b>	Medium	8	The Council's Financial Regulations were reviewed and updated in 2011/12. This audit will examine their operation including awareness and compliance across the Council.	Director of Finance	Quarter 2
A324	<b>External Funding</b>	Medium	12	This audit will review the controls over external funding from a variety of sources e.g. European Union and Heritage Funding.	Director of Finance	Quarter 1
A193	<b>Staff Expenses</b>	Medium	12	To review the systems and processes for the claiming and disbursement. In particular within Children and Families	Head of HR & Organisational Development	Quarter 2

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A247	<b>iTrent Staff Expenses System Module</b>	Medium	10	To examine the operation of controls within the self service system.	Head of HR & Organisational Development	Quarter 2
A002	<b>Employee Sickness Management</b>	Medium	8	This audit will follow-up on the 2011/12 absence management audit on the operation policy, procedures and management actions. It was focus on the quality of sickness data input, reporting and that management are actively fulfilling their responsibilities in line with the policy/expected protocols. Consideration will be given to different ways or opportunities to improve sickness targets.	Head of HR and Organisational Development	Quarter 2
A163	<b>Pensions Administration</b>	Medium	12	The Council's Pension Scheme for employees participating is currently operated by East Sussex County Council for Officer and operationally outsourced to Serco Ltd. The exception being Teachers which is administered nationally by the Teachers Pension Service. This audit will review the effectiveness of controls operated by the Council for capturing, reconciling and transmitting pension data. It will include testing the accuracy of the data.	Head of HR & Organisational Development	Quarter 1
A098	<b>Work Styles Project (Benefits Realisation)</b>	Medium	15	The Council is currently at phase 2 of a significant work styles project mainly involving its property rationalisation to enable better use of space, more flexible working and associated savings. The audit will review the management of the project and assess the degree to which the projected benefits have been realised.	Head of Property & Design	Quarter 3
A172	<b>Property Management</b>	Medium	8	To review the effectiveness of controls over the council's management of its property including the corporate landlord function.	Head of Property & Design	Quarter 4
A202	<b>Transport Fleet Management</b>	Medium	12	This audit will follow-up on the 2011/12 audit and further review the robustness for new arrangements for procurement, utilisation, fleet control and general management of the Council's transport fleet.	Head of City Infrastructure	Quarter 2

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A199	<b>Carbon Reduction</b>	Medium	12	Carbon management is high on the agenda for all public sector organisations. This audit will consider the Council's approach and controls to meeting internal and external carbon reduction targets.	Head of Policy, Analysis and Performance	Quarter 1
A327	<b>Management of Mainstream Grants</b>	Medium	15	A key part of localism is the engagement of the third sector. This audit will examine the effectiveness of the management and control of mainstream grants awarded to third sector organisations	Head of Policy, Analysis and Performance	Quarter 2
			<b>238</b>			

### Fundamental and Key Financial System Audit Reviews

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A146	<b>Main Accounting System/General Ledger</b>	High	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 appropriateness of transactions for example account codes and journals, operation of key interfaces and key account reconciliations between the feeder systems and general ledger.	Director of Finance	Quarter 4

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A056	<b>Creditors (Accounts Payable)</b>	High	30	Systems based approach considering key risk exposures and including process mapping of key controls. Controls testing to provide assurance that orders for goods and services are properly authorised and placed, correctly accounted for and comply with the Council's Financial Regulations and Procedures. The audit will test a selection of payments using audit software tools to ensure accurate and legitimate.  Continuous auditing will be carried out throughout the year on transaction data using audit software tools to interrogate, manipulate and exception report for example duplicate payments, creditors, authorisation limits etc.	Director of Finance	Quarter 1-4
A067	<b>Debtors (Accounts Receivable)</b>	High	16	Systems based approach considering key risk exposures and including process mapping of key controls. The audit will provide assurance that income due is properly identified, collected and accounted for. The audit will further examine the adequacy of debt collection procedures to minimise the risk of bad debt write off.	Director of Finance	Quarter 3
A034	<b>Cash Collection and Banking</b>	High	10	Systems based approach considering key risk exposures, including process mapping of key controls and compliance testing to provide assurance.	Director of Finance	Quarter 4
A204	<b>Treasury Management</b>	High	10	Systems based approach considering key risk exposures, including process mapping of key controls and compliance testing to provide assurance. The audit will include assessing the adequacy of Council's Treasury Management Policy and cash flow forecasting to verify that funds are being invested correctly and appropriately to maximise returns for the Council with minimum risks to funds.	Director of Finance	Quarter 4
A029	<b>Capital Accounting, Expenditure and Programming</b>	High	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.	Director of Finance	Quarter 4

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A011	<b>Management of Fixed Assets</b>	Medium	12	Review of the system operating for the handling, recording and accounting for fixed assets including the verification and valuation processes.	Director of Finance	Quarter 3
A153	<b>Council Tax</b>	Medium	20	Systems based audit to document, evaluate and test key system controls and risk exposures. To include liability, charging, billing, collection and recovery	Head of City Services	Quarter 3
A154	<b>NNDR (Business Rates)</b>	Medium	10	Systems based audit to document, evaluate and test key system controls and risk exposures. To include liability, charging, billing, collection and recovery.	Head of City Services	Quarter 3
A115	<b>Housing &amp; Council Tax Benefits</b>	High	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 audit will test new benefit claims, change of circumstances, back dated claims, debt recovery action for overpayments.	Head of City Services	Quarter 4
A117	<b>Housing Rent Collection and Debt Management</b>	High	18	Systems based audit to document, evaluate and test process, key controls and risk exposures.	Head of Housing & Social Inclusion	Quarter 4
A162	<b>Payroll/HR</b>	High	30	Systems based approach considering key risk exposures and controls. The review will examine HR records to ensure the completeness and accuracy of the establishment, HR records and contractual evidence.  Continuous auditing will be carried out throughout the year on transaction data using audit software tools to interrogate, manipulate and produce exception reports.	Head of HR & Organisational Development	Quarter 1-4
			<b>205</b>			

## Procurement and Contract Management Audit Reviews

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A306	<b>Commissioning and contract management with the Third Sector</b>	Medium	12	To review the effectiveness of controls to ensure value for money is achieved.	Director of Finance	Quarter 3
A328	<b>Procurement - Selection of contractors and tendering</b>	Medium	10	To review the effectiveness of the Councils tendering arrangements including the e-tendering system. The scope will focus on procurement in excess of £75k.	Director of Finance	Quarter 1
A328	<b>Procurement - Contract Management</b>	Medium	15	This review will provide assurance that the Council's contract management and monitoring arrangements are effective. A sample of contracts will be selected to evaluate and test compliance with corporate procurement procedures and contract management.	Director of Finance	Quarter 2
A329	<b>Parking Enforcement Contract</b>	High	15	This audit will review the adequacy of management and control over the re-letting of the on street car parking contract.	Head of City Infrastructure	Quarter 1
A108	<b>Highways Maintenance</b>	Medium	12	This audit will review the highways maintenance contract to ensure that key targets are being met, payments are made in accordance with the contract (e.g. schedule of rates) and for approved and completed works. The audit will include the use of benchmarking data (including cost) from the SE7 group of local authorities to ensure the Council is making the best of opportunities and value for money in service delivery.	Head of City Infrastructure	Quarter 1
A131	<b>Integrated Waste Management Contract (IWMC)</b>	High	20	The specific scope of coverage to be agreed as part of a joint audit plan with East Sussex County Council and the IWMC Project Board.	Head of City Infrastructure	Quarter 3
A118	<b>Housing Repairs Contract</b>	High	20	To review the adequacy of controls and management of risks for the housing repairs contract.	Head of Housing & Social Inclusion	Quarter 3

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A019	Brighton Centre Capital Development	High	12	This audit will examine the recent capital scheme for refurbishment of the Brighton Centre.	Head of Tourism	Quarter 1
			<b>116</b>			

### Information Technology Audit Reviews

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A341	Civica ICON Cash Management System	High	10	This audit will review the effectiveness of the application controls over the Councils Cash Management application. This will include audit testing in the following areas:- Security, Application Management, Interface Controls, Data Input, Output Controls, Application Change Control, System Continuity and Recovery, Support Arrangements. The scope of the audit will include the recently implemented E>Returns module.	Director of Finance	Quarter 1
A330	Government Code of Connection (COCO)	High	15	This audit will undertake an assessment of the evidence that the Council has in place to support its Code of Connection submission and to identify where gaps exist in the evidence in place to support the control framework. The extent of testing of controls will influence the sampling of the controls and time required.	Head of ICT	Quarter 3



Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A331	<b>Management of Core Applications</b>	Medium	10	This audit will be carried out in association with ICT to identify key Council systems and identify the controls that have been put in place over the governance of Council systems. This will look to identify if appropriate support arrangements have been established, licensing arrangements exist, system ownership has been defined and that appropriate accountability exists for system tasks and monitoring.	Head of ICT	Quarter 2
A332	<b>Customer Relationship Management (CRM) System (Pre Implementation)</b>	Medium	12	To undertake a system implementation audit of the Councils move to replace a number of its Customer Relationship Management Systems. This audit will look at the overall project controls in place in preparation for a subsequent audit following system goes live. Areas for audit testing may include the process for reviewing and assessing system requirements, business process review, project governance, testing and data conversion and change management.	Head of ICT & Head of City Services	Quarter 2
A333	<b>Information Sharing (partners e.g. Health, Police)</b>	High	10	This audit will review the Councils arrangements within Commissioning and Delivery Units to identify who the Council shares data with and assess the processes in place to transmit data to external organisations. To identify if overarching protocols in place especially where key Council services are being delivered by external organisations and data is routinely transferred to these organisations. This audit will identify if the required technical controls are applied for data transfer.	Head of ICT	Quarter 1
A334	<b>Server Estate (Virtualisation, Capacity Management, Storage Management etc)</b>	High	10	To undertake an infrastructure audit over the Councils virtual server environment and identify if appropriate controls are in place and in line with best practice, in addition, to identify if a development plan has been established for the storage of data. This audit will also cover how the Councils increasing capacity requirements are being managed within the virtual environment.	Head of ICT	Quarter 1

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A335	<b>Change Management (CAB etc)</b>	Medium	8	To review the Councils process for the management of change to ICT systems and to identify if processes exist for implementing change in IT applications. This audit will also select a sample of IT systems to test if corporate standards for change controls are being applied across the Council.	Head of ICT	Quarter 4
A074	<b>Disaster Planning and Recovery</b>	High	8	This audit will review the effectiveness of disaster recovery arrangements in particular for business critical systems. The audit will include back-up and off-site storage arrangements to help ensure security of the Council's data.	Head of ICT	Quarter 3
A309	<b>Care First Application</b>	Medium	12	This audit will review the effectiveness of the application controls operating. This will include documenting, evaluating and testing in the following areas:- Security, Application Management, Interface Controls, Data Input, Output Controls, Application Change Control, System Continuity and Recovery, Support Arrangements.	Head of ICT	Quarter 2
A335	<b>Civica Business Rates Application</b>	Medium	10	This audit will review the effectiveness of the application controls. This will include audit testing in the following areas:- Security, Application Management, Interface Controls, Data Input, Output Controls, Application Change Control, System Continuity and Recovery, Support Arrangements. The audit will also include consideration of the changes to business rates and the adequacy of the application to support this.	Head of City Services	Quarter 1
A336	<b>SharePoint</b>	Medium	10	SharePoint is used throughout the Council for information management as a repository for documentation and assisting with change management. This audit will review the data structures and information retention processes for the usage of the Council SharePoint system. In addition to identify if a strategy exists for the development of SharePoint and the security controls in place for access to data.	Head of ICT	Quarter 2

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A259	<b>OHMS (Housing Repairs)</b>	Medium	12	To audit will review the effectiveness of the application controls over the OHMS Housing Repairs module. This will include audit testing in the following areas:- Security, Application Management, Interface Controls, Data Input, Output Controls, Application Change Control, System Continuity and Recovery, Support Arrangements.	Head of ICT	Quarter 3
A337	<b>Capita SIMS and Learning Gateway</b>	High	10	The learning gateway is being implemented for SIMS during 2012/13 to provide parents with online real-time access to their child's data. This audit will review the security of data, access controls, system administration and business continuity arrangements.	Head of ICT and School's Business Managers	Quarter 1
A338	<b>ICT Service Levels, Performance &amp; Benchmarking</b>	Medium	12	This audit will review the ICT service arrangements against key performance indicators and benchmarking information. We will also consider whether there are opportunities to improve arrangements to deliver better value /efficiencies for the Council, by reviewing IT resources, expenditure on assets/resources and partnership agreements. The audit will include examining the use made of SE7 benchmarking data and whether applied in terms of opportunities for value for money and improved service delivery.	Head of ICT	Quarter 4
A339	<b>Payment Card Industry, Data Security Standard (PCI DSS)</b>	High	10	This review will assess the controls which the Council has in place to help ensure compliance with PCI DSS Version 2 and help to identify any gaps requiring remedial action. This audit will complete an evidence based review of the processes in place to identify the requirements of compliance with the standard and if the Council has completed an assessment of the required Standard Assessment Questionnaire (SAQ).	Director of Finance	Quarter 2

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A352	<b>BACS Controls</b>	High	10	This audit will review the effectiveness of BACS within the Council's key applications.	Director of Finance	Quarter 1
A340	<b>Enterprise Content Management (ECM)</b>		12	One of the key enabling projects currently in progress at the Council is the implementation of Enterprise Content Management (ECM), facilitating both more efficient and more cost effective working, with cost reductions associated with both reduced printing and storage requirements. This audit will review current project achievements, what benefits have been achieved to date and what lessons have been learnt and what opportunities/suggestions should be taken forward as the project progresses.	Head of ICT	Quarter 3
A263	<b>ICT Hardware Life Cycle</b>	Medium	12	To review processes and controls in the ICT hardware life cycle from procurement to disposal. This audit would test the arrangements the Council has in place for recording ICT assets and tracking assets and identifying the controls in place for the disposal of ICT assets with no risk of data loss.	Head of ICT	Quarter 1
A318	<b>Mobile Computing Security</b>	Medium	10	This audit will evaluate the adequacy of security in relation to mobile devices for remote and home working across the City Council including the evolving and increased requirements for home working.	Head of ICT	Quarter 3
A342	<b>Public Sector Network (PCN)</b>	High	15	This audit will review the implementation of the Public Sector Network for the Council with partner local authorities. It will include proactive and real time advice. Testing to ensure that the Council has put in place adequate governance arrangements in the implementation of the PSN and that a defined Business Case has been established for the development of the Councils usage of the network.	Head of ICT	Quarter 1 - 4

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A247	<b>iTrent HR Application Review</b>	High	12	This audit will review the effectiveness of the application controls over the iTrent HR/Payroll system. This will include audit testing in the following areas:- Security, Application Management, Interface Controls, Data Input, Output Controls, Application Change Control, System Continuity and Recovery, Support Arrangements. The audit review will also include control arrangements for hosting of the application and data by Midland Software Ltd	Head of Human Resources	Quarter 2
			<b>230</b>			

### Service Specific Audit Reviews

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A347	<b>Local Delivery Vehicle (LDV)</b>	High	10	This audit will review the operation of the LDV, in particular monitoring against plan, the debt recovery analysis and performance information provided	Strategic Director Place	Quarter 1
A115	<b>Council Tax Benefits/Support Change</b>	High	30	This audit will provide assurance over the Council's response to the expectations of the Localism Act as they relate to Council Tax Benefits to ensure all requirements are considered. The audit will include the integrity of business models and associated risks and impacts on the Council.	Director of Finance	Quarter 1-4
A154	<b>Business Rates</b>	High	20	As part of the localism agenda the Council will be allowed to keep a proportion of business rates. This audit will examine how Council is responding to this and financial modelling for risk and impact	Director of Finance	Quarter 1-4
A318	<b>Home Care Services</b>	Medium	12	This audit will examine the controls over Home Care including quality. The audit will also include the effectiveness and efficiency of the electronic home care system, to ensure controls are sound.	Director of Adult Social Services/Lead Commissioner	Quarter 3

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A072	<b>Personal Budgets &amp; Direct Payments</b>	High	10	This audit will review controls relating to those with personal budgets, the allocation of funds based on authorised need and monitoring the use of funds to ensure they are used for intended purpose.	Lead Commissioner People	Quarter 2
A181	<b>Schools Thematic Review – Procurement</b>	High	20	This audit will review arrangements for procurement in schools. It will include compliance with procurement regulations and guidance, data mining using audit software.	Lead Commissioner Schools, Skills & Learning	Quarter 1
A343	<b>Schools Thematic Review – Payroll</b>	Medium	12	This audit will review the effectiveness of controls at establishment level as feeder processes to iTrent Payroll System.	Lead Commissioner Schools, Skills & Learning	Quarter 3
A344	<b>Schools Thematic Review –ICT Security</b>	Medium	12	This audit will review the effectiveness of ICT controls at schools including physical security, business continuity planning.	Lead Commissioner Schools, Skills & Learning	Quarter 1
A350	<b>Schools Thematic Review – Electronic Payments to Suppliers (BACS)</b>	Medium	8	This audit will ensure effectiveness of controls are designed and implemented in the new system for electronic payments to suppliers.	Lead Commissioner Schools, Skills & Learning	Quarter 1
A302	<b>Schools - Probity Reviews (10) and , Control Risk Self Assessments.</b>	Medium	40	Schools audits will be reactive and undertaken using a risk based approach to review mainly the arrangements for school governance, financial management, procurement, HR administration, IT security and asset management. Ten schools are planned to be audited.  Controls Risk Assessments (CRSA) will be also be used where appropriate to increase efficiency and coverage.	Lead Commissioner Schools, Skills & Learning	Quarter 1 - 4
A345	<b>Pupil Premium Funding</b>	High	12	This review will examine the effectiveness of the management and control arrangements for Pupils Premium Funding in particular accounting by Schools.	Lead Commissioner Schools, Skills & Learning	Quarter 1
A151	<b>Music Service</b>	Medium	8	This audit will examine the effectiveness of controls operating over income and expenditure.	Lead Commissioner Schools, Skills & Learning	Quarter 1

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A937	<b>Children's Centres</b>	Medium	10	The audit will examine a sample of Children's Centres to ensure effective controls systems operate, in particular financial management.	Lead Commissioner Schools, Skills & Learning	Quarter 1
A141	<b>Leaving Care</b>	Medium	8	To review the management and control for Leaving Care, in particular management and budget information.	Lead Commissioner Schools, Skills & Learning	Quarter 1
A346	<b>Home Education</b>	Medium	8	This audit will review the effectiveness of controls over Home Education in particular the assessment criteria and use of home tutors.	Lead Commissioner Schools, Skills & Learning	Quarter 1
A187	<b>Section 75 Agreements for Children's Services</b>	Medium	8	To review arrangements under S75 agreement with Sussex Community Trust.	Lead Commissioner Schools, Skills & Learning	Quarter 1
A111	<b>Procurement and Payments of Homelessness Accommodation</b>	Medium	15	The audit will examine the effectiveness of the Council's arrangements and controls over the placing homeless families in temporary accommodation and for making payments.	Lead Commissioner	Quarter 3
A031	<b>On-Street and Off Street Parking Income</b>	High	15	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.	Head of City Infrastructure	Quarter 4
A019	<b>Brighton Centre</b>	Medium	10	To review adequacy of systems for income and expenditure, in particular for events.	Head of Tourism & Leisure	Quarter 4
A312	<b>Housing Revenue Account</b>	Medium	12	An initial audit was carried out during 2011/12 and this audit will follow-up to examine the implementation of self-financing and the effectiveness of controls to mitigate the risks and impact on the Council.	Head of Housing & Social Inclusion	Quarter 2

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A274	<b>Bereavement Services</b>	Medium	10	This audit will follow-up the 2011/12 review on the controls in operation over the service.	Head of City Services	Quarter 2
A176	<b>Registrars Service</b>	High	5	Follow-up to 2011-12 audit and review the effectiveness of control improvements.	Head of City Services	Quarter 1
A140	<b>Leasehold Service Charges</b>		10	This review will examine the effectiveness of controls over leasehold service charges, in particular capital works both consultation to ensure costs are recoverable and new payment methods.	Head of Housing & Social Inclusion	Quarter 1
A348	<b>Enforcement of Housing Estates Parking</b>	Medium	6	The review will examine systems and controls for enforcement of parking on Council estates including over contractors.	Head of Housing & Social Inclusion	Quarter 1
A349	<b>Trading Standards</b>	Medium	8	This review will examine the effectiveness of controls operating for the service. This will include controls for managing the Trading Standards stores.	Head of Planning & Public Protection	Quarter 1
A023	<b>Building Control Income</b>	Medium	5	This review will follow-up on the audit carried out in 2011/12, in particular that system controls introduced over the collection, banking, reconciliation and accounting of income are effective.	Head of Planning & Public Protection	Quarter 2
A070	<b>Development Control Income</b>	Medium	5	This review will follow-up on the audit carried out in 2011/12, in particular that system controls introduced over the collection, banking, reconciliation and accounting of income are effective.	Head of Planning & Public Protection	Quarter 2
A144	<b>Licensing</b>	Medium	8	This review will examine the effectiveness of control over income.	Head of Planning & Public Protection	Quarter 2
			<b>337</b>			



## Counter Fraud Programme

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

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
F009	<b>Investigations into Fraud &amp; Corruption (Reactive)</b>	High	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"> <li>▪ From management</li> <li>▪ Received via the confidential anti fraud hotline and website</li> <li>▪ Found from internal audit reviews carried out</li> <li>▪ Received under the Whistleblowing Policy</li> </ul> Referrals will be risk assessed and investigated accordingly.	Director of Finance	Quarters 1 - 4
F277	<b>Fraud Resilience Modelling</b>	High	4	This review will use the Fraud Resilience Model recently developed by PKF and NAFN to determine the level of Fraud Resilience by the Council and comparison with similar organisations.	Director of Finance	Quarter 1
F351	<b>Local Government Fraud Strategy “Fighting Fraud Locally”</b>	High	10	The Local Government Fraud Strategy “Fighting Fraud Locally” is expected in early in 2012/13 and will contain a number of actions for local authorities to implement. This review will undertake a gap analysis against the actions recommended by the Strategy and where appropriate take action for any not already operating.	Director of Finance	Quarter 1
F278	<b>Counter Fraud Strategy, Fraud Response Plan, and other Protocols and Guidance.</b>	High	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	Quarters 1 - 4

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
F280	<b>National Fraud Initiative (NFI)</b>	High	40	To lead on the National Fraud Initiative exercise for the council. This will include co-ordinating, investigating significant data matches, where applicable instigating sanctions and financial recovery. To further consider improvement to controls to mitigate future fraud risk.	Director Finance	of Quarter 1-4
F281	<b>Data Mining</b>	Medium	20	This review will use data mining tools for example data matching and exception reporting to monitor effectiveness of system controls and identify potential fraud and error. The audit work will be proactive and focus on high risk data sets.	Director Finance	of Quarter 2
F282	<b>Money Laundering Strategy and Arrangements</b>	Medium	8	Review of money laundering arrangements (including Policy) and compliance with 2007 regulations. Further guidance is expected during 2012/13.	Director Finance	of Quarter 2
F216	<b>Whistleblowing</b>	Medium	8	To review the effectiveness of the council's whistleblowing arrangements following the improvement introduced in 2009.	Director Finance	of Quarter 2
F283	<b>Fraud Awareness Training</b>	-	20	To provide awareness training across the council using e-learning modules developed for staff and managers.	Director Finance	of Quarters 2-3
F283	<b>Fraud Awareness Campaign</b>	-	10	Undertake both internal and external publicity campaigns to promote the work of the teams, focusing on the fraud hotline and online fraud reporting systems	Director Finance	of Quarter 2
F284	<b>Agency Liaison and intelligence exchange</b>	-	8	Liaison and information exchange with Police and other Anti Fraud Agencies including Police, DWP, NHS and UK Borders Agency.	Director Finance	of Quarters 1 - 4
F275	<b>Housing Tenancy Fraud</b>	High	20	This proactive review will use intelligence to investigate and take action with Housing Management over illegal subletting by housing tenants.	Head Service Housing & Social Inclusion	of Quarters 1 - 4
			<b>288</b>			

## Corporate Support

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

Ref.	Audit/Area	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A286	<b>Audit Committee Support</b>	-	20	Providing support including training, effectiveness advice and reporting to Audit Committee. (Review wording)	Audit Committee	Quarters 1 - 4
A287	<b>Section 151 Officer Support</b>	-	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	Quarters 1 - 4
A288	<b>Committee/Members Support General</b>	-	5	Providing support to other members of executive, regulatory and overview and scrutiny functions.	Various	Quarters 1 - 4
A289	<b>Advice &amp; Information to Directorates</b>	-	40	To provide ad hoc advice and information to directorates as required, including participation in programme boards and working groups.	Various	Quarters 1 - 4
			<b>85</b>			

## Grant Certification

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A291	<b>Contingency for the certification of external grants received.</b>	-	30	Auditing other grants as required for certification purposes.	Director of Finance	Quarters 1 - 4
			<b>30</b>			

## Other Direct Audit Activity

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead Client	Timing
A293	External Liaison	-	8	External liaison with partners and other public sector organisations to share and compare information on best practice and areas of significant risk.	None	Quarters 1 - 4
A294	Audit Commission Liaison	-	10	Liaison and support to external audit including ISAs impact, CPA, Anti Fraud & Corruption.	None	Quarters 1 - 4
A126	Follow-Up of Agreed Actions		45	To carry out implementation reviews of agreed management actions to previous audit recommendations made for progress made and extent implemented. This will focus on high and medium priority recommendations.	Various	Quarters 1 - 4
-	Contingency for unplanned audit work	-	73	Contingency for reactive work not planned, in response to emerging risks and issues.	Various	Quarters 1 - 4
-	Residual audits brought forward from 2010/11	-	20	Contingency to cover the completion of reviews brought forward to agreement and issue of final audit reports.	Various	Quarter 1
			<b>156</b>			

## **Terms of Reference for Internal Audit**

### **1. Purpose**

- 1.1 In accordance with best practice set down by the Chartered Institute of Public Finance and Accountancy (CIPFA) this document provides a formal Terms of Reference for the provision of Internal Audit at Brighton & Hove City Council.
- 1.2 It is reviewed by the Head of Audit & Business Risk on an annual basis to ensure it meets proper practice and the business needs of the Council.

### **2. Statutory basis of Internal Audit**

- 2.1 Within local government the requirements for an Internal Audit function is statutory. The Accounts and Audit Regulations 2011 requires that a local authority “must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices”.
- 2.2 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.
- 2.3 The statutory role is recognised and endorsed within the Council’s Financial Regulations, which provides the authority for unlimited access to officers, Members, documents and records and to require information and explanation necessary.

### **3. Responsibilities and objectives of Internal Audit**

- 3.1 Internal audit is an assurance function that primarily provides an independent and objective opinion 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.
- 3.2 The control environment comprises the systems of governance, risk management and internal control.
- 3.3 In meeting its responsibilities, the Internal Audit activities will be conducted in accordance with the council’s objectives, established policies and procedures.
- 3.4 Internal Audit will co-ordinate effectively with the Audit Commission (as the council’s appointed external auditors) for optimal audit coverage and to ensure that appropriate reliance can be placed on internal audit work.

- 3.5 Internal Audit will work those of the council's partner organisations to ensure the robustness of controls and risk management arrangements, to protect the council's interests.

#### **4. Reporting lines & relationships of Internal Audit**

- 4.1 Audit & Business Risk provide the council's internal audit function and are part of the Finance Unit. The Head of Audit & Business Risk reports functionally to the Chief Executive, Director of Finance (Section 151 Officer), other Strategic Directors and members of the Audit Committee. Administratively the Head of Audit & Business Risk also reports to the Director of Finance.
- 4.2 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.

#### **5. Organisational independence of Internal Audit**

- 5.1 Internal Audit is 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 duties for Brighton & Hove City Council.
- 5.2 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.
- 5.3 The existence of an Internal Audit function within the 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.

#### **6. Consultancy and advisory role**

- 6.1 Due to its detailed knowledge of the Council, its systems, processes and operations Internal Audit is well placed to provide a consultancy or advisory role on an ad hoc basis or as part of the Annual Audit Plan. Reports from this type of work contain findings and recommendations particularly to add value to the 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 2011.

## **8. Scope of Internal Audit**

- 8.1 The scope for Internal Audit is 'the control environment comprising risk management, control and governance'. This means that the scope of Audit & Business Risk includes all of the 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 Skills and resources of Internal Audit**

- 9.1 Internal Audit 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 Internal Audit 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 (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 council, they do not undertake an audit in that area directly within one year unless by prior agreement.
- 9.5 In line with the CIPFA Statement on the Role of the Head of Internal Audit (2010), the Head of Audit & Business Risk is a professional qualified CIPFA Accountant. In addition there is a high mix of professionally qualified staff throughout the Internal Audit Team to meet delivery requirements of the service.

## **10. Internal Audit's role in issues of 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. Internal Audit 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. Internal Audit reports

- 11.1 The majority of audit reviews include a formal audit report being produced and issued to management. The primary purpose of the audit report is:
- To provide an opinion on the effectiveness of the control framework operating for the mitigation of risks;
  - To make practical audit recommendations and agree management actions;
  - To prompt management action to implement audit recommendations for change leading to improvements in control and where applicable value for money and performance; and
  - To provide a formal record of points arising from an audit review and agreement with management.
- 11.2 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.
- 11.3 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.
- 11.4 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 to support the Annual Governance Statement.



**Appendix C****Service Performance Targets**

<b>Aspect of Service</b>	<b>Performance Indicators</b>	<b>Target</b>
<b>Cost and Quality of Input</b>	<ul style="list-style-type: none"> <li>• Service costs</li> <li>• Productive/direct time as % of total time</li> </ul>	<ul style="list-style-type: none"> <li>• Within budget</li> <li>• 71%</li> </ul>
<b>Productivity and Process Efficiency</b>	<ul style="list-style-type: none"> <li>• Achievement of annual plan by 30<sup>th</sup> April 2013 (%)</li> <li>• Issue of draft report after completion of fieldwork</li> <li>• Client responses received to draft audit reports from issue</li> <li>• Issue of final report after agreement with client of draft</li> <li>• Time between start of audit (entry meeting) and exit meeting</li> <li>• Audit reviews delivered within budgeted time</li> </ul>	<ul style="list-style-type: none"> <li>• 100%</li> <li>• Within 10 Days</li> <li>• Within 15 Days</li> <li>• Within 10 Days</li> <li>• Days not exceeding 3 X total planned time for audit review</li> <li>• 100%</li> </ul>
<b>Quality of Output</b>	<ul style="list-style-type: none"> <li>• Client satisfaction levels (including added value from audit recommendations), source customer satisfaction questionnaires</li> <li>• External audit reliance on work of internal audit</li> </ul>	<ul style="list-style-type: none"> <li>• 90% of scores within good to very good</li> <li>• Reliance placed</li> </ul>
<b>Compliance with Professional Standards</b>	<ul style="list-style-type: none"> <li>• CIPFA Code of Practice for Internal Audit in Local Government (2006)</li> </ul>	<ul style="list-style-type: none"> <li>• 100% compliant</li> </ul>
<b>Outcomes and degree of influence</b>	<ul style="list-style-type: none"> <li>• Implementation of agreed recommendations</li> </ul>	<ul style="list-style-type: none"> <li>• 98% of High Priority Recommendations</li> <li>• 85% of Medium Priority Recommendations</li> </ul>
<b>Our Staff</b>	<ul style="list-style-type: none"> <li>• Professionally Qualified and Undertaking CPD</li> </ul>	<ul style="list-style-type: none"> <li>• 80%</li> <li>• 5 Days</li> </ul>

Aspect of Service	Performance Indicators	Target
	<ul style="list-style-type: none"><li data-bbox="491 210 1090 277">• Annual Training &amp; Development Received (Minimum)</li></ul>	