

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

18th June 2010

Report of: the Strategic Director (Resources)

Title: Internal Audit Plan 2010/11

Ward: Citywide

Officer presenting report: Richard Powell, Chief Internal Auditor

Contact telephone number: 0117 92 22448

RECOMMENDATION

The Audit Committee is recommended to approve the Annual Audit Plan coverage.

Summary

The report sets out the rationale behind the Internal Audit planning process, and provides details of the intended coverage for 2010/11.

The Audit Plan will be submitted to the Efficiency and Value for Money Executive on 23rd June 2010

The significant issues in the report are:

- the role of the Audit Committee in relation to the Internal Audit planning process (paragraphs 1.1 to 1.3)
- the current planning process (paragraphs 3.1 to 3.8)
- the Audit Reporting Protocol (paragraphs 5.1 to 5.4)
- the Internal Audit Annual Plan (Appendix A)

Policy

The Audit Committee Terms of Reference includes overseeing the activity of Internal Audit.

Consultation

Internal: Strategic Directors, Service Director: Finance

External: None necessary

1. Background

1.1 In relation to Internal Audit, the Audit Committee's Terms of Reference, provide that, inter alia:

“The purpose of the Audit Committee is to provide independent assurance to the Council in relation to:

(i) the effectiveness of the Council's governance arrangements, risk management framework and internal control environment including overseeing:

- risk management strategies
- anti-fraud arrangements
- whistleblowing strategies
- Internal and External Audit activity.”

1.2 The Chartered institute of Public Finance and Accounting (CIPFA) guidance on the role of Audit Committees in relation to Internal Audit suggests that it should involve:

- formally approving, but not directing, the overall strategy to ensure that it meets the Council's overall strategic direction. This is covered by Internal Audit's Charter and Strategy which was approved by the Committee on 9th June 2006. These documents are periodically reviewed, and to date have only required minor updating which has not necessitated referral to the Committee.
- approving the annual programme of audits (paying particular attention to whether there is sufficient and appropriate coverage.) This is the purpose of this report.
- monitoring progress against the Plan and assessing whether adequate skills and resources are available to provide an effective audit function.

1.3 In relation to the Audit Committee's role in reviewing the work carried out this will include formal consideration of summaries of work done, key findings, issues of concern and action in hand as a result of Audit work. It is intended that bi-annual and annual reports will be presented to cover issues of this nature, with snap shot reports presented as and when significant issues arise.

2. Statutory Requirements

2.1 The CIPFA Code of Practice for Internal Audit in Local Government (2006) covers audit planning in Operational Standard 7, Audit Strategy and Planning. In relation to audit planning it provides, inter alia, that:

- Internal Audit should prepare a risk based plan, designed to implement the audit strategy, taking account of the adequacy and outcomes of the organisation's risk management, performance management and other assurance processes.
- The plan should be fixed for a period of no longer than a year and should outline the assignments to be carried out, their respective priorities and the estimated resource needed.
- Where there is an imbalance between the planned work and the resources available to deliver it, the Audit Committee should be informed of the proposed solutions.
- The plan should differentiate between assurance and other work and should be flexible to be able to reflect the changing risks and priorities of the organisation.
- Stakeholders should be consulted on the draft plan and revisions made if necessary.
- Significant matters that jeopardise the delivery of the plan or require changes to the plan should be identified, addressed and reported to the Audit Committee.

3. Planning Process

3.1 The Internal Audit planning process reflects the requirements of the Code of Practice. A risk-based plan is prepared annually, drawing down items from the “audit universe”, a much wider summary of auditable areas. Drawing on corporate and departmental risk registers, where they are robust and can be relied on, the Annual Governance Statement and its own assessment of auditable areas, Audit uses its own risk assessment methodology, attached at Appendix B, to determine which areas are to be included in the annual plan.

3.2 Assignments are prioritised into areas of Statutory/Essential work and other High Risk work. Statutory/Essential assignments include

any “must do” assignments such as annual audits of key financial systems which the external auditors, Grant Thornton, seek to place reliance on, and audit work which the Council have a statutory requirement to complete, such as, the Annual Governance Statement, Financial Management Standard in Schools (FMSiS) and claims for external funding. Audit assignments which have been identified as 'Other High Risk' include areas which have been deemed as high risk from sources such as the Corporate Risk Register.

- 3.3 A contingency element is built into the plan, to allow for the investigation of irregularities and fraud, and for dealing with other unplanned items which are necessary as a result of breakdowns in the control environment.
- 3.4 Plans are prepared for each Directorate after the appropriate Strategic Director has been canvassed and requested to identify areas where they have concerns and/or where Internal Audit work would improve the control environment and therefore add value. Additionally, a significant element of cross cutting corporate work is also included in the overall plan.
- 3.5 Directorate plans are further shared with the appropriate Strategic Director, amendments made where necessary, or areas of emphasis agreed for inclusion when compiling the Terms of Reference (ToR) for particular assignments.
- 3.6 In addition, plans are drawn up for the work in risk management, a pro-active counter fraud agenda, and work on professional standards and development, to ensure the Section complies with legislation, relevant Codes of Practice and best practice generally. The overall Internal Audit Plan is detailed in Appendix (A)
- 3.7 There are areas in the Corporate and Directorate risk registers for which direct attention by Internal Audit is not considered beneficial and would not add value. Additionally, there are key risk areas which do not have a significant auditable element .
- 3.8 Due to the limitation on Internal Audit resources for 2010/11 only the auditable areas assessed as Statutory/Essential and very high risk have been included in the Annual Audit Plan. Therefore the need to identify the risk scores in the Plan was deemed unnecessary as all audits were scored at the highest level. Further details on resource limitations and their effect on the Internal Audit planning process can be seen in the Internal Audit Annual Report, which is being presented to the Committee at the same meeting as this report.

4. Plan Monitoring

- 4.1 Performance targets have been set around percentage completion of both 'statutory/essential' and other 'high risk' audit work and these are monitored quarterly with performance reported bi-annually and annually to the Audit Committee. Where matters arise which effect delivery of the Audit plan, these will also be reported to the Committee along with amendments made to plan, either through the bi-annual and annual report or where the effect is significant, in the form of a snapshot report to the earliest available Committee meeting.

5. Audit Reporting Protocol

- 5.1 As with the Audit planning process a Risk Based Auditing process is utilised in conducting the majority of planned audit reviews. As such, a Terms of Reference (ToR) is drawn up for each assignment in consultation with the relevant manager for the area under review. This document sets out the objectives and scope of the review, together with the Business Objectives and Corporate Impact of the areas under review and a Risk Assessment detailing the key risks within the area.
- 5.2 In order to further support Internal Audit's approach to risk based auditing, a measure of the overall level of risk to the Council was introduced in 2009/10 and will continue to be embedded in 2010/11.
- 5.3 The principle of the process is as follows:
- At the conclusion of each audit, Internal Audit provide standard opinions with each audit report within the range of 'very good' to 'poor'. Please see Appendix (C) for a full explanation of Audit Opinions.
 - The corporate impact of the area/system concerned is then considered and assessed as high, medium or low depending on the criticality, sensitivity or materiality of the area in achievement of the Council's objectives as defined in the Corporate Plan.
 - The combination of the Corporate impact and the audit opinion determines the overall level of risk to the Council as significant, of concern, moderate or minimal as demonstrated in the grid below:

		Corporate Impact		
		Low	Medium	High
Audit Opinion	Poor	Moderate	Of Concern	Significant
	Needs Improvement	Moderate	Of Concern	Of Concern
	Satisfactory	Moderate	Moderate	Moderate
	Good	Minimal	Minimal	Moderate
	Very Good	Minimal	Minimal	Moderate

It is this overall level of risk which is utilised to determine the Internal Audit follow up process as detailed at 6 below.

- 5.4 For each audit completed, action plans for control improvements will be issued and agreed with relevant officers and it is anticipated that the recommendations made will be implemented. Progress against these actions plans will be monitored in line with Internal Audit's follow up procedure. Please see below for details.

6. Follow Up & Escalation Procedure

- 6.1 A Follow-up provision for each directorate is included in the planned days, this is in addition to the contingency element of the plan as detailed in 3.3 above. This provision allows for the follow-up of all significant recommendations made following audit assignments where the risk to the Council was considered 'Significant' or 'Of Concern'. The aim of the procedure is to follow up all 3 and 2 star recommendations within six months of the agreed implementation date.
- 6.2 Details of Audit follow up work will be reported to the Committee as part of the Internal Audit bi-annual and annual reports. Additionally directorates who fail to implement significant recommendations within the agreed timescale, will also be brought to the attention of the Committee.
- 6.3 The Escalation Procedure allows Committee members to, if appropriate, call the relevant Strategic Director or Service Manager to explain the failure to implement the recommendations made.

7. Internal Audit Annual Plan for 2010 - 2011

- 7.1 Appendix A provides full details of the proposed Internal Audit coverage for financial year 2010-2011. In order to aid the Committee's understanding of the range of work covered by Internal Audit, the planned areas of work have been categorised between the following categories:
- Strategic/Operational Risk areas
 - Fundamental Financial Systems
 - Fraud Agenda
 - Risk Management
 - Audit Standards & Professional Development
 - Planned Follow Up work
- 7.2 Audits which have been deemed 'Statutory/Essential' through the risk based planning methodology have been shown in bold in the plan.
- 7.3 In order to aid the Committee's consideration of the Internal Audit Plan an extract from the CIPFA Better Governance Forum Briefing Paper on 'Reviewing the Audit Plan' has been attached at Appendix (D).

Other Options Considered

None necessary

Risk Assessment

An adequate and effective Internal Audit function, as well as a statutory requirement, is an integral part of good governance. A sound Internal Audit planning process therefore minimises the risk of non-compliance with statute and good practice, and at the same time maximises the value that Internal Audit adds to the Council's governance arrangements and internal control environment.

Equalities Impact Assessment

None required for this report.

Legal and Resource Implications

Legal - none sought

Resources - none arising from this report.

Appendices: Appendix A - Internal Audit Planned Coverage for 2010 -
2011

Appendix B - Internal Audit Risk Assessment Methodology

Appendix C - Standard Audit Opinions

Appendix D - CIPFA - Reviewing the Audit Plan

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Audit planning files

Code of Practice for Internal Audit in Local Government 2006

INTERNAL AUDIT ANNUAL PLAN 2010-2011

SOURCE KEY	
IA	Internal Audit Assessment
CRR	Corporate Risk Register
DRR	Directorate Risk Register
AGS	Annual Governance Statement
GT	External Auditor Request
CP	Corporate Governance
CAA	Comprehensive Area Assessment
Request	Requested by Strategic Director

DIRECTORATE KEY	
BT	Business Transformation
CD	City Development
CORP	Corporate Matter covering whole of Council
CYPS	Children Young People & Skills
DCX	Deputy Chief Executives Office
HSC	Health & Social Care
NH	Neighbourhoods
RE	Resources

STRATEGIC/OPERATIONAL RISK

SOURCE	DEPT	AREA	SUBJECT
DRR	BT	Business Transformation	Business Transformation programme - STS, other projects
CAA	BT		Information Security Management
CRR	BT		HR Systems (poss replacement, application or interfaces)
CRR	BT		Business Continuity Planning/Disaster Recovery
DRR	BT	Shared Transactional Services	Corporate Purchasing Cards
IA	BT		Customer Service Points
IA	BT		Enterprise Resource Planning
IA	BT	Transforming Bristol	Business Transformation
IA	BT	IT	E Income Collection
IA	BT	B/F from 2009/10	Homeworking
Request	CD	Procurement	Events and Festivals
Request	CD		Colston Hall – Box office, financial admin, contract letting
IA	CD	CD	Home to School transport
IA	CD		Transport projects (Bus Rapid Transit, TIF, cycling city etc)
IA	CORP	Other Corporate Policies and Processes	Business Transformation - Control review
IA	CORP	Procurement	Procurement Analysis and Regulation Compliance
IA	CORP		Consultants
IA	CORP	B/F from 2009/10	Value for money strategy
IA	CYPS	Individual Schools Budget/ Learning Achievement & Schools	Two Mile Hill Amalgamation of Infants & Juniors 09/ 2010
IA	CYPS		Weston Park Primary School amalgamating with Bluebell Nursery 09/2010
IA	CYPS		Bristol Gateway Recruitment Review
IA	CYPS	FMSiS Assessments & Mini Reviews	Blaise Primary & Nursery School
IA	CYPS		Hillfields Primary School
IA	CYPS		Barton Hill Primary School & Children's Centre
IA	CYPS		Bank Leaze Primary
IA	CYPS		Fonthill Primary School
IA	CYPS		Henbury Court Primary School
IA	CYPS		St Peter's Church of England Primary School
IA	CYPS		Ashton Park Secondary School
IA	CYPS		Ashley Down Junior School
IA	CYPS		St Bernadette Catholic Primary School
IA	CYPS		Cheddar Grove Primary School
IA	CYPS		Holy Cross Catholic Primary School
IA	CYPS		Broomhill Infant School & Children's Centre
IA	CYPS		Easton C of E Primary School
IA	CYPS		Little Mead Primary School
IA	CYPS		Bedminster Down Secondary School
IA	CYPS		Ashton Gate Primary School
IA	CYPS		Waycroft Primary School
IA	CYPS		Air Balloon Hill Primary School
IA	CYPS		St Teresa's Catholic Primary School
IA	CYPS		Sea Mills Primary School

ANNUAL PLAN

SOURCE	DEPT	AREA	SUBJECT
IA	CYPS		Millpond Primary School
IA	CYPS		Christ Church C.E V.C Primary School
IA	CYPS		St Joseph's Catholic Primary School
IA	CYPS		Avonmouth C.E V.C Primary School
IA	CYPS		Fair Furlong Primary School
IA	CYPS		Bridge Farm Primary School
IA	CYPS		Horfield C.E V.C Primary School
IA	CYPS		Kingsweston Special School
IA	CYPS		Bishop Road Primary School
IA	CYPS		Gay Elms Primary School
IA	CYPS		St George C.E V.C Primary School
IA	CYPS		Victoria Park Primary School
IA	CYPS		Woodstock Special School
IA	CYPS		Brislington Enterprise College
IA	CYPS		Westbury Park Primary School
IA	CYPS		Begbrook Primary School
IA	CYPS		Elmlea Junior School
IA	CYPS		Greenfield Primary School
IA	CYPS		St Nicholas of Tolentine Catholic Primary School
IA	CYPS		Brentry Primary School
IA	CYPS		Colston's Primary School
IA	CYPS		Shirehampton Primary School
IA	CYPS		Bannerman Road Community School & Children's Centre
IA	CYPS		Westbury on Trym C.E V.C Primary School
IA	CYPS		Elmfield School for the Deaf
IA	CYPS		Parson Street Primary School
IA	CYPS	Education Strategy & Targeted Support	Learning Skills Council/Education Maintenance Allowance (EMA)
IA	CYPS	IT	Contact Point
IA	CYPS		Secondary Schools x 2 (to be determined)
IA	CYPS		Free School Meals System
IA	CYPS	Learning Achievement & Schools Performance, Policy & Partnership	School Fund Audit Certificates plus Guidance
IA	CYPS		CYPS Business Transformation Projects
Request	CYPS	Procurement	LEP (Local Education Partnership)/ School Capital Projects
IA	CYPS		PFI Projects
IA	CYPS	Safeguarding & Specialist Support	ContactPoint Database
IA	CYPS		Safeguarding/Child Protection Arrangements - Monitoring CP Plans and Response to CP Issues & Support to Children in Need
IA	CYPS		Safeguarding Commissioning - Independent Fostering and Inhouse Fostering
IA	CYPS	B/F from 2009/10	Banneman Road Children's Centre and School
IA	CYPS		Ilminster Avenue Primary School
IA	CYPS		Notton House
IA	CYPS		St Bede's Catholic College
IA	CYPS		St Pius X Catholic V.A Primary School
IA	CYPS		ContactPoint Database
IA	CYPS		FMSiS Assessments 2009/10 -
IA	CYPS		St Bernadette Catholic Secondary School
IA	CYPS		Extended Schools Partnership
CAA	DCX	Corporate Planning, Performance and Improvement	Partnership Governance- Review of partnerships in relation to policy compliance
CAA	DCX		West of England Partnership - Corporate issues (Governance etc)
IA	HSC	Putting People First	Personalisation Budgets including Resource Allocation System
IA	HSC	Older People, Learning Difficulties, Mental Health & Disabled People	External Day Care/Home Care Packages Mental Health and People with Learning Difficulties
IA	HSC		External Residential Care
IA	HSC		STAR Service
IA	HSC	Learning Difficulties, Mental Health & Disabled People	PCT Partnership
IA	HSC	IT	Supporting People Application
IA	HSC	H&SC	Commissioning Arrangements for third party providers in H&SC
IA	HSC	Care Services	Residential & Nursing Home Provision - Home Closures
IA	HSC	B/F from 2009/10	Home Care Roster
IA	HSC		Resource Allocation - Pilot Scheme
IA	HSC		Direct Payments
IA	HSC		Supporting People
Request	NH	Strategic Housing	Homelessness – Board and Lodge
Request	NH		Tenancy Waiting Lists/Allocations
IA	NH	Safer Bristol Partnership	Analytical review incorporating all activities of Partnership
IA	NH	Procurement	Waste Management, Services & Street Scene
IA	NH		Parks - Major Contracts, e.g. Grounds Maintenance
IA	NH		Hengrove Park
Request	NH		CCTV project - (Consultancy, Installation & Maintenance)
Request	NH	Landlord Services	Financial Management – Construction

ANNUAL PLAN

SOURCE	DEPT	AREA	SUBJECT
DRR	NH	Environmental & Leisure	Parks Service, Allotments, Estates, & Sports Financial Management/Administration and Concessions (Central Collection Arrangements)
CRR	NH		West of England Partnership(Waste Element)
IA	NH		Minor Works Assistance/ Discretionary Assistance
DRR	NH	Corporate Planning, Performance and Improvement	Neighbourhood Partnerships
DRR	NH	B/F from 2009/10	14 x NH Area Partnerships
DRR	RE	Finance Division	Property Acq. & Disposals
Request	RE		Efficiency Information - Council Tax bills - Government Grants
IA	RE	Procurement	Procurement Strategy/Unit
Request	RE		Vetting of Contractors

FUNDAMENTAL FINANCIAL SYSTEMS

SOURCE	DEPT	AREA	SUBJECT
DRR	BT	Shared Transactional Services	General Debtors – Key Controls
IA	BT		General Debtors –Non Key Control Elements
DRR	BT		Payroll Certification Process Co-ordination
DRR	BT		Corporate Payroll System
IA	BT		Cash in Transit/ Counting Team functions
IA	BT		Creditors – Non Key Control elements
IA	BT		General Debtors System Post Transformation
IA	BT		Payments System Post Transformation
DRR	BT		Creditors – Key Control
IA	BT	IT	COPS- further testing and developments
DRR	BT	Integrated Customer Services	Local Taxation – key Control
IA	BT		CTAX & NNDR – Debits and Voids
IA	BT		Local Tax – Arrears & Recovery
DRR	BT	B/F from 2009/10	COPS Payments Key Control 2009/10
DRR	BT		Payroll Key Control 2009/10
Request	CD	CD	Pay and Display replacement
DRR	NH	Strategic Housing	HB - Key Controls
DRR	NH		HB Overpayments
DRR	NH		HB Subsidy Arrangements
DRR	NH		HB Assessment Team
DRR	NH	Landlord Services	Income from Dwellings - Alternative Payment Methods
DRR	NH		Income from Dwellings
DRR	NH		Current Tenant Arrears
Request	RE	Human Resources	Income Tax & HI Deductions and Payments
DRR	RE	Finance Division	Capital Accounting
DRR	RE		Budgetary Control - Key Control
DRR	RE		Main Accounting - Key Control
IA	RE		RE - Departmental Budgetary Control
DRR	RE		Loans/ Treasury Management
DRR	RE		Bank Reconciliation & Cheque Control
DRR	RE	B/F from 2009/10	Main Accounting System - Key Controls 2009/10
DRR	RE		Budgetary Control - Key Controls 2009/10

IT AUDIT PROGRAMME

SOURCE	DEPT	AREA	SUBJECT
IA	BT	IT	ICT Support Services (incl Service Desk)
IA	BT		IT Asset Management (Hardware & Software)
IA	BT		Cash Receipting System - Academy
IA	BT		IT Project Management and Procurement
IA	BT		User Database (incl dual Ids)
IA	BT	B/F from 2009/10	Customer Services - Lagan
IA	BT		COPS
IA	CYPS	IT	Paris Replacement project
IA	HSC	IT	Adult Care System (Residential - Series X)
IA	HSC		Electronic Monitoring System
IA	HSC		Softbox - Foster Carers/Non Residential Care
IA	HSC		Meal System
IA	NH	IT	Northgate Application or Replacement
IA	NH	B/F from 2009/10	Uniform
IA	RE	IT	Payment Card Industry Standard - Compliance Audit
IA	RE		Bristol E Procurement System (BEPS)

CORPORATE GOVERNANCE

SOURCE	DEPT	AREA	SUBJECT
Request	BT	Planning, Performance and Improvement	Directorate Health Check - general provision

ANNUAL PLAN

SOURCE	DEPT	AREA	SUBJECT
Request	CD	Planning, Performance and Improvement	Directorate Health Check - general provision
IA	CORP	Corporate Planning, Performance and Improvement	Directorate Health Checks - general provision
Request	HSC	Planning, Performance and Improvement	Directorate Health Check - general provision
Request	NH	Planning, Performance and Improvement	Directorate Health Check - general provision
Request	RE	Planning, Performance and Improvement	Directorate Health Check - general provision
IA	CORP	Corporate Governance	Use of Resources - Contribution to self assessment and CAA issues arising
IA	CORP		Annual Governance Statement- process for 09/10 completion and 10/11 Preparation, plus monitoring .
IA	CORP		Corporate Governance Code - Review and Report
IA	CORP		Member - Declarations of Interest, Gifts and Hospitality - full review plus member expenses claim process and level of claims .
IA	CORP	Policy and Decision Making	Decision making processes - Risk assessment in decision making reports

GRANT CERTIFICATION

SOURCE	DEPT	AREA	SUBJECT
Request	CD	CD	Financial Grants & External Support (INTERREG IIIC) Grant Certification Process
Request	CD	CD	Public Transport - Award of Community transport grants
IA	DCX	Corporate Planning, Performance and Improvement	LAA - review of PPG and others for final statement by CEX
Request	NH	Neighbourhoods & Communities	Community Development Grants (Grants to Voluntary Organisations)

PRO-ACTIVE FRAUD AGENDA

SOURCE	DEPT	AREA	SUBJECT
IA	CORP	Fraud Measurement	Measuring fraud - recruitment/blue badges/data manipulation/corruption/members
IA	CORP		Fraud Register Development (to record all types of fraud)
IA	CORP		Measuring success of proactive fraud work
IA	CORP		Annual Audit Commission Fraud Survey
IA	CORP	Fraud Risk assessment & Testing	NFI 2009 Supplementary output review - Local Tax discount
IA	CORP		NFI 2010 data set collation and output review
IA	CORP		NFI 2008 finalisation
IA	CORP		Fraud risk assessment
IA	CORP		Tenancy fraud work
IA	CORP		Risk Based Anti Fraud Testing Programme
IA	CORP		Data warehousing - routine data matching role
IA	CORP	Network/Best Practice/Alerts	GAIN Participation
IA	CORP		Fraud Web page maintenance
IA	CORP		NAFN Warning bulletins
IA	CORP		Hotline (admin/advertisement etc)
IA	CORP		South West Fraud Group /benchmarking
IA	CORP	Policy and Procedure	Money Laundering Advice & Guidance provision
IA	CORP		Data Matching Policy and procedures
IA	CORP	Training & Awareness	Fraud Bulletin
IA	CORP		Working with others to reduce fraud
IA	CORP		Review of BCC Counter Fraud & Corruption Strategy
IA	CORP		Fraud Training (Members and Officers)
IA	CORP		Payslip notices

RISK MANAGEMENT PROGRAMME

SOURCE	DEPT	AREA	SUBJECT
IA	CORP	Risk Management	Further sparnet developments (DRR's)
IA	CORP		CBT Training Members/Officers
IA	CORP		Liaison with Departmental Reps
IA	CORP		Web page maintenance
IA	CORP		Risk Management Group
IA	CORP		Member/officer awareness
IA	CORP		Survey results and corresponding Action Plan
IA	CORP		Risk Management Reporting
IA	CORP		Policy review
IA	CORP		SWURM/ALARM Survey response and meeting attendance.

ANNUAL PLAN

SOURCE	DEPT	AREA	SUBJECT
IA	CORP		CRR
IA	CORP		General Guidance
IA	CORP		Partnership Risk

AUDIT STANDARDS & PROFESSIONAL DEVELOPMENT

SOURCE	DEPT	AREA	SUBJECT
IA	CORP	Audit Practice / Procedure	IDEA and other CAATS Development
IA	CORP		Code of Audit Practice 2006 - review and update of Strategy/Charter
IA	CORP		Audit Library
IA	CORP		QAQ Database
IA	CORP		Audit Automation Software Implementation
IA	CORP		Code of Audit Practice
IA	CORP	Training & Development	Peer review across Audit Teams
IA	CORP	Communication	Audit Intranet and Web Page
IA	CORP		Netsite -Maintenance and renewal of Net site pages
IA	CORP		Snips and Tips
IA	CORP	IT	Data Warehousing
IA	CORP	Joint Working/Benchmarking	Audit Groups - Core Cities
IA	CORP		Audit Group - West of England
IA	HSC		West of England Health & Social Care Group
IA	CYPS		West of England FMSIS Group
IA	CYPS		West of England Children's & Young People Group
IA	CORP		Audit Groups - Western Unitaries Group
IA	CORP		Audit Groups - West of England
IA	CORP		Effective IA incl Benchmarking - including Fraud, Core Cities, CIPFA benchmarking and Performance Management and Quality Ass. Framework Compliance.
IA	CORP		SDP -Annual and quarterly review of IA SDP
IA	CORP	Performance	APACE and Management Information Reports
IA	CORP		APACE Upgrade, roll out and trouble shooting
IA	CORP	Training & Development	Development of Audit Guidance and Practice Notes
IA	CORP		Audit Manual
IA	CORP		Staff Training Provision and Plans
IA	CORP		Risk Based Auditing (Further training provision and guidance to staff)
IA	CORP	Value for Money	IA Performance against Corporate VFM Strategy

CONSULTANCY & ADVICE

SOURCE	DEPT	AREA	SUBJECT
Request	BT	IT	Information Assurance Board
IA	CORP	B/F from 2009/10	Financial Regulations
IA	CYPS	B/F from 2009/10	School Financial Regulations update
IA	DCX	Corporate Governance	MYM - Watching brief on control framework around implementation of suggestions - general provision
IA	RE	Procurement	Procurement Regulations Guidance/Review
IA	RE		PPG Meetings

PLANNED FOLLOW-UP PROGRAMME

SOURCE	DEPT	AREA	SUBJECT
CRR	NH	IT	Mobile Computing and Data Transfer - follow up
IA	BT		Penetration Testing - Follow up review
Request	BT		IT Governance - follow up
IA	BT		Creditor Interfaces - follow up
Request	BT		Internet Usage - follow up
IA	CD	Procurement	Traffic Major Works - follow up
CRR	CD	IT	Mobile Computing and Data Transfer - follow up
GT	CD	Operational Risk	Car Parks Management and Admin incl. Income
Request	CD		Greater Bristol Bus Network - Annual review
Request	CD	Grant Certification	Lumisac URBACT II grant
CRR	CD	IT	Business Continuity Planning/Disaster Recovery - follow up
IA	CORP	Operational Risk	Recruitment - follow up pre-employment screening
IA	CORP		Absence (including occupational health) will need follow-up allowance
IA	CORP	Strategic Risk	Scheme of Delegations (corporate Guidance Overview)
IA	CORP		Staff - Declarations of Interest, Gifts and Hospitality
CRR	CYPS	IT	Mobile Computing and Data Transfer - follow up
IA	CYPS	Individual Schools Budget	Filton Avenue Junior School
IA	CYPS		Fairfield High School
IA	CYPS		St John's C.E V.C Primary School
IA	CYPS		Bannerman Road Community School & Children's Centre
IA	CYPS		Oldbury Court Primary School
IA	CYPS		Stoke Bishop C.E V.C Primary School

ANNUAL PLAN

SOURCE	DEPT	AREA	SUBJECT
IA	CYPS		The Limes Nursery School & Children's Centre
IA	CYPS		St Mary Redcliffe C.E V.C Primary School
CRR	CYPS	IT	Business Continuity Planning/Disaster Recovery - follow up
CRR	HSC	IT	Business Continuity Planning/Disaster Recovery - follow up
CRR	HSC		Mobile Computing and Data Transfer - follow up

AUDIT COMMITTEE - FACILITATION & DEVELOPMENT

SOURCE	DEPT	AREA	SUBJECT
IA	CORP	Audit Committee - Facilitate	Audit Committee -Follow up and report on GT recommendations
IA	CORP		Audit Committee -Facilitating (7 x meetings incl Joint)
IA	CORP		Audit Committee -Misc support including EM support
IA	CORP		Audit Committee - Committee induction and training allowance
IA	CORP		Audit Committee -½ yearly reporting and snapshots

INTERNAL AUDIT RISK ASSESSMENT METHODOLOGY**IMPACT CRITERIA****CRITICALITY**(Impact on the ability of the Council to deliver services to the public)

Rating	Score	Classification
High	3	Major front line service delivered directly to public including specifically where individual status of service/establishment has a particular profile e.g. schools; or Major support service having significant internal impact on Council; or Area directly impacts upon the achievement of one or more corporate or key directorate objectives or contributes to CAA, LAA
Medium	2	Secondary front line service or support service indirectly impacting on the public; or Area indirectly impacts on or relates to one or more corporate or key directorate objectives or contributes to CAA/LAA
Low	1	Support service with minimal impact on the public. Area does not impact on the achievements of corporate or key directorate objectives

SENSITIVITY(Potential loss of public confidence resulting from service failure/control breakdown)

Rating	Score	Classification
High	3	Severe or long-term loss of public confidence/potential for significant adverse press coverage eg Health & Safety breaches, fraud, waste etc. Subject to on-going or regular review by inspection or regulatory bodies and/or significant continuing weaknesses identified at last review.
Medium	2	Moderate or short-term loss of public confidence/potential for some adverse press coverage. Subject to occasional review by inspection and regulatory bodies, or normally good results achieved.
Low	1	Minimal loss of public confidence/limited potential for adverse press coverage. Not subject to external review.

FINANCIAL CONSEQUENCES (Total turnover of subject area, or asset value, or potential financial liability resulting from service failure/control breakdown or propensity for/potential value of, fraud.)

Rating	Score	Classification
High	3	Annual turnover or asset value in excess of £10m or potential financial liability > £500,000 or propensity for fraud > £100,000
Medium	2	Annual turnover or asset value £1 m to £10m or potential financial liability £100k to £500,000 or propensity for fraud £10,000 - £100,000
Low	1	Annual turnover or asset value < £1m, or potential financial liability < £100k or propensity for fraud < £10,000

PROBABILITY/LIKELIHOOD CRITERIA

Rating	Score	Classification
High	3	Existing area subject to significant management or system change since last audit; or Major weaknesses/poor opinion at last audit; or Area of high residual risk exposure in Corporate or Departmental Risk Register; or unresolved AGS long list item from previous year: or System never subject to audit or last audited more than: <ul style="list-style-type: none"> • 4 years ago for major system • 2 years ago (for key financial systems) • 5 years ago for minor system.
Medium	2	Existing area subject to moderate management or system change since last audit; or Some weaknesses/"needs improvement" opinion at last audit; or Area of medium residual risk exposure in Corporate or Departmental risk register; or: <ul style="list-style-type: none"> • Audited within last 4 years for major system • Audited within last 2 years (for key financial systems) • Audited within last 5 years for minor system
Low	1	Unchanged management/system audited last year No significant weaknesses (Very good/good/satisfactory audit opinion) No mention in Corporate/Departmental risk registers

**INTERNAL AUDIT
STANDARD OPINIONS**

OPINION	EXPLANATION
Very Good	The system of governance and internal control is well designed to effectively assist achievement of the identified objectives and manage the associated risks. No weaknesses were identified and management can have reasonable assurance that all areas covered by the review are effectively managed and controlled.
Good	There is a good system of governance and internal control to assist achievement of the identified objectives and manage the associated risks. Only minor weaknesses were identified and management can have reasonable assurance that areas covered by the review are effectively managed and controlled.
Satisfactory	Overall the system of internal control and governance is satisfactory and management can have assurance that many areas covered by the review are effectively managed and controlled. There are however weaknesses which put some of the identified objectives at risk.
Needs Improvement	Missing or failing controls were identified which have a substantial impact on the extent to which management can rely on the systems of internal control and governance. Only limited assurance can be given that the risk areas covered by this review are effectively managed and controlled.
Poor	Internal control and governance is weak and management can place no reliance on it. This leaves the system open to significant risk, error or abuse.

Chartered Institute of Public Finance (CIPFA)

Better Governance Forum briefing paper

*The follow is an extract from the above briefing paper :
Audit Committee update - helping audit committees to be effective.*

Reviewing the Audit Plan

At least once a year, but possibly more frequently, both your internal and external audit teams will ask you to review their audit plans and approve them. If you aren't familiar with audit plans, you may well be asking yourself how to do this and how you can add value. In this article, I will discuss:

- Why draw up an audit plan?
- Who is involved?
- How is the audit plan produced?
- What does the audit plan cover?
- When is the audit plan written?
- Your role in relation to the audit plan

I will finish with a "dashboard" of key questions for you to ask to satisfy yourself that the plan has been drawn up appropriately and will deliver the assurance that you need as an audit committee member. While I concentrate on your role in relation to internal audit, many of these points also relate to external audit.

Why draw up an audit plan?

An audit plan is needed to ensure that your auditors address all the main areas of risk within your organisation and can provide assurance to support your Annual Governance Statement or Statement on Internal Control. At the end of each year the head of internal audit provides an opinion on the effectiveness of the control environment so it is vital that the plan is sufficient to support that opinion. It is also needed to ensure auditors use their limited resources (budget, time, people and expertise) to best effect. Almost inevitably audit needs outstrip audit resources and the plan will help your audit team set its priorities, in discussion with you.

Who is involved?

The audit plan is normally drawn up by the head of internal audit, in consultation with directors and members of the audit team. As the internal audit plans and external audit plans should be aligned, each should consult the other as part of this process.

How is the audit plan produced?

The audit plan is 'risk-based' to address the financial and non-financial risks faced by your organisation and your key priorities. Your organisation's risk register and the effectiveness of risk management will be reviewed to help develop the plan. The plan may also include work to be undertaken on behalf of your external auditor. The identified audits will be balanced against the resources available and the plan drawn up accordingly.

What does the audit plan cover?

The audit plan should show how your internal audit strategy is going to be achieved in accordance with the section's terms of reference. Plans include a combination of planned work

and allowances for reactive work. They are always flexible so that they can reflect the changing risks and priorities within your organisation. Plans will also include allowances for “non-chargeable” time.

Planned audit work consists of a series of reviews of different aspects of your organisation’s operations. The plan will include some high risk areas, for example areas of significant financial risk or high profile projects or programmes. Or they could be areas where there are concerns about poor performance, fraud or emerging risks. Some higher risk audits may feature annually in audit plans. Other areas, particularly financial systems, may be audited regularly even if they are well controlled because of their significance to the financial statements. The frequency will usually be agreed with the external auditor. Other parts of the plan will reflect the risks and priorities of the organisation and the judgement of the head of internal audit.

Reactive audit work may include investigations, giving advice, supporting working groups and other such matters. Non-chargeable time includes annual leave, training, administration, team meetings etc. A working year is approximately 260 days. A typical auditor (not a trainee or a manager) will carry out about 200 audit days/year.

When is the audit plan written?

Detailed audit plans normally cover the organisation’s financial year, although this is not mandatory. The audit plan is, therefore, generally written a few months before the start of the audit year for approval by the audit committee at the meeting before the start of that year. As the plan has to be flexible, you should be kept informed of minor changes and receive a revised plan for approval if there are any significant changes during the year.

There may also be a strategic plan that outlines the main direction for the audit team over a longer period than a year (perhaps three years). This is particularly useful to understand the wider coverage of risks and controls.

The audit committee’s role

The audit committee should be both challenging of the plan and supportive in its delivery. You need to be sure that the organisation’s risks and priorities are considered, that the plan is aligned with the audit strategy and terms of reference, that internal and external audit have liaised in drawing up their plans and that your auditors have exercised their independence and have not been unduly influenced by others in deciding what they will or (even more importantly) will not examine. You could review the audit strategy and terms of reference at the same time to ensure that they are still relevant and appropriate.

You also need to consider how the plan relates to other sources of assurance to support the Annual Governance Statement or Statement on Internal Control, for example assurance from the risk management process or management assurances. Taken as a whole, will you get the assurance you need?

Once the plan has been approved, your role is then to monitor activity and outcomes against that plan. Is it being delivered? Is the audit work delivering the expected outcome? You may also need to support your auditors, if they are struggling to get auditee engagement or experience a shortfall in resources. Above all, you are there to get action as a result of audit work.

Key questions to ask:

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| 1. Who did the head of internal audit liaise with in drawing up this plan? Did this include external audit? |
| 2. How does this audit plan link to our risk register and our strategic plans? |
| 3. What audits have you left off this plan and why? When do you plan to carry out this work? |
| 4. How does the audit plan fit with other assurance work? Are there any gaps or is there duplication? |