BRISTOL CITY COUNCIL
AUDIT COMMITTEE

8th July 2011

Report of: the Strategic Director: Corporate Services

Title: Internal Audit Plan 2011/12

Ward: Citywide

Officer presenting report: Richard Powell, Chief Internal Auditor

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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 2011/12.

As the Leader of the Council now has responsibility for the Financial Services and HR portfolio, this report will be presented to her as soon as possible.

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 half-yearly and annual reports will continue to 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 to 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 directorate 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 the Annual Governance Statement, claims for external funding and areas for which the external auditor may place reliance on our work. These reviews can therefore be outside the risk based planning methodology. Audit assignments which have been identified as 'Other High Risk' are all areas within the risk based planning process, which have been deemed as at the very highest risk level 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 2011/12 only the auditable areas assessed as Statutory/Essential and the very highest 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 included 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 half-yearly 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 the Plan, either through the half-yearly and annual reports 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 utilised in 2011/12.

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 a full follow-up of all significant recommendations made following audit assignments where the risk to the Council was considered ' Significant', and a self assessment approach for audit assignments where the risk to the Council was considered 'Of Concern'. The aim of the procedure is to follow up all high and medium 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 half-yearly 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 Director/Manager to explain the failure to implement the recommendations made.

7.   Internal Audit Annual Plan for 2011 - 2012

7.1   Appendix A provides full details of the proposed Internal Audit coverage for financial year 2011-2012.   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' 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 2011 -
                                    2012
              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 2011-12

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
Request	Requested by Strategic Director

DIRECTORATE KEY	
CD	City Development
CORP	Corporate Matter covering whole of Council
Corp Services	Corporate Services
CYPS	Children Young People & Skills
HSC	Health & Social Care
NH	Neighbourhoods

STRATEGIC/OPERATIONAL RISK

SOURCE	DIRECTORATE	AREA	SUBJECT
IA	CD	CD	Enforcement Team Permit Parking (incl. Residents Permits, Blue Badges) Penalty Charge Notices
IA	Corp Services	"	M Shed
IA	CD	Procurement	Security Services - Framework Contracts - (CCTV & Security Personnel)
IA	CD	"	Home to School Transport - Contract
Request	CD	CD	Passenger Framework Contracts
IA	CD	B/F from 2010/11	Vetting contractors
CP	CORP	Corporate Planning, Performance and Improvement	P&I Team - remit, coverage, effectiveness. PIs quality, collation, reaction.
IA	CORP	Procurement	Procurement Analysis and regulation Compliance
IA	CORP	"	Consultants
Request	CORP	Corporate Planning, Performance and Improvement	Customer Complaints (incl links to improving performance and methods of monitoring and recording
CRR	CORP	Corporate Finance	**VFM Reviews - Areas to be defined by Scorecards and risk assessment**
AGS	CORP	B/F from 2010/11	**Business Transformation - Review of effect on control environment**
Request	Corp Services	Procurement	Procurement Strategy/Unit
CRR	Corp Services	ICT	**Information Security Management - risk mitigation**
Request	Corp Services	Procurement	Contract Management - VFM/Savings
IA	Corp Services	B/F from 2010/11	Penetration Testing
IA	Corp Services	"	Homeworking
IA	Corp Services	"	**Cash Receipting System**
IA	Corp Services	"	**Information Security**
IA	CYPS	CYPS	**Safeguarding arrangements in CYPS**
Request	CYPS	"	Children's Centre Imprest Review
IA	CYPS	"	Formula for Financing Schools - Review of the Funding Allocation and include arrangements for provision of additional funding where increase reception classes and Schools Standards Fund
IA	CYPS	"	Schools Transferring to Academy Status
IA	CYPS	"	CYPS Partnerships includes Childrens Trust, Bristol Safeguarding Children Board (BSCB) and Children & Young Peoples Plan
IA	CYPS	"	School Fund Audit Certificate - Monitoring and chasing the return of Audit Certificates - Plus audits of some high value funds where concerns have arisen
Request	CYPS	"	Unofficial School Fund
IA	CYPS	"	Bishop Road
IA	CYPS	"	Recruitment & Selection (inc CRB Checks) and Code of Conduct two separate audits Schools/Non schools
IA	CYPS	"	School Meals Provision Central Monitoring Arrangements and sample of Schools
IA	CYPS	"	Personalisation Direct Payments (Young People)
IA	CYPS	"	**COPS Implementation in Schools**
IA	CYPS	"	Commissioning of Internal and External Services
IA	CYPS	"	Inhouse/Independent Fostering Service
IA	CYPS	"	Transfer of Learning Skills Council Responsibility
IA	CYPS	"	Nursery, Primary and Secondary Schools and Childrens Centres - Sample of Schools and FMSIS

SOURCE	DIRECTORATE	AREA	SUBJECT
IA	CYPS	"	Children in Care District Offices - Review Financial Administration Arrangements
IA	CYPS	B/F from 2010/11	**FMSiS 2010/11 Slippage**
IA	CYPS	"	LEP
IA	CYPS	"	CYPS Imprest Review
IA	CYPS	"	PFI
GT	Corp Services	Integ Cust Serv	**HB Subsidy Arrangements**
Request	Corp Services	"	Local Tax Income
Request	NH	Safer Bristol Partnership	**Analytical review incorporating all activities of Partnership**
IA	Corp Services	Integ Cust Serv	HB - Administration & Assessment Teams
IA	Corp Services	B/F from 2010/11	HB Admin/ Assessment Teams
IA	Corp Services	"	BANES Parking Meter Contract
IA	HSC	HSC	Direct Payments
Request	HSC	CYPS	Supporting People
IA	HSC	HSC	Special Projects within H&SC (Residential Futures, Care Broker-age) + Home Closure Requests
IA	HSC	"	Payments to Private Day Centres/Residential Care Homes -
IA	HSC	"	Self Directed Support and Personalisation Arrangements includes the Resource Allocation System
IA	HSC	"	Direct Payments
IA	HSC	"	Safeguarding arrangements in H&SC
IA	HSC	"	Commissioning Arrangements within H&SC
IA	HSC	"	North Star/South Star/Star Support and Continuing to Care Service (Short Term Assessment and Reablement Service) - Services Merging
IA	HSC	"	HSC Partnerships including the Health and Wellbeing (The Bristol Partnership) and Partnerships (Older Peoples Partnersip, Bristol Learning Difficulties Partnership, Bristol Physical and Sensory Impairment Board, Safeguarding Adults Board and Supporting People Commissioning Board)
IA	HSC	B/F from 2010/11	Supporting People
IA	NH	Landlord Services	**Housing Rents**
Request	NH	General	Neighbourhood Partnerships
IA	NH	Landlord Services	**Tenancy Audits**
Request	NH	Env & Leis	Parks Service, Allotments, Estates & Sports Financial Management/ Administration and Concessions (Central Collection Arrangements)
Request	NH	Strat Hsg	**Tenancy Waiting Lists/ Allocations**
IA	NH	Procurement	Landlord Services - Procurement
IA	NH	"	Waste Services Disposal
IA	NH	B/F from 2010/11	Parks Major contracts

FUNDAMENTAL FINANCIAL SYSTEMS

SOURCE	DIRECTORATE	AREA	SUBJECT
GT	CORP	Finance	**Asset Management**
IA	Corp Services	"	**Corporate Main Accounting**
IA	Corp Services	Workforce Strategy	**Corporate Payroll System**
Request	Corp Services	Human Resources	**Income Tax & NI Deductions and Payments**
IA	Corp Services	STS Finance & Procurement	**Procurement, Ordering & Payment to Suppliers (formerly Creditors KC)**
Request	Corp Services	ICT	**Logasnet**
GT	Corp Services	Finance	Bank Reconciliation (Part of Main Accounting)
Request	Corp Services	"	**Capital Accounting**
Request	Corp Services	"	**Loans/ Treasury Management**
Request	Corp Services	Integ Cust Serv	CTAX & NNDR - Debits and Voids
Request	Corp Services	"	CTAX & NNDR - Refunds and Write Off & Exemptions
IA	NH	Finance	**NH Departmental Payroll**
Request	NH	Integ Cust Serv	**HB Overpayments**
IA	NH	B/F from 2010/11	**NH Current Tenant Arrears**

IT AUDIT PROGRAMME

SOURCE	DIRECTORATE	AREA	SUBJECT
IA	Corp Services	ICT	ICT Support Services (Service Desk & user admin/security)
IA	Corp Services	"	New desktop systems security (e-mail etc)
Request	Corp Services	"	Data warehousing - data protocol
Request	Corp Services	"	Payroll Data Cleanse
IA	Corp Services	"	**Payroll System Replacement**
IA	Corp Services	"	Firewall
IA	Corp Services	"	**Bacstel System**

SOURCE	DIRECTORATE	AREA	SUBJECT
IA	Corp Services	"	Government Connect Compliance
IA	Corp Services	"	Payment Card Industry Standard - Compliance Audit
IA	Corp Services	"	Bristol E Procurement System (BEPS)
IA	CYPS	"	Secondary School - other x2
IA	CYPS	"	Secondary School - Bridge Learning Campus
IA	CYPS	"	Primary Schools x 2
IA	Corp Services	"	Creditor Interfaces
IA	Corp Services	"	**COPS Application review**
IA	Corp Services	"	Benefits on-line system
IA	Corp Services	"	**Gateway projects (impact assessments & projects)**
Request	HSC	"	Electronic Monitoring System - interfaces
IA	HSC	"	Meal System
IA	HSC	"	HSC Financial systems Softbox - Foster Carers/Non Residential Care) Series X (Adult Care)

CORPORATE GOVERNANCE

SOURCE	DIRECTORATE	AREA	SUBJECT
CP	CORP	Corporate Governance	**Annual Governance Statement- Interim process for 10/11 completion and 11/12 Preparation, plus monitoring and update of Local Code**
IA	CORP	ICT	Customer Satisfaction Database - Update
IA	CORP	Corporate Governance Policy Reviews	Update of Internal Audit Charter/Strategy
CP	CORP	"	Scheme of Delegations (corporate Guidance Overview)

GRANT CERTIFICATION

SOURCE	DIRECTORATE	AREA	SUBJECT
Request	CD	CD	**Greater Bristol Bus Network - Annual Review**
Request	CD	"	**Carbon Reduction**
Request	CD	"	**Financial Grants & External Support - Grant Certification Process**
IA	NH	Neighbourhoods & Communities	Community Development Grants (Grants to Voluntary Organisations)
Request	NH	Env & Leis	**Scambuster Grant Audit**
Request	NH	Safer Bristol Partnership	**Illegal Money Lending Team**

PRO-ACTIVE FRAUD AGENDA

SOURCE	DIRECTORATE	AREA	SUBJECT
Request	CD	Procurement	Contract Letting - Investigation
IA	CORP	High Risk Fraud Testing	Payroll Testing - IA testing
IA	CORP	Fraud Measurement	**Annual Audit Commission Fraud Survey**
IA	CORP	Fraud Risk assessment & Testing	Data warehousing
IA	CD	"	Parking Services Investigation
IA	CORP	"	Fraud risk assessment creation and maintenance
IA	CORP	Networking/Best Practice/Alerts	NAFN
IA	CORP	"	Police Liaison (GAIN)
IA	CORP	"	NAFN Warning bulletins
IA	CORP	"	Fraud Web page maintenance
IA	CORP	Network/Best Practice/Alerts	Hotline (admin/advertisement etc)
IA	CORP	High Risk Fraud Testing	Creditors - Duplicates
IA	CORP	Training & Awareness	Fraud Training (Members and Officers) including collation of Workbooks and subsequent interpretation
IA	CORP	Fraud Agenda	General in year allowance
IA	CORP	Tenancy	**Management & Investigation**
IA	CORP	Training & Awareness	Fraud Bulletin
IA	CORP	Fraud Risk assessment & Testing	NFI 2010/11 output review including any supplementary output (Local Tax) etc.
IA	CORP	High Risk Fraud Testing	Recruitment Fraud (Past and present)- Right to Work and/or reside in UK, Qualification validity, validity of references.
IA	CORP	Training & Awareness	Review of Counter Fraud Strategy and Fraud Response Plan - Slippage
IA	CORP	"	Payslip notices
IA	CORP	Policy and Procedure	**Money Laundering Advice & Guidance provision**
IA	CORP	Fraud Measurement	Fraud Register maintenance (to record all types of fraud)
Request	CYPS	CYPS	Imprest Review
Request	CYPS	"	School Transport Provision
IA	Corp Services	Integ Cust Serv	Local Tax - Single Adult Discount
IA	Corp Services	"	Local Tax - Student Exemptions
IA	Corp Services	"	Local Tax - Credit Card Payments

SOURCE	DIRECTORATE	AREA	SUBJECT
IA	NH	Procurement	Contractors Duplicate check
IA	NH	Landlord Services	De-regulated Tenancies
Request	NH	Procurement	Contractor investigation

RISK MANAGEMENT PROGRAMME

SOURCE	DIRECTORATE	AREA	SUBJECT
IA	CORP	Guidance Updates	Decision Making
IA	CORP	"	Web page updates
IA	CORP	"	General Guidance Provision
IA	CORP	"	Toolkit
IA	CORP	Liaison	Directorate Reps HSC
IA	CORP	"	Directorate Reps - Corp Services
IA	CORP	"	Directorate Reps - Neighbourhoods HRA
IA	CORP	"	Risk Management Reporting(RR to Audit Committee etc)
IA	CORP	"	Directorate Reps - General
IA	CORP	"	Risk Management Group
IA	CORP	Policy/Framework	RMG meetings
IA	CORP	Reporting	CRR
IA	CORP	"	Annual/Other Reporting
IA	CORP	Strategy/Policy	Policy review
IA	CORP	"	Strategy Development
IA	CORP	"	Sparnet Integration Developments - Directorate Risk Registers
IA	CORP	Training	Create CBT and roll out for members and officers

AUDIT STANDARDS & PROFESSIONAL DEVELOPMENT

SOURCE	DIRECTORATE	AREA	SUBJECT
IA	CORP	Audit Development	Western Unitaries Group Working
IA	CORP	"	Partnership/Shared Service Project
IA	CORP	"	Audit Manual/Guidance/Practice Notes
IA	CORP	Audit Practice & Procedure	Audit Automation Software Implementation
IA	CORP	"	IDEA and other CAATS Development
IA	CORP	Communication	Snips and Tips
IA	CORP	Audit Development	Netsite and Source IA Page maintenance
IA	CORP	Corporate Planning, Performance and Improvement	Sparnet - Expansion on current applications
IA	CORP	Joint Working/Benchmarking	Audit Groups - West of England
IA	CORP	"	Effectiveness of IA including benchmarking
IA	CORP	"	Core Cities Audit Group
IA	CORP	Performance	APACE and Management Information Reports
IA	CORP	Training & Development	Staff Training Provision
IA	CORP	"	Maintenance of Risk Based Auditing

CONSULTANCY & ADVICE

SOURCE	DIRECTORATE	AREA	SUBJECT
AGS	CORP	Other Corporate Policies and Processes	**Gateway Review Process**
Request	CYPS	Finance	**Financial Regulations for Schools**
IA	HSC	Strategy/Policy	Health White Paper - Implications for LA's
IA	CORP	Corporate Governance Policy Reviews	**Financial Regulations -maintenance**

PLANNED FOLLOW-UP PROGRAMME

SOURCE	DIRECTORATE	AREA	SUBJECT
Request	CD	Procurement	Events and Festivals
Request	CD	"	Vetting of Contractors
IA	CD	"	Traffic Major Works f/up
Request	CD	CD	Transport projects (Bus Rapid Transit, TIF, cycling city etc)
Request	CORP	Policy and Decision Making	**Decision making processes**
CRR	CORP	Corporate Finance	**Value for money strategy**
IA	CORP	Corporate Governance	Staff - Declarations of Interest, Gifts and Hospitality
CRR	Corp Services	ICT	**Business Continuity Planning/Disaster Recovery**
CRR	Corp Services	"	Mobile Computing and Data Transfer
IA	Corp Services	"	Home working (ICT review)
IA	Corp Services	"	Internet Follow up
Request	Corp Services	ICT	**COPS**
Request	CYPS	CYPS	Recruitment and Selection
IA	CYPS	"	Community School & Children's Centre
IA	CYPS	"	Extended Schools Partnership

SOURCE	DIRECTORATE	AREA	SUBJECT
IA	CYPS	ICT	**Business Continuity Planning/Disaster Recovery**
IA	Corp Services	Finance	**Payroll Key Control 09/10**
IA	HSC	HSC	Supporting People
IA	NH	ICT	Uniform
IA	NH	Procurement	Parks - Major Contracts, e.g. Grounds Maintenance

AUDIT COMMITTEE - FACILITATION & DEVELOPMENT

SOURCE	DIRECTORATE	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**

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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.
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.
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 and/or level of risk to the Council is 'Significant' or 'Of Concern' at last audit; or Area of high residual risk exposure in Corporate or Directorate Risk Register;or unresolved AGS long list item from previous year: or System never subject to audit or last audited more than: • 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 with "Of Concern or Moderate" level of risk at last audit; or Area of medium residual risk exposure in Corporate or Directorate risk register; or: • 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) Minimal level of risk to the Council. No mention in Corporate/Directorate risk registers

Amended May 2011

**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:

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 oris there duplication?