





**Brighton & Hove
City Council**

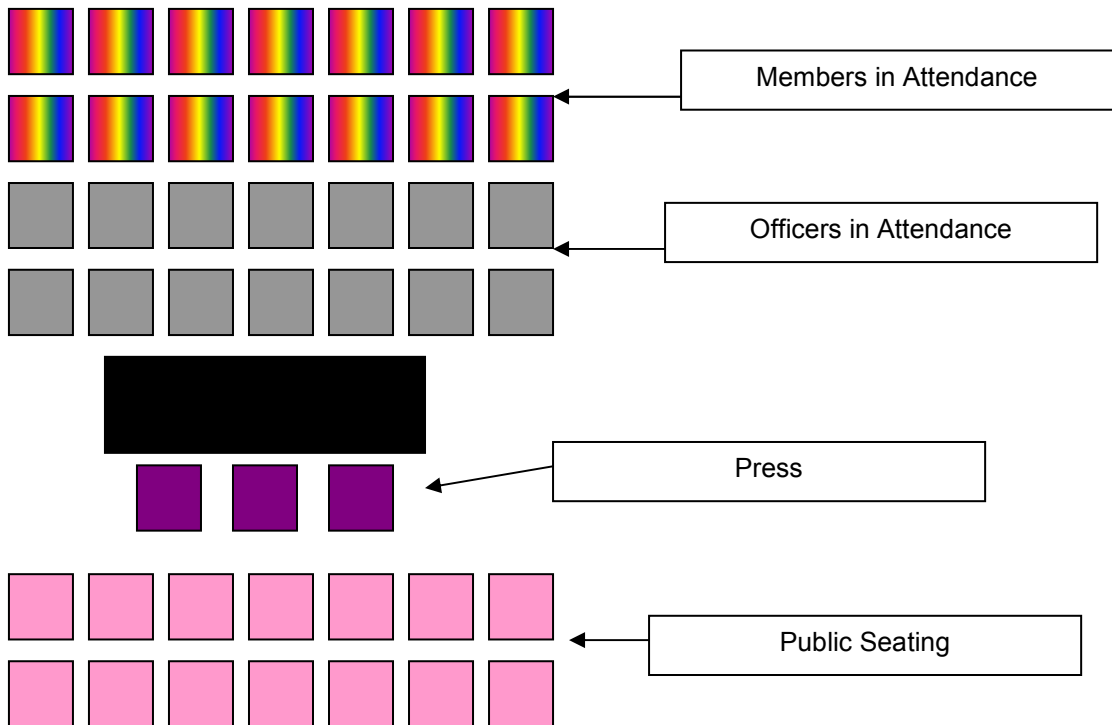
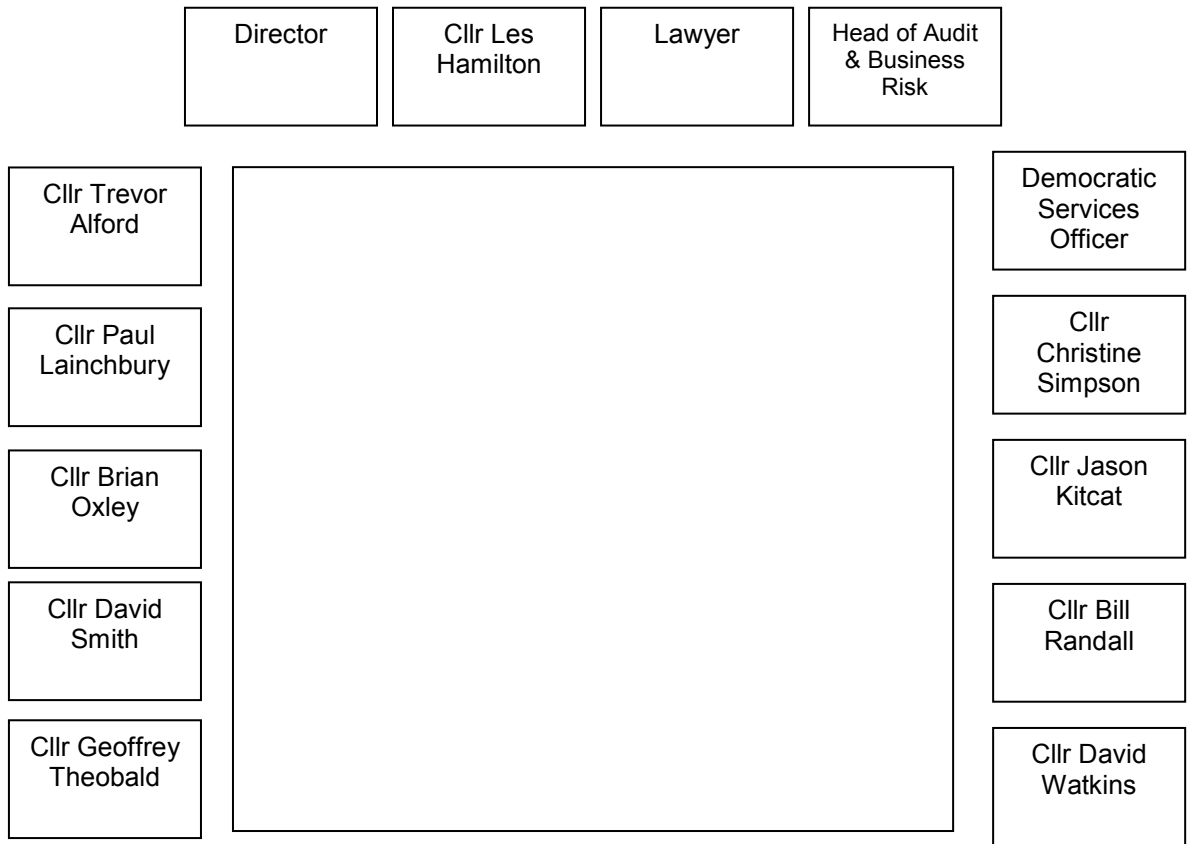
Audit Committee

Title:	Audit Committee
Date:	19 May 2009
Time:	4.00pm
Venue	Committee Room 1, Hove Town Hall
Members:	*Councillors: Hamilton (Chairman), Alford, Kitcat, Lainchbury, Oxley, Randall, Simpson, Smith, G Theobald and Watkins (Deputy Chairman)
Contact:	Jane Clarke Democratic Services Officer 01273 291064 jane.clarke@brighton-hove.gov.uk

*Subject to ratification or change at the annual meeting of Full Council on 14 May 2009.

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Democratic Services: Meeting Layout



AGENDA

103. PROCEDURAL BUSINESS

- (a) Declaration of Substitutes - Where Councillors are unable to attend a meeting, a substitute Member from the same Political Group may attend, speak and vote in their place for that meeting.
- (b) Declarations of Interest by all Members present of any personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.
- (c) Exclusion of Press and Public - To consider whether, in view of the nature of the business to be transacted, or the nature of the proceedings, the press and public should be excluded from the meeting when any of the following items are under consideration.

NOTE: Any item appearing in Part 2 of the Agenda states in its heading the category under which the information disclosed in the report is exempt from disclosure and therefore not available to the public.

A list and description of the exempt categories is available for public inspection at Brighton and Hove Town Halls.

104. MINUTES OF THE PREVIOUS MEETING

1 - 8

Minutes of the meeting held on 31 March 2009 (copy attached).

105. CHAIRMAN'S COMMUNICATIONS

106. PETITIONS

No petitions received by date of publication.

107. PUBLIC QUESTIONS

(The closing date for receipt of public questions is 12 noon on 12 May 2009).

No public questions received by date of publication.

108. DEPUTATIONS

(The closing date for receipt of deputations is 12 noon on 12 May 2009).

No deputations received by date of publication.

AUDIT COMMITTEE

109. LETTERS FROM COUNCILLORS

No letters have been received.

110. WRITTEN QUESTIONS FROM COUNCILLORS

No written questions have been received.

111. AUDIT COMMISSION UPDATE REPORT

Report from the Audit Commission (copy to follow).

Ward Affected: All Wards;

112. ANNUAL AUDIT AND INSPECTION FEES LETTERS (INCLUDING BROAD COVERAGE) 9 - 16

Report from the Audit Commission (copy attached).

Ward Affected: All Wards;

113. ASSURANCES FROM THOSE CHARGED WITH GOVERNANCE

Report from the Audit Commission (copy to follow).

Ward Affected: All Wards

114. INTERNAL AUDIT STRATEGY AND ANNUAL PLAN 2009/2010 17 - 60

Report of the Assistant Director of Finance and Resources (copy attached).

Contact Officer: Ian Withers

Tel: 29-1323

Ward Affected: All Wards;

115. REVIEW OF THE EFFECTIVENESS OF SYSTEMS OF INTERNAL AUDIT

Report of the Assistant Director of Finance and Resources (copy to follow).

Contact Officer: Ian Withers

Tel: 29-1323

Ward Affected: All Wards;

116. RISK AND OPPORTUNITY MANAGEMENT (ROM) UPDATE - CORPORATE RISK REGISTER 2009-10 61 - 70

Report of the Assistant Director of Finance and Resources (copy attached).

Contact Officer: Jackie Algar

Tel: 29-1273

Ward Affected: All Wards;

PART TWO

117. PART TWO MINUTES - EXEMPT CATEGORY 3 71 - 74

Restricted Minutes of the meeting held on 31 March 2009 (copy attached).

AUDIT COMMITTEE

The City Council actively welcomes members of the public and the press to attend its meetings and holds as many of its meetings as possible in public. Provision is also made on the agendas for public questions to committees and details of how questions can be raised can be found on the website and/or on agendas for the meetings.

The closing date for receipt of public questions and deputations for the next meeting is 12 noon on the fifth working day before the meeting.

Agendas and minutes are published on the council's website www.brighton-hove.gov.uk. Agendas are available to view five working days prior to the meeting date.

Meeting papers can be provided, on request, in large print, in Braille, on audio tape or on disc, or translated into any other language as requested.

For further details and general enquiries about this meeting contact Jane Clarke, (01273 291064, email jane.clarke@brighton-hove.gov.uk) or email democratic.services@brighton-hove.gov.uk

Date of Publication - Monday, 11 May 2009

BRIGHTON & HOVE CITY COUNCIL

AUDIT COMMITTEE

4.00pm 31 MARCH 2009

COMMITTEE ROOM 1, HOVE TOWN HALL

MINUTES

Present: Councillors Hamilton (Chairman), Alford, Kitcat, Oxley, Pidgeon, Randall, Simpson, Smith, Watkins (Deputy Chairman) and Wells

PART ONE

84. PROCEDURAL BUSINESS

84a Declaration of Substitute Members

- 84.1 Councillor Wells declared that he was substituting for Councillor Lainchbury.
- 84.2 Councillor Pidgeon declared that he was substituting for Councillor G Theobald.

84b Declarations of Interest

- 84.3 Councillor Simpson declared a personal interest in item 94 arising from being involved in the Local Delivery Vehicle.
- 84.4 Councillor Wells declared a personal interest in item 94 arising from being involved with the Local Delivery Vehicle.
- 84.5 Councillor Randall declared a personal interest in item 102 arising from being a school governor.
- 84.6 Councillor Kitcat declared a personal interest in item 102 arising from being a school governor.
- 84.7 Councillor Hamilton declared a personal interest in item 102 arising from being a school governor.

84c Exclusion of the Press and Public

- 84.8 In accordance with section 100A of the Local Government Act 1972 ('the Act'), the Audit Committee considered whether the press and public should be excluded from the meeting during an item of business on the grounds that it was likely, in view of the

nature of the business to be transacted or the nature of the proceedings, that if members of the press or public were present during that item, there would be disclosure to them of confidential information (as defined in section 100A(3) of the Act) or exempt information (as defined in section 100I of the Act).

84.9 **RESOLVED** - That the press and public be excluded from the meeting during consideration of item 99, Non-Public Minutes of the previous meeting, item 100, Corporate Risk Management Action Plans Focus, item 101, Payroll Audit and item 102, Schools Financial Management Audit Report as these items were exempt under Paragraph 3 of Schedule 12A of the 1972 Act (information relating to the financial or business affairs of the authority).

85. MINUTES OF THE PREVIOUS MEETING

85.1 **RESOLVED** – That the minutes of the meeting held on 24 February 2009 be approved and signed by the Chairman as a correct record.

86. CHAIRMAN'S COMMUNICATIONS

86.1 The Chairman addressed Members and stated that the future start times of the Committee would remain at 16:00.

86.2 The Chairman welcomed Senior Performance Analyst, Andy Edwards, Performance Analyst, Richards Miles and Sandra Prail from the Audit Commission, to the meeting.

87. PUBLIC QUESTIONS

87.1 There were none.

88. WRITTEN QUESTIONS FROM COUNCILLORS

88.1 There were none.

89. DEPUTATIONS

89.1 There were none.

90. PETITIONS

90.1 There were none.

91. LETTERS FROM COUNCILLORS

91.1 There were none.

92. CAA USE OF RESOURCES AND AUDIT COMMITTEE ROLE

92.1 The Performance Analyst gave a presentation to the Committee Members on the Comprehensive Area Assessment and the role of the Audit Committee. It was highlighted that the new Comprehensive Area Assessment would begin in April 2009

and would be comprised of two elements: the first an area assessment on the outcomes of the Local Area Agreement and Community Strategy; and the second an organisational assessment examining the performance of the Authority and the Use of Resources statement. A strong element of the CAA would be in helping people to understand whether they are getting value for money from their local services.

- 92.2 Councillor Smith noted that the authority was limited in some regard by financial regulations and asked how they would marry with the expectations of the public. The Performance Analyst agreed and stated that the Use of Resources statement would be a key document in helping people to understand the finances of the Council, but also there would also have to be an element of managing the expectations of the public.
- 92.3 Councillor Oxley asked whether the 'Reducing Inequality' review would be fed into the CAA process and the Performance Analyst stated that it would, but an updated review would have to be conducted to reflect the requirements of the process.
- 92.4 Councillor Randall asked what the cost implications were to the Council in the new system and the Performance Analyst stated that it was predicted to be a reduced cost burden as it was a rolling process that would be continually updated once set into motion.
- 92.5 Councillor Randall noted that a new 'flag' system was going to be used to indicate good and bad areas of assessment and asked for a further explanation of this. The Performance Analyst stated that not every outcome would receive a flag and that only those that needed highlighting, for either good or bad reasons, would be flagged up by the Audit Commission. This would provide members of the public with an easy way to assess the performance of the authority against its stated aims.
- Councillor Randall asked what was indicated for outcomes without flags and the Performance Analyst stated that a detailed written assessment would accompany each outcome to enable people to judge how well the authority had performed in that area.
- 92.6 Councillor Randall asked what level of customer involvement there would be in the CAA and the Performance Analyst stated that Satisfaction Surveys and Place Surveys would feed into the process. Information gathering from groups of interest in how well the authority was performing would also be conducted and fed in.
- 92.7 Sandra Prail addressed the Committee and stated that the CAA was primarily a narrative for a public audience and would involve the input of several difference agencies. It would be an outcome focussed analysis and those areas where outcomes needed to be looked at would take priority and receive a higher level of assessment detail. The 2020 Partnership was already starting to identify groups who could have a positive input into the process, and this would be an ongoing process to ensure co-operation between all interested parties.
- 92.8 Councillor Kitcat asked for clarification that the star rating system would be gone and felt that the new system was not a very clear way of indicating to residents how well the authority was performing. The Performance Analyst stated that it should be a more realistic appraisal of the authority, and that one of the criticisms of the star rating system had been that it was not truly representative of how well an authority was doing. The

new system was seeking to address this criticism and the first cycle would give a clearer indication of how well it was working.

- 92.9 Ms Prail noted there were two elements to the CAA; the area assessment and the organisational assessment. The organisational assessment would still be scored in a similar way to previously.
- 92.10 Councillor Watkins asked when the first report was due and Ms Prail stated that the organisational assessment would come to the Audit Committee in November 2009 and the area assessment would go to the Local Strategic Partnership.
- 92.11 Councillor Watkins asked who would be responsible for ensuring the recommendations of the area assessment were followed through and Ms Prail stated that it would be delivered to the LSP, of which the Council was a partner, but the Council would be responsible for ensuring the recommendations relating to its services were acted on.
- 92.12 **RESOLVED** – That the report on the Comprehensive Area Assessment and Audit Committee Role is noted.

93. AUDIT COMMISSION UPDATE REPORT

- 93.1 Grahame Brown from the Audit Commission presented an oral update to the Committee on the work of the Audit Commission. He noted that the Commission had been very busy lately and a formal report would be brought to the Committee in May 2009. They were currently working on the Governance review, which had been deferred for further discussions with Officers to take place, and discussions had taken place with Officers regarding the Local Delivery Vehicle and the Building Schools for the Future programme. Advice and assistance had been given to the Housing Management Teams regarding their processes and an action plan with recommendations would be brought to the Audit Committee in due course.
- 93.2 **RESOLVED** – That the Committee notes the Audit Commission Update report.

94. ANNUAL AUDIT & INSPECTION LETTER

- 94.1 Ms Prail addressed the Committee and presented a report of the Audit Commission on the Annual Audit and Inspection Letter (for copy see minute book).

Ms Prail stated that this was the last retrospective Annual Audit and Inspection Letter that the Committee would receive under this regime. The content had been agreed by Officers for the Council and by Cabinet and it was noted that the authority had received a four star rating with significant improvements being seen for the Use of Resources Statement. It was noted that the Local Delivery Vehicle was still under performing but recommendations for this had been given in the report, which reinforced actions that the authority was already initiating.

- 94.2 Councillor Hamilton asked about the score rating and Ms Prail stated that an authority would need to gain at least three stars in every area to achieve a four star rating.

94.3 Councillor Randall asked if the areas for assessment were weighted differently and Ms Prail confirmed this was the case.

94.4 **RESOLVED** – That the Committee agrees the Annual Audit and Inspection Letter.

95. COUNTER FRAUD STRATEGY UPDATE

95.1 The Head of Audit and Business Risk presented an update to the Committee on the Counter Fraud Strategy and stated that this was part of the key arrangements which laid out the Council's response to potential high risks.

There had been no evidence so far that fraud had been a major problem within the Council but vigilance was needed as instances of fraud commonly rise during times of recession. An update to the fraud loss measurement was being carried out to assess potential losses.

95.2 The Chairman asked if Brighton & Hove City Council had many 'whistleblowers' over the years, and the Head of Audit and Business Risk that they had received a fair number of referrals of investigation over the hotline and a proportion were passed on to the Police for criminal investigation.

95.3 Councillor Oxley asked whether the protocols on publicity for fraud cases had been changed and the Head of Audit and Business Risk stated that the Council would seek to publicise any positive results from investigation cases as appropriate. He noted that most had been due to housing benefit fraud and the department would work closely with the communications department to any fraud case.

95.4 Councillor Watkins asked whether the Council had many instances of corruption. The Head of Audit and Business Risk stated that potential instances of corruption had been investigated but no actual findings identified at the Council. There was training available on fraud awareness for staff and members.

95.5 Councillor Smith raised concern that unintentional corruption could take place for members if the circumstances had occurred several years ago. The Head of Audit and Business Risk stated that all interests should be declared of the register of interests which was available for the entire time the member served.

95.6 **RESOLVED TO RECOMMEND** – That Counter Fraud Strategy is approved by the Governance Committee.

96. CODE OF CORPORATE GOVERNANCE

96.1 The Head of Audit and Business Risk presented a report on the Code of Corporate Governance and stated that this formed part of the Council's constitution, which was a best practise procedure at local authorities. The Code states six key principles that form a statement of intent for the Council, with following points for each principle to ensure their full achievement by the Council.

96.2 Councillor Kitcat asked why the Committee was receiving the report when there were no financial or other implications given, and the Head of Audit and Business Risk stated

that the Committee was being asked to recommend the adoption of the Code by Full Council and it was part of good governance procedures to bring the draft Code to the Audit Committee.

- 96.3 Mr Browne from the Audit Commission added that the Code would underpin much of the audit assessment work being done for the Comprehensive Area Assessment and it was implicitly required to achieve a good CAA rating.
- 96.4 Councillor Randall asked what the key revisions of the Code were and the Head of Audit and Business Risk stated that it had been simplified to encourage understanding, but no radical changes had been made.
- 96.5 **RESOLVED TO RECOMMEND** – That the Code of Corporate Governance be adopted.

97. INTERNAL AUDIT CHARTER

- 97.1 The Committee considered a report of the Interim Director of Strategy & Governance on the Internal Audit Charter (for copy see minute book).
- 97.2 The Head of Audit and Business Risk stated that the charter formed the terms of reference for the Audit and Business Risk function, as recommended by the Chartered Institute of Public Finance & Accountancy's Code of Best Practice for Internal Audit in Local Government, and was required to be annually agreed by the Audit Committee. Key features of the Charter were ensuring the independence of the audit function and maintaining audit reporting lines within the Council. Changes to the Charter for this year were minor, but recognised that business risk was back under the remit of the audit function.
- 97.3 **RESOLVED** – That the Committee approves the Internal Audit Charter for 2009.

98. RISK & OPPORTUNITY MANAGEMENT UPDATE

- 98.1 The Committee considered an oral report from the Risk and Opportunity Manager on the Risk & Opportunity Management update. She stated that she had met with project managers to improve risk registers and offer assistance to project groups and boards for the Local Delivery Vehicle, the Personalisation Agenda and the Fleet Project.

The Risk and Opportunity Manager had been working with the Children's and Young Person's Trust on an assurance framework similar to the ROM strategy and the CYPT Risk Register had been refreshed. Regular meetings were to take place with the Southdowns NHS Trust and the CYPT risk leads to share risk registers and good practice.

A pilot software programme for risk and opportunity management was being developed that linked in with business planning and personnel management, and an e-learning programme was almost complete. The ROM Strategy Update and progress reporting on the annual ROM programme 2009/10 would provide further information to Committee in summer 2009.

98.2 **RESOLVED** – That the Committee notes the Risk and Opportunity Management update.

99. PART TWO MINUTES - EXEMPT CATEGORY 3

99.1 The Chairman was requested to approve and sign the non-public minutes of the meeting held on 24 February 2009.

100. CORPORATE RISK MANAGEMENT ACTION PLANS FOCUS - EXEMPT CATEGORY 3

100.1 **RESOLVED** – That the Committee notes the Corporate Risk Management Action Plans Focus.

101. PAYROLL AUDIT - EXEMPT CATEGORY 3

101.1 **RESOLVED** – That the Committee notes the Payroll Audit update.

102. SCHOOLS FINANCIAL MANAGEMENT AUDIT REPORT - EXEMPT CATEGORY 3

102.1 **RESOLVED** – That the Committee notes the Schools Financial Management Audit Report.

The meeting concluded at 6.00pm

Signed

Chair

Dated this

day of



28th April 2009

Mr Alex Bailey
Acting Chief Executive
Brighton & Hove City Council
Kings House
Grand Avenue
Hove
BN3 2LS

Ref: SP/SS/DM
Telephone: 0844 798 2389
Mob: 07790 775060
Email: s-prail@audit-commission.gov.uk

Dear Alex

Annual inspection fee 2009/10

I am writing to confirm the assessment and inspection work that we propose to undertake for the 2009/10 financial year at Brighton and Hove City Council. The inspection fee:

- is based on the risk-based approach to inspection planning as set out in the Comprehensive Area Assessment (CAA) framework and associated guidance; and
- reflects only the Audit Commission's inspection work, excluding any audit fees. Your appointed auditor will be writing to you separately on fees for audit work.

CAA will deliver a more proportionate and risk based approach to inspection, targeting only high risk services and outcomes for inspection where alternative improvement activity is not appropriate. The inspection plan will be reviewed and updated as necessary.

The total indicative fee for inspection for 2009/10 is £18 293 and is shown in the table below. The inspection fee has been set in accordance with the Audit Commission's work programme and scales of fees 2009/10.

Assessment and inspection work plan and fee

Assessment / inspection activity	Planned fee for 2009/10
Area assessment of local partnership	n/a (CLG grant funded)
Managing performance theme of organisational assessment	£18 293
Risk based inspection	n/a

Total inspection fee	£18 293
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If I need to make any significant amendments to the inspection plan and fee during the course of the year, I will first discuss this with you and then confirm in writing outlining the reasons for the change, including the proposed scope for the work.

The above fee excludes any work you requested and the Commission has agreed to undertake using its advice and assistance powers.

If you have any questions regarding this letter, please contact me in the first instance. Alternatively you may wish to contact the South East (sub) Region Head of Operations, Neil Childs.

Yours sincerely,

Sandra Prail
Comprehensive Area Assessment Lead (Sussex)

cc Mrs Catherine Vaughan

23 April 2009

Mr Alex Bailey
 Acting Chief Executive
 Brighton & Hove City Council
 Kings House
 Grand Avenue
 Hove BN32SR

Direct line 0844 798 1790
Email helen-thompson@audit-commission.gov.uk

— Dear Alex

Annual audit fee 2009/10

Further to our discussions and those that Grahame Brown had with Richard Szadziwski, I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at the Council. The fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2009/10; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Sandra Prail as the Council's Comprehensive Area Assessment Lead will write to you separately on inspection fees.

I do need to make you aware that the audit planning process for 2009/10 will be subject to review and updated as necessary as I have not yet completed my audit for 2008/09.

The total indicative fee for the audit for 2009/10 is for £367,895 (exclusive of VAT) which compares to the planned fee of £323,468 for 2008/09. A summary of the different elements of the fee and a comparison to 2008/09 is shown below.

Audit area	Planned fee 2009/10	Planned fee 2008/09
Financial statements	196,585	187,925
Use of Resources/VFM Conclusion (including risk based work)	167,640	132,040
WGA	3,670	3,503
Total audit fee	367,895	323,468
Claims and returns certification (estimate)	60,000	80,000

Audit Commission, The Agora, Ellen Street, Hove, East Sussex, BN3 3LN
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The Commission has published its work programme and scales of fees 2009/10. Based on this the Council's scale fee is £367,895 and this is the fee proposed for 2009/10.

In setting the fee at this time I have assumed that the general level of risk in relation to our work on the financial statements is not significantly different from that expected in 2008/09. A specific plan for this will be sent to the Council in December 2009 which will detail the financial statements risks identified, our planned audit procedures and any changes in fee for this element of our audit.

The fee for grant certification work is an estimate and will be charged at the rates published by the Commission.

If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Director of Finance & Resources and then prepare a report explaining the reasons for discussion with the Audit Committee.

One key element of my use of resources work will be undertaken using the Commission's key lines of enquiry for the three themes below:

- managing finances;
- governing the business; and
- managing resources.

Further details can be found in the Commission's work programme and scales of fees 2009/10.

My work on use of resources informs my 2009/10 value for money conclusion. My planning for the 2009/10 audit has also identified a small number of significant risks relating to the value for money conclusion.

For each of these risks, I have considered the Council's arrangements to mitigate the risk and set out the work planned and timings below.

Risk	Planned work	Timing of work
<p>The Council is to let a long-term contract for capital works and the repairs and maintenance of its housing stock in early 2009/10. Significant savings are expected through this approach. In order to achieve these, the contract must be soundly based and contract management arrangements effective.</p> <p>Key contact :Joy Hollister</p>	<p>We will review the contract arrangements to establish the reasonableness of the savings proposed, how the savings expected are reflected in the longer-term financial plans for the housing revenue account and the effectiveness of the proposed management of the contracts.</p>	<p>November 2009 – January 2010</p>

Risk	Planned work	Timing of work
<p>The Council's proposed participation in a company that will manage about 500 of its housing units as a means of improving their condition is innovative. However, it requires appropriate arrangements to be established to safeguard the Council's assets and to ensure the company achieves the improvements required.</p> <p>Key contacts :Joy Hollister and Richard Szadziewski/Catherine Vaughan</p>	<p>We will review the Council's arrangements at key stages and comment as necessary.</p>	<p>June 2009 to March 2010</p>
<p>The economic climate has impacted on the finances of local authorities including increased demand for some services, reduction in income from charges (such as car parking) raised and increased levels of debtors. This places the Council's financial health at risk.</p> <p>Key contact: Richard Szadziewski / Catherine Vaughan</p>	<p>We will monitor the Council's financial performance to see how well it is managing the impact of the current economic climate and assess the impact on its overall financial health.</p>	<p>June 2009 to March 2010</p>
<p>The waste management PFI (in partnership with a neighbouring local authority) is a high profile arrangement and the operation of effective management of the contract with the service provider is essential. Failure to operate effective contract management could be costly to the Council.</p> <p>Key contact: Jenny Rowlands</p>	<p>We will undertake a high level overview of the Council's approach in order to ensure the arrangements in place ensure that the Council achieves value for money. This builds on our work at previous audits.</p>	<p>June 2009 to March 2010</p>

Risk	Planned work	Timing of work
<p>Participation in the Building Schools for the Future programme is technically demanding and requires effective project management at all stages from the application phase to completion. The Council will invest a significant amount of money in reaching the application phase and there is a risk that application might not be accepted.</p> <p>Key contact: Di Smith and Richard Szadziewski / Catherine Vaughan</p>	<p>We will undertake a high level overview of the Council's approach in order to ensure the arrangements in place ensure that the Council achieves value for money.</p>	<p>June 2009 to March 2010</p>

Project specifications for each piece of work will be issued for discussion with officers before work is started.

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1. Where we are undertaking monitoring reviews, updates will be given as part of our progress reports to the Audit Committee in year.

The above fee excludes any work requested by you that the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The key members of the audit team for the 2009/10 are:

Audit Manager – Simon Mathers 0844 798 1776

Team Leader – Jeremy Jacobs 0844 798 6121

I am committed to providing you with a high quality service. If you are in any way dissatisfied or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Neil Childs, Head of Operations, Southern Region who can be contacted at the following e-mail address n-childs@audit-commission.gov.uk.

Yours sincerely

Helen Thompson
District Auditor

cc Richard Szadziewski, Acting Director of Finance & Resources
cc Councillor Les Hamilton, Chair of the Audit Committee

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee. We will also provide regular progress reports to the Audit Committee.

Planned output	Indicative date
Housing repairs and maintenance long-term contract review	February 2010
Annual governance report (to include updates on those work areas which are not reported separately)	September 2010
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2010
Use of resources report	September 2010
Final accounts report	October 2010
Annual audit letter	November 2010

Subject:	Internal Audit Strategy and Annual Audit Plan 2009-10
Date of Meeting:	19th May 2009
Report of:	Director of Finance & Resources
Contact Officer: Name:	Ian Withers, Head of Audit & Tel: 29-1323
	Business Risk
	E-mail: ian.withers@brighton-hove.gov.uk
Wards Affected:	All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report presents the Internal Audit Strategy and Annual Audit Plan for 2009/10.
- 1.2 The audit Committee and ultimately the council, needs assurance that internal controls have been effectively designed and operating in practice. The audit coverage contained in the Annual Audit Plan aims to provide assurance over this.

2. RECOMMENDATION:

- 2.1 That Members of the Audit Committee approve the Internal Audit Strategy and Annual Audit Plan for 2009/10 attached at Appendix A to this report.

3. BACKGROUND:

- 3.1 The Accounts and Audit Regulations 2003 (as amended) require the council to 'maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with proper practice'. The proper practice being the CIPFA Code of Practice for Internal Audit in Local Government 2006.
- 3.2 Under the Code, the Head of Audit & Business Risk is required to prepare and Internal Audit Strategy and Audit Plan for each financial year. The aim is to provide independent and objective assurance on the control environment consisting of internal control, risk management and corporate governance.
- 3.3 The Internal Audit Strategy and Annual Plan provides the mechanism through which the Head of Audit & Business Risk can ensure the most appropriate use of internal audit resources to provide a clear end of year statement of assurance on the control environment.

3.4 The Annual Audit Plan is effectively a work programme of audits, inclusion of which is primarily based on the greatest perceived inherent risk. Other reviews may also be included based on criteria other than risk, for example 'mandatory' audits or requested/commissioned by management.

4. DEVELOPMENT OF THE ANNUAL AUDIT PLAN:

4.1 The Annual Audit Plan for 2009-10 was developed by the following:

- Linking with Directorate and Service Business Plans;
- Use of existing corporate and departmental risk registers to identify risks and controls;
- Our own cumulative knowledge and experience of the City Council's governance and control environment;
- Internal Audit Universe and Risk Assessment using cumulative audit knowledge and experience including previous audits, materiality, sensitivity, change;
- Information and requests from extensive consultation meetings with management.

4.2 There are considered to be sufficient resources available to achieve the 2009/10 Annual Audit Plan subject to there being no significant unplanned audit work or staff vacancies. To be better prepared in order to mitigate the risk of staff vacancies, we have now arranged to procure additional external resources under a framework contract.

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial Implications:

5.2 As noted in the strategy, the Head of Audit & Business Risk must formally report to the Director of Finance & resources (Section 151) and the Audit Committee if insufficient resources are available to meet the team's responsibilities and achieve its objectives. Audit & Business Risk were exempted from the 2009/10 savings target, allowing sufficient resources to be built into the 2009/10 budget to afford an adequate number of audit days in the year.

The work of internal audit reduced the council's fees to our external auditors, particularly under the 'managed audit' arrangements. Additionally, changes to thresholds that determine the extent of audit of grant claims has realised real savings, with many grants now being audited by the Audit & Business Risk team rather than by our external auditors.

Delivering the annual audit plan contributes towards the Chief Finance Officer meeting their Section 151 responsibilities (make arrangements for the proper administration of the Local Authorities financial affairs) by helping to achieve an effective control environment.

Finance Officer Consulted: Stuart Taylor

Date: 7 May 2009

5.2 Legal Implications:

The relevant statutory provisions are referred to in paragraphs 3.2 above.

Laywer Consulted: Oliver Dixon

Date: 7 May 2009

5.3 Equalities Implications:

When carrying out audit work, any equality issues identified are reported to the appropriate level of management. The Internal Audit Strategy and Annual Audit Plan recognises the council's priorities in respect to Equality and Diversity and how Internal Audit will meet them.

5.4 Sustainability Implications:

When carrying out audit work, any sustainability issues identified are reported to the appropriate level of management.

5.5 Crime & Disorder Implications:

When carrying out audit work, any crime and disorder issues identified are reported to the appropriate level of management.

5.6 Risk and Opportunity Management Implications:

The preparation of the Internal Audit Strategy and annual Audit Plan has taken into account the adequacy, outcomes of the council's risk management and other assurance processes. The work of Internal Audit assists the council in improving controls to mitigate risks. The Annual Audit Plan will be flexible to take account of emerging risks and priorities of the council.

5.7 Corporate / Citywide Implications:

Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

SUPPORTING DOCUMENTATION

Appendices:

1. Internal Audit Strategy and Annual Audit Plan 2009/10

Background Documents:

1. Accounts & Audit Regulations 2003 (Amended 2006)
2. CIPFA Code of Practice for Internal Audit in Local Government 2006
3. Risk and Opportunity Strategy 2008
4. Corporate Risk Register 2008



Audit & Business Risk



Internal Audit Strategy and Annual Plan 2009-10

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Introduction

1. This document sets out the City Council's Internal Audit Strategy and Annual Plan for 2009/10.
2. The City Council's internal audit function is provided by Audit & Business Risk, part of the Finance & Resources Directorate, together with our 'internal audit partner' Deloitte. The terms of reference are included in the Audit Charter, at Appendix C.
3. Internal Audit principally contributes to the City Council's Corporate Priority, better use of *public money* and the Finance & Resources Directorate's Objectives, *to drive better value for money by transforming our services and supporting other services in their transformation and to ensure effective governance and management of resources within the Council.*
4. Our strategic vision is to continually add value at corporate, departmental and service level by working with management to review and improve internal control, risk management, corporate governance and the achievement of value for money. Our service is customer focussed and our approach and performance standards support this.
5. The purpose of the Internal Audit Strategy and Plan is to:
 - Provide independent and objective overall assurance to Members, TMT and other senior managers on the effectiveness of the City Council's control environment
 - Identify the key risks facing the City Council to achieving its objectives and determine the corresponding level of audit resources
 - Add value and support senior management in providing effective control and identifying opportunities for improving value for money
 - Support the Director of Finance & Resources in fulfilling obligations as the City Council's nominated Section 151 Officer
 - Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations.
 - Optimise the use of audit resources available
6. The Internal Audit Strategy and Plan is aimed primarily at providing ongoing and annual assurance to the City Council to provide confidence to its stakeholders.

Key Core Deliverables for 2009/10

- To provide ongoing assurance to management on the integrity, effectiveness and operation of the City Council's internal control system.
- Delivery of the Annual Audit Plan
- To continue to meet the requirements of the 'managed audit' arrangements with the City Council's external auditors to further develop our partnership working relationships.
- To further embed integration of internal audit work with governance and managing risk to produce a clearly coordinated risk-based approach to the audit of business/operational systems across the City Council.
- To deliver the statutory requirements of the Accounts and Audit Regulations 2006.
- To continue to develop and have a lead in the City Council's corporate governance arrangements including review and production of the 'Annual Governance Statement' to provide assurance on the City Council's governance arrangements and any areas for improvement.
- To continue to be proactive in counter fraud including delivery of comprehensive fraud awareness training programme to assist managers and staff in the prevention and detecting of fraud and irregularities.
- To continue to develop our role and work closely with the Audit Committee.
- To significantly contribute to the City Councils Value for Money and Business Transformation agenda. In particular by ensuring our audit work is focussed on effective change and delivery of service improvements.

The Role and Purpose of Internal Audit in the City Council

7. The statutory basis for internal audit in local government is provided in the Accounts and Audit Regulations 2006, which states that *a local authority shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practice*. The City Council has recognised this statutory requirement in its financial regulations.
8. In addition to the above, the Director of Finance & Resources has a statutory duty under Section 151 of the Local Government Act 1972, to establish a clear framework for the proper administration of the local authority's affairs. To perform that duty the Section 151 Officer relies on amongst other things, the work of Audit & Business Risk Services in reviewing systems of internal control, financial management and other assurance processes.

9. The standards for 'proper practice' in relation to internal audit are laid down in CIPFA's Code of Practice for Internal Audit in Local Government (Updated in 2006). We continually ensure compliance with these professional standards and reflected in our terms of reference contained in our Audit Charter, shown at Appendix C.
10. The standard and quality of internal audit is principally scrutinised in four ways:
 - An annual review of the effectiveness of internal audit required by the Accounts & Audit Regulations 2006, reported to the Audit Committee
 - The external auditor seeks to place reliance upon the quality and standard of work our work through principally the 'managed audit' process and reports this to the Council in the annual audit and inspection letter
 - The external auditor carries out a more detailed triennial review (last one 2008/09)
 - The Use of Resources module of the Comprehensive Performance Assessment measures the effectiveness and performance of internal audit against specified criteria

Protocol for Audit Reviews

11. For each audit review carried out, the responsible Director (audit Owner) and/or the Service Head will be involved in the scoping to ensure appropriately focussed on key perceived risks, providing assurance and maximising added value. A terms of reference will be produced for each audit review and agreed to ensure the scope, objectives and approach are understood and agreed.
12. Draft internal audit reports will be issued for discussion with the appropriate levels of management and normally set-out in the terms of reference. We would not normally issue draft reports to Directors unless specifically requested or, if we consider the need to communicate issues and concerns arising from reviews at this stage.
13. Final internal audit reports will be issued after the agreement of draft reports and contain completed management actions plans that will identify those responsible for implementation and timescales. The final reports will always be issued to the Director designated as the Audit Owner and responsible for the area reviewed.
14. Agreed actions or recommendations will be followed-up, depending on their priority but this will usually be between three to six months from the issue of the final. A report will be completed and distributed in line with the final report.

Key Risk and Priority Areas for 2009/10

15. Having regard to the current risk profile of the City Council, the following areas have been identified as key priority areas of our work and attention for 2009/10:

Corporate Governance Arrangements

16. The City Council's corporate governance framework covers all aspects of its business, including risk management, internal control and ethical standards. We have a key role to play in reviewing the framework and providing assurance that it operates effectively. This forms the basis of Annual Governance Statement approved by Members and signed by the Leader and Chief Executive.

Key Financial Systems

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

Business Transformation and Value for Money

19. With the renewed emphasis on demonstrating and achieving value for money, it is integrated into our risk based audit approach. We will also continue to aim to provide and promote value for money across the City Council and partnerships.
20. Our work will support the City Council's Business Transformation Agenda by either direct involvement in reviews, providing assurance over projects or by integrating into specific audit reviews using appropriate methodologies.
21. With the continued emphasis and importance on the achievement of value for money we will further develop our approach to identify opportunities for improvement.

Risk Management

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

ICT & E-Government

23. Due to this high risk to the City Council, we will review the management and controls for existing and future development of systems and services. The planned ICT reviews have been based on a comprehensive ICT risk register compiled in 2007/08. Also data security will be a key part of our work for the forthcoming year due to issues emerging and consequential risk, across the public sector and new standards.

Partnerships

24. The City Council is increasingly operating and delivering services jointly through partnerships. Partnership governance is a key part of the Audit Commission's Comprehensive Performance Assessment and will be more so for the future Comprehensive Area Assessment. We will continue to build on our previous work and deliver this through joint working where appropriate.

Contracts, Procurement and Major Projects

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

CAA Use of Resources

26. The City Council received a score of 3 out of a possible 4 for the Use of Resources for the previous CPA. This had a significant impact on the overall score for the City Council being awarded excellent status. Our work will focus on assisting with improvement through review, learning from best practice and making practical recommendations for improvement.

Counter Fraud

27. We have a lead responsibility for corporate counter fraud and will continue to review and develop the robustness of the City Council's arrangements. We will continue to work closely, internally with other services involved in investigating fraud and externally with other anti-fraud agencies, Police and the Audit Commission.
28. During 2009-10 we will continue to focus on proactive counter fraud work. We will target a number of service areas either specifically for counter fraud work or as part of audit reviews.

Audit Committee

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

Relationships with other Assurance Providers

30. In developing the Annual Internal Audit Plan, consideration has been given to the assurance work carried out by others such as external audit and inspectors and those involved in performance, transformational change and value for money, to avoid duplication and maximise the use of limited resources available.

31. The City Council benefits from an external audit fee that includes a significant reduction on the normal Audit Commission basic fee for a Council with Brighton & Hove's level of expenditure and risk profile. The lower fee arises from the external auditor's opinion on the quality of internal audit as well as placing reliance on the work undertaken by internal audit under 'managed audit' arrangements.
32. Internal audit and external audit will continue to work closely together to ensure the City Council's total audit resource is effectively managed and targeted. However the prescribed requirements of the International Standards on Auditing have had a detrimental impact on the reliance that can be placed on the systems work of internal audit. External audit are now required to undertake a certain level of systems work, irrespective of the level of reliance.
33. We will continue working closely with internal auditors of the City Council's partner organisations under agreed protocols. For example undertaking joint reviews to use the audit skills and experience of both partner organisations.

Our Performance Management

34. 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.
35. Performance indicators and targets are shown at Appendix D for five aspects of our service:
 - Cost and quality of input
 - Productivity and process efficiency
 - Quality of output
 - Compliance with professional standards
 - Outcomes and degree of influence

Internal Audit Resources 2009/10

36. The Internal Audit Plan is resourced by calculating the number of productive days available within the Internal Audit Team. The Internal Audit Team's establishment is 11.5 FTEs comprising the Head of Audit and Business Risk (proportion), Principal Audit Manager, Principal Auditors and Auditors. The projected productive internal audit days available for 2009/10 is 2,050 made up of 1,900 in-house and 100 ICT audit days outsourced from our 'external partner' Deloitte Public Sector Ltd.
37. The number of productive audit days are inevitably limited but out work is prioritised on the basis of risk to be able to provide overall assurance and add value.
38. Based on past experience and good practice, the Annual Internal Audit Plan includes a small contingency for unplanned work requirements to ensure we are able to respond to changing needs and demands.

39. The effectiveness of internal audit and added value to the City Council is highly dependent on the quality of staff. We are committed to the personal development of our staff to ensure they possess the necessary up to date skills, knowledge and experience. A high percentage of our staff are professionally qualified and undertake continued professional development.

Developing the Annual Internal Audit Plan 2009/10

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

47. A number of planned audits, particularly those details in Key Financial Systems will be carried out as part of Internal Audit's statutory requirements to provide assurance to the Director of Finance & Resources (Section 151 Officer) on the effectiveness of internal controls operating in the council.
48. Audit work covering governance will contribute towards the Head of Audit & Business Risk's overall assurance on corporate governance which forms part of the Annual Governance Statement.
49. The Annual Internal Audit Plan is indicative and it is inevitable that changes will be made during the year as the risk profile of the City Council changes. This will be achieved through ongoing review and amendment, in consultation with the relevant audit owners and service managers to reflect the needs of the City Council and to add maximise value.
50. The Audit Committee will be informed of significant changes as part of progress reports against the plan, to each meeting.

Annual Internal Audit Plan 2009/10

51. Appendix A shows the Annual Internal Audit Plan and provides a brief summary of each review under thematic areas. The plan also shows the significance of each review in terms of risk (high, medium and low) and where relevant, cross referenced to the City Council's corporate risks. The allocation of the 2,000 audit days is summarised in table 2 below together with the number of specific audit reviews
52. The Counter Fraud Programme is included in the plan and includes both pro-active and reactive audit work. The number of direct days has been increased for 2009/10 in response to the growing risk of fraud due principally to a period of recession.
53. A limited time contingency has been provided for unplanned work and extending time for planned reviews. This will in particular be used to respond to emerging issues, risks and to have the capacity to respond to requests from senior managers.

Table 2 – Summary of Internal Audit Annual Internal Audit Plan 2009/10

Thematic Area	Number of Specific Reviews	Audit Days
Corporate Governance Arrangements	10	137
Council Wide and Corporate Projects	15	213
Key Financial Systems	11	181
Procurement & Contract Management	13	162
ICT & E-Government	21	274
Service Specific	31	381
Counter Fraud Programme	3	279
Corporate Support	-	100
Grants & National Performance Indicators	-	71
Other Direct Audit Activity	-	252
Totals	104	2050

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

Table 3 - Corporate Risks (Source: Corporate Risk Register 2008/09)

Risk No.	Risk Summary
CR1	Council Housing Stock Condition
CR2	Financial Outlook for the Council
CR3	Long Term Funding for Educational Premises
CR6	Civil Resilience
CR14	Equal Pay
CR5	Brighton Centre
CR7	Business Continuity Capacity
CR9	Major Projects
CR10	Sustainable Funding for Improving Social Issues
CR11	A Deserved Reputation for Excellence and a Staff Culture to Deliver
CR13	Waste Reduction and Disposal
CR15	Improving Contract Management and Compliance
CR17	Investing in the City's Sustainable Future

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

Appendix A

ANNUAL INTERNAL AUDIT PLAN 2009/10

Corporate Governance Arrangements

Ref.	Audit	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Broad Scope	Audit Owner	Timing
A059	Business Continuity Management	Medium	CR6	5	Follow-up to 2008/09 review on the effectiveness of arrangements in place for continuity of services after an incident affecting business critical areas of the City Council's operations.	Director of Environment	Quarter 3
A248	Emergency Planning	Medium	CR6	5	Follow-up to 2008/09 review on emergency planning arrangements to ensure compliance by the Council	Director of Environment	Quarter 3
A254	CAA Use of Resources	Medium	-	12	Following the published CPA Use of Resources Score of 3, this review will assist with identifying and where applicable implementing actions, required for maintaining at a minimum the assessment level under CAA and improvement.	Director of Finance & Resources	Quarter 1-2
A304	Information Governance	Medium	CR2	20	To review the effectiveness of security over how the City Council handles its information and data retention for non computer held information.	Director of Finance & Resources	Quarter 1-4
A002	Annual Governance Statement	High	All	17	Annual review of overall governance to assess the adequacy across the Council. To produce Annual Governance Statement with action plan.	Director of Strategy & Governance	Quarters 1 - 4
A189	Governance of Partnerships	High	CR2	18	Follow-up of previous year audit and provide assurance on the adequacy of governance arrangements through examining a sample of major/significant partnerships. This area has become an increasing priority under CPA and will continue under CAA.	Director of Strategy and Governance	Quarter 3
A215	Business Planning	Medium	CR11	10	Follow-up to the 2008/09 review on the embedding and effectiveness of Business Planning across the City Council.	Director of Strategy and Governance	Quarter 3

Ref.	Audit	Risk Rating	Corp. Risk/s	Audit Days	Audit Details	
					Broad Scope	Audit Owner
A096	Risk Management	Medium	All	15	The City Council's risk management arrangements are an important part of its corporate governance arrangements. This audit will review the soundness of arrangements in place for identifying, assessing and managing key risks to the City Council at strategic, directorate and service level.	Director of Finance & Resources Quarter 3
A021	Data Quality	Medium	CR11	15	Review the effectiveness and embedding of the Data Quality Policy, processes and controls operating. The review will also be carried out under 'Managed Audit' arrangements with the Audit Commission.	Director of Strategy & Governance Quarter 2
A181	Corporate Health & Safety	Medium	CR18	12	This function is high profile and of corporate importance. The review will include overall management and compliance with health and safety requirements.	Director of Strategy and Governance Quarter 4
A257	Declarations of Interest, Gifts & Hospitality	Medium	-	8	To ensure processes are robust including effective approval and monitoring of registering declarations of interest, gifts and hospitality. The review will include both officers and members.	Director of Strategy and Governance Quarter 3
				137		

Council Wide and Corporate Projects

Ref.	Audit	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Broad Scope	Audit Owner	Timing
A004	Transport Fleet Management	Medium	-	12	This review will examine the effectiveness of control of the City Council's transport. It will further complement the corporate transport fleet review for improving value for money. The review will utilise an audit toolkit for transport fleet review.	Director of Environment	Quarter 1
A149	Insurance	Medium	-	10	To review the adequacy of the City Council's insurance arrangements, in particular around the management of claims.	Director of Finance & Resources	Quarter 1
A305	Premises Security	Medium	CR2	12	A review of premises security for number of City Council establishments.	Director of Finance & Resources	Quarter 1
A306	Value for Money Phase I Benefits Realisation	Medium	CR2	12	To examine the outcomes from VFM Phase I reviews to ensure benefits have been realised or in the progress with appropriate management action monitoring.	Director of Finance & Resources and Director of Strategy & Governance	Quarters 1 -4
A307	Customer Access Project (Value for Money Phase II)	Medium	CR11	10	To review the project management arrangements and deliverable outcomes. To further provide support as required.	Director of Finance & Resources	Quarters 1 -3
A232	Accommodation Utilisation and Strategy (Value for Money Phase II)	Medium	CR2	15	Follow-up to the 2008/09 review to evaluate the control and effective use of office accommodation. The review will also support the VFM Phase II Review, Better Access and Better Service Accommodation/Flexible Working Stream.	Director of Finance & Resources	Quarter 1 - 2
A225	Cash Handling	Medium	CR2	12	The City Council has a number of areas which receive cash income. This review will examine the effectiveness of controls over cash handling.	Director of Finance & Resources	Quarters 2
A156	VAT Accounting	Medium	CR2	10	To review the effectiveness of controls over VAT across the City Council in particular procedures, meeting relevant legislation and maximising financial benefits	Director of Finance & Resources	Quarter 1

Ref.	Audit	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Broad Scope	Audit Owner	Timing
A308	Sustainability	Medium	CR17	15	To review the City Council's arrangements for sustainability and improvement.	Director of Strategy & Governance	Quarter 2
A003	Attendance/Absence Management	High	CR11	15	To review absence management in particular sickness and the effectiveness design of policies and guidance. Further to make comparison with best practice of other public sector organisations and determine measures that can be taken to improve.	Director of Strategy and Governance	Quarter 1
A168	Pre Employment Checks for Staff Recruitment	Medium	CR11	10	To review the effectiveness and compliance with procedures in particular management and control over Criminal Records Bureau (CRB) checks.	Director of Strategy & Governance	Quarter 3
A309	Staff Expenses Management	Medium	CR2	20	To review the effectiveness of controls and cost effectiveness of arrangements for staff expense claims. The scope will include existing methods via payroll, creditors and petty cash. It will also consider alternatives where applicable.	Director of Strategy & Governance	Quarter 1
A310	Single Status (Future Pay)	High	CR2	30	To review arrangements for equal and future pay.	Director of Strategy & Governance	Quarter 1 -2
A311	Customer Satisfaction	Medium	-	15	To review effectiveness of City Council collection of Customer Satisfaction data for services. This review has been specifically requested by management as a key part of the Comprehensive Area Assessment.	Director of Strategy & Governance	Quarter 1
A090	Flexible Working/Workstyles	Medium	-	15	Follow-up to 2007/08 review and to examine developments as regards control and performance. The review will also examine the effectiveness of the Flexi Scheme in terms of control and achieving objectives.	Director of Strategy & Governance	Quarter 1
				213			

Key Financial Systems Reviews

Ref.	Audit	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		Timing
					Broad Scope	Audit Owner	
A009	Main Accounting System/General Ledger	High	CR2	12	Systems based audit to document, evaluate and test key system controls including controls to ensure all expenditure is correctly stated, suspense accounts are being managed effectively, controls around the use of journal transfer, operation of key interfaces and key account reconciliations between the feeder systems and general ledger.	Director of Finance & Resources	Quarter 4
A010	Creditors/Accounts Payable	High	CR2	22	Systems based approach considering key risk exposures and including process mapping of key controls. Control testing to provide assurance that accurate, timely payments are made only to legitimate creditors for goods and services provided to the Council.	Director of Finance & Resources	Quarter 4
A011	Debtors/Accounts Receivable	High	CR2	20	Systems based approach considering key risk exposures and including process mapping of key controls. Control testing to provide assurance that accurate, timely debtor's invoices are raised and there is effective collection and recovery of income due.	Director of Finance & Resources	Quarter 4
A225	Cash Collection and Bank	High	CR2	10	Systems based approach considering key risk exposures, including process mapping of key controls and compliance testing to provide assurance.	Director of Finance & Resources	Quarter 4
A013	Treasury Management	Medium	CR2	8	Systems based approach considering key risk exposures, including process mapping of key controls and compliance testing to provide assurance. The review will also include the City Council's compliance with recent Audit Commission Guidance.	Director of Finance & Resources	Quarter 4
A016	NNDR (Business Rates)	Medium	CR2	10	Systems based audit to document, evaluate and test key system controls and risk exposures. To include liability, charging, billing, collection and recovery.	Director of Finance & Resources	Quarter 4

Ref.	Audit	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Broad Scope	Audit Owner	Timing
A017	Housing & Council Tax Benefits	High	CR2	25	Systems based audit to document, evaluate and test key system controls and risk exposures. In particular verification of claimant data and assessment of entitlement to benefits, reconciliation and management reporting to reduce the risk of fraud, error and inefficiency.	Director of Finance & Resources	Quarter 4
A018	Housing Rents	High	CR2	20	Systems based audit to document, evaluate and test key system controls and risk exposures.	Director of Finance & Resources	Quarter 4
A012	Capital Accounting and Expenditure	High	CR2	15	Systems based approach considering key risk exposures and including process mapping of key controls. The review will identify slippage and cost overruns accurately, project outcomes and lessons learnt for future projects. The audit will include the system for the management of fixed assets, recording and mechanisms for valuing and depreciating.	Director of Finance & Resources	Quarter 4
A013	Management of Fixed Assets	Medium	CR2	15	Review of the system operating for the recording and monitoring of the City Council's fixed assets. The scope will in particular focus on the recently implemented IT system, disposals and changes in valuations.	Director of Finance & Resources	Quarter 3
A014	Payroll/HR	High	CR2	24	Systems based approach considering key risk exposures and key controls. As HR and payroll and undergoing significant change, the review will include new and amended processes.	Director of Strategy & Governance and Director of Finance & Resources	Quarter 4
				181			

Procurement and Contract Management Reviews

Ref.	Audit	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Broad Scope	Audit Owner	Timing
A312	Building Schools for the Future	High	CR3	10	To review contractual arrangements to ensure compliance with good practice and management of risks. To review key procedures and controls operating in respect of project management and monitoring to ensure compliance with corporate and legal requirements.	Director of Children's Services	Quarter 1 - 4
A025	Education PFI	High	CR15	8	Follow-up to the 2008/09 review.	Director of Children's Services	Quarter 3
A053	Street Lighting Contract	Medium	CR15	12	To review the effectiveness of contract management arrangements and operation of the contract.	Director of Environment	Quarter 3
A264	City Parks Use of Subcontractors	Medium	CR15	8	Follow-up review of action taken to reduce expenditure	Director of Environment	Quarter 3
A049	Integrated Waste Management Contract - Contract Management	High	CR15	20	Joint review with ESCC Internal Audit on the effectiveness of arrangements for contract management and achieving value for money. The review will include recycling and monitoring of key targets.	Director of Environment	Quarter 3
A049	Integrated Waste Management Contract - Charging (tonnage) to B&HCC	Medium	CR15	12	To review the changing mechanism to B&HCC specifically for waste tonnage.	Director of Environment	Quarter 2
A313	Corporate Procurement Strategy	High	CR2	12	To review the procurement strategy for the council. To assess central procurement policies to confirm compliance with legislation and best practice.	Director of Finance & Resources	Quarter 2

Ref.	Audit	Risk Rating	Corp. Risk/s	Audit Days	Audit Details	
					Broad Scope	Audit Owner
A314	Use of Consultants	Medium	CR2	15	To review the use of consultants to ensure compliance with procurements processes and that they achieve expected outcomes. The scope will include frequency of use, total cumulative spend and high users of consultancy services.	Director of Finance & Resources Quarter 1
A315	Contract Management	Medium	CR15	18	To review the adequacy of contract management arrangements across the City Council.	Director of Finance & Resources Quarter 1
A316	Automation of Imprest Accounts Processing	Medium	CR2	12	To review the effectiveness of controls at the design stage of the change project.	Director of Finance & Resources Quarter 1 - 2
A018	Housing Repairs (Procurement of new housing repairs contract)	High	CR1, CR15	15	To review the adequacy of controls and managements for housing repairs.	Director of Housing & City Support Quarter 1
A083	Gas Servicing Contract	Medium		12	To review the procedures in operation for managing the completion of gas safety checks. This will be a follow-up to the review carried out in 2007/08.	Director of Housing & City Support Quarter 2
A317	Local Delivery Vehicle for Housing	High		8	Follow-up to 2008/09 review.	Director of Housing & City Support Quarter 2
				162		

ICT and E-Government Reviews

Ref.	Audit	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Broad Scope	Audit Owner	Timing
A251	Data Management and Security Arrangements	High	-	25	To review the effectiveness of management and security arrangements over in particular critical/sensitive data, including testing to validate controls in place and review of existing and required guidance to staff on acceptable practice for data handling.	Director of Finance & Resources	Quarter 1
A318	Mobile Computing	Medium	-	10	To evaluate the adequacy of security including associated access control to the network for remote and homeworking across the City Council.	Director of Finance & Resources	Quarter 3
A319	ICT Strategy	Medium	-	15	The review will examine the embedding of the ICT Strategy and ensure aligned to the business objectives and priorities of the City Council. Further that the technology, people and processes in place are appropriate to deliver the ICT Strategy.	Director of Finance & Resources	Quarter 3
A320	Use of Local Spreadsheets and Databases	Medium	-	10	A review of the use of local spreadsheets and databases which hold sensitive and/or business critical data separately from the core systems. To review the controls and guidance in place for their use to ensure data is held securely.	Director of Finance & Resources	Quarter 3
A321	ContactPoint	Medium	-	12	To examine ICT security controls to ensure effective and comply with the Code of Connection.	Director of Finance & Resources	Quarter 3
A322	Telephone Switch Security	Medium	-	10	A health check on the configuration to ensure compliance with best practice and protection against the risk of telephone fraud.	Director of Finance & Resources	Quarter 1
A323	Libraries ICT Application	Medium	-	10	To review the effectiveness of the new library management system.	Director of Finance & Resources	Quarter 2

Ref.	Audit	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Broad Scope	Audit Owner	Timing
A268	Human Resource System Acquisition and Implementation	High	-	50	The TeamSpirit payroll application is being replaced with the Midland HR System. This review will evaluate the implementation of the HR system as an ongoing basis throughout the year. The audit will also be carried in discrete stages in providing ongoing advice on control requirements and providing assurance.	Director of Strategy & Governance and Director of Finance & Resources	Quarter 1-4
A272	Development of City Council's Intranet and Intranet	Medium	-	15	To review adequacy of controls over development and to provide project assurance.	Director of Finance & Resources	Quarter 1-4
A274	Network Security	High	-	12	To review network security including consideration of: <ul style="list-style-type: none"> ▪ Perimeter security ▪ Network architecture ▪ Network performance and monitoring 	Director of Finance & Resources	Quarter 4
A324	Desktop Security	High	-	12	To review the effectiveness of controls operating for desktop security, including data downloading, virus control and use of additional hardware devices.	Director of Finance & Resources	Quarter 1
A325	Data Transmission	High	-	10	Data assurance review to evaluate the effectiveness of technology and application controls used to support the holding and transmission of sensitive datasets.	Director of Finance & Resources	Quarter 1
A326	Anti-Virus Control	High	-	10	To review the effectiveness of Anti-Virus arrangements to ensure compliance with best practice.	Director of Finance & Resources	Quarter 3
A276	Government Connect (COCO)	Medium	-	12	To review the effectiveness of controls and risk exposure to the City Council. To review arrangements to meet the Government Connect Standards	Director of Finance & Resources	Quarter 2
A041	ICT Security Standards	High	-	8	Follow-up to 2007/08 review on the ISO27001 IT Security Gap Analysis.	Director of Finance & Resources	Quarter 4

Ref.	Audit	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Broad Scope	Audit Owner	Timing
A037	Disaster Planning and Recovery	High	-	12	To review the effectiveness of disaster recovery arrangements in particular for business critical systems. The review will include back-up and off-site storage arrangements to ensure security of the Council's data.	Director of Finance & Resources	Quarter 3
A327	E-mail	Medium	-	8	To review the City Council's email configuration to ensure best practice is followed. To further review the City Council's email procedures and policy.	Director of Finance & Resources	Quarter 3
A328	Network Security (Ethical Hacking)	High	-	8	This review will use an external firm to undertake ethical hacking or penetration testing of the City Council's network to test the effectiveness of control over remote hacking.	Director of Finance & Resources	Quarter 4
A329	Third Part Access Arrangements and Security	High	-	12	To review the effectiveness of arrangements and control for third party access to the City Council network (including access set up, authentication of 3rd party users, security controls over data transmission, 3rd party ICT environment threats, prevention controls over each access point).	Director of Finance & Resources	Quarter 3
A346	ICT Service Support and Incident Management			8	Review of the Service Desk including: <ul style="list-style-type: none"> ▪ Processing of use requests ▪ Resolution of reported problems ▪ Handling and escalation of IT incidents 	Director of Finance & Resources	Quarter 2
A150	Disposal of IT Hardware	Medium	-	5	Follow-up to 2008/09 review.	Director of Finance & Resources	Quarter 1
				274			

Service Specific Reviews

Ref.	Audit	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		Timing
					Broad Scope	Audit Owner	
A330	Special Educational Needs (SEN)	Medium	-	12	To review the effectiveness of control over special educational need.	Director of Children's Services	Quarter 3
A331	ContactPoint (Children's National Index)	High	-	20	To review the controls for the integration with Central Governments ContactPoint System, The review will assess the compliance with Government guidelines, regulations, timescales, project management arrangements, stakeholder and local partner involvement in the implementation.	Director of Children's Services	Quarter 3
A332	Schools Thematic Review - Asset Management	Medium	-	15	To review the effectiveness of control for asset management across a sample of schools.	Director of Children's Services	Quarter 3
A345	Schools Thematic Review - Catering	Medium	-	12	To review the effectiveness of controls including contract management.	Director of Children's Services	Quarter 3
A333	Culture & Enterprise Directorate Income	High	CR2	25	Income represents a significant part of the budget for Culture and Enterprise Directorate. This review will examine the control over income and the maximisation across the Directorate.	Director of Culture and Enterprise Services	Quarter 1
A334	Support to asylum seekers with no right to remain in the UK and recourse to public funds	Medium	-	12	This review will assess processes for providing support including directorate recharges and budget treatment.	Director of Environment	Quarter 1
A052	On-Street and Off Street Parking Income	High	CR15	20	To review the systems for collecting, controlling and monitoring of parking income from on-street pay and display machines and car parks. The review will include new management arrangements for car parks.	Director of Environment	Quarter 4

Ref.	Audit	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Broad Scope	Audit Owner	Timing
A165	Building Control	Medium	CR2	15	There is a requirement imposed by Central Government for the service to breakeven over a 3 year period and be non profit making. This review will consider the process by which the charge is calculated, service costs and competitiveness against in particular private sector providers.	Director of Environment	Quarter 1
A335	King Alfred Leisure Centre	Medium	CR2	8	To review the effectiveness of controls operating at the Leisure Centre.	Director of Environment	Quarter 2
A220	Seafront Services	Medium	CR2	12	To review the Seafront Services in particular trading activities for adequacy of control.	Director of Environment	Quarter 1
A191	Golf Courses	Medium	CR2	5	This will be a follow-up review to that carried out in 2007/08. It will complement the wider review planned for the future of Golf Courses	Director of Environment	Quarter 1
A336	Waste Enforcement	Medium	CR2	12	To review waste enforcement in particular trade waste	Director of Environment	Quarter 1
A164	Blue Badges	Medium	CR2	10	The blue badges disabled parking scheme has been a significant priority for the National Fraud Initiative. This review will examine the findings from the NFI and complete a general review of the associated systems of control to ensure effective processing and monitoring.	Director of Environment	Quarter 1
A194	Brighton Centre	Medium	CR2	12	To review adequacy of systems for income and expenditure, in particular for events.	Director of Cultural Services	Quarter 4
A205	Royal Pavilion	Medium	CR2	12	To review adequacy of systems for income, expenditure and trading systems.	Director of Cultural Services	Quarter 3
A235	Libraries (Stock Management)	Medium	CR2	8	To review the stock security arrangements for a sample of libraries.	Director of Cultural Services	Quarter 3
A077	Concessionary Fares	High	CR2	5	Follow-up review on the system for managing concessionary fares.	Director of Finance & Resources	Quarter 4

Ref.	Audit	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Broad Scope	Audit Owner	Timing
A015	Council Tax Single Persons Discounts and Exemptions	Medium	CR2	12	To review the effectiveness of controls to maximise income collected.	Director of Finance & Resources	Quarter 2
A218	Bereavement Services	Medium	CR2	12	To review the controls in operation over the service.	Director of Finance & Resources	Quarter 1
A337	International Financial Reporting Standards	Medium	CR2	8	To review the actions taken for the implementation and compliance.	Director of Finance & Resources	Quarter 1-4
A172	Supporting People	Medium	-	15	To review the effectiveness of control.	Director of Housing & City Services	Quarter 3
A338	Housing Allocations	Medium	-	15	To review the effectiveness of controls for housing allocations.	Director of Housing & City Support	Quarter 1
A339	Housing Tenancy Management	Medium	-	10	To review the effectiveness of control over tenancy management in particular the unauthorised sub letting of council properties.	Director of Housing & City Support	Quarter 1
A340	Temporary Accommodation	Medium	CR2	20	This review will evaluate the effective of housing temporary accommodation. This will look at the procurements arrangements including providers as well as processes for managing accommodation standards and costs.	Director of Housing & City Support	Quarter 3
A290	Housing Decent Home Standard – Data Quality	Medium	CR1	8	To review data quality arrangements for the decent homes national indicator. This follows adverse comments by the Audit Commission on the quality of data and to make recommendations for improvement.	Director of Housing & City Support	Quarter 1
A290	Adult Social Care – Data Quality	Medium	CR2	8	This will specifically review the data quality of CareFirst.	Director of Housing & City Services	Quarter 3
A341	Adult Social Financial Assessments	Medium	CR2	12	To review effectiveness of controls, in particular with service changes from VFM review.	Director of Housing & City Services	Quarter 3
A342	ICIS Community Equipment	Medium	-	8	To review the effectiveness of controls over the ICIS Community Equipment Store.	Director of Housing & City Services	Quarter 3

Ref.	Audit	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Broad Scope	Audit Owner	Timing
A069	Delayed Transfers	Medium	CR2	8	Delayed transfers can represent a significant cost to the City Council. This review will examine the controls over delayed transfers to mitigate the financial liability of the City Council.	Director of Housing & City Services	Quarter 1
A343	Client Billing	Medium	CR2	15	To review the effectiveness of controls over the validity of charges raised and collection.	Director of Housing & City Support	Quarter 2
A344	Clients' Money	Medium	CR2	15	Review controls in respect of clients' monies to ensure that all items are processed and interest is appropriately applied. Spot checks will be carried out as appropriate to ensure that clients' money is being appropriately safeguarded.	Director of Housing & City Support	Quarter 1
				381			

Counter Fraud Programme

Ref.	Audit/Area	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		Timing
					Broad Scope	Audit Owner	
F001	Investigations into Fraud & Corruption (Reactive)	High	CR2	140	Carrying out investigations as and when required into referrals received into suspected cases of fraud and irregularities. Referrals may be received: <ul style="list-style-type: none"> ▪ From management ▪ Received via the confidential anti fraud hotline and website ▪ Found from internal audit reviews carried out ▪ Received under the Whistleblowing Policy Referrals will be risk assessed and highest rated will be selected for investigation.	Director of Finance & Resources	Quarters 1 - 4
F002	City Council's Anti Fraud & Corruption Framework	High	CR2	20	To review the framework for the management of fraud risk, against best practice and to take action for any gaps identified.	Director of Finance & Resources	Quarters 1 - 4
F003	Counter Fraud Strategy, Fraud Response Plan, and other Protocols and Guidance.	High	CR2	20	Ongoing review of policies, protocols and guidance to ensure effective and current. Where considered necessary appropriate ones will be revised, approved and implemented.	Director of Finance & Resources	Quarters 1 - 4
F015	Sanctions Policy and Arrangements	Medium	CR2	10	To review the effectiveness of the City Councils Sanctions Policy/s.	Director of Finance & Resources	Quarter 21
F006	National Fraud Initiative (NFI) 2008/09	High	CR2	25	To complete the National Fraud Initiative exercise for the City Council. This will include investigating significant data matches and instigating recovery. To further consider improvement to controls to mitigate future fraud risk.	Director of Finance & Resources	Quarter 1- 4
F008	Money Laundering Strategy and Arrangements	Medium	CR2	8	Review of money laundering arrangements (including Policy) and compliance with 2007 regulations.	Director of Finance & Resources	Quarters 1
F014	RIPA and Surveillance Procedures	Medium	CR2	8	Review the City Council's procedures and compliance with statutory and best practice guidance.	Director of Finance & Resources	Quarters 3
F005	Fraud Awareness Training	-	CR2	25	To provide awareness training across the Council.	Director of Finance & Resources	Quarters 2 - 4

Ref.	Audit/Area	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Broad Scope	Audit Owner	Timing
F011	Agency Liaison and intelligence exchange	-	CR2	8	Liaison and information exchange with Police and other Anti Fraud Agencies including Police, DWP and NHS.	Director of Finance & Resources	Quarters 1 - 4
F004	Whistleblowing	Medium	CR2	15	To review the procedures, in particular roles and responsibilities of managers and effectiveness case management in accordance with legislation. It will also review the effectiveness of the Policy itself and the communication to ensure meets best practice. A British Standard is currently in being developed and if implemented, this review will seek to review the City Council's procedures against this.	Director of Strategy & Governance	Quarter 3
				279			

Corporate Support

Ref.	Audit/Area	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		Timing
					Broad Scope	Audit Owner	
A104	Audit Committee Support	-	-	20	Providing support including advice and reporting to Audit Committee.	Director of Finance & Resources & Director of Strategy & Governance	Quarters 1 - 4
A107	Section 151 Officer Support	-	-	20	To provide the necessary assurance and evidence that will allow the Director of Finance and Property to discharge her statutory 151 responsibilities. The support will include that given to the Finance & Resources Management Team.	Director of Finance & Resources	Quarters 1 - 4
A104	Committee/Members Support General	-	-	10	Providing support to other members of executive, regulatory and overview and scrutiny functions..	Director of Strategy & Governance	Quarters 1 - 4
A117	Advice & Information to Directorates	-	-	50	To provide ad hoc advice and information to directorates as required, including participation in programme boards and working groups.	Various	Quarters 1 - 4
				100			

Grants and National Performance Indicators

Ref.	Audit	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		
					Broad Scope	Audit Owner	Timing
A247	Local Area Agreement (LAA) Certification	-	CR2, I1	12	The Department of Communities and Local Government require us to audit the arrangements in place for compiling the grant claim for projects funded from LAA. To validate the completeness and accuracy of LAA spend for grant certification purposes.	Director of Finance & Resources	Quarter 1
A017	Housing Benefit Subsidy	-	CR2	20	Auditing the grant claim to ensure the accuracy and completeness of the subsidy claimed. In particular the robustness of information on the housing benefit system and subsidy claim.	Director of Finance & Resources	Quarter 3
A185	NNDR Grant	-	CR2	12	Auditing the grant using software provided by the Audit Commission.	Director of Finance & Resources	Quarter 3
A201	Contingency for other Grants	-	CR2	15	Auditing other grants as required for certification purposes.	Director of Finance & Resources	Quarters 1 - 4
A290	National Indicators Sets (NIS) /BVPIs	-	CR11	12	Auditing national performance indicators/BVPIs using toolkit provided by the Audit Commission.	Director of Strategy & Governance	Quarter 3
				71			

Other Direct Audit Activity

Ref.	Audit/Area	Risk Rating	Corp. Risk/s	Audit Days	Audit Details		Timing
					Broad Scope	Audit Owner	
A198	Financial Management Standard (FMSIS) in Schools External Assessments	M	-	33	The Department for Children, Families and Schools (DCFS) require all schools to meet the FMSIS by the end March 2010. This is in process and being staggered over the remaining two years. For 2009/10 14 Primary Schools have been selected to meet the standard. The S151 Officer will need to demonstrate that the standards set by the DCFS have been met, or an action plan is in place. We have been chosen to undertake the external assessments on whether the school meets the standard. We will also be involved in providing training to schools and undertake re-assessments of failed or conditional pass schools.	Director of Children's Services	Quarters 3 & 4
A102	External Liaison	-	-	12	External liaison with partners and other public sector organisations to share information on best practice and areas of significant risk.	-	Quarters 1 - 4
A103	Audit Commission Liaison	-	-	20	Liaison and support to external audit including ISAs impact, CPA, Anti Fraud & Corruption.	-	Quarters 1 - 4
A100	Implementation Reviews	-	-	30	This work will assess the progress made in implementation agreed audit recommendations, in particular high priority.	Various	Quarters 1 - 4
A118	Contingency for unplanned audit work	-	-	117	Contingency for ad hoc internal audit work including unplanned reviews, extended time for planned reviews..	Various	Quarters 1 - 4
A101	Residual audits brought forward from 2008/09	-	-	40	Contingency to cover the completion of reviews brought forward to agreement and issue of final audit reports.	Various	Quarter 1
				252			

Appendix B

Risk Categories used in Audit Risk Assessment

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

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

1. Purpose

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

2. Role and Function

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

3. Reporting Lines & Relationships

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

4. Independence and Accountability

- 4.1 Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements and recommendations. Internal auditors have not operational responsibility.
- 4.2 Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. Internal Audit has unrestricted access to officers, members, council records and to report in its own name.
- 4.3 The existence of an internal audit function within the City Council does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well ordered manner.

5. Statutory Role

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

6. Consultancy and Advisory Role

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

7. Internal Audit Standards

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

8. Internal audit Scope

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

9 Internal audit Resources

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

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

10. Fraud and Corruption

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

11. Reporting Accountabilities

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

12. Responsibilities

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

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

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Appendix D**Our Service Performance Targets**

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

AUDIT COMMITTEE

Agenda Item

Brighton & Hove City Council

Subject: Risk & Opportunity Management (ROM) Update –
Corporate Risk Register Updated May 2009

Date of Meeting: 19 May 2009

REPORT OF: Director of Finance & Resources

Contact Officer: Name: Jackie Algar Tel: 29-1273

E-mail: Jackie.algar@brighton-hove.gov.uk

Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Risk & Opportunity (ROM) Strategy 2008 – 2011 includes provision for a six monthly update of the Corporate Risk Register by TMT. This report provides the updated Risk Register after review by TMT members in May 2009.

2. RECOMMENDATIONS:

- (1) That the Audit Committee note the Corporate Risk Register 2009 – 10 as updated by TMT in May 2009 (Appendix 1).

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The council's management team ("TMT") set the Corporate Risk Register at sessions facilitated by the Risk & Opportunity Manager. TMT will review the Corporate Risk Register twice yearly in May and November each year.
- 3.2 Each time the Corporate Risk Register alters, it will be reported to the next scheduled Audit Committee.

4. CONSULTATION

- 4.1 The ROM Strategy, the ROM programme and the methodology have been the subject of extensive internal consultation and shared with external bodies, e.g. Southdowns NHS Trust and other local authorities.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 A number of corporate risks may have potentially significant financial implications for the authority either directly or indirectly. Effective management of these risks ensures that all potential financial impacts are properly considered and that likely financial outcomes are reflected in medium term financial plans and budget strategies, which are continually updated to reflect changing assumptions and likelihood of risk.

The council's Section 151 Officer also has regard to risk assessments in developing the medium term financial strategy and budget strategy. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer of a local authority to report on the robustness of the estimates included in the budget and the adequacy of the reserves and contingencies for which the budget provides. The Chief Finance Officer must be satisfied that the budget estimates contain adequate provision for those items of expenditure which might reasonably be expected to occur in the financial year

Finance Officer consulted.... Stuart Taylor 06 May 2009

Legal Implications:

- 5.2 There are no legal implications arising directly from this report. Consideration of the council's Risk & Opportunity Management arrangements is one of the functions of the Audit Committee.

Legal Officer consulted Oliver Dixon 07 May 2009

Equalities Implications:

- 5.3 There are no direct implications. The ROM package will address and promote the risk management aspects of equalities

Sustainability Implications:

- 5.4 There are no direct implications. The ROM package will address and promote the risk management aspects of sustainability and will be measured by the Audit Commission's Use of Resources assessment.

Crime & Disorder Implications:

- 5.5 There are no direct implications.

Risk and Opportunity Management Implications:

- 5.6 The ROM Strategy is focussed on improving the quality and consistency of risk & opportunity management of the council's activities.

Corporate / Citywide Implications:

5.7 There are no direct implications

SUPPORTING DOCUMENTATION

Appendices:

1. Corporate Risk Register 2009 – 10 (Updated 6 May 2009)

Documents In Members' Rooms




1. None

Background Documents

1. ROM Strategy 2008 -2011
2. ROM Toolkit (I DO RM)

Brighton & Hove City Council Corporate Risk Register 2009/2010

The Risk Scenarios are set in order of highest risk score



Risk No.	Risk Summary	Risk Scenario A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives	Likelihood (L) Score	Impact (I) Score	Risk Score L x I (Dot indicates RAG rating)	Officers (Bold denotes Risk Owner, plain text details lead practitioner)	Council Priority
3	LONG TERM FUNDING FOR EDUCATIONAL PREMISES	The council will need to address the long term implications of the condition and deterioration of its educational premises in relation to delivering 21st century Education. It will need to consider and evaluate the available options, e.g. Building Schools for the Future, Primary Strategy and the Academy, and provide appropriate project resources in order to secure maximum investment for city schools.	5	4	20  RED	Director of Children's Services	2
14 65	EQUAL PAY	All councils in the UK need to review and revise their pay schemes to ensure full compliance with equal pay legislation whilst continuing to ensure effective service delivery. Failure to do so may result in litigation and industrial relations problems. Robust evaluation of all jobs and negotiation with trade unions on resolving any outstanding equal pay liability and establishing fair pay schemes into the future needs to be carefully undertaken to ensure the most cost effective outcome (in an increasingly complex national legal environment)	5	4	20  RED	Director of Strategy & Governance Head of HR	4, 2, 3
5	BRIGHTON CENTRE	The needs of the conference and convention market are increasingly unmet by the ageing Centre. The economy of the city relies heavily on the revenues brought in by this market. A significant opportunity to provide world class convention and hotel facilities and enhance city centre retailing exists. The agreement of Heads of Terms with Standard Life Investments has triggered the procurement process to appoint a professional development team to undertake a first stage feasibility study and design, the purpose of which is to identify and define a viable scheme.	5	4	20  RED	Director Culture & Enterprise Assistant Director Projects & Venues	1

Council priorities:

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9	MAJOR PROJECTS	The successful delivery of our major building and infrastructure projects, linked to high quality architecture and an efficient transport system, has a direct impact on the city's reputation as a successful place to do business for investors and funders alike. In light of the international and national economic downturn and financial markets, the city needs to continue to secure the confidence and funding to prioritise and deliver those projects which have the greatest chance of success. It will be important to encourage a stronger focus on pre-application planning activity to inform the development process from an early stage to help minimise the risks associated with projects not securing planning permission.	4	4	16  RED	Director Culture & Enterprise, Director Environment Assistant Director Projects & Venues, Assistant Director City Planner	1
13	WASTE REDUCTION & DISPOSAL	The Waste PFI is progressing & new facilities are completed or are under construction. There are continuing & increasing demands, e.g. clarification of definition of Waste by DEFRA, penalties/fines for exceeding the Government imposed limits on landfilling of biodegradable waste. It is essential that the arrangements that the council has put in place deliver a successful and cost-effective solution, that delays in building a new waste infrastructure are minimised, and the waste levels are curtailed and recycling rates increased	4	4	16  RED	Director of Environment, Assistant Director City Clean and Parks	2

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67	BUSINESS CONTINUITY CAPACITY	The council's ability to withstand short term or long term interruption to the delivery of its own services or those of its significant partners will need to be effective and enable the council's continual delivery of quality services. This involves pro-active measures to protect against interruption and effective planning, which is regularly tested & reviewed, to enable recovery to predetermined operating levels in the shortest time possible and at the best cost	4	4	16  RED	Director of Environment, Director Finance & Resources AD Public Safety, Business Continuity Manager	All
10	SUSTAINABLE FUNDING FOR IMPROVING SOCIAL ISSUES	In a city where there are challenging social issues and problems, much of the preventative and intervention work is funded by short-term initiative or grant monies. There is a need to improve the integration of both initiative and mainstream financial planning across priority areas and major partnerships (e.g. LAA, PSB, CDRP, CYPT) to ensure work is focused and sustained to enable longer term measurable improvement.	5	3	15  RED	Director of Environment, Director Finance & Resources AD Public Safety	4, 2
2	FINANCIAL OUTLOOK FOR THE COUNCIL	The global and national economic situation results in real terms reductions in funding from central government particularly from 2011/12. This may include general grant, specific and area based grants and capital funding. At the same time: <ul style="list-style-type: none"> • Income will come under pressure, including capital receipt, investment income and other major income sources (parking, 	5	3	15  RED	Director Finance & Resources Assistant Director Financial Services	2

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68		culture, planning, land charges). <ul style="list-style-type: none"> • Other spending pressures coincide with reduced grants and income, including equal pay, landfill tax increases, national insurance increases and pensions. • The Council Tax strategy envisages low increases in Council Tax. The service and financial planning process and its implementation, in terms of priorities and efficiency, must be able to cope with such a coming together of factors					

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15	IMPROVING CONTRACT MANAGEMENT & COMPLIANCE	The council has a large number of contracts of various types and complexities, including "one-offs" and partnerships .To improve consistency and the standard of outcomes will also includes focus on: <ul style="list-style-type: none"> • Health & Safety risks • Supply chain management • Business continuity arrangements for contracts where they form a significant part of service delivery or partnerships working 	3	4	12  AMBER	Director of Finance & Resources Head of Strategic Finance & Procurement, Procurement Strategy Manager	2
1	COUNCIL HOUSING STOCK CONDITION	With the involvement of our residents, the Council is progressing a strategy to meet the shortfall in the capital investment required to meet the Government's Decent Homes Standard. A plan has been established which aims to bring all council homes up to the DHS during 2013.	3	4	12 	Director of Adult Social Care & Housing AD Housing Management	4
6	CIVIL RESILIENCE	The Civil Contingencies Act 2004 requires all councils to have in place documented and tested plans to be implemented in the event of an emergency. Whilst the council has made progress, it is important that the arrangements are maintained at all times and reviewed as circumstances change. Category 1 Responders under the Act are expected to seek accreditation under a new British Standard (BS25999) to do this will require	3	4	12  AMBER	Director of Environment, AD Public Safety, Emergency Planning	5, 1

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		investment and resources.				Manager	
17	INVESTING IN THE CITY'S SUSTAINABLE FUTURE	Brighton & Hove is well placed to effectively develop a Sustainable future. It is a relatively compact city with some notable successes and progressive partnerships which recognise the sustainability of the city as a priority. Taking up opportunities to maximise improvements and taking action to manage threats will be key to success and will demonstrate cohesive, city wide leadership across partners which satisfies the public appetite for sustainability and generates further public support	3	4	12  AMBER	Director Strategy & Governance , Head of Sustainability and Environment	

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