



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 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 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 of risks in the new contract procurement arrangements 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