

Internal Audit

Draft Internal Audit Strategy & Annual Audit Plan 2014-15

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**Brighton & Hove
City Council**

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1. Introduction

The Internal Audit Strategy and Plan is an important component of the Council's assurance framework. It details work priorities and resources for the coming financial year.

This year's plan has two components; one relating to the work of the Internal Audit Team and the other the Council's Corporate Fraud Team. The work of the two teams is distinct but with a significant overlap that requires effective and joined up working practices. In addition both teams work closely with the Council's Risk Manager.

The Internal Audit Team undertake reviews across the entire breadth of council business activities, to make sure that controls are in place to effectively manage the key risks in the Council's systems and services.

The service aims to assist in improving the efficiency and operations of the Council in line with corporate and service objectives. This requires continuously challenging services and promoting openness, accountability and high standards of internal control and governance.

Our service is designed to support both the Executive Director of Finance & Resources and the Audit & Standards Committee. Our work is governed by the Public Sector Internal Audit Standards and our Internal Audit Charter. The updated Internal Audit Charter is attached at Appendix B.

These services are delivered by the Internal Audit and Corporate Fraud Team in the Finance & Resources Directorate. In addition the Internal Audit Plan work which focuses on the council's IT services will be delivered by our external partner Mazars Public Sector Audit Limited (previously Deloitte Public Sector Audit Limited).

This document sets out the Internal Audit Strategy and Annual Audit Plan for Brighton & Hove City Council for the financial year. For 2014/15 it incorporates a summary work plan for the Corporate Fraud Team.

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

- § Demonstrate effective audit coverage and a mechanism to provide independent and objective assurance in particular to the Audit & Standards Committee and the Executive Leadership Team (ELT).
- § Communicate our objectives for the coming year.
- § Prioritise the use of available audit and corporate fraud resources.
- § Inform elected Members and management of the range and extent of audit coverage.
- § Highlight the linkages between Internal Audit, Corporate Fraud work and Risk Management.

- § Support the Executive Director of Finance & Resources in fulfilling her obligations.
- § Update elected Members and senior management on our working practices and audit approach.
- § Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2011.
- § Ensure compliance with the Public Sector Internal Audit Standards 2013.

2. Service objectives 2014/15

Internal Audit's service objectives for 2014/15 are to:-

- § Give assurance on the overall control environment
- § Identify individual control problems and recommend practical business solutions
- § Follow-up and track the implementation of recommendations made in our reports
- § To work with the Corporate Fraud Team to promote an anti-fraud culture and to detect and investigate allegations of potential fraud
- § Help build an effective corporate governance framework
- § Provide assurance on key IT risks and governance arrangements
- § Develop an organisational culture that prevents loss, fraud and waste of resources
- § Encourage the raising of legitimate concerns through the Whistleblowing Policy and the Fraud Hotline
- § Support the annual governance review and preparation of the Annual Governance Statement
- § Ensure an effective working relationship with External Audit (Ernst & Young)
- § Support the Council's Value for Money Programme and seek assurance that projects and programmes are on track to deliver.

The Corporate Fraud Team's service objectives are to:

- § Investigate allegations of Housing Benefit and Council Tax Reduction Fraud.
- § Progress sanctions against fraudulent benefit claimants including Cautions, Prosecutions and Administration Penalties.
- § Investigate housing tenancy fraud and support Housing Officers in the recovery of properties.
- § Investigate allegations of other corporate fraud including (but not limited to) Procurement, Payroll, Blue Badges, Parking Permits, Grants, Schools.
- § Develop fraud awareness throughout the Council through training and other initiatives.
- § Revise, draft and communicate corporate policies including the Counter Fraud Strategy, Fraud Response Plan, the Bribery Act policy and Money Laundering.
- § Carry out proactive work using data analytics to identify transactions indicating high fraud risk.
- § To action intelligence obtained from the National Fraud Initiative data matching exercise.

3. The Role and Purpose of Internal Audit

The statutory basis for internal audit in local government is provided in the Accounts and Audit Regulations 2011 which states that *a local authority shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practice.* The Council has included this statutory requirement in its financial regulations.

The Public Sector Internal Audit Standards defines Internal Audit as *‘an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.’*

In addition to the above, the has a statutory duty footnote 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 Executive Director of Finance & Resources relies on, amongst other things the internal audit work for reviewing systems of internal control, financial management and other assurance processes.

The standards for ‘proper practice’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards (2013). We continually seek to ensure compliance with these professional standards and these are reflected in our Audit Charter.

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 2011.
- § An independent external review of the service every 5 years.
- § Our External Auditors seek to place reliance upon the quality and standard of work our work.
- § A defined customer feedback process.

4. The Audit Process

Each audit is carried out in accordance with a defined process and in accordance with professional standards. Each audit has an agreed Terms of Reference, which includes reference to key service or system risks. An assessment is made of the resources (days) to be allocated for each audit review.

We ensure that for each review the responsible Service Manager, Head of Service, and/ or Executive Director (Lead Client) will be consulted as necessary in the scoping to ensure it is appropriately focussed on key risks.

At the end of the audit key findings and recommendations are raised with management and documented in a written report. These reports include recommendations for addressing control weaknesses and an overall conclusion or Assurance Level. These assurance conclusions range from “Full Assurance” to “No Assurance”.

Final internal audit reports will be issued after the agreement of draft reports and contain completed management actions plans that identify those responsible for implementation of recommendations and timescales.

Recommendations are followed-up in accordance with an agreed protocol. This includes prioritising follow-ups on any audits where we have concluded “Limited” or “No” Assurance.

5. Developing the Annual Audit Plan

The audit plan is developed using a systematic approach to mapping auditable areas and identifying audit risk, together with consultations with Members, ELT and other senior managers within the Council.

A summary of the approach is set out below.

Step 1 Define the audit universe	<ul style="list-style-type: none"> • Identify and update/review all the auditable entities within the Council. Auditable entities can be services, systems, establishments, projects or programmes. • The process includes an analysis of the Council’s budgets, priorities and strategic risks as well as previous audit work. • Consultations with ELT, Members and other senior management. • Reference to developments and changes in Local Government services, legislation and financial arrangements.
Step 2 Assessment of Audit Risk	<ul style="list-style-type: none"> • Calculate an audit risk indicator (a numerical value) for each area taking into account previous audit work and opinions, budget materiality and other factors.
Step 3 First Draft of Plan	<ul style="list-style-type: none"> • Produce initial draft of Annual Audit Plan.
Step 4 Consultation	<ul style="list-style-type: none"> • Consult with Executive Director of Finance and Resources, Chief Executive, ELT members and senior management to refine plan and add in emerging projects and initiatives and content of each audit.
Step 5 Second Draft of Plan	<ul style="list-style-type: none"> • Circulate draft of Annual Audit Plan • Present draft report to Audit & Standards Committee for approval.

The Annual Internal Audit Plan is our work plan for the year but there may be changes during the year to reflect changes in Council and service priorities and emerging issues and risks. These will initially be approved by the Executive Director of Finance & Resources and then reported to the Audit & Standards Committee. In addition some contingencies are allowed for unplanned audit work in the plan.

6. Internal Audit and Corporate Fraud Resources

The Internal Audit service is mainly resourced by in-house staff. In addition IT audit work is also resourced from our partner Mazars Public Sector Audit Limited (previously Deloitte Public Sector Audit Limited).

For 2014/15 there are 9 full time equivalent staff in the Internal Audit Team including the Acting Head of Internal Audit. There are also 9.5 full time equivalent staff in the Corporate Fraud Team whose workload historically has focused on the investigation of housing benefit and council tax fraud. In 2014/15 the Corporate Fraud team will be supplemented by an additional post funded by the Housing service to focus on Tenancy Fraud.

Staff within the Internal Audit Team are a mixture of CCAB qualified accountants, Members of the Chartered Institute of Internal Auditors and those with AAT qualification.

Staff are matched to individual audits and other projects taking into account their training, qualifications, skills and work experience. We also seek to ensure rotation of staff so that one officer does not continually undertake the same audit year on year.

7. Summary Internal Audit and Corporate Fraud Plan 2014/15

In total there are 1,520 direct days available for the Internal Audit Service and 1,445 for the Corporate Fraud Team.

A summary of the resource allocations for Internal Audit and Corporate Fraud is provided in the tables below and overleaf.

Appendix A shows the detailed Annual Internal Audit Plan and provides a brief narrative summary of each of the reviews. Audits are also mapped against the Council's current Strategic Risks, where relevant.

Table 1 - Internal Audit Resources

Thematic Area	Number of Specific Audit Reviews	Audit Days
Governance	8	87
Key Financial Systems	14	214
Other Financial Systems	5	62
Contract/ Procurement	8	133
Service Focused	30	425
Project Assurance	3	47
IT Audit	14	116
Schools	13	88
Counter Fraud	-	160
Establishment Audits	2	15
Grant Certification	3	15
Other (including contingencies)	-	153
Totals	100	1,515

Table 2 - Corporate Fraud Resources

Thematic Area	Audit Days
Reactive – Investigation of Housing Benefits and Council Tax Reduction fraud	700

Reactive- Investigation of other Corporate fraud	250
Reactive- Investigation of Housing Tenancy Fraud	250
Reactive- Investigation of National Fraud Initiative (NFI) data matches	50
Proactive/ Fraud Awareness work	175
Service Development	20
Totals	1,445

Audit & Standards Committee and ELT will receive regular progress reports against the plan.

8. Key Areas for 2014/15

The paragraphs below give an overview of our service for 2014/15:

8.1 Governance Audits

In 2014/15 we will assist the Council in providing an improved governance framework which ensures that decisions are made in accordance with approved corporate policies and are aligned to the objectives and values of the organisation. As well as assurance work on individual components of the governance framework we are also scheduling resources to assist with the development of corporate arrangements.

8.2 Key and Other Financial Systems

An important focus of our work is on financial systems. This work supports the work programme delivered by External Audit. It provides assurance that financial systems effectively control income and expenditure and that financial information is accurate for both operational and strategic decision making purposes.

8.3 Contracts and Procurement

Audit reviews on contracts and procurement are designed to do two main things. The first is to provide assurance that procurement processes are legal, in accordance with the Council's constitution and demonstrate VfM. The second major component is in ensuring the contracts deliver the goods and services intended at the price that has been agreed.

8.4 Service Reviews

A number of different types of audit have been classified as service reviews. These will generally adopt a systems/risk-based audit process. Again, an important component is the effective operation of financial controls but in addition these reviews may also look at a wide range of operational controls which link back to the key risks identified within the service areas.

8.5 Project Assurance

To deliver improved services, respond to legislative changes and deliver improved efficiency the Council has a significant number of projects planned and in progress. The audit plan includes review of the key controls and management arrangements for key corporate projects.

8.6 IT Audits

A significant element of the audit plan is the review of IT systems and services. These reviews range from technical audits of IT controls and procurement, as well as contract audits and reviews which focus on information and data management. The 2014/15 programme will include follow-up on audits where Limited Assurance has previously been given.

8.7 Schools

The programme of schools audits has been expanded for 2014/15 to allow more visits to individual schools. This reflects an increase in risks highlighted by the investigation of potential fraud losses within individual schools. Other work will be carried out on schools' contracts and the school admissions process.

8.8 Counter Fraud

Counter Fraud work is resourced from both the Corporate Fraud Team and Internal Audit. For 2014/15 both teams have identified resources for investigating corporate fraud allegations (reactive work) as well as resources for identifying unreported fraud and improving fraud awareness across the Council (proactive work).

8.9 Implementation of Agreed Management Actions

At the end of each audit review, an audit report will be produced containing agreed management actions to audit recommendations made. We will seek assurance these agreed actions are fully implemented to ensure improvements to the Council's control environment. We will focus on high and medium priority audit recommendations.

8.10 Service Development

Time has been allowed in this years plan for some service development work. This includes preparation for the planned external review of the service and ongoing compliance with the PSIA's.

9. Performance Management

To achieve planned coverage, deliver a high standard of customer care and demonstrate effectiveness of the service, we have well established performance targets based on best professional practice and easily comparable with other organisations.

Performance indicators and targets are shown at Appendix C for six aspects of our service:

- § Cost and quality of input;
- § Productivity and process efficiency;
- § Quality of output;
- § Compliance with professional standards;
- § Outcomes and degree of influence; and
- § Our staff.

We will ensure continuous improvement of the Internal Audit Service and adopt new approaches.

Appendix A

DETAILED INTERNAL AUDIT PLAN 2014/15

	Days	Narrative	Responsible Officer	Scheduled	Strategic Risk
Governance					
Performance Management	12	Performance management reporting to DMTs.	Assistant Chief Executive	Q4	
Data Sharing (Health and Social Care)	12	Assurance that data sharing meets legislative and operational requirements.	Executive Director Adult Services	Q4	16 - Health and Social Care Modernisation/ Integration
Freedom of Information Act and Openness and Transparency	15	Assurance on compliance with legislation. That the Council makes data and information available to stakeholders in accordance with central government and local requirements.	Executive Director Finance and Resources	Q1	10 - Information Governance Management
Data Protection	8	Compliance with legislative requirements.	Executive Director Finance and Resources	Q2	10 - Information Governance Management
Records Management Policy	10	Processes are in place to enable the Council to manage records in accordance with legislative and corporate requirements.	Executive Director Finance and Resources	Q1	10 - Information Governance Management
Attendance-Absence Management	12	Procedures are properly and consistently applied across the organisation.	Executive Director Finance and Resources	Q1	
Risk Management (Use of Interplan)	10	That Risk Management strategy is embedded. There will be a specific emphasis on the review of the Interplan software to deliver the corporate arrangements.	Executive Director Finance and Resources	Q2	

Declarations of Interests, Gifts & Hospitality	8	Follow-up on 2013/14 audit report.	Head of Legal & Democratic Services	Q2	
Subtotal	87				

	Days	Narrative	Responsible Officer	Scheduled	Strategic Risk
Key Financial Systems					
Housing Rents	18	That key controls are in place over the collection of HRA housing rents.	Executive Director Environment, Development and Housing	Q4	
Management of Non-Current Assets	8	Non-current assets are recorded and managed effectively to be able to inform Council decision making and the preparing of the Council's accounts.	Executive Director Finance and Resources	Q4	
Treasury Management	10	That there are effective controls over borrowing and investments.	Executive Director Finance and Resources	Q4	
Capital Accounting & Expenditure	12	Capital expenditure is managed and controlled in accordance with accounting regulations and corporate policies.	Executive Director Finance and Resources	Q4	
Main Accounting System	15	Key financial system audit, including controls over journals and virements.	Executive Director Finance and Resources	Q4	
Council Tax	15	Key financial system including controls over billing and recovery.	Executive Director Finance and Resources	Q3	2 - Financial Outlook for the Council

Business Rates	15	Key financial system including controls over billing and recovery.	Executive Director Finance and Resources	Q3	2 - Financial Outlook for the Council
Business Rates (Retention forecasting and related systems)	10	Follow-up work review on corporate processes for forecasting and monitoring impact on Business Rate retention on corporate finances.	Executive Director Finance and Resources	Q3	2 - Financial Outlook for the Council
Cash Collection & Banking	15	To review key financial controls over the council's banking and reconciliation processes.	Executive Director Finance and Resources	Q3	
Debtors	18	That debtors are processed, raised and managed in accordance with corporate requirements.	Executive Director Finance and Resources	Q4	
Budget Management	18	To check Budget Management is effective and meet corporate requirements.	Executive Director Finance and Resources	Q3	2 - Financial Outlook for the Council
Payroll	20	That controls ensure that all payroll transactions are accurate and correctly authorised.	Executive Director Finance and Resources	Q4	
Housing and Council Tax Benefits	20	Key controls are in place to ensure claims are paid accurately and promptly.	Executive Director Finance and Resources	Q3	
Creditors	20	To ensure that key controls over payments through creditors are in place and operating consistently.	Executive Director Finance and Resources	Q4	
Subtotal	214				

	Days	Narrative	Responsible Officer	Scheduled	Strategic Risk
Other Financial Systems					
Bailiff Services	10	Follow-up on 2012/13 audit to include examining performance management information.	Executive Director Finance and Resources	Q2	
Employee Overpayments	10	That processes promptly detect and recover any salary overpayments.	Executive Director Finance and Resources	Q1	
Staff Expenses	15	To obtain assurance on key controls over systems for claiming expenses.	Executive Director Finance and Resources	Q4	
Procurement Cards	15	To ensure key controls are in place and working consistently.	Executive Director Finance and Resources	Q1	
Periodic Payments (Carefirst)	12	To examine controls over periodic payments, including payment stop controls.	Executive Director Finance and Resources	Q1	
Subtotal	62				

	Days	Narrative for Plan	Responsible Officer	Scheduled	Strategic Risk
Contract/ Procurement					
Lift Maintenance Contract (Housing)	15	Contract management and procurement controls have operated as expected.	Executive Director Environment, Development and Housing	Q2	
Housing Repairs Contract	20	To obtain assurance that the service is delivered in accordance with the contract as well as Council and tenant expectations.	Executive Director Environment, Development and Housing	Q4	
Integrated Waste Management Contract	25	Joint working with ESCC to ensure key aspects of the IWMC are delivered as per the contractual arrangements.	Executive Director Environment, Development and Housing	Q1-4	
Office Cleaning Contract	10	To obtain assurance that the service is delivered in accordance with the contract and Council requirements.	Executive Director Finance and Resources	Q1	
Approved Lists	15	That approved lists are compiled and used in accordance with corporate procurement rules.	Executive Director Finance and Resources	Q1	
Corporate Banking Contract	15	To establish that key risks are controlled in the procurement process, including technical implications for business processes.	Executive Director Finance and Resources	Q1-4	
Education PFI	15	Controls ensure that services are delivered as per contract arrangements and that there is effective co-ordination of the role of the Council, schools, and service providers.	Executive Director of Children's Services	Q1	
Children's Services - Procurement	18	Controls are in place to ensure that Children's services procurement complies with legal and corporate requirements.	Executive Director of Children's Services	Q3	
Subtotal	133				

	Days	Narrative for Plan	Responsible Officer	Scheduled	Strategic Risk
Service Focused					
Payment of Grants	15	Key financial controls over award and payment of grants. To include controls that prevent duplicate funding to external partners.	Assistant Chief Executive	Q4	
Sea Front Services	15	To include a review of the management of health and safety risks and co-ordination between Council departments.	Assistant Chief Executive	Q3	12-Maintaining Seafront as an asset to the city
Public Health	15	To review governance and contract arrangements within service provision.	Director of Public Health	Q4	
Client Billing (Adult Social Care Contributions)	15	To ensure client billing arrangements are effective and properly monitored.	Executive Director Adult Services	Q1	
Direct Payments and Personal Budgets	15	To examine key financial controls over processes including those which prevent and detect fraud or misuse of funds.	Executive Director Adult Services	Q2	
Asylum Seekers	15	To examine key financial controls over service expenditure.	Executive Director Adult Services	Q1	
Learning Disabilities	20	To examine key financial controls over service expenditure and budgets.	Executive Director Adult Services	Q1	

Care Bill Planning and Integration	12	Review of project management and implementation arrangements including data collection.	Executive Director Adult Services	Q3	16 - Health and Social Care Modernisation/ Integration
Better Care Fund	12	To examine the arrangements for the management and control around the use and integration of the Better Care Fund.	Executive Director Adult Services	Q4	16 - Health and Social Care Modernisation/ Integration
Housing Rent Arrears (Welfare Reform Impact)	10	To examine processes which track and review impact of welfare reform on rent arrears.	Executive Director Environment, Development and Housing	Q4	11. Welfare Reform
Parking – Pay by Telephone	12	Project management and operational controls are in place to manage the effective roll out of the service, and that all income due is promptly received by the Council.	Executive Director Environment, Development and Housing	Q2	
On-Street and Off-Street Car Parking	20	To ensure effective control over this significant income stream, and that all monies due to the Council are promptly and efficiently banked.	Executive Director Environment, Development and Housing	Q4	
Blue Badges	10	To examine key controls in relation to issuing badges and fraud prevention.	Executive Director Environment, Development and Housing	Q4	
City Clean Expenditure	15	Key controls over City Clean expenditure and procurements.	Executive Director Environment, Development and Housing	Q3	
Residents Parking Permits	15	Income collection processes are effective and permits are only issued where application criteria are met.	Executive Director Environment, Development and Housing	Q1	
Building Control	10	Examine effectiveness of income, expenditure and budget management controls.	Executive Director Environment, Development and Housing	Q3	

Housing Local Delivery Vehicle	12	Obtain assurance that service delivery arrangements operate as agreed, and that processes identify and controls high level risks in relation to the service.	Executive Director Environment, Development and Housing	Q1	
Regulatory Enforcement Activities/Licensing	12	To obtain assurance on legal compliance of processes and income collection processes.	Executive Director Environment, Development and Housing	Q2	
Right to Buy	10	To ensure that legislation is correctly applied, effective administration and controls to detect fraud or abuse of the scheme.	Executive Director Environment, Development and Housing	Q2	
Refuse Collection (Recycling)	15	To examine controls over service expenditure and management information on the operation of the service and recycling.	Executive Director Environment, Development and Housing	Q3	8 - Becoming a more sustainable city
Supporting People	20	To review the supporting people programme.	Executive Director Environment, Development and Housing	Q2	
Housing Temporary Accommodation	20	Review of rent accounting controls for temporary accommodation and controls over payments to suppliers.	Executive Director Environment, Development and Housing	Q2	
Homelessness (Prevention and Management)	15	Examination of processes that manage the demand for Council accommodation, including prevention strategies and information collection.	Executive Director Environment, Development and Housing	Q1	13 - Keeping Vulnerable Adults safe from harm and abuse
Housing Allocations	15	Housing is allocated in accordance with approved procedures.	Executive Director Environment, Development and Housing	Q1	

Tenant Incentive Scheme	12	That the scheme is administered in accordance with the approved arrangements.	Executive Director Environment, Development and Housing	Q1	
Welfare Reform (Discretionary funds and other interventions)	15	To examine risks and controls in respect of Welfare Reform. (Including discretionary payment systems).	Executive Director Finance and Resources	Q4	11 - Welfare Reform
PIER (Management Data)	12	To examine management information reporting from the PIER system.	Executive Director Finance and Resources	Q2	
Premises Security	8	Council premises are safeguarded from unauthorised entry or damage. Assurance that proper contractual arrangements are in place with third party providers.	Executive Director Finance and Resources	Q1	
Property Legal Compliance	15	Follow-up on Limited Assurance Corporate Landlord report from 2013/14. To ensure that mechanisms are in place to provide assurance over property related health and safety risks.	Executive Director Finance and Resources	Q2	
Leaving Care	18	To examine key financial controls over service expenditure and budgets	Executive Director of Children's Services	Q1	
Subtotal	425				

	Days	Narrative for Plan	Responsible Officer	Scheduled	Strategic Risk
Project Assurance					
Major Projects	20	Review of major projects and key project management controls. To include the i360.	Executive Director Environment, Development and Housing	Q1-4	12 - Economic Resilience and Sustainable Economic Growth
VFM Phase 4	15	That project management controls are in place to ensure the delivery of VFM 4.	Executive Director Finance and Resources	Q3	2 - Financial Outlook for the Council
Workstyles Project	12	That project management controls are in place to ensure the delivery of the Workstyles Project.	Executive Director Finance and Resources	Q3	2 - Financial Outlook for the Council
Subtotal	47				

	Days	Narrative for Plan	Responsible Officer	Scheduled	Strategic Risk
ICT Audit					
Payment Card Industry – Data Security Standard (PCI-DSS) -	5	To follow-up on the audit from 2013 which concluded Limited Assurance.	Chief Technology Officer	Q2	10 - Information Governance Management

Mobile & Portable Devices	5	To follow-up on the audit from 2013 which concluded Limited Assurance.	Chief Technology Officer	Q2	18 - Effective Use of technology
ICON Cash Management	5	To follow-up on the audit from 2013 which concluded Limited Assurance.	Chief Technology Officer	Q2	
Service Levels Performance and Benchmarking	5	To follow-up on the audit from 2013 which concluded Limited assurance	Chief Technology Officer	Q2	18 - Effective Use of technology
Information and Data Sharing	5	To follow-up on the 2012/13 audit that concluded Limited Assurance.	Chief Technology Officer	Q3	10 - Information Governance Management
IT Server Estate	5	To follow-up on the 2013 audit that concluded Limited Assurance.	Chief Technology Officer	Q3	10 - Information Governance Management
Business Rates (New System)	10	Assurance on project management over purchase and implementation of a new IT system.	Chief Technology Officer	Q1-4	18 - Effective Use of technology
SIMS Application audit (Deloitte gave Limited Assurance Report in 2013)	5	Follow-up on Limited Assurance audit reported in 2013.	Chief Technology Officer	Q2	
BACS	6	Follow-up on 2013/14 Limited assurance review.	Chief Technology Officer	Q2	
Core Systems	10	IT audit review of one or more key business systems.	Chief Technology Officer	Q3	
Software Licensing	10	To provide assurance that the Council is only using licensed software and that payment is not being made for unused licensed software.	Chief Technology Officer	Q2	18 - Effective Use of technology
ICT Governance	15	Annual assurance on ICT governance arrangements to support the annual internal audit opinion.	Chief Technology Officer	Q4	18 - Effective Use of technology

ICT Contracts	20	To ascertain that ICT contracts are being procured in accordance with corporate rules and requirements, and that controls ensure services are delivered to requirements.	Chief Technology Officer	Q1	18 - Effective Use of technology
Capital Investment Programme - ICT	10	To examine the framework for developing the ICT Capital Investment Programme and monitoring arrangements.	Chief Technology Officer	Q2	18 - Effective Use of technology
Subtotal	116				

	Days	Narrative for Plan	Responsible Officer	Scheduled	Strategic Risk
Schools					
Traded Services for Schools	8	Follow-up on 2013/14 audit review and assurance on project progress.	Executive Director of Children's Services	Q2	
School Meals Contract	8	Assurance that key contract management processes that income controls are operating as expected are in place and income is correctly accounted for.	Executive Director of Children's Services	Q3	
Schools Admissions	12	Obtain assurance that controls ensure process operates as designed and communicated to stakeholders.	Executive Director of Children's Services	Q2	17 - School Places Planning
Schools Audits	60	To undertake individual school audits incorporating budget management, income and expenditure controls and key governance arrangements. (10 audits)	Executive Director of Children's Services	Q1-4	
Subtotal	88				

	Days	Narrative for Plan	Responsible Officer	Scheduled	Strategic Risk
Counter Fraud					
Fraud Awareness Training and Proactive Fraud Initiatives	25	Support to Corporate Fraud Team in delivering fraud awareness training, a revised corporate fraud strategy and other initiatives.	Other	Q1-4	
Fraud and Management Investigations	100	Investigation of fraud, whistle blowing and other management issues that arise during the year.	Other	Q1-4	
Data Analytics	20	Use of data analysis and manipulation to identify and investigate high risk transactions in payment systems.	Executive Director Finance and Resources	Q2	
Council Tax Single Person Discount (Fraud Prevention and Detection)	15	Controls are in place to detect and prevent SPD fraud.	Executive Director Finance and Resources	Q3	2 - Financial Outlook for the Council
Subtotal	160				

	Days	Narrative for Plan	Responsible Officer	Scheduled	Strategic Risk
Establishment Audits					
Brighton Centre - Ticketing and Catering	10	To examine key financial Controls over Income and Expenditure.	Assistant Chief Executive	Q2	
Children's Centres	5	To undertaken an establishment audit of income, expenditure, cash and other local controls at a Children's centre.	Executive Director of Children's Services	Q2	
Subtotal	15				

	Days	Narrative	Responsible Officer	Scheduled	Strategic Risk
Grant Certification					
Contingency for Auditing and Certification of Grant Claims	15	Time allowed for certification of grant claims where there is a requirement of the external funding body. (Estimated 3 claims)	Executive Director Finance and Resources	Q1-4	
Subtotal	15				

	Days	Narrative	Responsible Officer	Scheduled	Strategic Risk
Other (including contingencies)					
Environmental Management System Audits	8	Support to Sustainability Team in delivering Environmental Management System Audits.	Executive Director Environment, Development and Housing	Q1-Q4	
Implementation Reviews	40	Implementation reviews on 2013/14 audits in accordance with agreed service protocol.	Other	Q1-Q4	
Contingency for Unplanned Work (including c/f from 2013/14)	50	Contingency for management requests for unplanned work.	Other	Q1-Q4	
Improvements to Corporate Governance	25	Time to support development and communication of enhanced corporate governance arrangements.	Other	Q2	
Service development including compliance with Public Sector Internal Audit Standards	30	Preparation for and engagement with external review of the service. Further development of quality assurance and improvement processes.	Other	Q1-Q4	
Sub-total	153				

Total Days	1,515				
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Internal Audit Charter

Introduction

This Charter defines for the Council, the purpose, authority and responsibility of the Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards.

The Charter will be approved annually by the Audit & Standards Committee, after consultation with the Executive Leadership Team (ELT).

Internal Audit Purpose

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

Internal Audit supports the whole Council to deliver economic, efficient and effective services and achieve the Council's vision, priorities and values.

In a local authority internal audit provides independent and objective assurance to the organisation, its Members, the ELT and in particular to the Chief Financial Officer (the Executive Director, Finance & Resources) to help discharge her responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

In addition, the Accounts and Audit Regulations (2011) specifically require the provision of an internal audit service. In line with regulations, Internal Audit provides independent assurance on the adequacy of the Council's governance, risk management and internal control systems.

Authority

The Head of Internal Audit is the Council's Chief Audit Executive as defined in the Public Sector Internal Audit Standards 2013.

The Head of Internal Audit is line managed by the Council's Chief Financial Officer but has unrestricted access to the Chief Executive, all members of the ELT, Corporate Management Team and Chair of the Audit & Standards Committee.

Internal Audit has unrestricted access to all Council and partner records and information, cash, stores and other Council property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter Council property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Right of access to other bodies funded by the Council should be set out in the conditions of funding.

The Internal Audit function will consider all requests from the External Auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, which External Audit would need to discharge their responsibilities.

Internal Audit Responsibility

The Council's Head of Internal Audit is required to provide an annual opinion to the Council and to the Chief Financial Officer, through the Audit & Standards Committee, on the adequacy and the effectiveness of the internal control system for the whole Council. In order to achieve this, the Internal Audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources.
- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
- To provide assurance that significant risks to the Council's objectives are being managed. This is achieved by annually assessing the adequacy and effectiveness of the risk management process.
- To provide responsive, challenging and informative advice and support to management on risk management, controls and governance to management.
- To provide clear and concise internal audit reports to support management in implementing agreed actions to improve services and risk management, control and governance processes.
- To investigate all cases of suspected financial irregularity, fraud or corruption in accordance with agreed procedures.
- To promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud.

Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal Audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions for the purposes of audit work and to ensure the authenticity of these documents.

Where appropriate, Internal Audit will undertake audit or consulting work for the benefit of the Council in organisations wholly owned by the Council, such as Local Authority Trading Companies. Internal Audit may also provide assurance to the Council on third party

operations (such as delivered by contractors and partners) where this has been provided for as part of the contract.

Internal Audit Reporting

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The Internal Audit Strategy and Annual Internal Audit Plan that includes the Audit Charter are reported annually to the ELT and the Audit & Standards Committee. These are approved by the Audit & Standards Committee.
- The Annual Internal Audit Plan is compiled by the Head of Internal Audit taking account of the Council's risk framework and after input from members of the ELT and Corporate Management Team.
- The Internal Audit budget is reported to the Policy & Resources Committee and Full Council for approval annually as part of the overall Council budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the Audit & Standards Committee. The approach to providing resource is set out in the Internal Audit Strategy.
- Performance against the Annual Internal Audit Plan and any significant risk exposures and control issues arising from audit work are reported to the ELT and Audit & Standards Committee on a regular basis throughout the year.
- Any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit & Standards Committee.
- Results from the quality assurance and improvement programme will be reported to both ELT and Audit & Standards Committee.
- Any instances of non-conformance with the Public Sector Internal Audit Standards must be reported to the ELT and Audit & Standards Committee and will be included in the Head of Internal Audit's Annual Internal Audit Report and Opinion. If there is significant non-conformance this may be included in the Council's Annual Governance Statement.

Internal Audit Independence

The independence of the Head of Internal Audit is further safeguarded by ensuring that his annual appraisal is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chair of the Audit & Standards Committee contribute to, and/or review the appraisal of the Head of Internal Audit.

All Internal Audit staff are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit & Standards Committee. To maintain

independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months.

Due Professional Care

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics
- Seven Principles of Public Life (Nolan Principles)
- Public Sector Internal Audit Standards 2013
- All Council Policies and Procedures
- Other relevant legislation

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards 2013, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. The Head of Internal Audit is required to hold a professional qualification (CCAB or CMIIA) and be suitably experienced.

Appendix C

Service Performance Targets 2014/15

Aspect of Service	Performance Indicators	Target
Cost and Quality of Input	<ul style="list-style-type: none"> Service costs 	<ul style="list-style-type: none"> Within budget
Productivity and Process Efficiency	<ul style="list-style-type: none"> Achievement of annual plan by 30th April 2014 (%) Issue of draft report after completion of fieldwork Issue of final report after agreement with client of draft Audit reviews delivered within budgeted time 	<ul style="list-style-type: none"> 100% Within 10 Days Within 10 Days 100%
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"> Public Sector Internal Audit Standards 	<ul style="list-style-type: none"> 100% compliant
Outcomes and degree of influence	<ul style="list-style-type: none"> Implementation of agreed management action to recommendations made 	<ul style="list-style-type: none"> 98% of High Priority Recommendations 85% of Medium Priority Recommendations
Our Staff	<ul style="list-style-type: none"> Professionally Qualified and Undertaking CPD Annual Training & Development Received (Minimum) 	<ul style="list-style-type: none"> 80% 5 Days