



INTERNAL AUDIT STRATEGY AND PLAN

2010 - 2011

1. Introduction

- 1.1 This Strategy & Plan has been produced in order to inform officers and Members on the context of the internal audit plan for 2010/2011. The audit plan in place is in order to ensure that the risks facing the Council are adequately addressed and internal audit resources are effectively utilised. This is in line with current Internal Audit Standards and the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.
- 1.2 We have drawn our risk assessment from a wide range of sources including the Council's risk register, Directorate Plans and one to one meetings with Directors.
- 1.3 This Risk Assessment is a key factor in deciding how to allocate internal audit resources available. It ensures that resources are focused on those areas where they can be of most benefit to the Council by providing assurance to the Council's Corporate Management Board, the Section 151 Officer, the Monitoring Officer and the Audit Committee on controls over key risks. This document sets out our responses as internal auditors to those risks and to other factors that have been considered as part of our assessment of audit need.

2. Background

- 2.1 Internal Audit is an assurance function that provides an independent and objective opinion to the Council'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.
- 2.2 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital part in advising the Council that these arrangements are in place and operating properly. The annual internal audit opinion, which informs the Annual Governance Statement, both emphasises and reflects the importance of this aspect of internal audit work. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore contribute to the achievement of the Council's objectives.

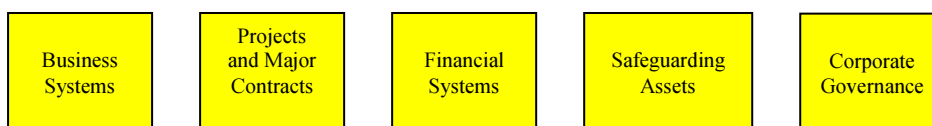
3. Internal Audit Strategy

- 3.1 The strategy of Internal Audit is to deliver a risk-based audit plan in a professional, independent manner, to provide the Council with an opinion on the level of assurance it can place upon the internal control environment, and to make recommendations to improve it.
- 3.2 We will do this by:-

- Delivering the Audit Plan and verifying that sound control is maintained over the Council’s financial and operational systems, identifying weaknesses and agreeing solutions.
- Provision of annual opinion and assurance on the Council’s Governance and control systems.
- Carrying out a cyclical review of central, core financial systems such as payroll, taxation etc to verify financial control.
- Carrying out reviews of services/systems and developments to ensure effective risk management and good control is practiced.
- Verifying that the Council’s Contract and Financial Procedure Rules are being observed.
- Developing and implementing the assurance framework to support the Council’s Annual Governance Statement.
- Reviewing corporate and service arrangements for risk management.
- Promoting the Council’s Anti-fraud and corruption strategy and assist management to carry out investigation of suspected frauds and irregularities dependent upon available resources.
- Provision of clear, concise and meaningful reports to management covering areas reviewed which encourage them to take action where recommendations have been made.
- Delivery of reports to the Audit Committee as defined in their Terms of Reference.

4. Providing Assurance

4.1 Providing fundamental “core systems” assurance

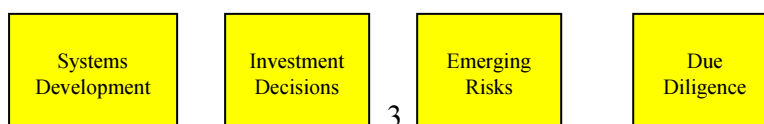


Assessing the present – fundamental assurance

4.1.1 We recognise the necessity to provide management with an on-going level of fundamental “core financial systems” assurance, particularly in the light of the need to satisfy the Council’s External Auditors. We will seek to maximise audit efficiency by working closely with the external auditors, who will inform but not direct the scope of our reviews.

4.1.2 We consider that a key requirement will be to undertake fundamental assurance reviews at the right time to ensure that external audit can place reliance on our work.

4.2 A Risk Based Approach

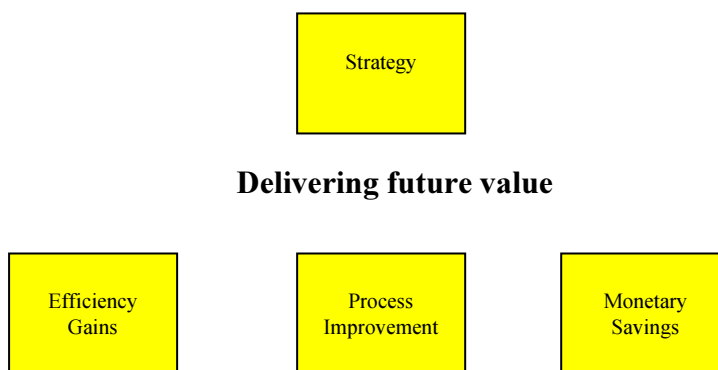


Assessing the future

- 4.2.1 Risk based work is also critical to the Council, as it seeks to improve the risk awareness of staff, and improve overall control. The internal audit work programme is designed to provide assurance that the significant risks identified within the Council’s risk register are being managed effectively. As part of this process we will also examine the risk management framework and governance procedures.
- 4.2.2 By adopting a risk based audit approach there will be clear linkage between the significant risks identified in the Council’s Risk Register and the work undertaken by internal audit in providing assurance against these. The definition of risk is **anything that will prevent you from achieving your objectives**. As a result, the starting point for a risk based audit approach is an understanding of the Council’s objectives.

4.3 Delivering value through improved performance

- 4.3.1 Internal audit can also provide a valuable role in improving business performance and delivering future value. We can assist the Council through the deployment of specialist skills and experience.
- 4.3.2 A significant element of the internal audit plan will remain focused on fundamental assurance. However, in the current economic climate, internal audit does have a role to play in assisting the Council in areas such as efficiency gains, process improvements and delivering savings. This, in part, can be achieved by ensuring that our audit scopes (where applicable) include an element of Value for Money e.g. economy, efficiency and effectiveness.



Improving business performance.

5. The Risk Assessment Process

5.1 The information which has been used to prepare our risk assessment and proposed internal audit plan has been collected and collated from a number of difference sources, including:

- Prior year internal audit plans and reports.
- The Council's Corporate Risk Register
- Review of Directorate Plans and Corporate Plan,
- Discussions with Directors (and where requested Heads of Service).
- A review of relevant documentation and reports from external inspectorates (e.g. External Auditor).
- Review of technical and legislative updates.

6. Internal Audit Plan.

6.1 The audit plan covers all BCBC services and functions and is based on key risk areas informed by the Corporate Risk Register. The plan balances the following requirements:

- The need to ensure the Audit Plan is completed to a good practice level (this is currently set at least 85%).
- The need to ensure core financial systems are adequately reviewed to provide assurance that management has in place proper arrangements for financial control (on which External Audit will place reliance).
- The need to appropriately review other strategic and operational arrangements.
- The need to have uncommitted time available to deal with unplanned issues which may need to be investigated e.g. allegations of fraud and corruption.
- To enable positive timely input to assist corporate and service development.

6.2 The Chief Internal Auditor in liaison with the Head of Property and Finance will monitor progress against the audit plan, and keep the content of the plan itself, under review. Where there is a need for material changes to the plan (i.e. affecting over 20% of the planned assignments) a revised plan will be re-submitted to the Audit Committee for noting.

7. Resources

Resource Requirements

7.1 The audit plan summarised in table 1 details the requirement of 1,425 chargeable days, including a contingency absorbed under each Directorate. Estimated available resources are summarised as per Table 1 and is based on the assumption that the current internal audit resource will remain essentially unaltered and intact throughout the year.

Non-Productive / Non-Chargeable Time

- 7.2 Included under the general heading of overheads is an allocation of 400 days for non-productive time which include entitlements such as annual leave and bank holidays.
- 7.3 In addition to non-productive time a general allocation of 710 days has been incorporated under the heading of non-chargeable time, these are workdays allocated to such things as undertaking essential internal administrative support tasks, training, attending meetings, staffing matters and management and supervision.

Contingencies

- 7.4 It should be noted that a major element of the function of internal audit means that this has to be a dynamic document and thus be flexible and reactive as required to situations arising during the course of the period covered in the plan. A contingency reserve has been built in to each Directorate allocation to facilitate such matters as fraud and irregularity investigations, advice and guidance. This should at least minimise possible disruption to the basic plan in the event of an excess of any such eventualities.

Table 1 – Resource Availability & Utilisation 2010/11 (days)

Resources Available	Total Days
Total days Available	2,535
Non Audit Time	
Annual leave, Bank Holidays etc.	400
Non Chargeable – training, management & supervision, administration etc.	710
Sub Total	1,110
Time Allocated to Audit Work	
Finance & Property	265
ICT & Customer Contact	274
Corporate Development and Partnerships	125
Legal and Regulatory Services	35
Children’s (Including Schools)	301
Communities	170
Wellbeing	210
Cross Cutting	45
Sub Total	1,425
OVERALL TOTAL	2,535

INTERNAL AUDIT PLAN 2010 -11

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment which encompasses the systems of governance, risk management and internal control, by evaluating its effectiveness in achieving the organisation's objectives. It examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. *CIPFA Code of Practice for Internal Audit in Local Government 2006*

Property and Finance

<i>Area</i>	<i>Audit Scope</i>	<i>Total days</i>
<i>Contingency</i>	<i>This contingency will be used for providing resources to undertake fraud and irregularity investigations.</i>	<i>15</i>
<i>Procurement</i>	<i>Review of procurement activity to ensure that this complies with the Council's policies and procedures including Contract Standing Orders, Procedure Rules and relevant legislation.</i>	<i>30</i>
<i>Capital Programme</i>	<i>Contract Audit – Evaluate appointment of architects, engineers, contractors etc, appraisal of the viability of a scheme. Carry out audit of a live project to ensure that monitoring exists and establish contractor cost and subsequent payment and variations.</i>	<i>40</i>
<i>Risk Management</i>	<i>Review of risk management procedures within Services. Maintenance and management of the risk register including the process for the addition, amendment and deletion of risks.</i>	<i>20</i>
<i>Prudential Code & Invest to Save</i>	<i>Systems based approach considering key risk exposures. Include mapping of key control areas.</i>	<i>10</i>
<i>Taxation</i>	<i>The audit will focus on controls in place to ensure the completeness, promptness, accuracy and validity of Council Tax and NNDR transactions, including access restrictions, authorisations, accuracy checks on input, segregation of duties and error detection.</i>	<i>10</i>
<i>Creditors</i>	<i>Systems based approach considering key risk exposures. Include mapping of key control areas and liaison with external audit requirements. Testing to provide assurance that accurate, timely payments are made which are only to bone fide creditors for goods and services provided for the benefit of the Council.</i>	<i>30</i>
<i>Insurance</i>	<i>Review Insurance arrangements considering key risk exposures. Testing adequacy of input controls. The review will concentrate on the validation of the Insurance database to provide the necessary assurances to support the annual opinion.</i>	<i>20</i>

<i>Main Accounting</i>	Systems based approach considering key risk exposures. Including mapping of key control areas and liaison with external audit requirements. Testing adequacy of input controls including feeder system interfaces into the general ledger and reconciliation of control and suspense accounts, review IT access controls.	20
<i>Sundry Debtors</i>	Systems based approach considering key risk exposure. Include mapping of key control areas and liaison with external audit requirements. Testing to provide assurance that all income due is identified, invoiced, collected and recorded accurately and timely, including checking of controls over income in a small sample of budget units. Review debt management procedures and processes for community care and establish how debt is managed.	15
<i>Housing Benefit</i>	To consider Assessment/ Payment and Output; Overpayments; Rent Officer Referrals; Performance Review; Fraud Prevention and Detection; Accounting arrangements and Systems and Data security.	15
<i>Asset Management</i>	Evaluate controls in operation for the identification of assets, disposal and transfer to the fixed asset register system, together with the accounting processes which have been adopted. Assess how future costs of repairs and maintenance are being identified and budgeted for.	20
<i>Building Maintenance</i>	Review of the procedures in place regarding the identification / prioritisation of work and the subsequent tendering, award and payment of work.	20
Overall Total – Property & Finance		265

ICT & Customer Contact

<i>Area</i>	<i>Risk Ref</i>	<i>Audit Scope</i>	<i>Total days</i>
ICT Technical Infrastructure		<p>Review of controls in place surrounding the Council’s ICT technical infrastructure. The focus of this work will be primarily (but not exclusively) concentrated on two main areas:</p> <p>Networks – Assessing the controls surrounding the access, security, delivery and availability of the various types of Council network such as Local Area Networks (LANS), Wide Area Networks (WANS).</p> <p>Data Centre(s) – Review controls surrounding the data centre(s) including data storage, power utilisation, backups and continuity and security arrangements.</p>	73
IT Policies and Information Management		<p>Review of IT Policies and procedures to ensure compliance.</p> <p>Review of controls for the management of information.</p>	35
GCSX Compliance		Assess compliance with GCSX standards prior to external assessment.	5
PCI DSS		Ensure that stored cardholders data is protected and that the transmission of cardholder data across open, public networks is fully encrypted and that access to cardholder data is restricted by business need-to-know. Verify that there are regular testing of security systems and processes and that all access to network resources and cardholder data is tracked.	8
Application Controls		Review of access, security, delivery and availability controls for the various types of applications utilised by the Council.	53
Shared Services		To provide computer audit support to the Vale of Glamorgan Council under the Shared Services Agenda.	40
Computer Aided Techniques		To provide high volume data analysis on the Council’s main financial systems using data modelling techniques such as “IDEA”	30
Project Support		To provide advice and guidance on expected controls for new and developing ICT projects.	30
Overall Total – ICT & Customer Contact			274

Corporate Development and Partnerships

<i>Area</i>	<i>Risk Ref</i>	<i>Audit Scope</i>	<i>Total days</i>
Contingency		<i>This contingency will be used for providing resources to undertake fraud and irregularity investigations.</i>	10
Communications & Marketing		Effective consultation and communication with staff and stakeholders is an important element of Council's business. This review will examine the effectiveness of the Council's communication and Consultation Strategy and the mechanisms used to consult staff and stakeholders.	15
Policy and Performance		Audits to confirm the accuracy of reporting a small basket of indicators. Each audit will cover 5 indicators. The audit will review controls in place to mitigate risks that: <ol style="list-style-type: none"> 1. Performance measures may not be properly defined, 2. There may not be a sound methodology for calculating the indicators, 3. Data quality is poor, 4. Performance may be reported inaccurately. 	20
Elections		Review the elections and managing the electoral registration process to ensure key controls are present.	10
Scrutiny		Annual review of Corporate Governance Arrangements.	20
Transactional HR		Substantive "Cradle to Grave" approach, following through samples of payments for example, permanent and temporary changes to pay. Testing to include authorisation controls at budget managers level. Review of IT access controls.	30
Health & Safety		Provide assurance that there is a programme in place to ensure that BCBC owned and managed assets comply with fire Safety Order. Verify procedure for undertaking fire risk assessments.	20
Overall Total – Corporate Development & Partnerships			125

Legal and Regulatory Services

<i>Area</i>	<i>Risk Ref</i>	<i>Audit Scope</i>	<i>Total days</i>
Contingency		<i>This contingency will be used for providing resources to undertake fraud and irregularity investigations.</i>	10
Cabinet & Committee		To review Corporate Governance arrangements	10
DPA/FOI		To provide assurance that adequate controls are in place for the administration of DPA / FOI requests.	15
		Overall Total – Legal & Regulatory Services	35

Children’s Directorate

<i>Area</i>	<i>Risk Ref</i>	<i>Audit Scope</i>	<i>Total days</i>
Contingency		<i>This contingency will be used for providing resources to undertake fraud and irregularity investigations.</i>	15
Education Grants (WAG)		To certify that education grants are fairly stated and in accordance with their grant conditions.	10
School Improvement		Review schools improvement strategy and provide assurance on the progress being made. Assess action being taken to manage directorate risk.	15
Amalgamation of Schools		Review of the major administrative and financial systems operating in amalgamated schools. School admissions – undertake a full review of processes including preventative controls to minimise fraudulent applications.	25
Catering Service		Review of systems for the collection, recording, banking and monitoring of the School meals provision by Catering Services.	20
Home to School Transport		Review of the home to school transport provision to confirm the arrangements meet pupil needs whilst achieving value for money.	5

Out of County Placements		Review of the systems for the out of County Placements for children in particular the costs incurred and whether Best Value is obtained.	15
Council Residential Homes		Review of the major administrative and financial systems operating in selected Residential Homes.	20
Fostering Agency		Review the arrangements in place for the fostering agency to ensure best value is being obtained.	10
Assessment Care Management		Review of the systems for the commissioning of care including contracts with independent providers and the third sector.	20
Fostering – in house provision.		This audit will provide assurance on the robustness of the recruitment processes from recruitment advertising to foster appointments.	10
Adoption		Review of the systems for the administration of adoption.	15
Direct Payments		The audit will cover, initial entitlement, continuing entitlement and accuracy of payments. Provide assurance that cases are being proactively reviewed.	10
Programme of School visits		Compliance with approved policies and procedures. The schools selected for review will be identified through a risk assessment so that resources are targeted towards the higher risk schools.	111
Overall Total - Children's			301

Communities Directorate

<i>Area</i>	<i>Risk Ref</i>	<i>Audit Scope</i>	<i>Total days</i>
Contingency		<i>This contingency will be used for providing resources to undertake fraud and irregularity investigations.</i>	20
Physical Regeneration Projects.		Review of the major administrative and financial systems operating and contract arrangements within Physical Regeneration. Review a sample of initiatives where external funding has been secured to ensure compliance with any terms and conditions. Audit involvement should be aligned to the Directorate priorities in relation to regeneration.	10
Housing Options & Homelessness		Audit will provide assurance over the financial management and administrations which will include where appropriate procurement, contract management and money management processes in Homelessness. To review the process and procedures for B & B accommodation. Audit involvement should be aligned to the Directorate priority of preventing homelessness.	10
Countryside and Tourism.		Review of the major administrative and financial systems operating within Countryside and Tourism. Audit involvement should be aligned to the priorities as set out in the Directorate Plan (e.g. improve access to green spaces – Tourism Strategy).	10
Community Safety		Review CCTV and compliance with Data Protection. In addition Audit involvement should be aligned to the priorities in the Directorate Plan (e.g. ASB Performance framework, Accident remedial scheme).	10
Supporting People		The review undertaken during the year will focus on providing the necessary assurance to the Director that financial management processes and procedures are operating effectively within the area of supporting people. The review should be aligned to the Directorate priority of a Supporting People Operational Plan.	15
Waste Disposal MREC		To review contract monitoring arrangements in place in relation to the Waste disposal contract (MREC). Review to include performance monitoring and reporting arrangements, systems for dealing with disputes as well as monitoring contract costs.	10

Waste Collection	Review of the major administrative and financial systems operating within the Waste Collection service. Audit involvement should also be aligned to the Directorate priority of robust controls at CA sites to reduce quantity of commercial waste being illegally deposited.	10
Street Lighting	Review control over programme / schedule of inspections. Ensure that repair work undertaken is cost effective.	10
Highways Maintenance	Review control over programme /schedule of inspections. Ensure that repair work is cost effective.	10
	Review of the management and control in the planning, organisation and performance of cyclical maintenance work.	
Car Parks	Review collection of income arrangements and charging policies and procedures to ensure maximisation of income.	15
Emergency Planning	Review the emergency plans relating to major incidents to ensure.	10
Grounds Maintenance	Review the contract arrangements in place for the provision of the grounds maintenance service. In particular and if applicable to examine the use of agency and budget overspends.	10
Highways Services	Review of the procedures in place regarding the identification / prioritisation of work and the subsequent tendering, award and payment of work.	10
Parks & Open Spaces.	Review the contract arrangements in place for the provision of the Parks and Open Spaces service. In particular procurement arrangements.	10
	Overall Total - Communities	170

Wellbeing Directorate

<i>Area</i>	<i>Risk Ref</i>	<i>Audit Scope</i>	<i>Total days</i>
Contingency		<i>This contingency will be used for providing resources to undertake fraud and irregularity investigations.</i>	15
Residential Care		Establishment reviews of processes and procedures in Residential Care Homes for the elderly. Review to include placements made in Independent Sector Residential and Nursing Homes. Audit involvement should be aligned to the Directorates project on achieving savings and meeting future needs of this service.	20
Supported Living		Review of the systems for the provision of care and housing related support including the not for profit independent providers.	20
Day Care		Review of the systems for the provision of day care ensuring best value is being achieved.	20
Shared Lives		Systems based approach considering key risk exposures. Include mapping of key control area. Testing to provide assurance that administration and financial procedures are operating effectively.	10
Home Care		Review the systems and procedures for the provision of home care. Audit involvement should be aligned to the Directorate project on achieving savings and meeting future needs of this service.	20
Assessment and Care Management		Systems based approach considering key risk exposures. Include mapping of key control area. Testing to provide assurance that administration and financial procedures are operating effectively.	20
Equipment and Adaptations		Review spends on equipment that is being made to ensure disabled facilities grants are being utilised where appropriate.	20
Direct Payments		Systems based approach considering key risk exposures. Include mapping of key control area. Testing to provide assurance that administration and financial procedures are operating effectively.	15
Sports Centres & Swimming Pools		Systems based approach considering key risk exposures. Include mapping of key control area. Testing to provide assurance that administration and financial procedures are	30

	operating effectively. Audit involvement should also be aligned to the Directorate project on reconfiguration of the service.	
Library & Information Services.	Systems based approach considering key risk exposures. Include mapping of key control area. Testing to provide assurance that administration and financial procedures are operating effectively. Audit involvement should also be aligned to the Directorate project improving the library infrastructure and the quality of service.	20
	Overall Total - Wellbeing	210

Cross Cutting

<i>Area</i>	<i>Risk Ref</i>	<i>Audit Scope</i>	<i>Total days</i>
Follow Up		To undertake follow up work on the recommendations made during 2009/10 audit year to ensure that management have implemented those of high risk.	25
Assurance from External Inspections		Undertake a review of the External Inspection reports issued during the year to ensure recommended actions are being addressed.	10
National Fraud Initiative.		Key contact role and co-ordination of investigation of matches from National Fraud Initiative. This also recognises that matches involving payroll records will need to be investigated by Internal Audit staff. Review sample of areas that fall under the NFI data matching exercise and ensure that appropriate fair processing notices are in place.	10
		Overall Total	45
		Grand Total	1,425