



INTERNAL AUDIT STRATEGY AND PLAN

2011 - 2012

1. Introduction

- 1.1 This Strategy & Plan has been produced to inform officers and Members on the context of the internal audit plan for 2011/2012. The audit plan is in place to ensure that the risks facing the Council are adequately addressed and internal audit resources are effectively utilised. This is in line with Internal Audit Standards and the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.
- 1.2 The Risk Assessment has been drawn from a wide range of sources including the Council's Risk Register and Directorate Business Plans.
- 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 the Chief Internal Auditor's response to those risks and other factors that have been considered as part of the assessment of audit need.

2. Background

- 2.1 Internal Audit is an assurance function that provides an independent and objective opinion on the management of risks for the Council in achieving its 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, 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

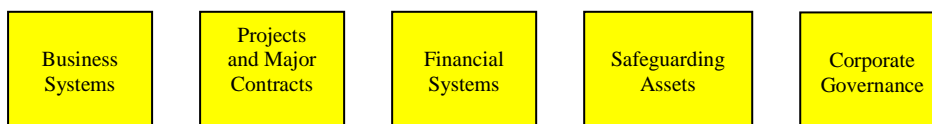
- 3.1 The strategy of Internal Audit is to deliver a risk-based audit plan in a professional, independent manner, to provide the Council with an opinion on the level of assurance it can place upon the internal control environment, and to make recommendations to improve it.

3.2 This is achieved 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.
- Providing an 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, council tax 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 assisting management with carrying out investigations of suspected fraud and irregularity dependent upon available resources.
- Providing clear, concise and meaningful reports to management on areas reviewed which encourage them to take action where recommendations have been made.
- Delivering reports to the Audit Committee as defined in their Terms of Reference.

4. Providing Assurance

4.1 Providing fundamental “core systems” assurance

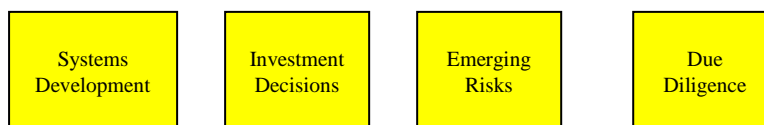


Assessing the present – fundamental assurance

4.1.1 Internal Audit recognises 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. Internal Audit will seek to maximise audit efficiency by working closely with the external auditors, who will inform but not direct the scope of internal audit reviews.

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

4.2 A Risk Based Approach

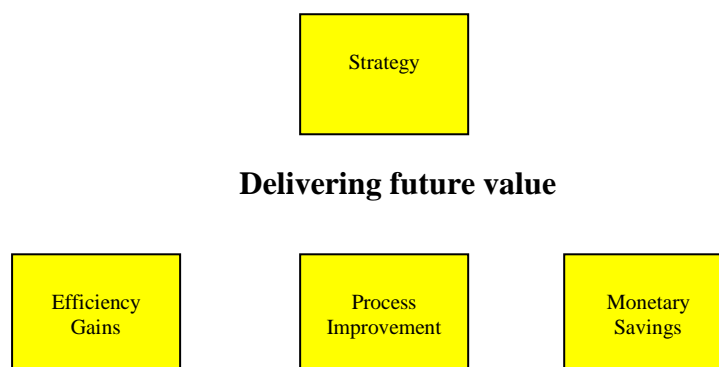


Assessing the future

- 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 the risk management framework and governance procedures are also examined.
- 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. It 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 the scope of audits (where applicable) includes 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 the 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 Corporate Plan and Directorate Business Plans,
- Consultation 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 In accordance with the Welsh Government "Making the Connections" agenda, Bridgend CBC and Vale of Glamorgan Council's Internal Audit Sections have come together under a shared service arrangement. This has taken effect from 20th May 2011; therefore, in order to align the audit planning years the audit plan for BCBC has been formulated to cover a period of nine months and not the prerequisite twelve months. This will only apply to the planning year 2011/12 in order to bring the two plans together from 2012 onward and align to both Councils financial years.

6.2 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 80%).
- 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.

6.3 The Chief Internal Auditor in liaison with the Assistant Chief Executive - Performance will monitor progress against the audit plan, and keep the content of the plan 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 1,166 chargeable days, including a contingency absorbed under each Directorate. Estimated available resources are summarised in Table 1 and based on the assumption that the current internal audit resource will remain essentially unaltered and intact throughout the nine months of the plan.

Non-Productive / Non-Chargeable Time

- 7.2 As the two Internal Audit Sections have only recently amalgamated, the allocation of non-productive and non-chargeable time has not been included in Table 1 below. The total of all non-productive and non-chargeable time will be reported to the Audit Committee as part of the future monitoring reports and will apply to the unified Section overall.

Contingencies

- 7.3 The function of internal audit is such that it has to be able to react to unforeseen situations and this requires flexibility. Therefore, this document will need to be amended to reflect changing situations 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 – Productive Resource Availability & Utilisation July 2011 to March 11.

Resources Available	Total Days
Total Productive days Available	1,166
Time Allocated to Audit Work	
Performance	
• Finance	202
• Human Resources	70
• Governance	33
ICT & Property	
• ICT assurance coverage	125
• Property	60
Legal and Regulatory Services	
• Legal Services	35
• Regulatory	20
Children (Including Schools)	
• Learning	48
• Strategy, Partnerships & Commissioning	30

<ul style="list-style-type: none"> • Safeguarding & Family Support • Schools 	65 120
Communities	
<ul style="list-style-type: none"> • Regeneration and Development • Streetscene 	80 95
Wellbeing	
<ul style="list-style-type: none"> • Adult Social Care • Healthy Living 	72 15
Cross Cutting	71
External	25
OVERALL TOTAL	1,166

INTERNAL AUDIT PLAN 2011 -12

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*

Performance

<i>Area</i>	<i>Audit Scope</i>	<i>Total days</i>
<i>FINANCE</i>		
<i>Contingency</i>	<i>This contingency will be used for providing resources to undertake fraud and irregularity investigations.</i>	<i>20</i>
<i>10/11 Audit close down</i>	<i>Finalising 10/11 audits</i>	<i>12</i>
<i>Procurement</i>	<i>Review of the Council’s corporate framework for procurement. To include compliance with the Council’s policies and procedures including Contract Standing Orders, Procedure Rules and relevant legislation. The review will be aligned to the Council’s Corporate Risk Assessment – Impact of the Recession and using resource effectively.</i>	<i>20</i>
<i>Capital Programme and Project Management</i>	<i>Contract Audit and Project Management– Carry out audits of live projects to ensure compliance with the Council’s Project Management methodology and to ensure that adequate monitoring</i>	<i>35</i>

	arrangements exist regarding contractors' costs and subsequent payments and variations.	
<i>Risk Management</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.	20
<i>Taxation</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.	15
<i>Creditors</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 bona fide creditors for goods and services provided for the benefit of the Council. This work will include elements of Computer Aided Audit Techniques (CAAT's) testing	20
<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. The work undertaken in this area will also include the introduction of Control Risk Self Assessments (CRSA)	10
<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.	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>Treasury Management</i>	Arrangements are in place to ensure that balances are managed in accordance with statutory requirements approved policies and best practice. Systems based approach considering key risk exposure. Including mapping of key control areas and utilising Control Risk Self Assessment.	10
<i>Leasing</i>	To review the procedures and processes in place for	10

	the acquisition of assets under a leasing agreement.	
	TOTAL FOR FINANCE	202
Transactional HR	<i>HUMAN RESOURCES</i>	
	Substantive 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 and use of Computer Aided Audit Techniques (CAAT's) to undertake detailed data matching.	30
<i>Organisational Development</i>	To review the procedures and processes in place for the administration of CRB.	20
<i>Job Evaluation</i>	To review the procedures and processes in place for the administration of the Job Evaluation process. This review will focus on the measures and controls as set out in the Council's Corporate Risk Assessment.	20
<i>Governance</i>	To undertake an annual review of the Council's overall governance framework and how this aligns to the Council's Code of Corporate Governance.	20
<i>Anti-Fraud & Corruption Strategy</i>	To review the Council's Anti-Fraud and Corruption arrangements to update the Strategy.	10
<i>Grants</i>	To audit the LSB grant.	3
	<i>Overall Total – Performance</i>	305

ICT & Property

<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
ICT Technical Infrastructure		<p>Review of controls in place surrounding the Council's ICT technical infrastructure. The focus of this work will be primarily 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. This review will also focus on the joint operational arrangements with RCT.</p>	30
GCSX Compliance		Assess compliance with GCSX standards prior to external assessment.	15
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.	15
Application Controls		<p>Review of access, security, delivery and availability controls for the following applications utilised by the Council.</p> <p>IBS Draig OUTLOOK – email system</p>	45
Property		<p>Comprehensive Reviews will be undertaken within the areas of:</p> <p>Building Maintenance Property Architects</p> <p>A Systems based audit approach will be</p>	60

	adopted to consider key risk exposure. Include mapping of key control areas	
	Overall Total – ICT & PROPERTY	185

Legal and Regulatory Services

<i>Area</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>	5
DPA/FOI	To provide assurance that adequate controls are in place for the administration of DPA / FOI.	30
	Sub Total – Legal Services	35
	Regulatory Services	
Public Health	Systems based approach considering key risk exposure.	20
	Overall Total – Legal & Regulatory Services	55

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>	20
10/11 Audit close down		<i>Finalising 10/11 audits</i>	8
Education Grants (WAG)		To certify that education grants are fairly stated and in accordance with their grant conditions.	20
Amalgamation of Schools		Review the procedures and processes for managing the programme of amalgamating schools. School admissions – undertake a full review of processes including preventative controls to minimise fraudulent applications.	30

Assessment Care Management		Review of the systems for the commissioning of care including contracts with independent providers and the third sector.	15
Direct Payments		The audit will cover, initial entitlement, continuing entitlement and accuracy of payments. Provide assurance that cases are being proactively reviewed.	10
Family Support		The audit will have regard to the challenges facing the service as set out in the Council's Corporate Risk Assessment.	15
Youth Justice		Review of the systems relating to Youth Justice to provide assurance on the adequacy of the internal control environment.	15
Leaving Care		The audit will have regard to the challenges facing the service as set out in the Council's Corporate Risk Assessment.	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.	120
		Overall Total - Children's	263

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
10/11 Audit close down		<i>Finalising 10/11 audits</i>	5
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 and the challenges facing the service as outlined in the Council's Corporate Risk Assessment.	20
Housing Strategy & Solutions		This review will have regard to the challenges facing the service as outlined in the Council's Corporate Risk Assessment	20

Development Planning		To review the systems and processes to provide assurance on the adequacy of the internal control environment.	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.	15
Network Management (HAMP)		This review will have regard to the challenges facing the service as outlined in the Council's Corporate Risk Assessment. The review will incorporate the Highways Asset Management Plan.	15
Car Parks		Review collection of income arrangements and charging policies and procedures to ensure maximisation of income.	15
Fleet Services		Systems based audit to review the procedures and processes in place to provide assurance on the adequacy of the internal control environment.	15
Public Transport		Systems based review of the procedures and processes in place to provide assurance on the adequacy of the internal control environment.	15
Engineering Services and Projects		To review compliance with the Council's project management methodology.	20
		Overall Total - Communities	175

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>	20
10/11 Audit close down		<i>Finalising 10/11 audits</i>	2

Residential Care		This review will have regard to the Council’s Corporate Risk Assessment – developing new models of service delivery for residential care and home care by securing a partner to work with the Council to manage services.	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
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. This review will have regard to the Council’s Corporate Risk Assessment – Remodelling adult social care and will have regard to the workwise project whereby audit will link with the Workwise Team to ensure that there is no duplication.	15
Leisure Services Configuration		Systems based approach considering key risk exposures. This review will incorporate the measures as set out in the Council’s Corporate Risk Assessment.	15
		Overall Total - Wellbeing	87

Cross Cutting & External

<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 2010/11 audit year to ensure that management have implemented those of high risk.	23
10/11 Audit close down		<i>Finalising 10/11 audits</i>	3
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.	15
		Review sample of areas that fall under the NFI	

	data matching exercise and ensure that appropriate fair processing notices are in place.	
Partnerships	This review will link to the Council's risk assessment and in particular collaborative working.	20
External	County Borough Supplies and Crematorium	25
		96
	Grand Total	1,166