

Partneriaeth Pen-y-Bont a'r Fro
Bridgend & Vale Partnership
working together - gweithio ar y cyd



**INTERNAL AUDIT SHARED SERVICE
STRATEGY AND ANNUAL PLAN 2012/13
BRIDGEND COUNTY BOROUGH COUNCIL**

1. Introduction

- 1.1 Internal Audit plays an essential role in supporting the Council to achieve its objectives and outcomes. The Annual Audit Plan for 2012/13 is formulated from the Audit Risk Assessment and focuses on areas where we can add the most value and provide assurance that the Council's risks are being properly managed. This strategy is a statement of how the Internal Audit shared service will be delivered during the Financial Year 2012-2013. It follows the standards as contained in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the UK 2006.
- 1.2 The strategy will be reviewed and updated annually in consultation with stakeholders namely the Corporate Management Team/Board, External Auditors and senior management. It will be presented to the Audit Committee for comments and approval each year.
- 1.3 The service is delivered by Bridgend and Vale Internal Audit Shared Service which is part of a joint collaboration between Bridgend County Borough Council (BCBC) and the Vale of Glamorgan Council (VOG). In addition to the Internal Audit function, the section is responsible for Investigations (In respect of VOG only this also includes Housing Benefit and Council Tax Benefit Fraud; within BCBC this function is incorporated within the Housing Benefit Team). Each of these functions contributes to the Council's overall risk management processes and directly supports the achievement of the Councils corporate priorities.

2. Mission Statement

- 2.1 Internal Audit's mission is to provide a high quality and respected service that seeks to give independent assurance to management on the effectiveness of the Council's internal control environment and make recommendations for their continual improvement.
- 2.2 We aim to be flexible, pragmatic and deliver a range of services to suit customer needs.

2.3 Through a risk based approach we will make a valuable contribution to the council's corporate governance arrangements and provide managers with a framework for achieving objectives within acceptable levels of risk.

2.4 Internally, we will provide a supportive and challenging work environment for members of the Internal Audit Section in order to develop and retain high calibre audit staff.

3. Statutory Responsibilities

3.1 Section 151 of the Local Government Act 1972 requires that authorities "make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs". In the Vale of Glamorgan Council, that officer is the Head of Financial Services and within Bridgend CBC it is the Assistant Chief Executive Performance.

4. Accounts and Audit Regulations 2005 (Wales)

4.1 This statutory regulation says that "A relevant body (i.e. Council) must maintain an adequate and effective system of internal audit of its accounting records and accounting control systems in accordance with the proper internal audit practices, and any officer or member of that body shall, if the body requires;

- Make available such documents of the body which relate to its accounting or other records as appear to that body to be necessary for the purpose of audit; and
- Shall supply the body with such information and explanation as the body considers necessary for that purpose".

4.2 This legislative requirement is recognised and endorsed within the Council's Financial Regulations / Financial Procedure Rules, which provides Internal Audit with the authority for access to officers, members, documents and records and to require information and explanation as necessary.

5. CIPFA Code of Practice

5.1 The Accounts and Audit Regulations 2005 (Wales) state that Internal Audit must work in accordance with the "proper audit practices". These "proper audit practices" are in effect "the Standards" for local authority internal audit. The guidance accompanying the Accounts and Audit Regulations makes it clear that for principal local authorities proper practices are those contained within "The Code of Practice for Internal Audit in Local Government in the UK" published by CIPFA (updated 2006).

6. Scope of Internal Audit Sections Work

- 6.1 The scope for Internal Audit is “the control environment comprising risk management, control and governance”. This means that the scope of Internal Audit includes all of the Council’s operations, resources, services and responsibilities in relation to other bodies. This description shows the very wide potential scope of Internal Audit work. In order to turn this generic description into actual subjects for audit, some prioritisation is required.

7. Key Core Deliverables for 2012/13

- 7.1 The Annual Audit Plan is expected to cover core deliverables as follows:-

- To provide ongoing assurance to management on the integrity, effectiveness and operation of the Council’s internal control system.
- Delivery of the Annual Audit Plan in particular high risk audit reviews;
- To be responsive to transformational change and service demands;
- To continue to meet the requirements of the Council’s external auditors and reliance placed on our audit work;
- To further embed integration of internal audit work with governance and managing risk to produce a clearly co-ordinated risk-based approach to the audit of operational systems across the Council;
- To ensure agreed management actions to audit recommendations made are fully implemented, in particular the high priority ones (Fundamental and Significant);
- To continue to develop and have a lead in the Council’s Corporate Governance arrangements including reviewing the “Annual Governance Statement” and Code of Corporate Governance to provide assurance on the Council’s governance arrangements and any areas for improvement;
- Continue to be proactive in counter fraud assisting managers and staff in the prevention and detection of fraud and irregularities;
- To support the Council’s Audit Committee to ensure its continued effectiveness in contributing to good corporate governance.

8. Approach to developing the Annual Audit Plan

- 8.1 The approach used is primarily developing a risk assessment to identify areas for inclusion in the Annual Audit Plan. A summary of which is set out below.

<p>Step 1</p> <p>Understand the strategic and operational priorities together with risk.</p>	<ul style="list-style-type: none"> • Understand Council structure and service areas including planned changes during 2012/13; • Quantify risks associated with achieving corporate and service level objectives / priorities; • Obtain information from for example corporate risk register etc. • Identify corporate level objectives / priorities and risks; • Utilise local and national knowledge; • Consult stakeholders.
<p>Step 2</p> <p>Define the audit universe</p>	<ul style="list-style-type: none"> • Identify all the auditable entities within the Council. Auditable entities can be functions, systems, establishments, locations or applications.
<p>Step 3</p> <p>Assess the inherent risk</p>	<ul style="list-style-type: none"> • Assess the inherent risk of each auditable entity based on impact and likelihood criteria so the plan is focussed on the most risky areas.
<p>Step 4</p> <p>Assess the strength of the control environment</p>	<ul style="list-style-type: none"> • Assess the strength of the control environment within each auditable entity. • Assessment based on: <ul style="list-style-type: none"> - knowledge of the control environment; - Information obtained from other assurance providers; - Materiality; - Corporate importance and sensitivity; - Outcomes and timing of previous audit coverage; - Management concerns.
<p>Step 5</p> <p>Calculate the audit risk rating</p>	<ul style="list-style-type: none"> • Calculate the audit risk rating taking into account the inherent risk assessment and the strengths of the control environment for each auditable entity.
<p>Step 6</p> <p>Determine the annual audit plan</p>	<ul style="list-style-type: none"> • Determine the timing and overview for each audit review. • Consider additional requests for audit reviews, for example grants audits, ad hoc and service specific requests.

8.2 The Annual Audit Plan will be indicative and it is inevitable that changes will be made during the year as the risk profile of the Council changes. This will be achieved through ongoing review and amendment, in consultation with the relevant clients and service managers to reflect the changing needs of the council and to add maximum value.

8.3 The Audit Committee will be kept informed of progress against the Annual Audit Plan and agree any significant changes during the year.

9. Internal Audit Resources

9.1 Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

9.2 In order to achieve the Annual Audit Plan, the appropriate level of resources and the required mix of skills, experience and specialism are required. This includes general audit skills in respect of systems and internal control reviews and appropriate coverage in specialist areas such as ICT, contract and project management audits.

9.3 The Annual Audit Plan is resourced by calculating the number of productive days available within the Internal Audit Shared Service compared with the number of days required to deliver the Annual Audit Plan. The projected productive internal audit days available for BCBC for 2012/13 are 1,475. This is an increase on last year of approximately 300 days however, it should be noted that last year was based on nine months in order to bring the plan into line with the Financial Year therefore if it had been based on twelve months the productive days are comparable.

9.4 Our professional judgement has been applied in assessing the level of resource required to deliver the Annual Audit Plan. The level of resource applied is a product of:

- The complexity of the areas to be reviewed;
- Factors such as number of locations, number and frequency of transactions, and
- Assurance that can be brought forward from previous audits and other internal and external reviews carried out.

- 9.5 Staff development needs are continually assessed to ensure we maintain the level and mix of skills required to deliver a highly professional internal audit service.

10. Annual Audit Plan 2012/13

- 10.1 Appendix A shows the detailed Annual Audit Plan and provides a detailed breakdown of days allocated against Directorate and Audit Function i.e. Assurance, Governance etc. The allocation of 1,475 audit days is summarised in Table 1 below:-

Table 1.

Audit Function	No of Productive Days
Assurance	800
Anti – Fraud and Corruption	110
Governance	190
Risk and Performance Management	190
Contingency	185
Total Productive Days	1,475

- 10.2 As can be seen from the table above, 185 days has been provided for unplanned or reactive work. This will be used to respond to emerging issues, risks and to requests from senior managers.

11. Fraud and Corruption

- 11.1 Managing the risk of fraud and corruption is the responsibility of management and the Anti-Fraud and Corruption Strategy, which has been widely circulated and is available on the Council's Intranet, sets out those responsibilities in more detail. However, Internal Audit is alert during all its work to the risks and exposures that could allow fraud and corruption. In addition time has been allowed in the Plan to check areas where fraud and corruption is likely to occur.

12. Reporting, Accountabilities, Relationship with the External Auditor

- 12.1 Internal Audit reports regularly throughout the year to the Audit Committee. This includes, the Annual Audit Plan, recommendations tracking, on going performance and an Annual Report. Internal Audit is a continuous independent internal appraisal function of internal control

within the Council. The Council's external auditor has a statutory responsibility to express an independent opinion on the year-end financial statements, stewardship, legality, management and corporate governance of the Council.

13. Performance Management

- 13.1 The external auditor will annually review the Internal Audit Section's plans and activities to assess their effectiveness. The Head of Internal Audit carries out a continuous review of the development and training needs of all audit personnel, and arranges in-service training where appropriate including both internal and external courses.
- 13.2 Annual objectives are set for Internal Audit; Audit standards are maintained through regular quality reviews. Plan and objective implementation is monitored through monthly audit managers meetings.
- 13.3 Internal Audit is subject to an annual review by the external auditor and the work of the Section is regularly reviewed by the Council's Audit Committee.
- 13.4 Performance Indicators are produced to measure quality and monitor progress on the plan
- 13.5 The setting of staff objectives and assessment of performance is through an on-going staff appraisal with participation in any appropriate CPD to identify training and development needs. In this respect there will be an on-going staff appraisal in accordance with the Council's appraisal process and participation in CPD will be encouraged.

14. The Audit Committee

- 14.1 The Audit Committee monitors the performance and effectiveness of Internal Audit, including receiving the annual work plan and reports. It also monitors arrangements for the prevention and detection of fraud and corruption and monitors the effective development and operation of risk management and corporate governance in the Council.

15. Due Professional Care

- 15.1 As an Internal Audit Section we are professional in the way that we work and apply the principles of good customer relationships. We abide by the standards of our professional bodies including the appropriate codes of ethics. In all our communication we are polite and

honest and give a positive but professional view. Whenever possible we will respond promptly to any request.

15.2 The essential features of good customer service that we apply are:

- Regular audit planning meetings.
- Meetings with client manager prior to, during and at the end of audits;
- Ready access to the Internal Audit Section by verbal, written or electronic means;
- Customer satisfaction questionnaires.

16. Internal Audit's Approach

16.1 Internal Audit will apply a risk-based systematic audit approach based on independent acquisition and examination of relevant evidence. Through its work Internal Audit will:

- Alert managers to significant risks and control weaknesses
- Assist management with its responsibilities for establishing and maintaining systems of internal control.
- Provide managers with assurance on the adequacy of their systems of internal control.
- Advise managers, and provide assistance where necessary, on the investigation of suspected internal financial irregularities.
- Maintain a record of suspected internal financial irregularities and report significant issues to the Audit Committee.

16.2 Corporate Reviews

Cross cutting assurance reviews of Council-wide processes. Identified and prioritised through risk evaluation.

16.3 Core Financial Systems

Coverage of each core financial system is assessed annually having regard to a range of factors including changes to systems and personnel. The work undertaken is also used to provide assurance to the Section 151 Officer.

16.4 Local Financial, Managerial and Operational Systems

Risk-based reviews of processes within council services; this includes external establishments (such as schools). It is envisaged that the use of Control Risk Self-Assessments (CRSA) will continue to be extended where practicable.

16.5 Contracts, Project Management and ICT Systems

The coverage for the technical areas of contracts, project management and computer audits will focus on a system based and risk based approach. Any reviews undertaken will be in accordance with best practice principles. Where the area of review is such that the technical expertise cannot be identified within the staff resources of the Section and where budget constraints allow, it will aim to procure the necessary skills required.

16.6 Anti-Fraud & Corruption Arrangements

It is very difficult to predict the potential extent of fraud and irregularity at the planning stage, therefore a contingency has been included within the annual plan to ensure that Internal Audit can respond effectively should the need arise.

16.7 Advisory Service/Non-assurance work

On an ad hoc basis Internal Audit will provide objective, constructive and timely advice on such matters as risk, control improvement and the application of Financial Procedure Rules / Financial Regulations and Contract Procedure Rules / Contract Standing Orders.