

Report to: **Cabinet**

Date: **8 July 2008**

By: **Deputy Chief Executive and Director of Corporate Resources**

Title of report: **Internal Audit Strategy 2008/09 and Annual Plan**

Purpose of report: **To present the Council's Internal Audit Strategy 2008/09 and Annual Plan**

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## **RECOMMENDATIONS**

**The Cabinet is recommended to review and endorse the Council's Internal Audit Strategy 2008/09 and Annual Plan.**

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### **1. Financial Appraisal**

1.1 Resources needed to deliver the Council's Internal Audit Strategy and Annual Plan during 2008/09 are provided for within the agreed budget of the Audit and Performance Division, Corporate Resources Directorate.

### **2. Background**

2.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2006. The latter states that authorities must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal controls in accordance with the proper internal audit practices".

2.2 The Council's Internal Audit Strategy 2008/09 and Annual Plan (Annexe A) sets out how the Council will meet its statutory requirements for internal audit. The Strategy proposes an approach based on focussing audit resources in those areas where the highest risk to the achievement of the Council's objectives lies. These areas have been identified and prioritised based on the Council's own risk assessment processes (including the Strategic Risk Log) and following extensive consultation with officers, members and other partners including the Council's new external auditors, PKF. A workshop was also held with Members of the Audit and Best Value Scrutiny Committee on 10 March 2008 and comments made have been fed into the planning process.

2.3 In times of significant transformation organisations must both manage change effectively and ensure that core controls remain in position. The Council is continues to pursue a challenging transformation programme and therefore internal audit must be in a position to give an opinion/assurance that covers the control environment in relation to both new developments and existing systems. This has been a key driver in developing this Strategy and Plan.

2.4 The Strategy and Plan will be delivered in line with proper internal audit practices as set out in the Code of Practice for Internal Audit in Local Government and the requirements of our managed audit arrangements with our external auditors.

2.5 The Internal Audit Strategy 2008/09 and Annual Plan has been approved by the Deputy Chief Executive and Director of Corporate Resources and was endorsed by the Audit and Best Value Scrutiny Committee on 19 June 2008.

SEAN NOLAN, DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF CORPORATE RESOURCES

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**BACKGROUND DOCUMENTS**

Internal Audit Strategy and Annual Audit Plan 2008/09

# **INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2008-2009**



## **1. Role of Internal Audit**

1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2006. The latter states that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal controls in accordance with the proper practices in relation to internal control”.

1.2 Internal audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance, by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. To carry out this role the Audit and Performance Division’s Internal Audit Service (IAS) aims to:

- satisfy legal requirements and professional standards;
- examine, evaluate and report objectively on the adequacy of arrangements to secure proper economic, efficient and effective use of resources;
- assist management with its responsibility for establishing and maintaining internal control systems and for ensuring that resources are properly applied, risks are appropriately managed and outcomes are achieved;
- investigate allegations of fraud and corruption in line with the Council’s Anti-Fraud and Corruption Strategy; and
- provide an annual opinion to Members and Officers on the adequacy of the Council’s control environment, and regular reports on key audit findings.

1.3 The full scope and responsibility of the IAS is set out within Internal Audit Charter and Terms of Reference which was approved by the Audit and Best Value Scrutiny Committee in November 2007 and which is attached as Appendix D.

1.4 The key service objective for the IAS as set out in the 2008/09 Corporate Resources Business Plan is to maintain and improve high standards of governance, internal control and risk management across the Council.

1.5 The delivery of this objective is underpinned by a series of actions and targets within the Audit and Performance Divisional Business Plan and the objectives agreed with individual members of the IAS through the performance appraisal process.

## 2. Risk assessment

2.1 The County Council's audit strategy is updated annually. This is based on a combination of management's assessment of risk (including that set out within the County Council's Strategic Risk Register) and our own risk assessment of the County Council's major systems and other auditable areas. This allows us to prioritise those areas to be included within the plan on the basis of risk.

2.2 The update of the annual plan for 2008/09 has relied heavily upon management's own strategic risk assessment and Appendix E provides a summary of internal audit coverage against the County Council's Strategic Risk Register (based on the current version at the time of producing this Strategy and will be updated once COMT has revised the Risk Register for 2008/09). Our planning has also been informed by extensive consultation with the following stakeholders, to ensure that their views on risks and current issues, within individual departments and corporately, are reasonably identified and reflected within the plan, where appropriate:

- the Deputy Chief Executive and Director of Corporate Resources;
- members of the Audit and Best Value Scrutiny Committee;
- Departmental Management Teams (including Chief Officers);
- key contacts within departments and lead officers for key corporate projects;
- E-business managers;
- the Council's external auditors, PKF, to ensure that audit resources are used to the best effect, reliance can be placed on the work of internal audit and duplication is avoided; and
- other bodies' internal audit providers, where joint working is proposed.

2.3 In times of significant transformation, organisations must both manage change effectively and ensure that core controls remain in position. The Council continues to be engaged in a number of major projects and developments, including implementation and development of a number of new key ICT systems and capital projects. Internal audit must therefore be in a position to give an opinion/assurance that covers the control environment in relation to both new developments and existing systems. This continues to be a key driver in developing this strategy and plan.

2.4 The key factors, which have driven our assessment of risk and audit needs for 2008/09, are:

- **Governance Arrangements** – The Council's overarching governance framework covers all aspects of its business, including risk management, internal control and ethical standards. Internal audit has a key role to play in giving assurance that this framework operates effectively and its work is a key source of assurance for officers and Members in approving the Council's Annual Governance Statement;
- **Risk Management** – Internal audit has a key role to promote effective risk management and to assess the adequacy of controls put in place by management to manage risks;

- **Financial Excellence** – the adequacy of controls within key financial systems and budgetary control remain at the core of our work and inform the Annual Governance Statement and the external audit of the Council's accounts. This will include reviews of those finance modules of SAP already implemented, other departmental material financial systems, the provision of appropriate advice and support to future developments and a continuing programme of external assessments for Financial Management Standards in Schools;
- **E-Government and ICT** – this will include reviews of risks and controls relating to both existing systems and services, including SAP (reflecting the significant investment over recent years) and departmental line of business systems, as well as the proactive review and assessment of new developments;
- **Partnerships** – the Council is increasingly operating and delivering services jointly through partnerships and the management of partnership risks is a key focus of the Audit Commission's Use of Resources assessment and will be a fundamental part of the developing Comprehensive Area Assessment. We will continue to build on our previous work on pooled budgets, external funding and local area agreements etc and will deliver this through joint working where appropriate.
- **Efficiency and Productivity** – increased emphasis on efficiency, productivity, data quality and value for money. Internal audit reviews will continue to reflect this through the assessment of data quality for key performance targets and the achievement of economy, efficiency and effectiveness by services.
- **Project Management and Procurement Arrangements** – the Council's use of project management and changing approaches to procurement and contract management are a key part of delivering improved services (including the new Project Management Toolkit). We will continue to work alongside managers to ensure that risks are managed and effective controls embedded in our processes, services or contracts.
- **Anti Fraud and Corruption** – following the recent introduction of best practice guidance from CIPFA on managing the risk of fraud, we will seek to review and develop County Council anti fraud and corruption arrangements including increased use of pro-active / targeted reviews.

2.5 The key risk issues within each department which are included in the audit plan for the coming year are set out below:

**Corporate Body (including ICT audit):**

- Fundamental Accounting Systems (FAS) – to provide appropriate audit coverage in line with the managed audit approach, making use of both full and interim reviews, taking into account the introduction of International Standards for Auditing. Due to a reduction in the materiality level above which a system is required to be subject to audit review annually, there has been an increase in the number of FASs reviews in 2008/09. Provision to deliver these new areas has been made within 08/09 departmental audit plans. Coverage has also been increased to reflect the risks associated with a major SAP upgrade planned during the year.
- Pension Fund – a number of reviews planned specific to the Council's role in administering the East Sussex Pension Fund in accordance with an updated Pension Fund Internal Audit Strategy and best practice guidance;
- Anti Fraud and Corruption (inc. National Fraud Initiative (NFI)) – reviewing and developing the Council's anti fraud and corruption arrangements in line with best practice. To also coordinate the production and submission of ESCC data for the Audit Commission's data matching as part of the National Fraud Initiative and investigate any issues arising;
- E-government – a range of specialist ICT audit reviews, such as Network Security, and support for major system developments across the County, including the SAP upgrade.

### ***Chief Executive's***

- Corporate Governance – a review of the ESCC Corporate Governance Framework and processes in place for ensuring it is effective. This also includes ongoing support for the Corporate Governance Group;
- Local Area Agreements – a review to provide assurance that robust performance management, financial management and governance arrangements are in place in relation to the LAA currently being developed / negotiated and assurance over the statement of grant usage and accuracy of outturn performance data;
- Partnership Governance – working with departments to identify key / high risk partnerships in order to assess adequacy of governance arrangements and compliance with corporate partnership guidance;
- CRB Checks – to assess implementation of previous audit recommendations in this area and to review adequacy arrangements in relation to the CRB checking of contractors and those who have access to sensitive information.

### ***Children's Services***

- Financial Management Standard In Schools – to carry out a comprehensive programme of external assessments of schools against the national financial management standard;
- Hastings Excellence Cluster – to provide assurance over the governance arrangements for the Hastings Excellence Cluster, with the County Council as accountable body;
- Carepay – a fundamental accounting system used to pay foster parents which is subject to either a full or interim review each year;
- Bexhill High School Project Governance – to review the adequacy of project management and governance arrangements in relation to the rebuilding of Bexhill High School;

### ***Transport and Environment***

- Integrated Waste Services Management Contract – a review of contractor payments model and completion of a review of project governance. Internal audit activity will also include ongoing advice and support through attendance at quarterly internal and external audit liaison meetings;
- Highways Maintenance (Exor) – a fundamental accounting system used to pay highways contractors which is subject to either a full or interim review each year. This system is due to go live in 2008/09 so advice and support to the implementation project will also be provided;
- Passenger Transport (Trapeze) - a fundamental accounting system used to pay transport providers which is subject to either a full or interim review each year. This system is due to go live in 2008/09 so advice and support to the implementation project will also be provided
- Bexhill/Hastings Link Road – to review the adequacy of project management and governance arrangements in relation to the Bexhill / Hasting Link Road Project.

## **Adult Social Care**

- Business Transformation Programme – continued support, advice and assurance that new system initiatives / revised working practices as part of the programme are implemented in a controlled environment;
- Abacus System - a fundamental accounting system used to both pay providers and collect income which is subject to either a full or interim review each year. A separate payments and income review will be carried out, along with an ICT security audit;
- Supporting People - a fundamental accounting system which is subject to either a full or interim review each year, in addition to a separate annual review of the Support People Grant Claim in order to provide an audit opinion prior to the grant claim certification;
- Downlands Project - review the adequacy of project management and governance arrangements in relation to the project to the Downlands Project;
- Joint Commissioning Arrangements / Partnering - a review to assist the department with the development of standards and best practice working protocols for joint service delivery across pooled budget / joint funding arrangements;
- Agewell - continuation of support, advice and guidance to the Project Board. Provision of assurance at key project milestones as part of the project sign-off process.

2.6 Within 2008/09, we will also be undertaking follow up reviews for all previous audit assignments which have resulted in either a 'weak' or 'unacceptable' opinion. In addition, will be carrying out action tracking within each department to assess the extent to which all previously issued 'high' priority recommendations have been implemented. The results of this work will be reported within each departmental annual report and the overall Internal Audit Annual Report and Opinion and will provide a clear indication of the extent to which the internal control environment has improved as a result.

## **3. Audit Needs Assessment**

3.1 As explained above, development of the 2008/09 audit needs assessment is based on management's assessment of risk identified within the Strategic Risk Register, within departmental risk assessments and through audit consultation meetings. This is then supplemented with our own internal audit risk assessment. In order to produce the audit plan, the following key principles are then applied:

- All fundamental accounting systems are subject to annual audits of compliance against key controls in accordance with external audit requirements;
- Systems assessed as weak or unsatisfactory during previous years which are not subject to annual audit will be subject to a specific follow up review to assess the effective implementation by management of agreed audit recommendations;
- Where common areas of risk are identified across several departments then the use of corporate themed reviews is considered to ensure an approach which is both consistent and makes effective use of resources;
- Where a system is assessed as having risks which require both systems audit and ICT audit input then joint reviews will be carried out to ensure an approach which is both consistent and makes effective use of resources;
- The development of new systems or significant changes to existing systems will be separately identified within the audit needs assessment.

3.2 Whilst we continue to plan over a number of years (as set out above), the published audit plan is limited to one year but will be subject to ongoing review over this period to

ensure our work takes into account emerging risks. A list of potential review areas already identified for inclusion in the 2009/10 plan is attached at Appendix F.

#### **4. Matching audit needs to resources**

4.1 The overall aim of the internal audit strategy is to allocate available internal audit resources so as to provide an appropriate level of assurance for each directorate and for the County Council as a whole.

4.2 The audit needs assessment has been matched with available internal audit resources to produce the annual plan for 2008/09. Resource planning assumptions for 2008/09 have been fully reviewed following consultation with staff to ensure that sufficient time is allocated for indirect work, for example training and development. It is assumed that some audit work will be carried forward from 2008/09 for completion within resources available in 2009/10 and that this will not exceed that carried forward from 2007/08. This reflects a reasonable level of work in progress.

4.3 Resources have also been allocated to the two external bodies for whom Audit and Performance Division provides internal audit services: East Sussex Fire and Rescue Service and Plumpton College. In addition, changing governance and external audit requirements have led to additional days being programmed for work on behalf of the High Weald Area of Outstanding Natural Beauty (AONB) and the South Downs Joint Committee (SDJC). This work will be charged for.

4.4 The resource plan for 2008/09 is based on a full compliment of 15.5 full time equivalent (fte) staff (in addition to the Chief Internal Auditor role of the Assistant Director - Audit and Performance). The resource plan for the year includes 12.2 (fte) staff employed on permanent contracts, 1.3 (fte) staff newly appointed on fixed term contracts and 2 CIPFA Trainees on work placement with the team.

4.5 The 2 new staff employed on fixed term contracts have been specifically recruited to enable us to deliver the challenging programme of external assessment work as part of the DfES Financial Management Standard in Schools (FMSiS). The cost of these additional resources is to be met directly from income received from schools assessment during the year and from additional funding agreed by the Schools Forum. This additional funding enables us to continue to provide advice and support to schools on the assessment process.

4.6 Additional funding has also been secured to support improvements in Anti Fraud and Corruption work, the exact focus of which will be determined during the year.

4.7 The total number of planned audit days for 2008/09 is 2,371. This level of resource is higher than previous years, reflecting the additional FMSiS work (295 days) explained above and is considered sufficient to allow the IAS to deliver its risk based plan in line with the standards set out in 2006 Code of Practice for Internal Audit in Local Government.

*Table 1: Annual Internal Audit Plan – Plan and Actual Days Delivered*

	2004/05	2005/06	2006/07	2007/08	2008/09
Plan Days	2,129	2,126	1,990	2,082 <sup>1</sup>	2,371
Actual Days	1,993.5	2,071	2,050.5	2,114	TBC

4.8 During 2008/09 we will be conducting a review of the internal audit structure to ensure that it remains fit for purpose in the light of changing internal and external expectations, builds on existing good practice within the service, improves its cost effectiveness in light of recent benchmarking analysis and is sustainable within the context of the Division's cash limited budget. This process will be conducted in line with corporate policies on restructuring and will include extensive consultation with staff.

## 5. Audit Approach

5.1 The approach of internal audit is to use systems based reviews, supplemented in some areas by the use of regularity audits, control self-assessment and themed reviews. All audits have regard to management's arrangements for:

- Identifying and managing risk;
- securing the proper, economic, efficient and effective use of resources;
- achieving key performance indicators, where appropriate;
- preventing fraud and irregularity.

5.2 In addition to these audits and the advice on controls given on specific development areas, which are separately identified within the plan, there are a number of generic areas where demands upon internal audit cannot be planned in advance. For this reason time is built into the plan to cover the following areas:

- Contingency – an allowance of 250 days to provide capacity for anti-fraud and corruption work including special audits and the investigation of potential irregularities. This contingency also allows some flexibility within the plan for any unplanned audit work and for the completion of work in progress from the 2007/08 plan;
- Advice to departments – an allowance against each department to cover the provision of ad hoc advice on audit and control issues.

A summary of the allocation of audit resources across the 2008/09 audit plan is shown at Appendix A. Appendix B shows the coverage of the audit plan in more detail.

5.3 In delivering this Strategy, the IAS works closely with the Council's external auditors, PKF, to ensure that the use of audit resources is maximised, duplication of work is avoided, and statutory requirements are met. A Joint Working Protocol has therefore been agreed with PKF facilitate this and formalise our working relationship.

## 6. Training and Development

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<sup>1</sup> Revised Audit Plan from 2,183 days

6.1 The effectiveness of internal audit service depends significantly on the quality, training and experience of its staff. Training needs of individual staff members are identified through the performance appraisal process and delivered and monitored as part of the CRD's Training and Development Plan. As part of this process, all audit staff are assessed against the skills and competencies matrix as set out in the CIPFA publication 'The Excellent Internal Auditor – A Good Practice Guide to Skills and Competencies'.

6.2 As well as basic training in audit techniques, and the acquisition of specialist audit skills, the IAS is committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development. During 2008/09, one member of staff will continue to be supported in studying towards the Institute of Internal Auditors qualification and as explained above, we are also providing a work placement for two CIPFA trainees during the year.

## **7. Quality and Performance**

7.1 The IAS maintains a Quality Manual, which sets out the standards to which all audit assignments are completed. This manual is in a fully electronic format available to all staff via our Internal Audit Homepage on the ESCC Intranet. During 2008/09 we will continue to update and develop the Manual and associated working practices in light of best practice and to ensure full compliance with the CIPFA Code of Practice for Internal Audit 2006.

7.2 The performance of the IAS is measured against the key service targets and objectives set out in the Council Plan, the CRD Business Plan and the Audit and Performance Division's Business Plan. At a detailed level each audit assignment is monitored and customer feedback sought. There is ongoing performance appraisal and supervision for all IAS staff during the year to support them in achieving their personal targets. External review of the IAS is carried out by the County Council's external auditors, PKF, and reported on in the Audit and Inspection Annual Letter and within the CPA.

7.3 In addition to the individual report to management for each audit assignment, quarterly reports on key audit findings and the delivery of the audit plan against key performance indicators are made to both COMT and the Audit and Best Value Scrutiny Committee. These key performance indicators and targets for 2008/09 are shown in appendix C.

7.4 The IAS will continue to liaise closely with other internal audit services through the Sussex Audit Group, Home Counties Chief Internal Auditors' Group and the County Chief Auditors' Network.

**SEAN NOLAN, DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF CORPORATE RESOURCES**

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## Annual internal audit plan by customer

<b>Service</b>	<b>2008/09 Plan Days</b>	<b>% of 2008/09 Plan Days</b>	<b>2007/08 Revised Days</b>
East Sussex County Council			
Corporate Body (incl CRD)	556	23.5%	477
Computer Audit	215	9.1%	215
Children's Services	470	19.8%	332
Adult Social Care	345	14.6%	364
Transport & Environment	250	10.5%	210
Chief Executive's	180	7.6%	240
Contingency (incl. carry forward)	250	10.5%	250
<i>Sub total – internal customers</i>	<i>2,266</i>	<i>95.6%</i>	<i>2,088</i>
Fire Authority	70	3.0%	60
Plumpton College	35	1.5%	35
<i>Sub total - external customers</i>	<i>105</i>	<i>4.4%</i>	<i>95</i>
<b>Total audit days</b>	<b>2,371</b>	<b>100.0%</b>	<b>2,183</b>

**Strategic Audit Plan 2008/09 – Detailed analysis of coverage**

*See attached spreadsheet*

## Internal Audit Performance Indicators

Performance Indicator	Target
Planned days delivered (%)	>90%
Planned audits completed = final reports issued (%)	90% (to be confirmed)
Actual v Plan time on completed audits (%)	<105%
External Audit reliance on internal audit	Achieved
CPA score maintained	Maintain a score of at least 3 / 4 for internal control.
Recommendations accepted (%)	>90%
Overall customer feedback exceeds 80% (i.e. good or very good)	>80%
Reports to Chief Officers and Members	Quarterly

## 2008/2009 Internal Audit Plan



<b>Department:</b>	<b>Corporate Resources Directorate</b>
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<b>Review Name</b>	<b>Risk</b>	<b>Type</b>	<b>Outline Objective</b>
SAP Future Phases - SAP Upgrade	High	Advice	To provide ongoing advice, challenge and support to future SAP developments, in particular the SAP upgrade which is scheduled for October 2008. Activity will include attendance at relevant project Board and Team meetings, evaluation of the testing processes and advice on internal control issues leading up go live. Work will also be carried out to improve the the quality of management information from SAP as part of internal audit activity.
User Authorisations – Follow Up	High	Systems	To follow-up work completed in 06/07 which covered system administration, audit trails and management of user roles.
Accounts Payable/Procurement	High	Systems	To ensure adequate controls exist over the procure to pay process, including ordering, goods receipting and payment. This full review will also include a follow up of our work in 07/08 and will be relied upon by the County Council's external auditor.
Capital Project Management	High	Regularity	This audit will review the general monitoring arrangements which ensure that capital projects are managed in an effective manner in accordance with County Council project management standards. The work will involve providing rolling assurance in relation to a number of key capital projects through ongoing advice, support and challenge and by performing periodic 'health checks' against best practice. The audit will also follow up on issues arising from Internal Audit work in 07/08, including that in relation to SAP Projects, and will cover the specific projects withing the Chief Executive's Department relating to New Hastings and Newhaven Libraries and the Records Building ("The Keep").
HR/Payroll	High	Systems	To ensure adequate controls exist over the HR/Payroll function with additional focus on controls to prevent payroll overpayments. This full review will also include a follow up of our work in 07/08 and will be relied upon by the County Council's external auditor.

## 2008/2009 Internal Audit Plan



<b>Department:</b>	<b>Corporate Resources Directorate</b>
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Review Name	Risk	Type	Outline Objective
Accounts Receivable	High	Systems	To ensure adequate controls exist over the collection and recording of income within the council. This full review will also include a follow up of our work in 07/08 and will be relied upon by the County Council's external auditor.
General Ledger	High	Regularity	To ensure adequate controls exist in relation to the County Council's general ledger, including year-end procedures, journal transfers and bank reconciliation. This full review will also include a follow up of our work in 07/08 and will be relied upon by the County Council's external auditor.
Pension Fund - Governance & Strategy	High	Regularity	A review to assess the adequacy of East Sussex Pension Fund management and governance arrangements. This work forms part of a Pension Fund Internal Audit Strategy developed based on a risk assessment and in accordance with national best practice guidance.
Pension Processes & Systems	High	Systems	To review the key controls in relation to the calculation and payment of pensions, transfers to and from the pension fund and the collection and recording of pension contributions (incl. contributions from other admitted bodies). This work forms part of a Pension Fund Internal Audit Strategy developed based on a risk assessment and in accordance with national best practice guidance. This full review will also include a follow up of our work in 07/08 and will be relied upon by the County Council's external auditor
Pension Fund External Control Assurance	High	Systems	To examine arrangements for ensuring the adequacy of the control environment of the Pension Fund investment managers and custodian. The review will include identifying and examining the sources of assurance available in relation to these organisations. This work forms part of a Pension Fund Internal Audit Strategy developed based on a risk assessment and in accordance with national best practice guidance.

## 2008/2009 Internal Audit Plan



**Department:** Corporate Resources Directorate

Review Name	Risk	Type	Outline Objective
Pension Fund Investments	High	Systems	To review controls surrounding the administration of the pension fund investments, including, monitoring of fund manager performance and accounting arrangements. This work forms part of a Pension Fund Internal Audit Strategy developed based on a risk assessment and in accordance with national best practice guidance. This full review will also include a follow up of our work in 07/08 and will be relied upon by the County Council's external auditor.
Anti Fraud and Corruption Arrangements	High	Regularity	To review the County Council's Anti Fraud and Corruption arrangements, develop proactive anti fraud arrangements, increase profile and awareness of anti fraud activity and improve investigation management information and techniques in line with best practice.
Treasury Management	Medium	Systems	Review of the key controls relating to borrowing and lending (including long-term borrowing arrangements - long term borrowing). This review will also include a follow up of our work in 07/08 and will be relied upon by the County Council's external auditor.
Building Maintenance	Medium	Systems	To follow up a weak opinion issued during 2007/08 to ensure that the recommendations made in the original audit report have been fully implemented. Work relating to CRB checking of contractors will be picked up as part of a wider CRB review within Chief Executive's Department audit plan.
Risk Management	Medium	Systems	To review strategic risk management arrangements within the organisation, focussing on the adequacy and effectiveness of mitigation measures. The review will also follow up on the recommendations made in the last strategic risk management audit and last year's operational risk management audit, specifically in relation to Adult Social Care and Children's Services who were previously assessed as weak in this area.

## 2008/2009 Internal Audit Plan



**Department:** Corporate Resources Directorate

Review Name	Risk	Type	Outline Objective
Procurement - Letting of Contracts	Medium	Systems	To ensure that contracts are let in accordance with Contract Standing Orders, Financial Regulations and best practice, and that processes are efficient and effective across all departments. The review will involve selecting a sample of contracts across the Authority, particularly those let outside of contracting teams, to assess compliance.
National Fraud Initiative	Medium	Regularity	Production and submission of ESCC data for the Audit Commission's data matching as part of the National Fraud Initiative. To then review and investigate any issues arising from the output from this exercise and to respond to requests for information from other participating authorities.
Support for Audit and Best Value Scrutiny Committee	N/A	Liaison	Support to the Committee to include attendance at all meetings and Chair's Briefings and production of regular progress reports on internal audit activity and performance.
External Audit Liaison	N/A	Liaison	Participation in regular liaison meetings with the County Council's external auditors to ensure proper co-ordination of audit activity in accordance with professional standards and agreed joint working protocol.
Internal Audit Strategy and Annual Audit Plan	N/A	Management	To work with management to produce the Internal Audit Strategy and Annual Internal Audit Plan for 2009/10 for formal reporting to COMT, Audit and Best Value Scrutiny Committee and Cabinet.
Internal Audit Annual Report and Opinion	N/A	Liaison	To give an opinion on the County Council's control environment for the year 2007/08.
Benchmarking	N/A	Management	To participate in the CIPFA Internal Audit Benchmarking Club 2008 and respond to any issues arising.
Action Tracking of Previous Audit Recommendations	N/A	Liaison	To confirm implementation of all high risk audit recommendations within the department.
CRD Annual Report and Opinion	N/A	Liaison	To provide an opinion on the control environment within the Corporate Resources Directorate for the year 2007/08.
CRD Advice	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within CRD as they arise during the year.

## 2008/2009 Internal Audit Plan



<b>Department:</b>	<b>Corporate Resources Directorate</b>
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<b>Review Name</b>	<b>Risk</b>	<b>Type</b>	<b>Outline Objective</b>
CRD Liaison and Strategic Planning	N/A	Liaison	Risk assessment and production of the Annual Audit Plan for Corporate Resources Directorate. Ongoing liaison with management during the year.

<b>Total Planned Days for Corporate Resources Directorate</b>	<b>556.0</b>
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## 2008/2009 Internal Audit Plan



<b>Department:</b>	<b>ICT Audit</b>
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Review Name	Risk	Type	Outline Objective
Business Transformation Programme	High	Advice	To provide advice and support on new system initiatives and the supporting ICT technologies and assurance that these are introduced in a controlled manner. ICT audit work will tie in with work also performed in this area by business auditors.
Abacus ICT Systems Audit	High	Systems	To review ICT controls associated with the new Abacus System including access control, system security, audit trails and back up and recovery.
Carefirst - Review of System and Upgrade (v6)	High	Systems	To review internal control and security issues surrounding the Carefirst system and to review arrangements for ensuring the controlled upgrade of the system, including adequacy of the testing arrangements and advice on control issues prior to go live.
Online Self Assessment Forms (ASC)	High	Systems	To review ICT controls associated with the implementation of On Line Self Assessment including systems security, access controls, resilience/availability and back up and recovery, in conjunction with general systems audit covering the financial assessment process.
SAP ERP2005 Upgrade	High	Systems	To provide support and assurance that the SAP upgrade is introduced and tested in a controlled manner. ICT Audit will tie-in with work also performed in this area by business auditors.
Intranet Redevelopment	High	Systems	To review access permissions once the new Intranet is deployed and to ensure that the underlying Sharepoint technology has been correctly configured.
Business Continuity Planning	High	Systems	Follow-up of Business Continuity Planning work carried out in 2007-08 within ESCC and to assess the adequacy of the new arrangements in place. To also provide high level assurance that appropriate DR arrangements are in place for key ESCC systems, including SAP.
Electronic Document Records Management (EDRM)	High	Systems	To review controls as EDRM is expanded further across ESCC. The audit will review the controls (security and availability) in place over the technology used and will report on any issues that would impact on compliance with legislation and the "Corporate Electronic Records Management Policy".

## 2008/2009 Internal Audit Plan



<b>Department:</b>	<b>ICT Audit</b>
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<b>Review Name</b>	<b>Risk</b>	<b>Type</b>	<b>Outline Objective</b>
Review of ESCC Network Security	High	Systems	To review the adequacy of technical and physical security controls and procedures to protect the ESCC network from internal and external attack.
ESCC Information Security Review	High	Advice	To provide internal audit input, advice and support to the ESCC Information Security Review.
AXIS Employee	High	Advice	To provide advice on internal control and security issues in support of the implementation of AXIS Employee, a system whereby pension scheme members will be able to access and update their pension records online.
E-Recruitment	High	Systems	To review ICT controls associated with the implementation of the E-Recruitment system including systems security (inc. Data Protection), access controls, interfaces, resilience/availability and back up and recovery.
Money Transfer System	High	Systems	To review the logical and physical security arrangements associated with a revised money transfer solution used in Treasury Management transactions. This review will be carried out in conjunction with the mainstream Fundamental Accounting System audit of Treasury Management.
SAP Transports Follow Up Review	High	Systems	To follow-up an audit carried out in 2007/08 which identified a number of control weaknesses relating to the SAP Transports process, covering the requesting, developing, testing and signing off of changes to the SAP system.
Software Management Follow Up Review	High	Systems	To follow-up an audit carried out in 2007/08 which identified a number of control weaknesses relating to management of software within the County Council.
SIMS Learning Gateway	Medium	Systems	To review the new internet-based facility for parents and staff to view progress of pupils on an online database.
Action Tracking of Previous Audit Recommendations	N/A	Liaison	To confirm implementation of all high risk audit recommendations within the department.
ICT Audit Advice	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues in relation to ICT as they arise during the year.

## 2008/2009 Internal Audit Plan



<b>Department:</b>	<b>ICT Audit</b>
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<b>Review Name</b>	<b>Risk</b>	<b>Type</b>	<b>Outline Objective</b>
ICT Liaison and Strategic Planning	N/A	Liaison	Risk assessment and production of the Annual ICT Audit Plan. Ongoing liaison with management during the year, including production of quarterly progress reports for COMT and Audit and Best Value Scrutiny Committee.

<b>Total Planned Days for ICT Audit</b>	<b>215.0</b>
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## 2008/2009 Internal Audit Plan



<b>Department:</b>	<b>Chief Executive's</b>
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Review Name	Risk	Type	Outline Objective
Local Area Agreement (LAA) Systems Audit	High	Systems	To carry out a systems audit to provide assurance that robust performance management, financial management and governance arrangements are in place in relation to the LAA currently being developed / negotiated.
Local Area Agreement (LAA) Grant Claim	High	Regularity	To provide an opinion on whether the year end statement of grant usage is fairly stated and in line with the terms and conditions in the grant determination as required by the DCLG.
Partnership Governance	High	Systems	The detailed methodology for this review has yet to be determined but is likely to involve working with departments to identify key / high risk partnerships in order to then assess adequacy of governance arrangements and compliance with corporate partnership guidance.
Criminal Records Bureau (CRB) Checks	High	Systems	To review implementation of previous audit recommendations relating to pre-employment checks on staff, including CRB, and to also examine new arrangements relating to the CRB checking of contractors. In addition, the audit will follow up CRB related issues arising from the most recent Joint Area Review, including the potential CRB checking of staff who have access to sensitive information.
New National Indicator Sets	Medium	Systems	This audit will, in conjunction with Corporate Performance, select a sample of high risk National Indicators (NI's) for review. NI's will be tested to ensure that the data is accurate and consistent and that external expectations for data quality are met.
Corporate Governance	Medium	Systems	The review will establish the adequacy of the ESCC Corporate Governance Framework and the process in place for ensuring it is effective and up to date. A comparison will be made between ESCC local corporate governance arrangements and the revised CIPFA/SOLACE framework for corporate governance in Local Government. Ongoing support will also be provided to the Corporate Governance Group to develop and improve the Councils governance arrangements.
Support for Corporate Governance	Medium	Advice	To support the Corporate Governance Group in developing and improving the Council's governance arrangements.

## 2008/2009 Internal Audit Plan



<b>Department:</b>	<b>Chief Executive's</b>
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Review Name	Risk	Type	Outline Objective
Use of Consultants - Follow Up Review	Medium	Systems	To follow up the 2007/08 corporate review of external consultants which resulted in a weak audit opinion, to assess the extent to which the previous recommendations have been implemented.
Action Tracking of Previous Audit Recommendations	N/A	Liaison	To confirm implementation of all high risk audit recommendations within the department.
Chief Executive's Annual Report and Opinion	N/A	Annual Report	To form an opinion on the control environment within the Chief Executive's Department for the year from 1 April 2007 to 31 March 2008.
Chief Executive's Advice	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within Chief Executive's Department as they arise during the year.
Chief Executive's Liaison and Strategic Planning	N/A	Advice	Risk assessment and production of the Annual Audit Plan for Chief Executive's Department. Ongoing liaison with management during the year, including production of quarterly progress reports for COMT and Audit and Best Value Scrutiny Committee.

<b>Total Planned Days for Chief Executive's</b>	<b>180.0</b>
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## 2008/2009 Internal Audit Plan



**Department:** Children's Services

Review Name	Risk	Type	Outline Objective
Hastings Excellence Cluster	High	Systems	The audit review will aim to provide assurance that there are effective Governance Arrangements in place for the Excellence Cluster. In particular the review will focus on the adequacy of financial management now that the County Council is the accountable body, including ensuring that there are appropriately formalised management arrangements in place with roles, responsibilities and accountabilities clearly defined.
Hastings Federation	High	Advice	To undertake a risk assessment of this project and provide advice and support on internal control issues arising from this.
Children's Centres	High	Systems	A follow up on the work undertaken in 2006/07 and aims to further assess the governance arrangements in place for Children's Centres. This review will focus on the effectiveness of financial management and performance management arrangements at Children's Centres.
Carepay	High	Systems	To ensure adequate controls exist over access to the system, amendments to standing data, accuracy and authorisation of payments, terminations of allowances and recovery of overpayments. A systems based audit which includes a review of key ICT controls. This full review will also include a follow up of our work in 07/08 and will be relied upon by the County Council's external auditor.
Bexhill High School BSF - Project Governance Review	High	Systems	A review of project governance arrangements in relation to the rebuilding on Bexhill High School as part of the Department for Children, Schools and Families "Building Schools for the Future Programme". The review will assess the adequacy of project management and governance including roles, responsibilities and accountabilities, risk management, financial management, monitoring and reporting.
Financial Management Standard in Schools [FMSIS]	Medium	Systems	To carry out the external assessments of primary schools to assess compliance against the national Financial Management Standard for Schools.

## 2008/2009 Internal Audit Plan



<b>Department:</b>	<b>Children's Services</b>
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Review Name	Risk	Type	Outline Objective
Schools Follow Up	Medium	Regularity	To ensure the Governing Bodies of schools operating under schemes of Local Management observe Financial Regulations and Procedures as agreed by the County Council, the Standing Orders relating to Contracts and instructions issued by the LEA.
Music Service	Medium	Systems	To review the adequacy and effectiveness of the financial management arrangements for the Music Service, following up on the recommendations made in previous audits in this area which found internal control to be weak. This review will include assessing the adequacy of management information provided by the current "Music Administration Software System" which is independent of SAP.
Imprest Account Review	Medium	Regularity	To review the operation and use of petty cash accounts across the County Council in particular within Children's Services and Adult Social Care establishments (excluding schools).
Governor Training	N/A	Advice	To provide training to school governors on internal control, audit and governance issues with a view to ensuring that the Governing Bodies of schools operating under schemes of Local Management observe Financial Regulations and Procedures as agreed by the County Council, the Standing Orders relating to Contracts and instructions issued by the LEA.
Action Tracking of Previous Audit Recommendations	N/A	Liaison	To confirm implementation of all high risk audit recommendations within the department.
Children's Services Annual Report and Opinion	N/A	Annual Report	To provide an opinion on the control environment within the Children's Services Department for the year from 1 April 2005 to 31 March 2006.
Children's Services Advice	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within Children's Services as they arise during the year.
Children's Services Liaison and Strategic Planning	N/A	Liaison	Risk assessment and production of the Annual Audit Plan for Children's Services. Ongoing liaison with management during the year, including production of quarterly progress reports for COMT and Audit and Best Value Scrutiny Committee.

<b>Total Planned Days for Children's Services</b>	<b>470.0</b>
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## 2008/2009 Internal Audit Plan



<b>Department:</b>	<b>Adult Social Care</b>
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Review Name	Risk	Type	Outline Objective
Business Transformation Programme	High	Systems	To provide support and advice and assurance that new system initiatives / revised working practices are implemented in a controlled environment. This includes support and advice to the Programme Board.
Continuing Health Care - Funding Responsibilities	High	Systems	Review of arrangements for ensuring that robust systems are in place for identifying, monitoring and reporting on those packages of care for which the County Council is responsible for funding.
Private Finance Initiative (Agewell)	High	Advice	To provide ongoing advice, support and challenge on internal control and probity issues in relation to the Agewell Project and to support due diligence work as key project milestones are reached.
Abacus - Payments	High	Systems	To ensure that adequate and robust controls are in place in relation to payments to providers. In particular to ensure that payment authorisations are appropriate, accurate and timely and that adequate accounting information and reporting exists. This full review will also include a follow up of our work in 07/08 and will be relied upon by the County Council's external auditor.
Financial Assessments	High	Systems	The purpose of the review will assess arrangements for ensuring that all clients in receipt of services for which a charge is payable are identified, are visited in a timely manner, the amount payable is accurately calculated and collected promptly. Additionally, personal data that is collected is properly secured.
Abacus - Income	High	Systems	To ensure that controls exist in relation to income collection, accounting and reporting. In particular to ensure that arrangements relating to Home Care / Day Care income collection systems (including debt management) are robust, accurate and timely. This review will be relied upon by the County Council's external auditor.

## 2008/2009 Internal Audit Plan



<b>Department:</b>	<b>Adult Social Care</b>
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Review Name	Risk	Type	Outline Objective
Supporting People (SPOCC)	High	Systems	To ensure that adequate controls exist in relation to the Supporting People accounting functions. Areas to review include access to the system, the adequacy and accuracy of the payment mechanisms, monitoring and control of provider returns, and service delivery reviews from a contract compliance viewpoint. This full review will also include a follow up of our work in 07/08 and will be relied upon by the County Council's external auditor.
Supporting People (SPOCC) Grant Claim	High	Regularity	A review of expenditure to ensure that it is appropriate, meets the relevant grant terms and conditions and is properly accounted for in order to enable the Head of Internal Audit to certify the claim.
Pooled Budgets - Care for the Carers	High	Systems	To follow up a previous review of the Care for the Carers Pooled Budget which resulted in a weak audit opinion, to assess the extent to which the previous recommendations have been implemented.
Joint Commissioning Arrangements - Partnering	High	Systems	A high level review to assist ASC with the development of standards and best practice working protocols for joint service delivery across pooled budget / joint funding arrangements. This will include ensuring that appropriate risk management processes are in place, especially where ESCC is the lead authority/partner.
Debt Management Property Debts	High	Systems	To follow up a previous review of Property Debt Management Arrangements which resulted in a weak audit opinion, to assess the extent to which the previous recommendations have been implemented.
Downlands Project	High	Systems	A review of project governance arrangements in relation to the Downlands Project. The review will assess the adequacy of project management and governance including roles, responsibilities and accountabilities, risk management, financial management, monitoring and reporting.
Putting People First - Individual Budgets	High	Advice	As part of the phased 3 year introduction of new legislation, to provide support and advice and assurance that new systems and working practices are introduced in a controlled manner.

## 2008/2009 Internal Audit Plan



<b>Department:</b>	<b>Adult Social Care</b>
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Review Name	Risk	Type	Outline Objective
Blue Badge Scheme	Medium	Systems	A review of controls surrounding the the issue, re-issue and return of blue badges and to confirm that these are adequate and appropriate and in compliance with any guidelines issued by the Department of Transport.
Imprest Account Review	Medium	Regularity	To review the operation and use of petty cash accounts across the County Council in particular within Children' s Services and Adult Social Care establishments (excluding schools).
Action Tracking of Previous Audit Recommendations	N/A	Liaison	To confirm implementation of all high risk audit recommendations within the department.
Adult Social Care Annual Report and Opinion	N/A	Annual Report	To form an opinion on the control environment within the Adult Social Care for the year from 1 April 2006 to 31 March 2007.
Adult Social Care Advice	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within Adult Social Care as they arise during the year.
Adult Social Care Liaison and Strategic Planning	N/A	Liaison	Risk assessment and production of the Annual Audit Plan for Adult Social Care. Ongoing liaison with management during the year.

<b>Total Planned Days for Adult Social Care</b>	<b>345.0</b>
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## 2008/2009 Internal Audit Plan



<b>Department:</b>	<b>Transport &amp; Environment</b>
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Review Name	Risk	Type	Outline Objective
Integrated Waste Management Services Contract (IWMSC) - Project Governance and Management	High	Systems	To continue with audit activity in progress from 2007/08 covering adequacy and effectiveness of IWSMC project governance arrangements. A joint review with Brighton & Hove City Council (B&HCC) Internal Audit Service.
Integrated Waste Management Services Contract (IWMSC) - Review of the Contractors Finance Model.	High	Systems	To ensure that the model used by Veolia for calculating their Internal Rate of Return (IRR) is fit for purpose and will produce complete and accurate information in accordance with the terms and conditions of the contract. A joint review with B&HCC Internal Audit Service.
Integrated Waste Management Services Contract (IWMSC) - Ongoing Advice and Support	High	Advice	To continue the provision of support, advice and challenge in relation to the IWSMC. This involves attendance at quarterly audit working group meetings involving ESCC/B&HCC Internal Audit and External Audit.
Passenger Transport - Executive Review Follow Up	High	Systems	Following the completion of an Executive Review of Passenger Transport (report to Cabinet in September 2007), this review will seek to assess the extent to which the Executive Review recommendations have been implemented.
Home to School Transport Budgetary Control - Follow Up	High	Systems	To follow-up an audit carried out in 2007/08 which identified control weaknesses relating to the home to school transport budget setting process, budget reporting and the roles and responsibilities of key members of staff.
Highways Maintenance - Exor	High	Systems	To ensure that adequate controls exist in relation to the Highways accounting system. In particular that the payments process is robust, accurate and timely and that all payments are made within the terms and conditions of the May Gurney contract. This is a full review following the introduction of Exor, which includes a review of key ICT controls. This review will be relied upon by the County Council's external auditor.
Exor Implementation Project	High	Advice	To provide advice and support on risk and internal control issues as part of project to implement a new highways IT solution. Internal Audit activity will also cover ICT security and control issues.

## 2008/2009 Internal Audit Plan



<b>Department:</b>	<b>Transport &amp; Environment</b>
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Review Name	Risk	Type	Outline Objective
Highways Maintenance - Contract Management	High	Systems	A review of the adequacy and effectiveness of contract management in relation to highways maintenance, including monitoring of contractor performance, quality and use of performance data, reporting arrangements and adequacy of arrangements for addressing issues arising.
Passenger Transport - Trapeze	High	Systems	To ensure that adequate controls exist in relation to the new Passenger Transport IT solution, which includes making payments to providers and interfacing with the County Council general ledger (SAP). A systems based audit which includes a review of key ICT controls. This review will be relied upon by the County Council's external auditor.
Trapeze Implementation Project	High	Advice	To provide advice and support on risk and internal control issues as part of project to implement a new passenger transport IT solution. Internal Audit activity will also cover ICT security and control issues.
Hastings / Bexhill Link Road - Project Governance Review	High	Systems	A review of project governance arrangements in relation to the Bexhill / Hastings Link Road Project. The review will assess the adequacy of project management and governance including roles, responsibilities and accountabilities, risk management, financial management, monitoring and reporting.
Parking Schemes	High	Advice	Provide advice and assistance with the development of a county-wide approach to the management of parking schemes, with particular reference to findings from previous audit work in this area.
High Weald AONB	Medium	Systems	A compliance audit to ensure that adequate and effective financial controls are in place to allow the Annual Return to be signed-off.
South Downs Joint Committee (SDJC)	Medium	Systems	A systems based review as part of the arrangements that allow the Treasurer to sign the Annual Assurance statement for SDJC. The exact nature of the review to be determined following the 2007/08 external audit review and report.
T&E Induction	N/A	Liaison	Continuing support to the departmental induction process, covering governance and standards of conduct issues.
Action Tracking of Previous Audit Recommendations	N/A	Liaison	To confirm implementation of all high risk audit recommendations within the department.



## **ESCC INTERNAL AUDIT CHARTER & TERMS OF REFERENCE**

### **1. RESPONSIBILITIES AND OBJECTIVES**

1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisations 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.

1.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

### **2. STATUTORY ROLE**

2.1 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2003 (as amended in 2006), which state in respect of Internal Audit that:

“A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control 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 and other records as appear to be necessary for the purpose of the audit; and
- supply the body with such information and explanation as the body considers necessary for that purpose.”

2.2 The statutory role is recognised and endorsed within the Council’s Financial Regulations, which provide the authority for access to officers, members, documents and records and to require information and explanation as necessary.

### **3. INDEPENDENCE AND ACCOUNTABILITY**

3.1 Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors have no operational responsibilities.

3.2 Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Chief Internal Auditor has direct access to, and freedom to report in his own name and without fear of favour to, all officers and Members and particularly those charged with governance.

3.3 Accountability for the response to the advice and recommendation of Internal Audit lies with management, who either accept and implement the advice or formally reject it.

#### **4. INTERNAL AUDIT SCOPE**

4.1 The scope of Internal Audit includes the entire control environment and therefore all of the Council's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and Management risk assessment (as set out within County Council risk registers). Extensive consultation also takes place with key stakeholders.

#### **5. REPORTING LINES AND RELATIONSHIPS**

5.1 East Sussex County Council has delegated responsibility for ensuring that statutory internal audit arrangements are in place to the Deputy Chief Executive and Director of Corporate Resources. These arrangements form a key element of the County Council's framework for corporate governance. On a day to day basis the Assistant Director (Audit and Performance) serves as the County Council's Chief Internal Auditor and the Audit and Performance Division provides internal audit services to the County Council on behalf of the Deputy Chief Executive and Director of Corporate Resources.

5.2 The Chief Internal Auditor reports directly to the Deputy Chief Executive and Director of Corporate Resources. The County Council also has an Audit and Best Value Scrutiny Committee to whom internal audit report on a quarterly basis. These reports cover results of internal audit activity and details of internal audit performance, including progress on delivering the Audit Plan. In addition, internal audit provides an annual report and opinion to Chief Officers and Members on the adequacy of the Council's control environment.

## **6. INTERNAL AUDIT STANDARDS**

6.1 There is a statutory requirement for Internal Audit to 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 2003 (as amended in 2006) makes it clear that 'the Standards are those shown in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The CIPFA Standards have been adopted by East Sussex County Council Internal Audit.

## **7. INTERNAL AUDIT RESOURCES**

7.1 It is a requirement that Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

7.2 The Chief Internal Auditor is responsible for appointing the staff of the Internal Audit Service and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Internal Audit Service maintains an annually updated Training and Development Plan, which sets out an ongoing development programme for Internal Audit staff.

7.3 The Chief Internal Auditor is responsible for ensuring that the resources of the Internal Audit Service are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby they concluded that resources were insufficient, they must formally report this to the Deputy Chief Executive and Director of Corporate Resources and, if the position is not resolved, to the Audit and Best Value Scrutiny Committee.

## **8. FRAUD AND CORRUPTION**

8.1 Managing the risk of fraud and corruption is the responsibility of Chief Officers not Internal Audit. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Anti Fraud and Corruption Strategy.

8.2 Internal Audit should also be informed of all suspected or detected fraud, corruption or impropriety in order to consider the adequacy of the relevant controls, and evaluate the implication of fraud and corruption for his opinion on the control environment.

Councillor David Tutt  
Chairman of the Audit and Best Value Scrutiny Committee

Sean Nolan  
Deputy Chief Executive and Director of Corporate Resources

Duncan Savage  
Assistant Director – Audit and Performance

**The Strategic Risk Management Log – 2008/09 Internal Audit Plan Coverage**

	Countywide Themes	Inherent Likelihood (4 = high)	COMT Lead	Impact (4 = High)	Internal Audit Coverage
1	Failure to recruit and retain key staff in particular areas.	3	Andrew Ogden	3	<ul style="list-style-type: none"> <li>E-recruitment (ICT Audit)</li> <li>HR / Payroll</li> </ul>
2	Capacity overload, in terms of necessary change initiatives, falling on a relatively small number of key staff across the Council but also impact on the maintenance of existing core deliverables.	3	Andrew Ogden	3	<ul style="list-style-type: none"> <li>Project Governance</li> <li>Corporate Governance</li> <li>Business Continuity</li> </ul>
3	Failure to maintain both the morale and improving motivation, of all staff, but also addressing key cultural barriers to Council-wide improvement.	2	Cheryl Miller	3	<ul style="list-style-type: none"> <li>Corporate Governance</li> </ul>
4	Failure to meet the challenge of reconciling and sustaining the all round improvement agenda and policy priorities with the future resource outlook and short term capping threat – and ensuring the maximum contribution from the efficiency agenda.	4	Sean Nolan	4	<ul style="list-style-type: none"> <li>New National Indicator Sets</li> <li>Corporate Governance</li> <li>Risk Management</li> <li>Partnership Governance</li> <li>LAA</li> </ul>
5.	Failure to avoid the almost generically risky and volatile budget areas (e.g. Social Care, special needs, home to school transport etc.) dominating, in financial terms, other service priorities	4	Sean Nolan	4	<ul style="list-style-type: none"> <li>Capital Project Management</li> <li>Project Governance</li> <li>Corporate Governance</li> <li>Specific Departmental Reviews</li> </ul>
6.	<p>Reputational damage to the Council's sense of confidence and motivation from:</p> <ul style="list-style-type: none"> <li>Failure to manage, effectively, communication of controversial areas.</li> <li>Single major avoidable incident/failure</li> <li>External assessments.</li> <li>Residents not recognising improvements</li> <li>Avoidable service mistakes</li> </ul>	<p>2</p> <p>1</p> <p>2</p> <p>2</p> <p>2</p>	<p>Becky Shaw</p> <p>Cheryl Miller</p> <p>Cheryl Miller</p> <p>Becky Shaw</p> <p>Cheryl Miller</p>	<p>4</p> <p>4</p> <p>4</p> <p>2</p> <p>3</p>	<ul style="list-style-type: none"> <li>Risk Management</li> <li>Business Continuity</li> <li>Corporate Governance</li> <li>Partnership Governance</li> <li>LAA</li> </ul>

	<b>Countywide Themes</b>	<b>Inherent Likelihood (4 = high)</b>	<b>COMT Lead</b>	<b>Impact (4 = High)</b>	<b>Internal Audit Coverage</b>
7.	<b>Failure to handle, successfully, the increasingly complex partnership agenda (e.g. LAA, NIS, CAA.)</b>	4	Becky Shaw	3	<ul style="list-style-type: none"> <li>• LAA</li> <li>• Partnership Governance</li> <li>• Corporate Governance</li> </ul>
8.	<b>Failure to achieve expected standards in key service areas or deterioration in high performing areas</b>	2	Becky Shaw	3	<ul style="list-style-type: none"> <li>• New National Indicator Sets</li> <li>• Risk Management</li> <li>• Corporate Governance</li> <li>• Project Governance</li> </ul>
9.	<b>Failure to be truly customer focussed (including access and local presence)</b>	3	Sean Nolan / Becky Shaw	3	
10.	<b>Work at locality level not recognised</b>	3	Becky Shaw	2	<ul style="list-style-type: none"> <li>• Partnership Governance</li> <li>• Corporate Governance</li> <li>• Intranet Development (ICT Audit)</li> </ul>
11.	<b>Failure to secure coherent “Age Well” PFI or PPP Scheme (ASC)</b>	3	Keith Hinkley	3	<ul style="list-style-type: none"> <li>• Agewell</li> </ul>
12.	<b>Risks from changes within NHS including consultation on “Fit for the Future” and application of provider Trusts for Foundation status. Further risk of current overspend in local health economy resulting in cost shunting to Adult Social Care.</b>	3	Keith Hinkley	4	<ul style="list-style-type: none"> <li>• ASC Joint Commissioning Arrangements / Partnering</li> <li>• Care for the Carers Pooled Budget</li> <li>• Continuing Health Care - Funding Responsibilities</li> <li>• Partnership Governance</li> </ul>
13	<b>Failure to put in place coherent medium term service plan consistent with commissioning strategies: whole system challenges and drivers with maximum efficiencies and resources available.</b>	3	Keith Hinkley	4	<ul style="list-style-type: none"> <li>• ASC Joint Commissioning Arrangements / Partnering</li> </ul>
14.	<b>Failure to achieve a coherent approach to Delayed Discharges (DTC's) and the necessary partnership working (ASC).</b>	2	Keith Hinkley	3	<ul style="list-style-type: none"> <li>• ASC Joint Commissioning Arrangements / Partnering</li> <li>• Continuing Health Care - Funding Responsibilities</li> <li>• Partnership Governance</li> </ul>

	<b>Countywide Themes</b>	<b>Inherent Likelihood (4 = high)</b>	<b>COMT Lead</b>	<b>Impact (4 = High)</b>	<b>Internal Audit Coverage</b>
15.	<b>Failure to deliver Business Transformation Programme.</b>	2	Keith Hinkley	4	<ul style="list-style-type: none"> <li>• ASC Business Transformation Programme</li> <li>• Abacus Income</li> <li>• Abacus Payments</li> <li>• Carefirst</li> <li>• Financial Assessments</li> </ul>
16.	<b>Coherence of developing Youth Services and Connexions agenda. Good Field for Connexions contract: review of Youth Development Service underway' good VCS engagement in IYSS agenda.</b>	1	Matt Dunkley	2	
17.	<b>Failure on major school build and design issues (e.g. Rye).</b>	2	Matt Dunkley	3	<ul style="list-style-type: none"> <li>• Capital Project Management</li> <li>• Bexhill High (BSF) – Project Governance</li> </ul>
18.	<b>Waste – failure to secure the landed needed to build facilities.</b>	3	Rupert Clubb	4	<ul style="list-style-type: none"> <li>• IWSMC – Project Governance</li> <li>• IWSMC – Finance Model</li> <li>• IWSMC – Advice and Support</li> </ul>
19.	<b>Failure in Key Waste delivery plans and milestones.</b>	4	Rupert Clubb	3	<ul style="list-style-type: none"> <li>• IWSMC – Project Governance</li> <li>• IWSMC – Finance Model</li> <li>• IWSMC – Advice and Support</li> </ul>
20.	<b>Failure to secure the Bexhill/Hastings link road scheme with proper funding.</b>	2	Rupert Clubb	3	<ul style="list-style-type: none"> <li>• Bexhill/Hastings Link Road – Project Governance</li> </ul>
21.	<b>Lack of progress on Central Rail Corridor.</b>	2	Rupert Clubb	2	
22.	<b>Lack of progress in delivering the aims concerning the 'Eastbourne, Hailsham – Triangle'.</b>	3	Rupert Clubb	3	
23.	<b>Failing to secure fair share of planning gain in the relationship with Districts and Boroughs</b>	3	Rupert Clubb	3	

	<b>Countywide Themes</b>	<b>Inherent Likelihood (4 = high)</b>	<b>COMT Lead</b>	<b>Impact (4 = High)</b>	<b>Internal Audit Coverage</b>
24.	<b>Failure to ensure adequate records storage capacity when current capacity is used up within 2 years.</b>	3	Andrew Ogden	2	<ul style="list-style-type: none"> <li>• Electronic Document Records Management (ICT Audit)</li> <li>• Project Governance</li> </ul>
25.	<b>Failure to work effectively, internally or with partners, to manage the full range of travellers' issues.</b>	3	Becky Shaw	2	
26.	<b>Failure of the Hastings and Bexhill Taxforce to ensure a coherent outcome for the area objectives and remain within legal constraints.</b>	3	Cheryl Miller	3	
27	<b>Lack of clear policy within budget for Passenger Services</b>	2	Rupert Clubb	3	<ul style="list-style-type: none"> <li>• Passenger Transport Executive Review Follow Up</li> <li>• Home to School Transport Budgetary Control Follow Up</li> <li>• Passenger Transport – Trapeze</li> </ul>
28.	<b>Lack of agreement with waste collection authorities over level of Waste Recycling credits and thresholds.</b>	4	Rupert Clubb	4	
29.	<b>Legal challenges to planning decisions</b>	3	Rupert Clubb	3	
30.	<b>Failure to establish a hard federation in Hastings to improve standard at Key Stages 3 and 4.</b>	2	Matt Dunkley	4	<ul style="list-style-type: none"> <li>• Hastings Federation</li> </ul>

**2009/10 Potential Audit Activity**

**Corporate Resources Directorate**

Schemes Delegation  
Insurance  
Service Planning  
Mobile Telephones  
Lettings  
Credit / Procurement Cards  
Energy Procurement  
Budgetary Control  
Capital Accounting  
Cheque Control  
Facilities Management

**ICT Audit**

Music Service EMS System (inc. SAP Interface)  
Migration of Children's Index (Contactpoint)  
CBOSS Contract Management  
Home Care Rostering System  
Disaster Recovery  
Libraries Self Service Pilot

**Chief Executive's**

Lease Car Scheme  
Travellers Sites Financial Management  
Registration Service  
Code of Conduct for Employees  
Data Protection

**Children's Services**

Standards Fund  
School's Themed Review - Budget Clawbacks  
Contracts Management - CfBT

**Transport & Environment**

Rights of Way Asset Management  
Pathway Review  
Vehicle Fleet Management  
IWSMC Contract Management

**Adult Social Care**

Putting People First - Direct Payments  
Delayed Discharges  
Intergrated Community Equipment Service  
Self Funders  
Major Adaptation Works

Establishment Visit Programme



