

Report to: **Cabinet**

Date: **5 July 2010**

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

Title of report: **Internal Audit Strategy 2010/11 and Annual Plan**

Purpose of report: **To present the Council's Internal Audit Strategy 2010/11 and Annual Plan**

RECOMMENDATIONS

The Cabinet is recommended to review and endorse the Council's Internal Audit Strategy 2010/11 and Annual Plan.

1. Financial Appraisal

1.1 Resources needed to deliver the Council's Internal Audit Strategy and Annual Plan during 2010/11 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 2010/11 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 external auditors, PKF. A workshop was also held with Members of the Audit and Best Value Scrutiny Committee on 3 March 2010 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. Given the current financial challenges faced by the Council, in common with the public sector more generally, it is likely that the scope and pace of change will increase, bringing with it increased risk but also opportunities for improvement. 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, and have a plan that is flexible and can react to a changing risk environment. These considerations have 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.

3. **Recommendations**

3.1 The Deputy Chief Executive and Director of Corporate Resources has already approved the Internal Audit Strategy 2010/11 and Annual Plan and this was endorsed by the Audit and Best Value Scrutiny Committee on 2 June 2010.

SEAN NOLAN, DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF CORPORATE RESOURCES

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BACKGROUND DOCUMENTS

Internal Audit Strategy and Annual Audit Plan 2010/11

INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2010-2011



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 2003 (as amended 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 the 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. The Charter has been reviewed and continues to meet current Code requirements, therefore no changes are proposed.

1.4 The key service objective for the IAS as set out in the 2010/11 Corporate Resources Business Plan is to maintain and improve high standards of governance, internal control and risk management across the Council. The service has two Council Plan targets which are to maintain the score of 3 out of 4 for risk management and internal control under the Use of Resources assessment and to maintain external audit reliance on the work of internal audit.

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 2010/11 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). 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 Chief Executive;
- the Deputy Chief Executive and Director of Corporate Resources;
- the Monitoring Officer;
- 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, developments and restructurings, including implementation and development of a number of new key ICT systems and capital projects. Given the current financial challenges faced by the Council, in common with the public sector more generally, it is likely that the scope and pace of change will increase, bringing with it increased risk but also opportunities for improvement. 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, and have a plan that is flexible and can react to a changing risk environment. These considerations continue 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 2010/11, 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, taking into account the reputational implications for the Authority, 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 includes reviews of finance modules of SAP, 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. Information governance is also a key focus area for assurance;
- **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 is a fundamental part of the 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, performance, data quality and value for money, particularly in light of the current economic environment and financial pressures facing the Authority;
- **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. 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** – continuing to build on anti fraud and corruption activities in light of best practice guidance from CIPFA and the Audit Commission’s ‘Protecting the Public Purse’ publication. This will include the introduction of new investigation procedures and the increased use of pro-active / targeted reviews.

2.5 The Internal Audit Service is not the only source of assurance for the Council. There is a range of external audit and inspection agencies as well as processes for internal management review which are set out in more detail in the Council’s Local Code of Corporate Governance and its Annual Governance Statement. In preparing this plan, account has been taken of the work undertaken by these other agencies (primarily the Audit Commission, PKF the Council’s external auditors, the Care Quality Commission and Ofsted) in relation to the Council’s key risks in considering whether internal audit coverage is also required so that the Head of Internal Audit can continue to give a opinion in line with their professional responsibilities, but also so that duplication can be avoided where possible and best use of internal and external resources can be promoted.

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

Corporate Resources Directorate (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. This activity forms the core of our internal audit plan and is work which is directly relied upon by our external auditor, PKF. Provision has also been made within the 2010/11 audit plan to provide input into planned development projects in relation to SAP;

- Pension Fund – a number of reviews specific to the Council’s role in administering the East Sussex Pension Fund in accordance with a Pension Fund Internal Audit Strategy and best practice guidance;
- Anti Fraud and Corruption (inc. National Fraud Initiative (NFI)) – Continuing to develop the Council’s anti fraud and corruption arrangements in line with best practice and to support improvements in investigative practices across the organisation. Internal Audit will also be co-ordinating the production of data for the Audit Commission as part of NFI 2010 and subsequently investigating any issues arising from this;
- E-government – a range of specialist ICT audit reviews and support for major system developments across the County. ICT audit activity will also include the follow up of previous reviews of County Council information governance arrangements and third party access to ESCC data.

Governance and Community Services

- Corporate Governance (Conflicts of Interest) – a review of the arrangements across the Authority for identifying, reporting and managing potential conflicts of interest. This also includes ongoing support for the Corporate Governance Group;
- Departmental restructuring – to review and advise on the impact of the restructuring on risk management, internal control and governance within the department;
- National Indicator Sets – a review of a number of high risk national indicators to provide assurance that data quality is robust and in accordance with specified definitions;
- Partnership Governance (Corporate Review) – following up on the recommendations arising from the 2009/10 review of partnerships which included assessing the adequacy of governance arrangements and compliance with corporate partnership guidance;
- CRB Checking of Contractors (Corporate Review) – to ensure that robust arrangements are in place across the Authority for CRB checking all contractors who have potential contact with children and vulnerable people;
- E-Recruitment – to review the adequacy of the control environment in relation to the new E-Recruitment System introduced during 2009/10.

Children’s Services

- Schools – to deliver a programme of audit activity as set out within our Schools Internal Audit Strategy. This work includes a comprehensive programme of external assessments, and extended assessments for secondary schools, as part of the national Financial Management Standard in Schools. In 2010/11, we will also conduct a themed review of school’s Staff Pay Policies;
- Safeguarding – exercise to identify and assess the various sources of assurance available in relation to the County Council’s safeguarding arrangements across both Children’s Services and Adult Social Care;
- Carepay – a fundamental accounting system used to pay foster parents which is subject to either a full or interim review each year;
- Learning Skills Council (LSC) Transfer of Funding – to support the arrangements for the transfer of LSC functions to the Local Authority, including the development of an approach to assurance in relation to funding;
- Acadamies – to review the adequacy of project and programme management in relation to the development of acadamies within the County.

Transport and Environment

- Integrated Waste Services Management Contract – ongoing advice and support through attendance at quarterly internal and external audit liaison meetings. During the year, Internal Audit will also be conducting a review of Recycling Data Flows from waste collection authorities;
- Highways Maintenance (Exor) – a fundamental accounting system used to pay highways contractors which is subject to either a full or interim review each year;
- Passenger Transport (Trapeze) - a fundamental accounting system used to pay transport providers which is subject to either a full or interim review each year;
- Highways Maintenance (May Gurney Contract) – to review the adequacy and effectiveness of contract management arrangements, including accuracy of data for payments purposes;
- Home to School Transport – to review progress made by the department to improve budgetary control, including a follow up of previous audit recommendations and an examination of contract management arrangements.

Adult Social Care

- Putting People First – to provide support, advice and assurance that new systems and working practices are introduced in a controlled manner, including Personal Budgets and the Resource Allocation System;
- Controcc/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, which will include ICT security controls;
- 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 Supporting People Grant Claim in order to provide an audit opinion prior to the grant claim certification;
- Learning Disabilities Transfer from Health – to ensure that a robust and well managed process is in place for the transfer of property to the County Council from Health;
- Funding Panels – to review arrangements for the approval of care packages, including budget monitoring and reporting 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.

2.7 During the coming year, we will also be undertaking action tracking within each department to assess the extent to which all previously issued 'high' priority recommendations have been implemented.

3. Audit Needs Assessment

3.1 As explained above, development of the 2010/11 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 with 'no assurance' or 'minimal assurance' audit opinions 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. This will also include a sample of previous reviews with a 'partial assurance' opinion;
- 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 wherever possible;
- The development of new systems or significant changes to existing systems will be separately identified within the audit needs assessment.

3.2 With effect from April 2010, a number of the responsibilities for commissioning and funding further education, previously undertaken by the Learning Skills Council (LSC), transfer to local authorities. Although some provision has been made within the 2010/11 audit plan to support the transition process, at the time of writing this report, the full impact in terms of both assurance over funding streams and any consequent requirement for future internal audit coverage had yet to be confirmed by the Skills Funding Agency and the Young People's Learning Agency. As a result, depending on the extent of assurance required, additional internal audit resources may be necessary to cover this work. Any additional cost associated with this will have to be met via the administration grant provided to Children's Services as part of the funding transfer.

3.3 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 review areas already identified for potential inclusion in the 2011/12 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 focus on the key risk areas and 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 2010/11. Resource planning assumptions for 2010/11 have been fully reviewed following consultation with staff to ensure that sufficient time is allocated for indirect work, for example training and development, whilst at the same time ensuring productivity is maximised. It is assumed that some audit work will be carried forward from 2010/11 for completion within resources available in 2011/12 and that this will not exceed that carried forward from 2009/10. 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 2010/11 is based on 11.5 full time equivalent (fte) staff (in addition to the Chief Internal Auditor role of the Assistant Director - Audit and Performance). This represents a reduction of 2 fte staff on the resources available during 2009/10, of which one was a CIPFA Trainee on a temporary placement and one was a Senior Auditor who retired at the end of March 2010. At this stage, we are not intending to recruit to the vacant Senior Auditor post but will need to secure suitably skilled and experienced temporary external resources to support the delivery of the audit plan in 2010/11.

4.5 Two members of the team 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 (until 31 March 2011). This additional funding enables us to continue to provide advice and support to schools on the assessment process.

4.6 The total number of planned audit days for 2010/11 is 2,054. This level of activity is lower than 2009/10 (a reduction of 132 days) reflecting the loss of a CIPFA Trainee and some reduction for the Senior Auditor vacancy referred to above, but does require the sourcing of approximately 90 days external resource. As set out in para 3.2, no provision has been made in the current plan for the delivery of any assurance work that may be required following the transfer of LSC Funding. The level of resource is however considered sufficient to allow the IAS to deliver its risk based plan in line with the standards set out in CIPFA Code of Practice for Internal Audit in Local Government 2006.

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

	2006/07	2007/08	2008/09	2009/10	2010/11
Plan Days	1,990	2,082	2,371	2,182	2,054
Actual Days	2,050.5	2,114	2,427	2,203	TBC

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 unplanned work, including special audits and the investigation of potential irregularities. This contingency also allows for the completion of work in progress from the 2009/10 plan;

- Client Advice, Liaison and Support - an allowance against each department to cover the provision of ad hoc advice on audit and control issues as they arise and to cover ongoing liaison with key senior officers.

A summary of the allocation of audit resources across the 2010/11 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 is in place with PKF to facilitate this and formalise our working relationship.

6. Training and Development

6.1 The effectiveness of the IAS 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 2009/10, two members of staff successfully completed the CIPFA Certificate in Investigative Practices and a further two Auditors are expected to undertake this training during 2010/11. In addition to this, one Senior Auditor in the team is due to commence the final stage of the Institute of Internal Auditors (MIIA) professional qualification, having previously completed the Practitioner stage. Once completed, this will increase the number of staff in the team holding CCAB or equivalent qualifications to nine.

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 2010/11 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 in Local Government 2006. In particular, new investigatory procedures, developed in line with best practice, are due to be implemented in the coming year.

7.2 The performance of the IAS is measured against the key service targets and objectives set out in the Council's Business 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. During 2010/11, PKF will also be conducting a full triennial review of the IAS to assess compliance against CIPFA Code of Practice for Internal Audit in Local Government 2006. The results of this review will be reported on separately by PKF during the coming year.

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 2010/11 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.

7.5 The IAS also subscribes to the CIPFA Benchmarking Club for Internal Audit Services and will be submitting actual data for 2009/10 and planned data for 2010/11 for analysis and comparison during quarter 1.

SEAN NOLAN, DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF CORPORATE RESOURCES

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Annual internal audit plan by customer

Service	2010/11 Plan Days	% of 2010/11 Plan Days	2009/10 Plan Days
East Sussex County Council			
Corporate Body (incl CRD)	462	22.5%	495
Computer Audit	160	7.8%	175
Children's Services	430	20.9%	489
Adult Social Care	289	14.1%	293
Transport & Environment	199	9.7%	195
Governance & Community Services	152	7.4%	173
Contingency (incl. carry forward)	250	12.2%	250
<i>Sub total – internal customers</i>	<i>1,942</i>	<i>94.6%</i>	<i>2,070</i>
Fire Authority	70	3.4%	70
Plumpton College	27	1.3%	27
South Downs Joint Committee	10	0.5%	10
High Weald AONB	5	0.2%	5
<i>Sub total - external customers</i>	<i>112</i>	<i>5.4%</i>	<i>112</i>
Total audit days	2,054	100.0%	2,182

Strategic Audit Plan 2010/11 – 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
CAA score	Achieve a score of at least 3 / 4 for internal control and risk management.
Recommendations accepted (%)	>90%
Overall customer feedback exceeds 85% (i.e. good or very good)	>85%
Reports to Chief Officers and Members	Quarterly

2010/2011 Internal Audit Plan



Department:	Corporate Resources Directorate
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Review Name	Risk	Type	Outline Objective
Accounts Payable/Procurement (Corporate Review)	High	Systems	To ensure adequate controls exist over the procure to pay process, including ordering, goods receipting and payment, with particular reference to the new centralised AP function, and the use of electronic documents. It will evaluate the effectiveness of this new control framework, the extent to which it delivers the desired outcomes, and any impacts on current performance. This review will also include a follow up of our work in 09/10 and will be relied upon by the County Council's external auditor.
HR/Payroll (Corporate Review)	High	Systems	To ensure adequate controls exist over the HR/Payroll function and processes. This review will also include a follow up of our work in 09/10 and will be relied upon by the County Council's external auditor.
Accounts Receivable (Corporate Review)	High	Systems	To ensure adequate controls exist over the collection and recording of income within the council, including debt recovery arrangements. This review will also include a follow up of our work in 09/10 and will be relied upon by the County Council's external auditor.
General Ledger (Corporate Review)	High	Systems	To ensure adequate controls exist in relation to the County Council's general ledger, including year-end procedures, journal transfers and bank reconciliation. This review will also include a follow up of our work in 09/10 and will be relied upon by the County Council's external auditor. A review of County Council preparedness for International Financial Reporting Standards will also be included.
Pension Fund - Governance & Strategy	High	Systems	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.
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.
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.
Treasury Management	Medium	Systems	Review of the controls relating to borrowing and lending arrangements as part of the Treasury Management process (including long-term borrowing arrangements). This review will also include a follow up of our work in 09/10 and will be relied upon by the County Council's external auditor.
SAP Future Phases (Various Projects)	High	Advice	To provide ongoing advice, challenge and support to future SAP developments covering risk management, internal control and probity issues. Potential projects for 2010/11 include self-approval of small invoices, centralising Accounts Payable function, E-invoicing, E-procurement, Purchasing Cards, and Archiving.

Department:		Corporate Resources Directorate	
Review Name	Risk	Type	Outline Objective
User Authorisations Follow Up	High	Systems	To follow-up on internal audit work in previous years, covering SAP system administration, audit trails and management of user roles. This review also includes building on the work done by Deloitte during 2009/10, to evaluate the Council's system administration and user authorisation environment.
Anti Fraud and Corruption Arrangements (Corporate)	High	Regularity	To continue to develop the County Council's Anti Fraud and Corruption arrangements based on the latest best practice. This includes increasing the profile and awareness of anti fraud activity, conducting proactive anti fraud reviews and administering the County Council's Confidential Reporting Hotline. Internal audit will also co-ordinate activity as part of the 2010 National Fraud Initiative, including data submission and reporting of results.
Risk Management (Corporate Review)	Medium	Systems	To continue to assess the adequacy and effectiveness of arrangements within the Authority for managing its strategic risks. The review will build upon the work undertaken in 2008/09 and will include selecting a sample of strategic risks and assessing the effectiveness and implementation of identified mitigation measures. The review will also seek to identify other sources of available assurance against Strategic risks, and will assess the extent to which the Council addresses lessons learned from actual events and "near-misses".
Procurement of Energy Supplies	Medium	Systems	To review ESCC's arrangements for payment of energy and water supplies, to ensure that utility company invoices are settled efficiently and effectively, and only after confirmation that the services have been received.
Letting of Contracts by Third Parties (incl. Follow-up)	Medium	Systems	To follow up on the recommendations made in the 2009-10 audit report which resulted in a 'partial' assurance audit opinion. This audit will pay particular attention to contracts which are let using third party agents, to ensure that the County Council's Standard Financial Procedures, Financial Regulations, Contract Standing Orders, and all other procedures and best practices are adhered to.
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 2011/12 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 2009/10.
Benchmarking	N/A	Management	To participate in the CIPFA Internal Audit Benchmarking Club 2010 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 2009/10.
CRD - Client Advice and Support	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within CRD as they arise during the year.
CRD - Audit Management, Client Liaison and Planning	N/A	Liaison	Risk assessment and production of the Annual Audit Plan for Corporate Resources Directorate. Ongoing liaison with management during the year.
Total Planned Days for CRD		462	

2010/2011 Internal Audit Plan



Department: **ICT Audit**

Review Name	Risk	Type	Outline Objective
CareFirst Migration to Windows	Medium	Advice	To review controls around the migration of data from the UNIX-based environment to the Windows-based environment. To confirm that testing has been carried out to test the data migration, the functionality of the Windows-based system is the same as the UNIX-based system and the various SAP interfaces. To confirm that the new system is properly supported and maintained, and to review the adequacy and effectiveness of controls surrounding access to data and appropriate audit trails.
Remote Working Solutions - Ongoing Security of Data	High	Systems	The ESCC Gateway solution provides a facility for staff to work from home, and it is subject to use by an increasing number of employees. Other technological solutions are also being considered in order to facilitate remote working, such as the use of WiFi and 3G technology with ESCC-provided laptops. This review will seek to ensure that alongside this increasing facility, the security and controls over ESCC systems and data are maintained.
Management of Server Infrastructure	High	Systems	ESCC's server infrastructure is to be significantly reduced during 2009-10 and 2010-11. Savings are anticipated in energy costs, licensing costs, support and real-estate. This review will assess controls in several larger, key areas in order to provide assurance that the server consolidation has been carried out in a controlled manner. It will also assess the extent to which anticipated savings are actually delivered.
ICT Controls in Fundamental Accounting Systems	High	Systems	ICT audit of all fundamental accounting systems, including back up and recovery, controls over system changes, remote access, support arrangements, controls over system batch processes, and testing of controls "through" those accounting systems. Where appropriate, findings will be incorporated into the audits of fundamental accounting systems reflected elsewhere in the audit plan.
Information Governance Follow-up	High	Systems	To follow up on the recommendations made in the 09-10 corporate review of Information Governance to ensure that sufficient progress has been made in addressing the control weaknesses identified.
Third Party Access to Data Follow-up	High	Systems	To follow up on the recommendations made in the 09-10 audit report which resulted in a 'partial' assurance audit opinion. In addition, this will address the new arrangements where Coroners Officers are able to access the ESCC database through the Police network.
Network Penetration Testing	High	Systems	To confirm and test that there is a robust process for the planning, procurement, briefing and supervision as part of penetration testing arrangements, in accordance with best practice and that any recommendations arising are properly implemented.
Centre Stage	Medium	Systems	Centre Stage is replacing the current Net-op system used by ICT/Finance staff to access schools' systems remotely, for support purposes. The audit will review controls around the use of the system, with regard to who is allowed access and under whose authority, what they are permitted to view and to do, the adequacy of the audit trails, the security of the systems and the data within them.

Department:	ICT Audit
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Review Name	Risk	Type	Outline Objective
ContactPoint	High	Systems	ContactPoint provides a quick way for authorised practitioners in different services to find out who else is working with a child or young person. Internal Audit will review the evidence compiled in support of the Organisation, Instance and Technical Accreditation of schools, and will assess the extent to which relevant policies and procedures applicable to ESCC's Contact Point accreditation are being complied with. The DCSF expects the Director of Children's Services and the Head of Internal Audit to sign a statement of assurance on the controls surrounding ContactPoint and this review will contribute to that process.
Portable Storage Devices	High	Systems	Data is increasingly stored on portable devices including tablet PC's and USB drives. This review will evaluate the arrangements for their use, to confirm that data is transferred accurately, securely and in a timely manner, to confirm that relevant user training has been provided, and that there are appropriate documented processes to follow in the event of errors or loss.
Systems & Infrastructure Lifecycle Management	High	Systems	To review the County Council's IT systems and infrastructure lifecycle management arrangements in accordance with the Certified Information System Auditor (CISA) Best Practice Guidance. This corporate review will cover such areas as development/acquisition, testing, implementation maintenance and disposal of systems and infrastructure.
ICT - Client Advice and Support	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues in relation to ICT as they arise during the year.
ICT - Audit Management, Client Liaison and Planning	N/A	Liaison	Risk assessment and production of the Annual ICT Audit Plan. Ongoing liaison with management during the year.

Total Planned Days for ICT Audit	160
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2010/2011 Internal Audit Plan



Department: Governance and Community Services (Incorporating Chief Executive's Office)

Review Name	Risk	Type	Outline Objective
Chief Executive's Office			
National Indicator Sets (Data Quality) (Corporate Review)	High	Systems	To ensure that, for a sample of high risk National Indicators, (selected in conjunction with Corporate Performance), data is complete, accurate and in accordance with specified definitions. Also to evaluate the extent to which Performance Officers themselves monitor performance against the NIS targets. The review will also follow up on any recommendations arising from the 2008/09 review of National Indicators and the Local Area Agreement, including a focus on the level of assurance when data is provided by 3rd parties.
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 Follow-up (Corporate Review)	Medium	Systems	To follow-up on the recommendations arising from the 2009/10 review of Partnership Governance, principally arrangements across departments for identifying and risk assessing their key partnership activities.
Governance and Community Services			
Business Continuity/Disaster Recovery Follow-up (Corporate Review)	High	Systems	To follow-up on the recommendations arising from the 2009/10 review of business continuity arrangements. This earlier review (also a follow-up review) was only able to provide partial assurance that there is a sound system of controls in place, as the implementation plan had been impeded significantly by arrangements for the swine-flu alert.
Agency Staff Contract (Corporate Review)	Medium	Systems	To review and evaluate the adequacy of internal control arrangements in relation to the new temporary staff sourcing solution. The review will include an examination of new systems under the contract, contract management arrangements and contractor performance. This review has been deferred from 2009/10.
CRB Checking of Contractors (Corporate Review)	Medium	Systems	To ensure that robust arrangements are in place across the Authority for ensuring that County Council contractors in contact with children and vulnerable people are subject to appropriate Criminal Records Bureau checks.
Departmental Restructuring	Medium	Advice	To provide advice and support to the department as part of recent restructuring in order to risk assess the implications of structural changes and to advise on appropriate internal control mitigations.
Corporate Governance - Conflicts of Interest (Corporate Review)	Medium	Systems	This review will examine the adequacy of arrangements across the Authority for identifying, reporting and managing potential conflicts of interest. This will also include issues associated with the recruitment and management of staff with relatives also employed in the organisation.
E-Recruitment	Medium	Systems	Previous Internal Audit activity in relation to the new E-Recruitment system in 2009-10 focussed on ICT controls only. This review in 2010-11 will examine the full operation of the system to ensure that it is functioning as designed and that a robust control environment is in place. The review will also include a follow up of previous ICT audit recommendations.
Action Tracking of Previous Audit Recommendations	N/A	Liaison	To confirm implementation of all high risk audit recommendations within the department.
Governance and Community Services Annual Report and Opinion	N/A	Annual Report	To form an opinion on the control environment within the Governance and Community Services Department for the year 2009/010.
Governance and Community Services - Client Advice and Support	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within Governance and Community Services Department as they arise during the year.

Department:	Governance and Community Services (Incorporating Chief Executive's Office)		
Review Name	Risk	Type	Outline Objective
Governance and Community Services - Audit Management, Client Liaison and Planning	N/A	Advice	Risk assessment and production of the Annual Audit Plan for Governance and Community Services Department. Ongoing liaison with management during the year.
Total Planned Days for Governance and Community Services Department			152

2010/2011 Internal Audit Plan



Department: Children's Services

Review Name	Risk	Type	Outline Objective
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 and a follow up of recommendations made in 2009/10.
Financial Management Standard in Schools [FMSIS] - Assessments	Medium	Regularity	To carry out the external assessments of primary, special and secondary schools to evaluate compliance against the national Financial Management Standard for Schools.
Financial Management Standard in Schools [FMSIS] - Development and Support	Medium	Management	Provision of development and support to the FMSIS process. This includes: completing returns to the DCSF; producing monthly monitoring statements; maintaining an audit approach that meets DCSF requirements; updating the ESCC Audit Strategy; updating the ESCC Guidance to FMSIS Auditors documentation; reviewing and revising standard accreditation letters and documents and liaison with Childrens Services Finance Team.
Schools Themed Review - Schools Staff Pay Policies	Medium	Systems	To evaluate the adequacy of staff pay policies in schools across the County. The audit will focus on the evidence of a consistent approach to the construction of pay policies and the subsequent monitoring of compliance with them, particularly in respect of incremental progression and senior staff pay. The review will be based on an sample of primary, secondary and special schools with findings and recommendations being reported both centrally to Children's Services and individually to the schools sampled.
Sports Grants	Medium	Regularity	To carry out the annual audit of the sport grant claims in respect of Beacon and Hailsham Schools, as part of the Schools Sports Co-ordinator Programme.
Special Educational Needs Budget Management	Medium	Systems	This audit will review the adequacy of financial management, monitoring and reporting within this volatile high cost service area.
Safeguarding	High	Systems	An exercise to identify and examine the various sources of assurance available in relation to the County Council's safeguarding provision across Children's Services and Adult Social Care . The review will seek to assess the adequacy of current assurance and inspection arrangements in order to identify any possible gaps to cover as part of future internal audit activity.
Learning Skills Council Transfer of Functions	Medium	Systems	Advice and support in respect of the development of systems and procedures relating to those functions being transferred to the Council. In particular providing assurance on the application of funds for schools with 6th forms and also for Adult Education provision.
Imprest Accounts - Follow Up	Medium	Systems	To follow up the implementation of recommendations made in the 2009/10 audit which resulted in an audit opinion of partial assurance.
Academies	High	Systems	To review the adequacy and effectiveness of programme and project management arrangements in relation to the development of academies within the County and the extent to which these arrangements will enable objectives to be delivered to the required quality, on time and within budget.
Governor Training	N/A	Advice	To provide training to school governors on the FMSIS assessment process, 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.
Children's Services Induction	N/A	Liaison	Continuing support to the departmental induction process, covering governance and standards of conduct issues.

Department:	Children's Services		
Review Name	Risk	Type	Outline Objective
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 2009/10.
Children's Services Client Advice and Support	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 Audit Management, Client Liaison and Planning	N/A	Liaison	Risk assessment and production of the Annual Audit Plan for Children's Services. Ongoing liaison with management during the year.
Total Planned Days for Children's Services			430

2010/2011 Internal Audit Plan



Department: **Adult Social Care**

Review Name	Risk	Type	Outline Objective
Controcc/Abacus - Income	High	Systems	To ensure that adequate and effective controls exist in relation to income collection, accounting and reporting, including SAP interface and reconciliation controls. This review will also include a follow up of our work in 09/10 and will be relied upon by the County Council's external auditor.
Controcc/Abacus - Payments	High	Systems	To ensure that adequate and effective controls are in place in relation to payments to providers via the Controcc/Abacus system, including controls over payment authorisations and SAP interface and reconciliation. This review will also include a follow up of our work in 09/10 and will be relied upon by the County Council's external auditor.
Direct Payments	High	Systems	To ensure that adequate and robust controls are in place in relation to payments to clients. In particular to ensure that payments are appropriate, accurate and timely and that appropriate accounting information and reporting exists.
Supporting People (SPOCC)	High	Systems	To ensure that payments to providers of housing related support services are being made in a controlled manner, against a valid contract, at the rate specified and for clients confirmed as being in receipt of approved benefits. Additionally ICT controls in respect of access to the system, back-up arrangements, system changes and system support arrangements will be reviewed.
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.
Putting People First	High	Systems	As part of the phased 3 year introduction of new legislation, internal audit will continue to provide support, advice and assurance that new systems and working practices are introduced in a controlled manner. Agreed focus areas will include Personal Budgets, the Resource Allocation System, Project Governance (including Risk Management) and the development of new systems and processes.
Private Finance Initiative (Agewell)	High	Advice	To provide ongoing advice, support and challenge on governance, control and probity issues in relation to the Agewell Project. In particular, to review and report upon the final phases of the contracting process and also the financial close stage of the project.
Valuing People Now: Learning Disability Services - Transfer from Health	High	Advice	To provide advice, support and assurance over arrangements in respect of the transfer of responsibilities from Health partners to the County Council. The focus of this work in 2010/11 will be to ensure that a robust and well-managed process is in place for the transfer of property to the Council.
Free Personal Care at Home	High	Advice	To provide advice and support in the development of systems and processes in relation to this new initiative which could have significant financial implications for the County Council.
Funding Panels	High	Systems	To ensure that arrangements for the approval of care packages is transparent and in accordance with departmental requirements. This review will also include ensuring that budget monitoring and reporting arrangements are appropriate taking into account the overall impact of individual decisions on the available financial resources.
Joint Commissioning Arrangements	High	Systems	A review to follow up on the implementation of recommendations made in 2009/10 where an audit opinion of partial assurance was given.
Adult Social Care 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.

Department:	Adult Social Care
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Review Name	Risk	Type	Outline Objective
Adult Social Care Annual Report and Opinion	N/A	Annual Report	To form an opinion on the control environment within the Adult Social Care Department for the year 2009/10.
Adult Social Care Client Advice and Support	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 - Audit Management, Client Liaison and Planning	N/A	Liaison	Risk assessment and production of the Annual Audit Plan for Adult Social Care. Ongoing liaison with management during the year.

Total Planned Days for Adult Social Care	289
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2010/2011 Internal Audit Plan



Department: **Transport and Environment**

Review Name	Risk	Type	Outline Objective
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.
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.
Integrated Waste Management Services Contract (IWMSC) - Recycling data flows	High	Systems	A review of the system for ensuring that the recycling data received from waste collection authorities within East Sussex is complete, accurate and reliable.
Highways Maintenance - Exor/SAP Interface	Medium	Systems	Continuing work from 2009/10, in support of "go-live" to provide assurance that the controls around the use of the EXOR to SAP interface in development are robust.
Highways Maintenance - Exor	High	Systems	To ensure that adequate controls exist in relation to the Highways management 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. A systems based audit which includes a review of key ICT controls and which will be relied upon by the County Council's external auditor.
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 and will be relied upon by the County Council's external auditor.
Highways Maintenance - May Gurney Contract	Medium	Systems	A review of the adequacy and effectiveness of contract management in relation to highways maintenance, including the monitoring of contractor performance and the accuracy of performance data used to make payments to the contractor.
Home to School Transport	High	Systems	A review of the contract management arrangements to ensure that HTST services are procured and provided effectively. This review will also include a follow up of the implementation of the recommendations made in the HTST budget monitoring audit carried out in 2009/10 which resulted in an audit opinion of partial assurance. Additionally we will incorporate a review the progress made by T&E on their actions and initiatives to improve budget monitoring as outlined in the report to ABVSC in March 2010.
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.
T&E Annual Report and Opinion	N/A	Annual Report	To form an opinion on the control environment within the Transport & Environment for the year from 2009/10.
T&E Client Advice and Support	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within Transport & Environment as they arise during the year.
T&E Audit Management, Client Liaison and Planning	N/A	Liaison	Risk assessment and production of the Annual Audit Plan for Transport & Environment. Ongoing liaison with management during the year.

Total Planned Days for Transport and Environment **199**



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

ESCC Strategic Risk Log – Internal Audit Coverage 2010/11

	KEY THEME AREAS	LEAD OFFICER ON BEHALF OF COMT	INTERNAL AUDIT COVERAGE 2009/10	INTERNAL AUDIT COVERAGE 2010/11
1.	Potential for transition to new Chief Executive, Chief Officer and senior management posts to have a negative impact on the effectiveness of the County Council	Becky Shaw and all Chief Officers		<ul style="list-style-type: none"> • Departmental Restructuring (Governance and Community Services) • Risk Management Review
2.	Failure to recruit and retain key staff, and manage capacity pressures and staff morale and motivation effectively	Bill Murphy	<ul style="list-style-type: none"> • E-recruitment ICT Review • HR/Payroll • Introduction to Employment Review 	<ul style="list-style-type: none"> • E-recruitment • HR/Payroll • Agency Staff Contract
3.	Failure to implement effectively key departmental restructuring exercises (as well as ensuring a sound response to 'single status', and equal pay issues).	Bill Murphy (relevant department lead)		<ul style="list-style-type: none"> • Departmental Restructuring (Governance and Community Services)
4.	Failure to put in place effective Medium Term financial planning linked to service priorities to deliver sustainable outcomes and deliverable savings plans – in the context of the severe funding constraints now expected allied to existing spending pressures and other risks.	Sean Nolan		<ul style="list-style-type: none"> • Risk Management Review
5.	Failure to meet the ongoing challenge of improving performance in the context of rising expectations, uncertain resources, efficiency expectations and the tension between vulnerable and universal services.	Becky Shaw		<ul style="list-style-type: none"> • Risk Management Review • National Indicator Sets

	KEY THEME AREAS	LEAD OFFICER ON BEHALF OF COMT	INTERNAL AUDIT COVERAGE 2009/10	INTERNAL AUDIT COVERAGE 2010/11
6.	Failure to manage adequately volatile budget areas (e.g. social care, special needs, home to school transport etc) to the extent they impact sufficiently on other priorities.	Sean Nolan	<ul style="list-style-type: none"> • Specific Departmental Reviews 	<ul style="list-style-type: none"> • Specific Departmental Reviews
7.	Reputational damage and lack of confidence from failure to maintain or deliver increased service standards (including inspection or assessment scores in Comprehensive Area Assessment).	Becky Shaw	<ul style="list-style-type: none"> • National Indicator Sets Review 	<ul style="list-style-type: none"> • National Indicator Sets Review
8.	Negative impact of the Recession on East Sussex residents, businesses and communities.	Becky Shaw	<ul style="list-style-type: none"> • Impact of Recession Review 	<ul style="list-style-type: none"> • Risk Management Review
9.	Failure to manage successfully the quality, relationships and outcomes from the increasingly complex partnership agenda including the various aspects of locality working.	Becky Shaw	<ul style="list-style-type: none"> • Review of Partnership Governance Arrangements 	<ul style="list-style-type: none"> • Partnership Governance Follow Up Review
10.	Failure to manage effectively the key strategic relationships with, and performance of, key commercial partners (e.g. BT, Serco, Veolia, key care providers etc).	All Chief Officers	<ul style="list-style-type: none"> • IWSMC Reviews and Advice/Support • Review of Partnership Governance Arrangements 	<ul style="list-style-type: none"> • Risk Management Review • IWSMC Reviews and Advice/Support • Highways Maintenance – May Gurney Contract Review • Learning Disability Services – Transfer from Health
11.	Failure to secure an effective ‘Agewell’	Keith Hinkley	<ul style="list-style-type: none"> • Agewell Review 	<ul style="list-style-type: none"> • Agewell - Ongoing

	KEY THEME AREAS	LEAD OFFICER ON BEHALF OF COMT	INTERNAL AUDIT COVERAGE 2009/10	INTERNAL AUDIT COVERAGE 2010/11
	Scheme in line with business objectives.			Assurance
12.	Failure to put in place an effective medium term service plan consistent with commissioning strategies, "Putting People First", whole system challenges, and drivers with maximum efficiencies and resources available.	Keith Hinkley	<ul style="list-style-type: none"> Putting People First - Advice and Programme of Reviews Business Transformation Programme Reviews 	<ul style="list-style-type: none"> Putting People First – Programme of Reviews Funding Panels Review Direct Payments Review
13.	Risks from changes within the NHS including delivery of World Class Commissioning application of provider Trusts for Foundation status and impact of PCT achieving efficiency savings.	Keith Hinkley	<ul style="list-style-type: none"> Joint Commissioning Arrangements – Partnering 	<ul style="list-style-type: none"> Learning Disability Services – Transfer from Health
14.	Failure to sustain current improved performance on our priority performance indicators within Adult Social Care	Keith Hinkley		
15	Failure to deliver ASC Transformation Agenda.	Keith Hinkley	<ul style="list-style-type: none"> Putting People First - Advice and Programme of Reviews Business Transformation Programme Reviews 	<ul style="list-style-type: none"> Putting People First – Programme of Reviews
16.	Transfer from NHS to ESCC of responsibility and fund for commissioning Learning Disability Services for adults.	Keith Hinkley		<ul style="list-style-type: none"> Learning Disability Services – Transfer from Health
17.	Implementation by PCT of Continuing Health Care (CHC) criteria.	Keith Hinkley		
18.	Probable introduction of free personal care for Older People and adults receiving community services in April 2011.	Keith Hinkley		<ul style="list-style-type: none"> Free Personal Care at Home – Advice and Assurance
19.	Failure to secure appropriate approval for	Rupert Clubb	<ul style="list-style-type: none"> Hastings – Bexhill Link 	

	KEY THEME AREAS	LEAD OFFICER ON BEHALF OF COMT	INTERNAL AUDIT COVERAGE 2009/10	INTERNAL AUDIT COVERAGE 2010/11
	the Link Road and expected external funding support and to ensure that the same remains affordable and deliverable.		Road Project Governance Review	
20.	Failure in key waste delivery plan and milestones (including recycling with Districts).	Rupert Clubb	<ul style="list-style-type: none"> IWSMC Reviews and Advice/Support 	<ul style="list-style-type: none"> IWSMC Reviews and Advice/Support
21.	Failure to deliver benefits of a joint waste authority with Districts.	Rupert Clubb		
22.	Failure to reduce numbers of Killed and Seriously Injured on East Sussex roads.	Rupert Clubb		
23.	Failure to achieve the required improvement in highway condition after the additional investment of £8.5m.	Rupert Clubb		<ul style="list-style-type: none"> Risk Management Review Highways Maintenance – May Gurney Contract Review
24.	Failure to plan effectively for the disposal of the county's waste.	Rupert Clubb		<ul style="list-style-type: none"> Risk Management Review Integrated Waste Management Services Contract (IWMSC)
25.	Failure to deliver major property projects – on cost, to specification and to time – but including failure to deliver effective client or sponsor role.	Sean Nolan	<ul style="list-style-type: none"> Primary Capital Programme Review 	<ul style="list-style-type: none"> Academies – Project / Programme Management
26.	Failure to deliver economic regeneration aspirational progress in key areas, (including Hastings, Bexhill, Newhaven and Eastbourne Hailsham Triangle) and to fail to maximize benefit of any new Sub-Regional economic governance structures.	Becky Shaw		
27.	Failure to deliver improved standards at	Matt Dunkley		

	KEY THEME AREAS	LEAD OFFICER ON BEHALF OF COMT	INTERNAL AUDIT COVERAGE 2009/10	INTERNAL AUDIT COVERAGE 2010/11
	Key Stage 3 and 4 in Hastings as Filsham Valley refused to agree to a 'hard federation'.			
28.	Failure to respond effectively to the growing number of young people being classed as vulnerable and potentially requiring support and services.	Matt Dunkley		<ul style="list-style-type: none"> • Safeguarding Review
29.	Failure to articulate effectively and commission major school re configurations requirement over the short and long term – including Academy Programme in Hastings, BSF in Bexhill, further BSF rounds and primary capital programme.	Matt Dunkley	<ul style="list-style-type: none"> • Primary Capital Programme Review 	<ul style="list-style-type: none"> • Academies – Project / Programme Management
30.	Failure to respond appropriately to the increasing number of referrals to children's social services and to the increasing number of children with Child Protection Plans and Looked After Children.	Matt Dunkley	<ul style="list-style-type: none"> • Looked After Children Budget Management Review 	<ul style="list-style-type: none"> • Safeguarding Review

2011/12 Potential Audit Activity

Corporate Resources Directorate

Carbon Reduction Commitment
Management of Lettings
Facilities Contract Management
Disposal of Surplus Property
'Build East Sussex'

ICT Audit

IT Service Delivery and Support
SIMS Learning Gateway

Governance and Community Services

Lease Car Scheme
Adult Community Colleges
Traveller Sites Revenue and Financial Management
Recruitment and Introduction to the Employment

Children's Services

Early Years - Payments to Providers
Standards Fund
Music Service
Children's Homes
Schools Themed Review - Absence Management

Transport & Environment

Eastbourne On Street Parking
Passenger Transport Pilot Schemes - Community Bus Services

Adult Social Care

Residential Nursing Care Charges
Integrated Community Equipment Service
Concessionary Travel

