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Herefordshire Council

**Annual Internal Audit Plan
2013/14**

PUBLIC SECTOR AUDIT

Contents

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Section One

Executive Summary

This audit plan outlines the proposed internal audit input for 2013/14. It has been prepared with reference to previous audit issues, prior year internal audit activity, risks and developments within Herefordshire Council (the Council) and topical issues in the sector.

The plan also sets out how we will comply with the relevant standards for provision of your internal audit function. It provides a risk based analysis of the Council's operations as a basis for our work and summarises the performance metrics we will use.

1.1 Purpose of this plan

This plan meets the requirements under the Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note for the 'Chief Audit Executive' (the Head of Internal Audit) to produce a risk based annual Internal Audit Plan. The Internal Audit Plan sets out the number and types of review which will be undertaken to underpin the Head of Internal Audit opinion's on the Council's internal control environment. Under the PSIAS there are a number of areas that the risk based Internal Audit Plan must include:

- it must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be developed and delivered (*Section three, four and five*);
- it must detail how it links into the organisational objectives and priorities (*Appendix three*);
- the approach to using other sources of assurance and any work required to place reliance upon those other sources (*Section three*); and
- the resources and skills required to deliver the plan (*Section five*).

We have set out detail to support each of these requirements within the main body of our report.

1.2 Internal Audit's objectives

The role of Internal Audit is to provide assurance to Members and senior management that there are adequate and effective internal control arrangements in place to mitigate key risks and achieve objectives. This covers the Council's entire control environment and not just financial controls. However, in these ever changing times, Internal Audit should not only provide its core role but provide an added value service. In performing its role, Internal Audit aims to, where appropriate:

- contribute to the improvement of the internal control environment;
- identify opportunities for performance improvement;
- evaluate where systems are over controlled or inefficient; and
- identify cost saving opportunities.

The detailed terms of reference for Internal Audit are set out within our Audit Charter.

1.3 Key issues and Risks

The Council faces a number of significant risks and challenges over the next financial year and beyond, both financially and operationally. These include:

- Ensuring that it delivers its Medium Term Financial Plan, given the challenges it faces in terms of increased demand on its services and significant reductions in funding;
- Delivering key projects such as its "Root and Branch review". This programme seeks to deliver, amongst other objectives, improved performance at a reduced cost through different ways of working. The framework over this programme has recently been developed further and the Council needs to ensure that these revised processes deliver the aims of the project successfully;
- Ensuring that the key services can successfully implement new ways of working so that the Council can effectively meet the financial challenges it is facing;
- Continuing to embed working arrangements with Hoople. It is the organisation's second year of operation and it has defined its role and set out its relationship with the Council. The next key step for the Council and for Hoople is to start to develop the services it could provide to other organisations. As part of this development process, the Council needs to effectively monitor the service Hoople is providing to ensure that it meets its aims and objectives and that a clear and effective control environment is in place within the organisation given the financial constraints it is operating under; and
- Ensuring the continued effectiveness of its routine control and governance processes such as its risk management, performance and financial management functions within the current period of change.

Section One

Executive Summary (*continued*)

1.4 Developing the plan

We have compiled a risk based plan that takes account of the Council's key issues and objectives. This plan has been compiled through:

- discussions with the Leadership Team, the Chief Officer (Finance & Commercial Services) and other senior managers;
- our knowledge of the sector;
- a desk top review of key documents, such as the Council's risk registers; and
- a review of findings from previous internal audits.

The Internal Audit Plan includes reviews of key financial, operational and corporate systems. We believe that a total of 970 days of internal audit input is required to deliver the plan. This input will ensure that a fully comprehensive internal audit service is provided to the Council. We have set out our Internal Audit Plan at Appendix 1 and have provided further information in Section four.

We have set out within our plan audits of key financial systems, for example reviews of the Creditors and Payroll systems. These systems are currently being run by Hoople on behalf of the Council. We are in discussions with management both within the Council and Hoople on how the audits of these systems will be completed in 2013/14. We will report the results of these discussions and the impact they may have on the Internal Audit Plan to the Audit & Governance Committee for review and approval.

1.5 Resources

The Audit Service is being led by KPMG, with Darren Gilbert as the Council's Head of Internal Audit and Mukhtar Khangura as the Internal Audit Manager. The service is to be provided using a combination of resources predominantly from Hoople with additional input from KPMG. All staff have considerable experience of providing an effective and efficient internal audit service.

It should be noted that the estimated number of audit days stated above is the minimum required to deliver the proposed programme of audit work. The range of days provides some flexibility in the delivery of individual audit engagements, but it does not represent a general contingency to allow for additional work that may be required for emerging risks and issues, or any requests for the Internal Audit team or KPMG to undertake 'advice and assistance' reviews. The deliverability of the Internal Audit Plan will be kept under constant review by KPMG and any need or request for additional work, along with how this will be resourced, will be discussed and agreed with the Chief Officer (Finance & Commercial Services).

1.6 Audit Approach

We have a comprehensive audit approach and quality assurance process that meets the PSIAS. This process is set out in our Audit Charter and is summarised in Section six of this Plan. This ensures that our work is of a high standard and delivers a quality internal audit service to the Council.

Section Two

Internal Audit Objectives

Internal Audit is an assurance function that provides an independent and objective opinion to the Council on 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 proper economic, efficient and effective use of resources.

2.1 The requirement for Internal Audit

The need to maintain an internal audit function is implied by Section 151 of the Local Government Act 1972 under which local authorities are required to make proper arrangements for the administration of their financial affairs and to delegate responsibility for those arrangements to one of their officers. The Accounts & Audit Regulations 2011 are explicit about the requirement for a local authority to maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

The PSIAS and CIPFA's Local Government Application note, taken together, represent 'proper practices' in this context. Our Audit Charter sets out how this is met for the Council.

2.2 Core Role of Internal Audit

The core role of Internal Audit is to provide assurance to Members and senior management that there are adequate and effective internal control arrangements in place to mitigate key risks and achieve objectives. This covers the Council's entire control environment and not just financial controls.

However, in these ever changing times, Internal Audit should not only provide its core role but provide an added value service. In performing its role, Internal Audit aims to, where appropriate:

- contribute to the improvement of the internal control environment;
- identify opportunities for performance improvement;
- evaluate where systems are over controlled or inefficient; and
- identify cost saving opportunities.

Internal Audit is not responsible for ensuring that adequate and effective internal controls are established to manage the key risks. That responsibility lies with senior management.

2.3 Independence of Audit Services

As required by the PSIAS and set out in the Audit Charter, the Head of Internal Audit must confirm the organisational independence of Internal Audit to the Audit & Governance Committee at least annually. Organisational independence is achieved when the Head of Internal Audit reports functionally to the Committee. Examples of functional reporting to the Committee include the Committee approving the Internal Audit Charter and the risk based Internal Audit Plan.

On a day to day basis the Head of Internal Audit reports to the Chief Officer (Finance & Commercial Services). The Head of Internal Audit also has direct lines of reporting to the Council's Head of Paid Service (Chief Executive), Monitoring Officer and the Audit & Governance Committee. These officers and the Committee in turn have the ability to liaise directly with the Head of Internal Audit.

The Council has engaged KPMG to lead its Internal Audit function and this arrangement supports the independence of the Head of Internal Audit role. The Head of Internal Audit is responsible for the day to day management of the Audit Services Team. No independence issues have been identified regarding the Internal Audit team, and we confirm that Internal Audit is not involved in any operational processes or have any managerial responsibilities that could create a threat to independence.

Section Three

Developing the Plan

We have undertaken a number of actions to ensure that our programme of work meets the needs of the Council and provides an effective and efficient assurance service.

3.1 Developing the plan

All local authorities face a very challenging environment with pressures to both increase performance and decrease costs. We believe that a responsive and effective internal audit function can help the Council in meeting these challenges while assisting the Council achieve its objectives. This can only be achieved by developing a comprehensive Internal Audit Plan in which the resources available to the internal audit function are allocated to areas of greatest need. We have developed the plan taking into consideration the issues below:



3.2 Desktop review

In developing the Internal Audit Plan, we have taken account of the following:

- the Council's corporate risk register;
- discussions with officers, including the views of the Chief Officer (Finance & Commercial Services) and other senior managers;
- emerging issues and risks facing the sector;
- the Council's objectives detailed within its Corporate Plan 2013-15;
- existing projects, strategies and initiatives that the Council is undertaking;
- input from the Internal Audit team;
- the performance of the Council from a review of its Key Performance Indicators; and
- the Council's 'Root and Branch' project.

3.3 Views of Leadership Team and other officers

We have met with members of the Leadership Team and have factored in their views to the existing plan. In some instances, Corporate Directors and Assistant Directors have asked that further meetings are held to determine the exact nature and scope of individual reviews. For example, we have allocated time in the plan to focus on issues in relation to a review of the Highways contract. The precise coverage of this reviews will be addressed through further discussions with relevant officers.

Section Three

Developing the Plan (*continued*)

3.3 Liaison with the External Auditors

We understand the importance of the good working relationships with the External Auditors in order to minimise duplication of effort. We are due to meet with the external auditors shortly in order to build their requirements into the audit plan, where appropriate.

3.4 Liaison with the other assurance providers/links to wider projects

We recognise that there are other review functions and assurance providers (both internal and external) who provide some assurance over aspects of the Council's operations e.g. OFSTED and the Care Quality Commission. Where possible we will seek to place reliance on such work and reduce internal audit coverage appropriately.

We are also liaising with the Internal Audit team within NHS Herefordshire to ensure that an effective working relationship is established and to identify any opportunities for joint review.

Section Four

Key Issues and Coverage

Our detailed programme of work sets out how we propose to provide assurance over the key risks you face. It might be necessary to update this Internal Audit Plan during the year, should the Council's risk profile change and different risks emerge that would benefit from internal audit input. We will ensure that management and the Audit & Governance Committee are kept up to date with all work we perform.

4.1 Overview

The Council faces a number of significant challenges and risks over the next financial year as it continues to implement a number of key programmes and initiatives. The Council has identified these risks within its Corporate Risk Registers. These include:

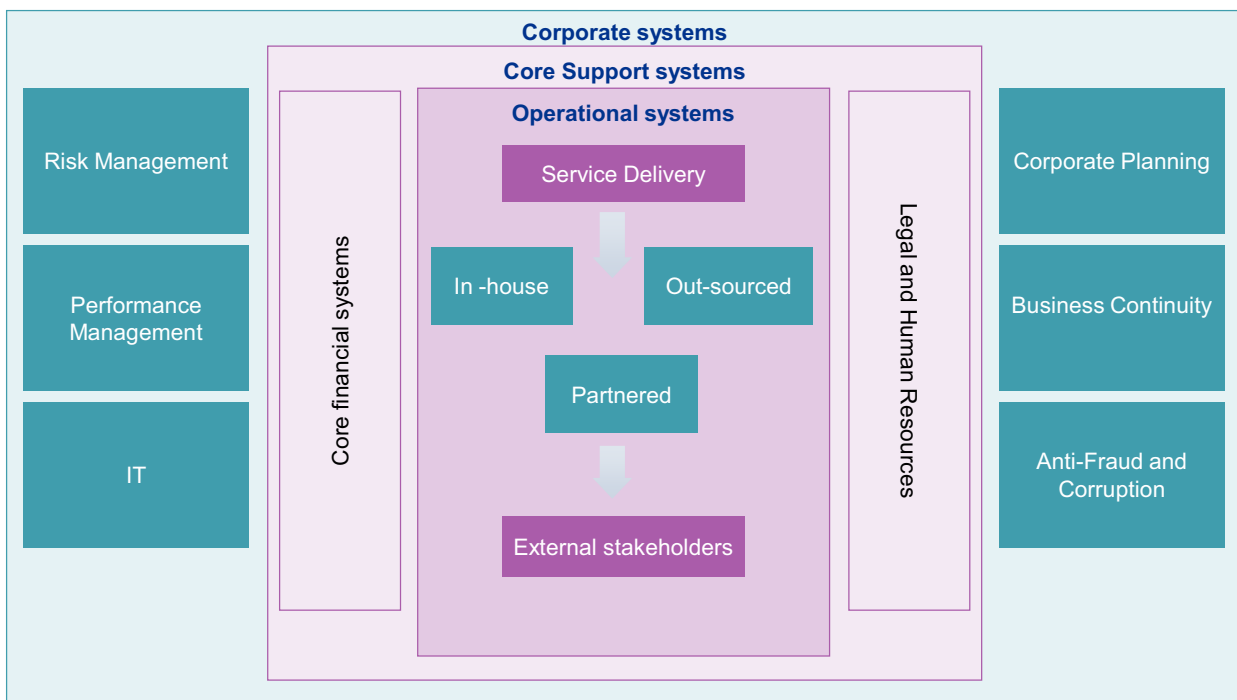
- failure to deliver the 'Root and Branch' programme resulting in services that do not meet the needs of the Council;
- failure to deliver the significant cost savings outlined for 2013/14;
- inadequate commissioning of services which are not delivered to the appropriate cost and quality; and
- failure to progress with the Integrated Waste Management PFI Scheme.

The Council will need assurance that the controls it has in place to mitigate these risks are being effectively applied and that its control environment is robust.

4.2 Councils control environment

The Council operates an overall control environment, which is the collection of systems and processes that helps it to manage risks and achieve its objectives. The main groupings within this framework influence the key strands to our internal audit work:

- **Core support:** these include systems that support the Council's service delivery, such as its financial systems;
- **Corporate systems:** these are the core business processes that give the Council direction and provide oversight over its activities. For example, the risk management, performance management and corporate planning processes; and
- **Operational systems:** these include the main systems associated with the Council's core activities and functions.



Section Four

Key Issues and Coverage *(continued)*

4.3 Audit Reviews

We have summarised the key areas of our Internal Audit Plan below, grouped by Corporate and Directorate systems. The indicative resource allocations for each area is shown in Appendix 1.

Area	Internal audit work in 2012/13
Core Support systems	<p>These systems cover Financial Systems and Other systems that support the Council's service delivery and provide the Council direction and oversight over its activities. We have provided further detail on these audits below.</p> <p>Financial Systems</p> <p>These reviews will be carried out either as detailed reviews or audits that focus on key high level controls. The approach for each of these audits will be agreed with management prior to the commencement of the review. By adopting this approach we believe that we can prioritise audit resource to areas where it can best be utilised.</p> <p>The work undertaken on these systems will jointly be focused on the Council's systems and processes undertaken on their behalf by Hoople (where applicable). These audits may be subject to change based on the discussions between the Council, Hoople and KPMG.</p> <p>General Ledger</p> <p>This audit will focus on the controls the Council has in place over transactions posted to its General Ledger. This will include assessing controls over journal processing, suspense accounts and bank accounts.</p> <p>Creditors</p> <p>The Council pays a number of suppliers through its Creditors function. This audit will focus on the controls the Council has in place over how it raises orders and pays invoices relating to these suppliers.</p> <p>Payroll</p> <p>This audit will focus on the controls the Council has in place over payments made to its employees. As part of this audit we will review the Council's controls over employees who are added and removed from the payroll system.</p> <p>Treasury Management</p> <p>This audit will involve a review of the controls which ensure that the Council's Treasury Management policy is adhered to and that investment and borrowing transactions are undertaken in accordance with Council policy. Our audit will also involve a review of the Council's controls which ensure compliance with the Prudential code.</p> <p>Council Tax and NNDR</p> <p>This audit will focus on the controls which the Council has in place over collecting tax from personal and business premises.</p> <p>Benefits (Council Tax and Housing)</p> <p>The aim of this audit will be to assess the controls which the Council has in place over Benefit payments. We will assess controls over how entitlement to Housing and Council Tax Benefit is assessed, reviewed and monitored. We will also review controls over how benefit is reclaimed if it has been overpaid.</p> <p>Income Collection</p> <p>As part of this review we will follow up the recommendations which we made as part of our 2012/13 audit review to assess the progress the Council has made in implementing them.</p>

Section Four

Key Issues and Coverage *(continued)*

4.3 Audit Reviews

Area	Internal audit work in 2012/13
Core Support systems <i>(cont.)</i>	<p>Other</p> <p>Health and Safety</p> <p>The aim of this review will be to assess the Council’s controls which ensure that it complies with its responsibilities under the Health and Safety at Work Act and other statutory processes.</p> <p>Business Continuity</p> <p>The aim of this audit will be to review the Council’s controls which ensure that it can continue its operations in the event of an IT or other issue effecting its key systems.</p> <p>Root and Branch – Governance</p> <p>Our work in this area will focus on the controls which the Council has in place to ensure that the overall project is being properly governed and that it is achieving its aims and objectives. As part of this process we will also review a sample of projects to assess how they comply with the governance arrangements within this area.</p> <p>Transport</p> <p>This review will focus on the controls which the Council has in place which ensure that its Transport function is issuing permits to private companies in accordance with agreed policies and procedures.</p> <p>Legal Services</p> <p>As part of this review we will follow up the recommendations which we made as part of our 2012/13 audit review to assess the progress the Council has made in implementing them.</p>
Corporate Systems	<p>IT Systems</p> <p>Effective and efficient IT systems are key to ensuring that the Council fulfils its Corporate Objectives. Our work within this area will include reviews of:</p> <p>ISO 27001</p> <p>Our work in this area will focus on the Council’s compliance with ISO27001. This Standard ensures that the Council has key processes and controls in place, for example over how it backs up and maintains its data.</p> <p>IT Access Controls - Agresso and Other IT systems</p> <p>This review will focus on the controls which ensure that the Council’s systems are protected from unauthorised access and that its data is safeguarded.</p> <p>We will also review access controls over the Council’s other IT systems including Academy, ISIS and Abacus.</p> <p>IT – Data Protection (Follow Up)</p> <p>As part of this review we will follow up the recommendations which we made as part of our 2012/13 audit review to assess the progress the Council has made in implementing them.</p> <p>IT Strategy</p> <p>As part of this audit will review the controls in place that ensures that the Council’s IT Strategy has been compiled with reference to its aims and objectives, is deliverable and monitored on a regular basis.</p>

Section Four

Key issues and coverage *(continued)*

Area	Internal audit work in 2012/13
<p>Corporate Systems <i>(cont.)</i></p>	<p>Anti-Fraud and Corruption</p> <p>The Council has a duty to ensure that its resources are safeguarded against theft, misuse or loss. One of the ways in which it can do this is through the promotion of an effective anti-fraud and corruption environment.</p> <p>Our work in this area will be split into the following areas.</p> <p><i>Hot Topics and review of high risk areas</i></p> <p>We will assess how the Council is affected by current issues relating to Anti-Fraud and Corruption. For example, we will review key areas that could be subject to fraud and assess the effectiveness of the Council's arrangements to counter it. In 2013/14 we will focus on Grants.</p> <p><i>Anti-Fraud Survey</i></p> <p>We will also complete the Audit Commission's Anti-Fraud and Corruption Survey.</p> <p>Governance systems</p> <p>The Council needs to ensure that it has appropriate and robust corporate governance systems in place which ensure that its key risks are being managed and its performance is being accurately reported.</p> <p><i>Risk Management</i></p> <p>Our work in this area will involve reviewing the Council risk management controls and processes. We will assess the risk management framework, including the policy and procedures, risk maps and the controls which ensure that the management of risk is embedded within its corporate processes.</p> <p><i>Performance Management</i></p> <p>As part of our audit in this area we will review the Council controls which ensure that reports which are submitted to management and Members accurately reflect the performance of its services.</p> <p><i>Savings and Benefits Realisation</i></p> <p>The Council is seeking to make significant cost savings 2013/14. As part of this audit we will review the Council's controls which ensure that this challenging cost saving programme is managed appropriately.</p>
<p>Operational Systems - Directorates</p>	<p>Places and Communities Directorate</p> <p><i>Public Health – Food Licensing</i></p> <p>As part of this review we will follow up the recommendations which we made as part of our 2012/13 audit review to assess the progress the Council has made in implementing them.</p> <p><i>Highways Contract</i></p> <p>We will identify in conjunction with management areas of focus in relation to contract management and value for money.</p> <p><i>Places and Communities – Delivery of Projects funded by the Skills Funding Agency</i></p> <p>As part of this audit we will review the controls which ensure that monies received from the Skills Funding Agency are used in accordance with the grant conditions and that projects funded deliver their aims and objectives.</p> <p><i>Places and Communities – Broadband rollout: project and financial management</i></p> <p>Our review of this area will focus on the controls within the project that ensure the Council delivers on its aims and objectives and monies spent are properly accounted for.</p> <p><i>Places and Communities – HALO</i></p> <p>The Council works with HALO, which is a community based 'not for profit' organisation in the running of its leisure services. As part of this audit we will review the Council's controls which ensure that this partnership delivers on its objectives and has appropriate financial and governance arrangements in place.</p>

Section Four

Key issues and coverage – *(continued)*

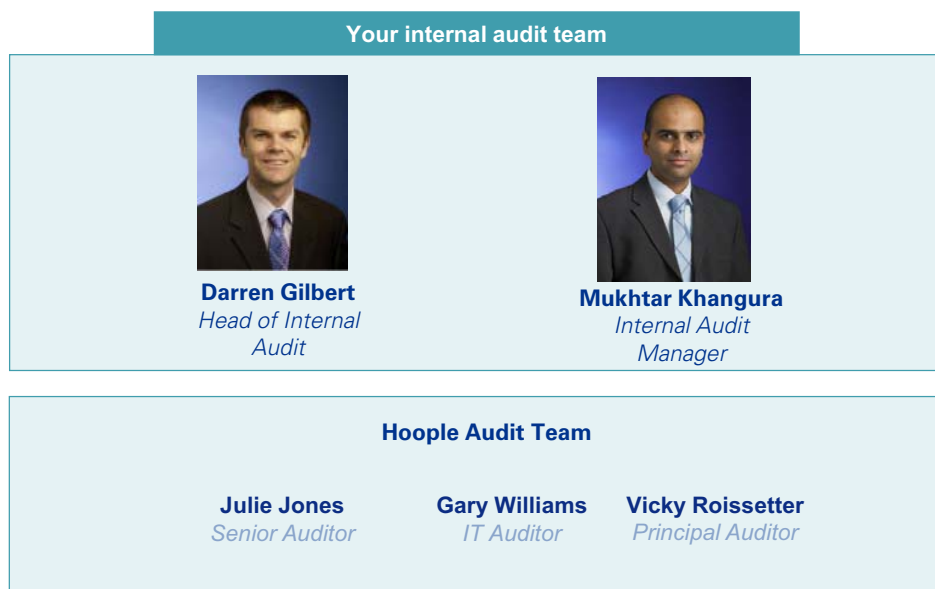
Area	Internal audit work in 2013/14
Operational Systems - Directorates	<p>Places and Communities Directorate <i>Homelessness & Housing Advice - Prevention Payments</i> This audit will review the processes and controls which ensure that Prevention payments are made appropriately and in accordance with the Council's procedures.</p> <p>Corporate Services <i>Digital channels project</i> The Council is seeking to implement digital channels to support cheaper and easier resident self-service. As part of this audit we will review the controls which the Council has in place that ensure that that project delivers on its aims and objectives.</p>
Schools	<p>We will assess and review how schools are complying with the new Financial Value Standard which fully came into effect in 2013/14. This will involve reviewing documentation which schools have submitted to the Council setting out how they comply with the standard. This will inform our approach on a sample basis.</p>
Follow Up	<p>This work in the area will entail following up high risk recommendations made within previous year's report and assessing the progress the Council has made in implementing them.</p>
Completion of Audit Work – 2012/13	<p>We have carried forward time to complete the remaining 2012/13 reviews which had not been completed by the year end (March 2013).</p>

Section Five

Resources

5.1 Audit team

The core members of your audit team are set out below. The team will be led by Darren Gilbert as the Head of Internal Audit. Darren will be supported by Mukhtar Khangura who will act as the Internal Audit Manager.



All of the core Audit team members have significant experience of providing internal audit services. Darren and Mukhtar will be supported by three Hoople staff who have been providing internal services to the Council for a number of years and have considerable experience and knowledge of the organisation.

In addition to these core members of your team we will draw on other resources from KPMG to complete our reviews. These staff will report to Darren to ensure that their work is co-ordinated and to ensure that there is seamless delivery of the internal audit service.

Our Audit Approach and Performance Indicators

6.1 Our Audit Approach

We aim to provide a service that not only meets your needs but also maintains consistently high standards and meets the requirements of the PSIAS. Our detailed audit approach is set out in our Internal Audit Manual, however, we summarised some aspects of the process below:

- preparation of a detailed audit plan;
- preparation of terms of reference which are provided to management two weeks prior to the audit commencing;
- the use of qualified, highly trained and experienced staff;
- regular review of progress against the plan to ensure we are delivering the work we have promised;
- a tailored audit approach using a defined methodology and assignment control documentation; and
- the review of all audit files and reports by the Manager and Head of Internal Audit as part of the Quality Assurance process.

6.2 Operating principles – the assignment process

We will utilise a risk-based approach to the individual reviews in line with the PSIAS. This involves:

- identifying the risks that may impact on the systems achieving their objectives and identifying and evaluating the systems of internal control designed by management;
- compliance testing of the operation of controls; and
- making appropriate recommendations and advising management on how systems of internal control may be streamlined or strengthened.

The different delivery stages of the audit process are shown below. Our approach to individual reviews recognises that different approaches will be required in different circumstances, for example in some cases as systems are being developed or revised it may be beneficial for us to defer detailed testing until a later date, but instead focus on understanding and contributing to the development of the design of the control framework.



Section Six

Our Audit Approach and Performance Indicators

6.3 Reporting

On completion of our individual reviews, we will produce a report for management that will outline the objectives and scope of our work, risks considered during our review, an assessment of the effectiveness of internal controls and considerations for performance improvements. Each report will include an action plan.

Following our internal audit work for the year we will produce an Annual Internal Audit Report. This will summarise the work completed and will provide an overall opinion in respect of risk, control and governance arrangements.

6.4 Performance Indicators

Our internal procedures ensure that the service we deliver is of an appropriate quality and in compliance with the PSIAS. Over the year, we will also be working to a number of performance measures, these include ones detailed below:

Performance Measure	Target
Terms of Reference agreed and issued 5 working days prior to start of audit	95%
Draft Report issued 10 working days after the de-brief meeting	95%
Management responses received within 10 working days of issue of draft report	95%
Final report issued within 5 working days of management responses being received	95%
Number of recommendations agreed by management	95%
Client Satisfaction Rate	90%

We will report performance against these indicators as part of our Annual Internal Audit Report.

Appendix 1 - Resource allocation for 2011/12 – 2014/15

Our Strategic Internal Audit Plan covering the years 2011/12 to 2014/15 is detailed on the following pages. We have explained below how this has been structured and the how the elements of the plan relate to our planning processes:

System	Internal audit risk assessment				Year
	Inherent	Control	Materiality	Aggregate	13-14
	H/M/L	H/M/L	H/M/L	H/M/L	✓

The first part of our analysis shows which area is being reviewed (i.e. operational, corporate or support system) and the specific system proposed for review.

The second part of our analysis considers our internal audit risk assessment and uses the following risk assessment process to analyse the system under review:

The third part of our analysis shows the audit coverage.

Inherent risk	Control risk	Materiality and risk	Aggregate
Our assessment of the overall level of risk associated with the audit area – this is effectively a gross relative risk of the potential impact on you in this area.	Our assessment of the risk that exists within a particular area based upon the controls that we are aware you have put in place – effectively the likelihood of the risk being realised. This is informed by previous internal audit reports and discussions with officers, but will be refined over time.	Our assessment of the potential financial or organisational consequence to you. This might be judged by the potential for a monetary loss or the extent to which it impacts on core business objectives.	This is our overall assessment of risk associated with each of the audit areas. It is reached with regard to each of the previous assessment of risks.

We have set out below audits for the years 2011/12 to 2014/15 based on our risk assessment process above. This analysis shows how we will cover each system on a cyclical basis based on the results of the risk assessment process. We have also set out (where applicable) reviews which link into the Council's risk register's and Corporate Plan in Appendix 2.

Strategic Internal Audit Plan 2011/12 – 2014/15						
			Years			
		Aggregate risk	2011/12	2012/13	2013/14	2014/15
Core support systems – Financial	Payroll	H	✓	✓	✓	✓
	Creditors	M	✓	✓	✓	✓
	Treasury Management	M	✓	✓	✓	✓
	Income Collection	M	-	✓	✓ Follow Up	✓
	Debtors	M	✓	✓	-	-
	Budgetary Control	M	-	✓	-	✓
	NNDR	M	✓	✓	✓	✓
	General Ledger	M	✓	✓	✓	✓
	Council Tax	M	✓	✓	✓	✓
	Benefits (Council Tax and Housing)	M	✓	✓	✓	✓
	Asset Register	M	-	✓	-	✓
	Procurement	M	-	✓	-	✓

Appendix 1 - Resource allocation for 2011/12 – 2014/15

		Years				
		Aggregate	2011/12	2012/13	2013/14	2014/15
Core support systems - Other	Transport Team	M	✓	-	✓	-
	Root and Branch – Governance	M	✓	-	✓	
	Rising to the Challenge	M	✓	✓	-	-
	Health and Safety	H	✓	Follow Up	✓	-
	Sustainability	M	✓	Follow Up	-	✓
	Member Allowances	M	✓	-	-	✓
	Business Continuity	M	✓	Follow Up	✓	-
	Agency Payments	M	✓	-	-	-
	Legal Services	M	✓	✓	Follow Up	✓
Total days for Core Support Systems			245			
IT systems	ISO 27001 Information Security	M	✓	✓	✓	✓
	Access Controls review - Agresso, Academy, ISIS and Abacus	H	✓	✓	✓	✓
	Data Protection	H	-	✓	Follow Up	✓
	IT Strategy	M	-	-	✓	✓
	Total days for IT systems		85			
Anti-Fraud systems	Anti-Fraud and Corruption and Anti-Money Laundering Arrangements	M	-	✓	-	✓
	Anti-Fraud and Corruption – Hot Topics and Risk Areas	M	✓	✓	✓	✓
	Gifts and Hospitality	M	✓	-	-	-
	Audit Commission - Anti-Fraud Survey	M	✓	✓	✓	✓
	Total days for Anti-Fraud systems		40			
Governance systems	Director Annual Assurance Statements	M	✓	-	-	✓
	Risk Management	M	✓	-	✓	-
	Performance Management	M	✓	-	✓	-
	Performance Management – Follow Up	M	-	✓	-	✓
	Performance Plus	M	✓	-	-	-
	Savings and Benefits Realisation	M	✓	-	✓	-
	Total days for Governance systems		70			

Appendix 1 - Resource allocation for 2011/12 – 2014/15

System		Years				
		Aggregate	2011/12	2012/13	2013/14	2014/15
Operational systems – Directorate	Hoople – Client Side Management	M	-	✓	-	✓
	Hoople – Governance	M	✓	-	-	-
	Hoople – Governance (Follow Up)	M	-	✓	-	-
	People Services - Adult and Social Care – Financial Management	M	-	✓	-	✓
	People Services - Adult and Social Care – Procurement (Follow Up)	M	-	✓	-	-
	Places and Communities - Public Health – Food Licensing	M	-	✓	✓ Follow Up	✓
	Places and Communities - ABG Grant Review	M	✓	-	-	-
	Places and Communities - Planning	M	✓	-	-	-
	Places and Communities – Highways Contract Management	M	✓	-	✓	✓
	Places and Communities - Taxi Licensing	M	✓	-	-	-
	Places and Communities – Delivery of Projects funded by the Skills Funding Agency	M	-	-	✓	-
	Places and Communities – Broadband rollout – project and financial management	M	-	-	✓	-
	Places and Communities - HALO	M	-	-	✓	-
	Places and Communities - Homelessness & Housing	M	-	-	✓	-
	Corporate Services - Digital channels project	M	-	-	✓	-
	Total days for Operational systems					160

Appendix 1 - Resource allocation for 2011/12 – 2014/15

System		Years				
		Aggregate	2011/12	2012/13	2013/14	2014/15
	Schools	M	✓	-	✓	✓
	Total Days for Schools			30		
	Completion of 2012/13 Audit Work			145		
MGT	Follow up (days)			20		
	Contract management and Audit and Governance Committee attendance (days)			175		
	Total			970		

We have given a range of days to be used for each functional area for every Internal Audit year. This allows Internal Audit to flexibly prioritise the audit resource allocated to each audit review based on its risk profile and in accordance with the scope agreed with management.

Appendix 2 – Links to Risk Register and Corporate Plan

We have set out below audits for the years 2013/14 and how they link into the Council's risk register's and Corporate Plan - 2013/15.

Internal Audit Plan 2013/14		
Audits	Links to Risk Register (Risk Ref)	Corporate Plan
Financial System Audits Payroll, Creditors, Treasury Management, General Ledger, NNDR, Council Tax and Benefits and Income Collection.	RSK.COR.007 – Medium Term Financial Plan	Linked to the Corporate aim of "To Support the delivery - Herefordshire Council will operate efficiently and effectively –(making the best use of resources available including money, buildings, IT and information)".
IT System Audits ISO 27001 Information Security, Access Controls review - Agresso, Academy, ISIS and Abacus and Data Protection (Follow Up), IT Strategy.	RSK.COR.007 – Medium Term Financial Plan	
Anti-Fraud Systems Anti-Fraud and Corruption – Hot Topics and Risk Areas and Audit Commission - Anti-Fraud Survey	RSK.COR.007 – Medium Term Financial Plan	
Governance Systems Risk Management and Performance Management and Savings and Benefits Realisation, Legal Services.	RSK.COR.007 – Medium Term Financial Plan	Linked to the Corporate aim of "To Support the delivery - Herefordshire Council will operate efficiently and effectively – (Developing a strong, integrated performance management culture and process that is effective in managing risk, maximising opportunity and promoting continuous improvement (includes linking performance outcomes to cost, risk management, corporate governance systems, lean systems thinking)".
Corporate System Business Continuity	RSK.EEC.20 - IT	Linked to the Corporate aim of "Enable residents to be independent and lead fulfilling lives so that - People stay safe".
Corporate System Health and Safety	RSK.COR.016 – Public Health	
Corporate Services - Digital channels project	RSK.EEC.16 – Digital rollout	Linked to the Corporate aim of "Enable residents to be independent and lead fulfilling lives".
Corporate System Root and Branch	RSK.COR.011 – Redefining role of the Council	Linked to the Corporate aim of "To Support the delivery of Herefordshire Council will operate efficiently and effectively – (Developing a robust commissioning framework and capability).
Places and Communities – Highways Contract	RSK.PBC.006 – Procurement of Contractor	Linked to the Corporate aim of "To Support the delivery - Herefordshire Council will operate efficiently and effectively – (Being focused on delivery and impact ensuring that benefits are realised and resources are linked to outcomes)
Education Transport	RSK.PBC.006 – Procurement of Contractor	
Places and Communities – Delivery of Projects funded by the Skills Funding Agency	RSK.HAC.004 – Skills Funding Agency	
Places and Communities – Broadband rollout – project and financial management	RSK.EEC.16 – Digital rollout	
Places and Communities - HALO	RSK.EEC.05 - Commissioning	
Places and Communities - Homelessness & Housing Advice	RSK.HAC.007 - The Homelessness Prevention Support Contract	

Appendix 3 - Opinion and Description of Levels of Assurance

Audit Opinion

The audit opinion on the Council's systems of internal control will be based on a review of the following:

- core systems, both financial and other;
- anti-fraud systems;
- corporate systems;
- governance systems;
- IT Systems;
- level of recommendations agreed for action by management; and
- results of the recommendations follow-up review.

An audit conclusion will be given to each audit review, which will inform the Head of Internal Audit's overall opinion on the Council's system of internal control.

Regular progress reports will be presented to the Audit & Governance Committee, with the Annual Internal Audit Report presented in the June following the financial year to which it relates.

We will use the following conclusions as the basis of the levels of assurance that we provide you with after each review (although it should be noted that these represent an indicative approach as the overall assurance provided are a matter of professional judgement).

Conclusion	Definition
No assurance	One or more priority one recommendations and fundamental design or operational weaknesses in more than one part of the area under review (i.e. the weakness or weaknesses identified have a fundamental and immediate impact preventing achievement of strategic aims and/or objectives; or result in an unacceptable exposure to reputation or other strategic risks).
Limited assurance	One or more priority one recommendations, or a high number of medium priority recommendations that taken cumulatively suggest a weak control environment (i.e. the weakness or weaknesses identified have a significant impact preventing achievement of strategic aims and/or objectives; or result in a significant exposure to reputation or other strategic risks).
Adequate assurance	One or more priority two recommendations (i.e. that there are weaknesses requiring improvement but these are not vital to the achievement of strategic aims and objectives - however, if not addressed the weaknesses could increase the likelihood of strategic risks occurring).
Substantial assurance	No or priority three only recommendations. (i.e. any weaknesses identified relate only to issues of good practice which could improve the efficiency and effectiveness of the system or process).

Appendix 3 - Opinion and Description of Levels of Assurance

We have also agreed the following definitions for the priority of the recommendations that we may raise within our reports:

Priority	Definition
Red <i>(Priority 1)</i>	A significant weakness in the system or process which is putting the Council at serious risk of not achieving its strategic aims and objectives. In particular: significant adverse impact on reputation ; non-compliance with key statutory requirements; or substantially raising the likelihood that any of the Council's strategic risks will occur. Any recommendations in this category would require immediate attention .
Amber <i>(Priority 2)</i>	A potentially significant or medium level weakness in the system or process which could put the Council at risk of not achieving its strategic aims and objectives. In particular, having the potential for adverse impact on the Council's reputation or for raising the likelihood of the Council's strategic risks occurring, if not addressed .
Green <i>(Priority 3)</i>	Recommendations which could improve the efficiency and/or effectiveness of the system or process but which are not vital to achieving the Council's strategic aims and objectives. These are generally issues of good practice that we consider would achieve better outcomes.



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