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Herefordshire Council

**Strategic Internal Audit Plan
2011/12 – 2014/15 and Annual
Internal Audit Plan
2012/13**

**PUBLIC SECTOR AUDIT
INTERNAL AUDIT**

Content

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Section One

Executive Summary

This draft audit plan outlines the proposed internal audit input for 2012/13. 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 report

This report meets the requirements under the Code of Practice for Internal Audit in Local Government (2006) (“the Code”) for the Head of Internal Audit to produce a Internal Audit Strategy together with an Annual Internal Audit Plan. The Strategy is a high level statement of how the internal audit service will be delivered and developed. The Annual Internal Audit Plan sets out the number and types of review which will be undertaken to deliver the Internal Audit Strategy.

Under the Code there a number of areas that the Strategy must detail. We have set these out below:

- Internal Audit objectives (*Section two*);
- How Internal Audit’s work will identify and address significant local and national issues and risks (*Section four*);
- How the service will be provided (*Section five*); and
- The resources and skills required to deliver the strategy(*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 core role of Internal Audit is to provide assurance to senior management that there are adequate and effective internal control arrangements in place to mitigate key risks and achieve objectives. 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 the Audit Charter which is being updated.

1.3 Key issues and Risks

The Council is facing a number of significant issues over the next financial year, both financially and operationally, these include:

- Delivering key projects such as “Rising to the Challenge” - 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 further developed and the Council needs to ensure that these revised processes successfully deliver the aims of the project;
- Continuing to embed working arrangements with Hoople - This has been Hoople’s first 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 embed working arrangements as Hoople starts to develop the services it could provide to other organisations;
- 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;
- Continuing to implement the roll out of the Agresso financial management system so that it not only delivers robust day to day functionality, but it can also be used to drive efficiencies in how the Council, through Hoople, delivers financial services;
- Ensuring that the Adult and Social Care function can successfully implement new ways of working in relation to the issues raised over its financial management;
- Continuing to ensure that it can obtain maximum benefit from its major contracts, such as the contract which it has in place with AMEY; and
- Responding effectively to counter fraudulent activity - the Council needs to ensure that both its processes and procedures to highlight and deal with fraud are adequate and effective, in addition to creating an anti-fraud culture where instances of fraud are not tolerated..

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 HPSLT members, the Chief Officer (Finance and Commercial Services), 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 750 – 850 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 draft Internal Audit Plan at Appendix 1 and have provided further information on this area in Section four.

1.5 Resources

The Audit Service is being led by KPMG, with Sav Della Rocca 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 from Hoople and resources from KPMG. All staff have considerable experience of providing an effective and efficient internal audit service.

1.6 Audit Approach

We have a comprehensive audit approach and quality assurance process that meets the Code of Practice for Internal Audit in Local Government (2006). This process is set out in our Audit Charter and is summarised in Section six. This process 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 their 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.

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 and Audit Regulations 2003 amended by the Accounts and Audit Regulations 2006 are explicit about the requirement 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.

2.1 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. In these ever changing times we believe that Internal Audit should not only provide its core role but provide a 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.

2.2 Independence of Audit Services

KPMG have been engaged by the Council to lead the Internal Audit function for the Council. Sav, as Head of Internal Audit, reports directly to the Chief Officer (Finance and Commercial Services). The Chief Officer (Finance and Commercial Services) is the Council's Responsible Financial Officer under the terms of Section 151 of the Local Government Act 1972.

The Head of Internal Audit is responsible for the day to day management of the Audit Services Team.

Section Three

Developing the Plan

Our proposed work for the year has involved completing a number of actions to ensure that the plan 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 through 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 draft 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 risk register's (The Council Assurance Framework, The Partnership Assurance Framework and The Board Assurance Framework documents);
- Discussions with officers including the views of the Chief Officer (Finance and Commercial Services);
- Emerging issues and risks facing the sector;
- The Council's objectives detailed within its Corporate Plan 2011-14;
- 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 "Rising to the Challenge" project.

3.3 Views of HPSLT and other officers

We have met with members of HPSLT and have factored in their views to the existing plan. In some instances, Strategic 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 Adult and Social Care, AMEY and Legal Services. The precise coverage of these 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, through our joint working protocol.

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

We recognise that there are other 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. For example, separate support has been commissioned in relation to the PFI Waste contract with Worcestershire so there is no planned audit work in this area.

We are also liaising with the Internal Audit team within NHS Herefordshire to ensure that effective working relationship is established and to identify areas 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 both management and the Audit and Governance Committee are kept up to date with all work that we perform.

4.1 Overview

The Council is facing 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 Register's. These include:

- Failure to deliver the £9.3m cost savings outlined for 2012/13;
- Inadequate commissioning of services which are not delivered to the appropriate cost and quality;
- Failure to progress with the Integrated Waste Management PFI Scheme; and
- Failure to further progress with Hoople and deliver the £413k savings the Council anticipates.

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.

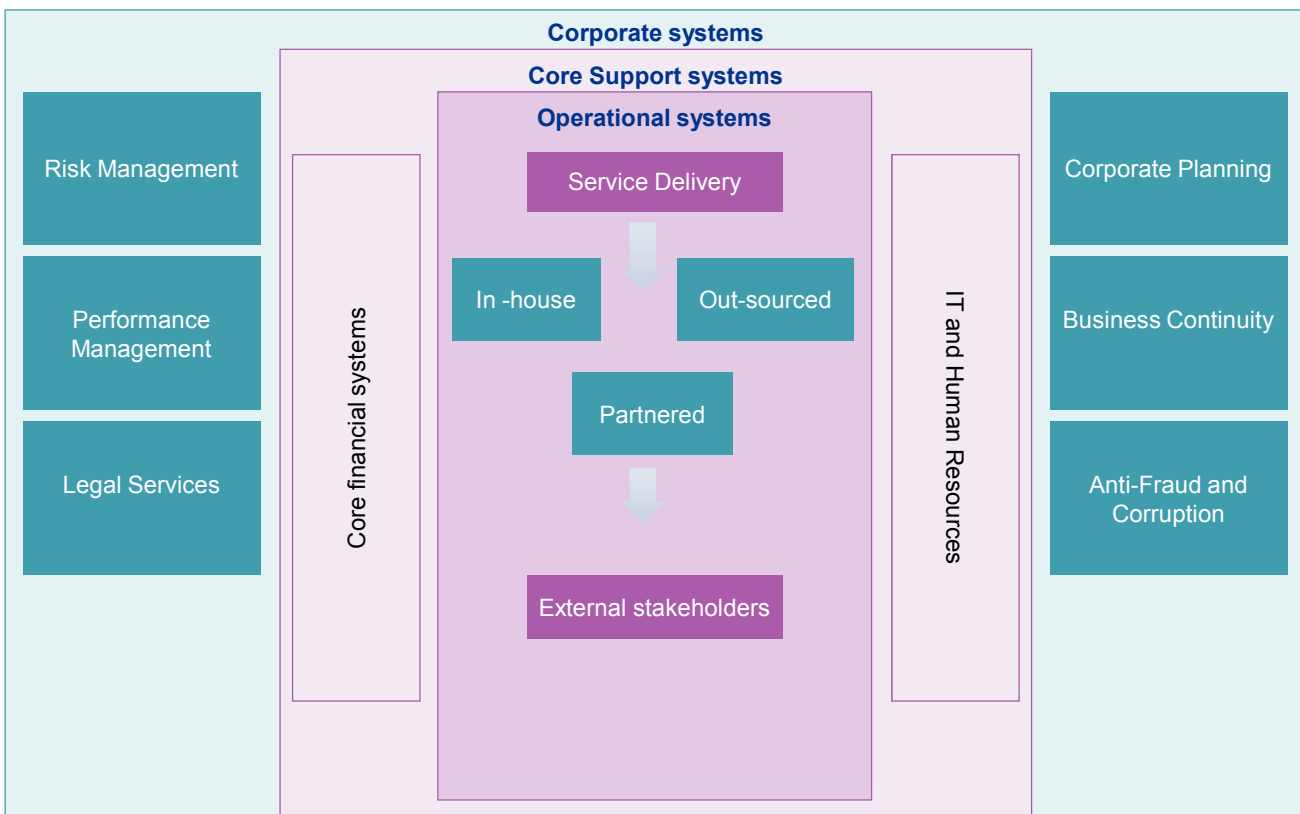
4.2 Councils control environment

We have summarised below the Council's overall control environment. The control environment is the collection of systems and processes that helps the Council manage the above risks and achieve its objectives. These groupings form the key strands to our internal audit work:

Core support: these include systems that support the Council's service delivery, such as its financial, IT and HR 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. The indicative resource allocations for these is shown in Appendix 1. We have set these out below, grouped by Corporate and Directorate systems.

Area	Internal audit work in 2012/13
Corporate 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).</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 its 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 and we will also follow up work undertaken in response to the alleged fraud identified in 2011/12.</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>Budgetary Control</p> <p>As part of this audit will review the Council's controls over budget monitoring and how effectively they are being applied in practice. This audit will also involve surveying and meeting with budget holders to understand their views on the Council's budget monitoring processes.</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.</p> <p>Income Collection</p> <p>The Council receives income from a variety of sources, for example, from Car Parking, Planning and Industrial Units. As part of this audit we will review a selection of income streams and assess the controls which the Council has in place which ensure that income received is correctly accounted for.</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>Housing Benefit</p> <p>The aim of this audit will be to assess the controls which the Council has in place over Housing Benefit payments. We will assess controls over how entitlement to Housing Benefit is assessed, reviewed and monitored. We will also review controls over how Housing Benefit is reclaimed if it has been overpaid.</p>

Section Four

Key Issues and Coverage – (continued)

4.3 Audit Reviews

Area	Internal audit work in 2012/ 13
Corporate Services - continued	<p>Support systems</p> <p>Health and Safety and Business Continuity</p> <p>These reviews will focus on how effectively the Council has implemented the recommendations which we made following our reviews of these areas in 2011/12. We may also identify in conjunction with management other areas of focus.</p> <p>Asset Register</p> <p>This audit will focus on the controls the Council has in place which ensure that it can account for and identify the assets which it has.</p> <p>Procurement</p> <p>The aim of this review will be to assess the controls the Council has in place which ensure that officers comply with Standing Orders as part of the Procurement process. This audit will involve reviewing a sample of major procurement projects and assessing if they have complied with the Council's procedures.</p> <p>Rising to the Challenge – Follow Up and Project Management</p> <p>As part of our 2011/12 work we reviewed the Council's overall governance arrangements over the Rising to the Challenge project. As part of this review we will follow up the recommendations that we made as part of our audit and also review a sample of projects to assess how they comply with the governance arrangements within this area.</p> <p>Performance Management (Follow Up)</p> <p>This review will focus on how effectively the Council has implemented the recommendations which we made following our reviews of this area in 2011/12.</p> <p>Legal Services</p> <p>We will assess how the Council is implementing new organisational structures within this area in response to a specialist KPMG report in 2011/12.</p> <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 ISO 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 how effectively the Council has implemented the recommendations which we made following our review of this area in 2011/12. We will also review access controls over the Council's other IT systems including Academy, ISIS and Abacus.</p> <p>Data Protection</p> <p>We will review how the Council complies with its responsibilities under the Data Protection Act 1998.</p> <p>IT Strategy</p> <p>As part of this audit we will review the Council's IT Strategy to ensure that it is fit for purpose, is consistent with recognised best practice and links effectively into the Council's other strategies.</p>

Section Four

Key issues and coverage – (continued)

Area	Internal audit work in 2012/ 13
Corporate Services - continued	<p>Anti-Fraud and Corruption</p> <p>The Council has a duty to ensure that its resources are safeguarded against theft, mis-use 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 a number of areas.</p> <p><i>Raising the profile of Anti-Fraud and Corruption (AFC)</i></p> <p>We will complete a number of actions to raise the profile of AFC within the Council, including developing a newsletter focusing on current issues within this area which will be distributed to all staff, We will also develop a training module that will help employees understand their responsibilities in relation AFC.</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 within the Anti Fraud and Corruption area. For example, we will be reviewing how the Council has implemented the requirements of the Bribery Act 2011. We will also review key areas that could be subject to fraud and assess the effectiveness of the Council's arrangements to counter it. In 2012/13 we will focus on Grants and the Council's pre-employment verification process.</p> <p><i>Anti-Fraud polices and procedures</i></p> <p>We will review the Council Anti-Fraud polices and assess if they are fit for purpose and set out in accordance with best practice.</p> <p><i>Anti-Fraud Survey</i></p> <p>We will also complete the Audit Commission's Anti-Fraud and Corruption Survey.</p>
Hoople	<p>Hoople – Governance – Follow Up</p> <p>This review will focus on how effectively the Council has implemented the recommendations which we made following our review of this area in 2011/12.</p> <p>Hoople – Client Side Management</p> <p>This audit will focus on how the Council develops its relationship with Hoople and establishes monitoring procedures to ensure that Hoople is delivering on its SLA targets.</p>
People Services Directorate	<p>Adult and Social Care</p> <p>This review will focus on two key areas: how the Council is implementing new methods of working in response to a specialist KPMG report on financial management matters and a deep dive into specific areas to test whether changes are working as planned.</p> <p>ASC – Procurement (Follow Up)</p> <p>This review will focus on how effectively the Council is project managing the recommendations which we made following our review of this area in 2011/12 and giving a view as to whether the projects are on track.</p>
Places and Communities Directorate	<p>Public Health – Food Licensing</p> <p>As part of this audit we will review the controls which the Council has in place in relation to how it issues licences to premises in this area and ensures appropriate standards are being maintained.</p> <p>AMEY</p> <p>We will follow up work undertaken in 2011/12 and identify in conjunction with management other areas of focus in relation to contract management and value for money.</p>

Section Four

Key issues and coverage – (continued)

Area	Internal audit work in 2012/13
Schools	Internal Audit was previously required to complete work within this area in relation to the Financial Management Standard in Schools (FMSiS) process. This standard was withdrawn in 2011. In conjunction with the Schools Finance team we have now agreed a new audit process and we will use this approach to undertake audits of Schools as part of our 2012/13 audit plan.
Follow Up	This work in the area will entail following up high risk recommendation's made within previous year's report and assessing the progress the Council has made in implementing them.
Contingency	A number of days will remain unallocated to ensure that there is sufficient flexibility built within the plan to account for unexpected issues which may arise during the year and which require Internal Audit's input.



Section Five

Resources

5.1 Audit team

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

Your internal audit team

 Sav DellaRocca <i>Head of Internal Audit</i>	 Mukhtar Khangura <i>Internal Audit Manager</i>
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Other members of the Audit Team

Julie Jones <i>Senior Auditor</i>	Gary Williams <i>IT Auditor</i>	Vicky Roissetter <i>Principal Auditor</i>	Sharon Williams <i>Principal Auditor</i>
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All of the core Audit team members have significant experience of providing internal audit services. Sav and Mukhtar will be supported by four 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 Sav to ensure that their work is co-ordinated and to ensure that there is seamless delivery of the internal audit service.

Section Six

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 Code of Internal Audit. 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 Code. 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 implementation 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 Code. 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 2013/14 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	12-13
	H/M/L	H/M/L	H/M/L	H/M/L	✓

<p>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.</p>	<p>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:</p>	<p>The third part of our analysis shows the audit coverage.</p>
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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 of 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 (detailed by "Yes"). Audit reviews which do not explicitly link into the Council's risk register are detailed as shaded areas. These reviews are required for a number of reasons including, to inform the overall opinion on the Council's internal controls system's given by the Head of Internal Audit.

Strategic Internal Audit Plan 2011/12 – 2014/15							
		Linked to Risk Register's	Aggregate	Years			
				2011/12	2012/13	2013/14	2014/15
Core support systems	Payroll		H	✓	✓	✓	✓
	Creditors		M	✓	✓	✓	✓
	Treasury Management	Yes	M	✓	✓	✓	✓
	Income Collection		M	-	✓	-	✓
	Debtors		M	✓	-	✓	-
	Budgetary Control		M	-	✓	-	✓
	NNDR	Yes	M	✓	✓	✓	✓
	General Ledger	Yes	M	✓	✓	✓	✓
	Council Tax	Yes	M	✓	✓	✓	✓
	Housing Benefit		M	✓	✓	✓	✓
	Asset Register	Yes	M	-	✓	-	✓
	Procurement	Yes	M		✓	-	✓

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

		Years					
		Link to Risk Register	Aggregate	2011/12	2012/13	2013/14	2014/15
Core support systems	Education Transport	Yes	M	✓	-	✓	-
	Rising to the Challenge – Governance	Yes	M	✓	-	✓	-
	Rising to the Challenge – Project review	Yes	M	-	✓	-	✓
	Health and Safety	Yes	H	✓	-	✓	-
	Health and Safety – Follow Up	Yes	H	-	✓	-	✓
	Sustainability	Yes	M	✓	-	✓	-
	Sustainability – Follow Up	Yes	M	-	✓	-	✓
	Member Allowances	Yes	M	✓	-	-	✓
	Business Continuity	Yes	M	✓	-	✓	-
	Business Continuity – Follow Up	Yes	M	-	✓	-	✓
	Anti-Money Laundering	Yes	M	✓	-	✓	-
	Gifts and Hospitality	Yes	M	✓	-	✓	-
	Agency Payments	Yes	M	✓	-	-	-
	Legal Services	Yes	M	✓	✓	-	✓
Total days for Core Support Systems	-			210 - 240			
IT systems	ISO 27001 Information Security	Yes	M	✓	✓	✓	✓
	Access Controls review - Agresso, Academy, ISIS and Abacus		H	✓	✓	✓	✓
	Data Protection	Yes	M	-	✓	-	✓
	IT Strategy	Yes	M	-	✓	-	✓
	Total days for IT systems	-			100 - 130		
Anti-Fraud systems	Anti-Fraud and Corruption Arrangements	Yes	M	-	✓	-	✓
	Anti-Fraud and Corruption – Procedures Audit		M	✓	✓	✓	-
	Anti-Fraud and Corruption – Hot Topics and Risk Areas		M	✓	✓	✓	✓
	Audit Commission - Anti-Fraud Survey		M	✓	✓	✓	✓
	Total days for Anti-Fraud systems	-			75		
Governance systems	Director Annual Assurance Statements		M	✓	-	✓	-
	Risk Management		M	✓	-	✓	-
	Performance Management	Yes	M	✓	-	✓	-
	Performance Management – Follow Up	Yes	M	-	✓	-	✓
	Performance Plus	Yes	M	✓	-	✓	-
	Benefits Realisation	Yes	M	✓	-	✓	-
	Total days for Governance systems	-			20		

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

System		Link to Risk Register	Aggregate	Years			
				2011/12	2012/13	2013/14	2014/15
Operational systems – Directorate	Hoople – Client Side Management	Yes	M	-	✓	-	✓
	Hoople – Governance	Yes	M	✓	-	✓	-
	Hoople – Governance (Follow Up)	Yes	M	-	✓	-	✓
	Adult and Social Care – Financial Management and Follow Up	Yes	M	-	✓	-	✓
	Adult and Social Care - Procurement	Yes	M	✓	-	✓	-
	Adult and Social Care – Procurement (Follow Up)	Yes	M	-	✓	-	-
	Places and Communities - Public Health – Food Licensing	Yes	H	-	✓	-	✓
	Places and Communities - PFI Project Management	Yes	M	-	-	✓	-
	Places and Communities - ABG Grant Review		M	✓	-	-	-
	Places and Communities - Planning	Yes	M	✓	-	✓	-
	Places and Communities - AMEY	Yes	M	✓	✓	-	✓
	Places and Communities - Taxi Licensing	Yes	M	✓	-	✓	-
	Total days for Operational systems	-		155 – 165			
	Schools		M	✓	✓	✓	✓
Total Days for Schools	-		30				
Contingency (days)			60 - 90				
MGT	Follow up (days)	-	25				
	Contract management and Audit and Governance Committee attendance (days)		75				
	Total		750 - 850				

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, current key issues within that area and in accordance with the scope agreed with management.

Appendix 2 - 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.
- 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 and 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 an unacceptable 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 2 - 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.