

# Buckinghamshire County Council



**INTERNAL AUDIT ANNUAL PLAN  
FOR  
2009/10**

**BASED UPON THE  
INTERNAL AUDIT RISK BASED NEEDS ASSESSMENT**

Presented to the Regulatory & Audit Committee: 17 February 2009

## CONTENTS

	<b>Section</b>	<b>Page</b>
<b>1</b>	Introduction	3
<b>2</b>	Internal Audit Strategy	3
<b>3</b>	Internal Audit Annual Plan	4
	<b>Appendices</b>	
<b>A</b>	Detailed Internal Audit Plan 2009/10	
<b>B</b>	Internal Audit Performance Indicators	
<b>C</b>	Internal Audit Strategy	

## **1 INTRODUCTION**

- 1.1 The purpose of this document is to provide the organisation with a 2009/10 work plan for Internal Audit, based upon an assessment of the organisation's risk based audit needs. The Audit Needs Assessment (ANA) exercise is undertaken to identify the systems of control and determine the frequency of audit coverage resulting in the establishment of an Annual Plan. The ANA will be used to direct internal audit resources to those aspects of the organisation which are assessed as generating the greatest risk to the achievement of its objectives.
- 1.2 The Code of Practice for Internal Audit in Local Government requires that Internal Audit operate in accordance with an approved strategy and plan.

## **2 INTERNAL AUDIT STRATEGY**

### **2.1 Introduction**

- 2.1.1 The purpose of Internal Audit is to provide the Council, through the Regulatory and Audit Committee, the Head of Finance and the Chief Executive with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the organisation's agreed objectives. This opinion should underpin the organisation's Annual Governance Statement. In order to provide this opinion, we are required to review annually the financial management, risk management and governance processes within the organisation. We also need to review on a risk or cyclical basis, the operation of internal control systems within the organisation.
- 2.1.2 Internal audit is not a substitute for effective internal control. The proper role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.
- 2.1.3 The internal audit strategy is displayed in Appendix C and remains consistent with Internal Audit's objectives and has been used to inform the development of the new Annual Audit Plan. Minimal change is proposed from the 2008/09 strategy.
- 2.1.4 The work plan for 2009/10 focuses on two key areas:
- Core financial systems; and
  - Key corporate risks.
- 2.1.5 Internal Audit continue to seek opportunities to improve and evolve. A new Chief Auditor will be responsible for delivery of the 2009/10 plan and this role may be delivered through a partnership arrangement with another local authority organisation.

### **2.2 Background Papers**

- CIPFA Code of Conduct for Internal Audit
- CIPFA Rough Guide to the Annual Governance Statement
- CIPFA Guide to Audit Committees in Local Government
- CIPFA SOLACE Good Governance in Local Government: A Framework

- Internal Audit Strategy
- Internal Audit Service Charter
- BCC Audit Manual

### 3 THE ANNUAL INTERNAL AUDIT PLAN

#### 3.1 Identifying the core organisation objectives and the associated risks

3.1.1 BCC has developed a Corporate Plan (2005-09, updated in 2008) within which are seven key aims. This plan will be updated in July 2009 and will review our audit plan in accordance with this to ensure congruence.

<b>Council Plan Core Aims</b>
1. Involve, represent and serve all who live or work in Buckinghamshire
2. Provide efficient and effective services
3. Give children and young people the best possible life chances
4. Improve the quality of life for adults
5. Provide support to help families cope with their responsibilities
6. Build safer, stronger and healthier communities
7. Maintain a vibrant economy whilst protecting the environment



Supporting each aim are a number of associated improvement agendas such as Transformation. Depending on the risk profile, Internal Audit will seek to undertake work in each operational area (either specifically or within the scope of other audits) in order to provide assurance and thereby assisting the achievement of overarching strategies. In addition, Internal Audit continue to fulfil a statutory financial probity role and link its work to various legislative and best practice requirements such as Key Lines of Enquiry within the Comprehensive Area Assessment. Following Committee Member input, follow up on previous recommendations will have a higher profile in 2009/10 and be supported by the Council's new performance management software.

#### 3.2 Annual Audit Plan 2008/09

3.2.1 The Internal Audit Plan for 2009/10 is outlined within Appendix A. The plan is split into Audit Work (table 1) and Direct Schools Provision (table 2). Each audit assignment will result in a specific audit report although the audit methodology will vary depending on the requirements of the scope of work. We will also undertake Corporate Work and training and development activity.

3.2.2 Our work at schools will conform to DCSF Financial Management Standard in Schools (FMSiS) requirements but we will continue to add value by undertaking traditional audits at the same time. We will need to charge for the FMSiS work but our proposed fees benchmark especially well against other Local Authorities.

- 3.2.3 Work will continue to be delivered by a mixture of in-house resource, private sector partner resources and by auditors from District Councils. Where required, fraud services will be provided by a District Council.
- 3.2.4 The internal audit resource is split between 'chargeable' and 'non-chargeable' activity. Chargeable activity is outlined within tables 1 and 2 in Appendix A and comprises of direct audit activity. Non-chargeable activity relates to leave, study, administration and training and development activity.
- 3.2.5 In accordance with the Audit Strategy, we will audit the processes in place for Governance and Risk Management on an annual basis. We have also developed an annual plan for Financial Management to ensure that we undertake enough work to provide reasonable assurance at the year end to satisfy the Code of Practice, Management and External Audit.
- 3.2.6 We will continue to provide audit services to the Combined Buckinghamshire and Milton Keynes Fire Authority. We will also provide service to Wycombe DC and the Thames Valley Police Authority. We continue to work with the Audit Commission on both BCC and Fire Authority issues.
- 3.2.7 Our plan has been developed which:
- Seeks to provide assurance over BCC's principal risk exposures and change programmes for 2009/10 in order to assist the achievement of Council Aims;
  - Takes account of the risk management process as far as existing assurances allow;
  - Takes account of relevant legislation, best practice and corporate inspection regimes ensuring assurance is placed on such inspection bodies rather than work duplicated;
  - Provides availability for audit advice to all Council operations but specifically those of a financial or corporate improvement agenda nature;
  - Continues the provision of anti-fraud and investigative support to the organisation;
  - Covers the majority of risks in the Council's risk register considered to be 'high'. Those not covered are either:
    - Not auditable;
    - Assured through other mechanisms;
    - Not considered material following the audit needs assessment; or
    - Robustly mitigated.
  - Maximises the existing internal audit resource; and
  - Provides opportunity for audit input into non-assurance related activity such as anti-fraud culture development and advice.
- Our proposed plan covers the majority of risks on the current EMT risk register and COMT risk register.
- 3.2.8 Implementation of the Audit Plan will be monitored by use of Performance Indicators as outlined in **Appendix B**. These will be reported to Committee on a quarterly basis.

## APPENDIX A – ANNUAL AUDIT PLAN 2009/10

Table 1: Audit Work

Auditable Area	Key Audit Objectives	Type (See note 1)	Risk Assessed
<b>Annual Assurances</b>			
Annual Governance Statement Verification 2008/09	To verify Head of Service, Process Owner and Project Owner Annual Governance Statements in accordance with the requirements of the Accounts and Audit Regulations 2006; also to confirm that the declared risk mitigating activity is effective.	Verification	N/A
Contract Audit: Tendering & Procurement	As part of our cyclical approach to contract audit, we will undertake a review of the Council's tendering procedures to ensure that tenders are managed in a transparent manner which complies with Contract Standing Orders.	Risk	High
Core Financial Controls	To provide assurance over core financial controls of the Authority by testing key financial controls within the financial accounting system.	Risk	High
Corporate Governance	As part of our cycle of governance compliance checks, we will identify a key element of the governance framework and test substantively to ensure that controls are operating effectively in practice and in accordance with the CIPFA SOLACE guide released in June 2007.	Verification	Medium
Review of Internal Audit Effectiveness	In accordance with the requirements of the Accounts and Audit Regulations 2006, an annual review of the effectiveness of Internal Audit will be undertaken.	Verification	High
Risk Management: review of one Portfolio	As part of a cyclical programme, we identify one or more services within one portfolio and undertake substantive testing to ensure that: <ul style="list-style-type: none"> <li>• The risk profile is accurate; and</li> <li>• Declared risks are effectively mitigated.</li> </ul>	Risk	High
<b>Anti-Fraud Activity</b>			
Anti-Fraud Awareness	The Anti-Fraud and Corruption Framework was updated in 2008. We will continue to increase its profile through a variety of means.	Anti-Fraud	N/A
Audit Logs & Winidea	A verification audit supporting the year end external audit by reviewing SAP and feeder system activity and audit logs by undertaking data analysis on transactions using the audit software WinIDEA.	Anti-Fraud	N/A
National Fraud Initiative (NFI)	Internal Audit on behalf of the organisation contributed data for data matching as part of the national exercise in 2008. In 2009 the organisation will be required to investigate matched items.	Anti-Fraud	N/A
Voluntary Funds/ Imprest Checks	We undertake spot checks and end of year sign offs on a sample of voluntary funds and imprest accounts in order to ensure that expenditure is appropriate and fully justified.	Anti-Fraud	Medium

Auditable Area	Key Audit Objectives	Type (See note 1)	Risk Assessed
<b>Financial Management</b>			
BACS payments	The BACS system processes hundreds of millions of pounds each year through payroll, creditors and pensions. We will seek assurance that the controls including transfer of data from feeder systems are adequate. We will also ensure that payments made through BACS are accurately recorded on SAP and that appropriate segregation of duties is maintained.	Risk	High
Banking	To provide assurance that banking transactions are bona fide, accurate and authorised and the procedures ensure that appropriate control is in place throughout the system.	Risk	High (core system)
Budgetary Control (inc. MTP)	To provide assurance that; there is an accurate and reliable budgeting system to ensure that agreed financial and business objectives are achieved; processes to monitor progress against financial targets are effective.	Risk	High (core system)
Cash Management	To provide assurance that cash is managed throughout the organisation in a controlled way which is also consistent with SAP working practices and Financial Instructions and Regulations.	Risk	Medium (core system)
Creditors	To provide assurance that all creditor payments are valid, authorised, accurate and timely and in respect of goods and services ordered and received by the organisation.	Risk	High (core system)
Debtors	To provide assurance that income generating activities are identified and accurately invoiced; that all invoices are paid and the income is accounted for and reflected in the Authority's accounts; the extent of debt is minimised and overdue accounts are promptly followed up.	Risk	High (core system)
General Ledger (inc. SAP interfaces)	To provide assurance that all financial transactions of the organisation are recorded, including ensuring their completeness and integrity with the aim of providing the data from which management accounts, final accounts and statutory returns can be prepared. We will continue our rolling programme of audits to ensure that SAP feeder system interfaces are effective and appropriately managed and maintained.	Risk	High (core system)
Grant Work	To provide assurance that the Authority's grant returns are accurate e.g. SEG grant.	Verification	Medium
Payroll	To provide assurance that only bona fide, authorised and accurate payments are made in a timely manner; also to ensure that all payroll transactions are accurately reflected in the accounting system.	Risk	High (core system)
Pensions	To provide assurance that the pensions scheme is operated in accordance with prevailing legislation and in an appropriate manner so as to protect stakeholders' interests.	Risk	High (core system)
s.31 Agreement	To provide assurance that risks have been adequately mitigated and that benefits are being realised.	Risk	High

Auditable Area	Key Audit Objectives	Type (See note 1)	Risk Assessed
Treasury Management	To provide assurance that the financial stability of the organisation is maintained against a background of turbulence in the financial markets and to ensure that cash surpluses are efficiently managed.	Risk	High (core system)
Trust Funds held under Power of Attorney	To provide assurance that the funds held in trust under DWP authority and Power of Attorney are appropriately safeguarded and operated in an appropriate manner so as to protect clients' interests.	Risk	Medium
VAT	To provide assurance that VAT is correctly accounted for by the Authority and on a timely basis.	Risk	Medium (core system)
<b>Corporate Projects / Cross Cutting</b>			
Local Public Service Agreement; also LPSA Grant	To provide assurance that corporate and service objectives are achieved and that there are effective governance arrangements in place. The work also includes assurance work to enable Internal Audit to verify and sign off the six monthly grant returns.	Risk/Verification	High
Partnerships	The Council relies on its partners in order to effectively deliver its services. This is a cyclical review of a sample of partnerships which the services are engaged with.	Risk	High
Pathfinder	Pathfinder is one of the Council's key improvement agendas and as such the objective is to provide assurance that the risks facing the organisation are effectively mitigated and that objectives are achieved in an appropriate manner. We will work with other audit teams in this area.	Risk	High
Waste Strategy	We will provide assurance that the key project milestones within the PRINCE 2 methodology are satisfactorily achieved.	Risk	High
<b>Portfolio &amp; Service Based</b>			
CRB (Resources)	To provide assurance that the organisation's policy and procedures for undertaking Criminal Records Bureau checks for vetting employees prior to recruitment, are adequate and effective. A follow up of the previous audit will be included.	Risk	High
Insurance (Resources)	To provide assurance that the management of the insurance function meets statutory, professional, best practice and the organisation's requirements and standards.	Risk	Medium
Property Asset Management (Resources)	Property asset management is a key strand of the organisation's policy to deliver its objectives. The audit will provide assurance that the strategy is appropriate and aligned with corporate objectives. This audit will include a follow up on the previous audit.	Risk	High
Property Maintenance (Schools) (Resources)	To provide assurance over the manner in which property maintenance for schools is managed and co-ordinated.	Risk	Medium

Auditable Area	Key Audit Objectives	Type (See note 1)	Risk Assessed
Direct Payments (ASC)	The Council's objective is to ensure that direct payments services are substantially increased. This review is to provide assurance that the support service provided by the voluntary sector partner meets with the Council's requirements and standards.	Risk	High
Early Years Childcare (CYP)	To provide assurance that the Early Years Childcare function meets statutory, professional, best practice and the organisation's requirements and standards	Risk	High
Care Purchasing (CYP)	To provide assurance that procurement within the portfolio meets statutory, professional, best practice and the organisation's requirements and standards.	Risk	High
s.106 Schools (TEE)	We will provide assurance that the s.106 process with regard to schools meets statutory, professional, best practice and the organisation's requirements and standards.	Risk	High
Built Environment	We will review the Built Environment project with a view to summarising the lessons learned as a result of the outcome of the project.	Risk	High
Adult Learning (SSC)	Establishment visits to provide assurance that the Council's financial and operational risks are mitigated.	Risk	Medium
<b>Consultancy</b>			
Advice: Finance	Resources assigned to providing advice and support to Finance in the development of new initiatives and to respond to ad hoc queries.	Advice	N/A
Advice: Schools	Resources assigned to providing advice and support to schools and to respond to ad hoc queries. This includes attendance as required at school forums and production of a schools newsletter each term.	Advice	N/A
Advice: Corporate agendas	Resources assigned to provide advice and support to the key corporate improvement agendas in the development of new initiatives and to respond to ad hoc queries. This work will include providing advice and support to areas including: <ul style="list-style-type: none"> <li>• The Transformation Programme</li> <li>• Personalisation in Adult Social Care</li> <li>• Pathfinder</li> </ul>	Advice	N/A
<b>IT Plan</b>			
Business Continuity	To provide assurance that disaster recovery and business continuity plans are in place and that data is available when there are interruptions or major IT failures.	Risk	High
Data Security	To provide assurance that electronic and manual documents are managed throughout the organisation in compliance with corporate procedures and best practice guidance. This has an increased risk profile due to coverage in the national press.	Risk	Medium
E- Payments	The Council has implemented a system for the receipt of payments via the Internet. This is an increasingly important area for transactions with service users. The audit is to provide assurance that controls are in place	Risk	High

Auditable Area	Key Audit Objectives	Type (See note 1)	Risk Assessed
	to ensure that processing of transactions is secure; also to ensure compliance with the payment Card Industry Data Security Standard (PCI-DSS). This audit will include a follow up of the previous audit.		
HEXAGON	The HEXAGON system is used to make treasury payments. We will provide assurance over the system's integrity including that physical and logical controls are in place and procedures to ensure business continuity are in place.	Risk	High
ICS and EMS (ONE)	A follow up audit on the findings of the review of the key software systems used within Children's Services to ensure that data access and governance is appropriate.	Risk	High
ICT Strategy	To provide assurance that the ICT Strategy is aligned with the organisation's strategic objectives and priorities. The audit will provide assurance that IT is used as an enabler of business change and to achieve efficiencies, improve value for money and access to services for users.	Risk	High
ICT Security Framework	To provide assurance that the ICT Security Framework is consistent with corporate objectives and that compliance with it mitigates the organisation's primary information security risks.	Risk	High
SAP Governance	To provide assurance that SAP development is aligned to business requirements; appropriate security is provided over data, files and application software; adequate contractual arrangements are in place.	Risk	High
SIMS	SIMS is a management information system designed specifically for schools. The audit will provide assurance over the system's integrity including controls over data access, transaction processing, and procedures to ensure business continuity.	Risk	Medium
SWIFT	To provide assurance that the appropriate controls are applied within the SWIFT system to mitigate against related IT, technological and legislative compliance risks. The work will include an evaluation of the SAP interface. This review will also include a follow up on the findings of the previous audit.	Risk	High
<b>Follow Up</b>			
Follow ups	A follow up of 2008/9 recommendations as recorded on the Performance Plus system in addition to recommendations still outstanding from previous years. Poor assurance reports will either be followed up separately or included within reviews identified above within the main plan.	Follow up	Various
<b>Other work</b>			
Fire Authority	A programme of work delivered for an external client. A separate plan of work for 63 days audit work over the year is agreed with the Fire Authority.	Client	N/A
Wycombe District Council	A programme of work delivered for an external client: 80 days audit work will be delivered over the year.	Client	N/A

Auditable Area	Key Audit Objectives	Type (See note 1)	Risk Assessed
Thames Valley Police Authority	A programme of work delivered for an external client: 200 days audit work will be delivered over the year	Client	N/A
Investigations	A contingency allowance is available for investigative work.	N/A	N/A
Corporate work	A proportion of total audit resource is made available for 'corporate work'. Corporate work is non-audit specific activity which still adds value. Examples of this include; liaison with the Audit Commission; attendance and reporting to EMT and Committee, team meetings, attendance at Chief Auditor groups and audit strategy and planning work.	N/A	N/A
Additional audit requests	A contingency allowance for additional assurance activities.	N/A	N/A

**Note 1:** Types of Audit Approach - The audit techniques to be used will be selected from the following, depending on which is considered to be the most effective for delivering the audit objectives:

**Risk Based Audit (Risk)**

A full audit which focuses on key risks in relation to system objectives. Audit work will be structured to direct audit resource in proportion to risk exposures.

**Systems Based Audit (Systems)**

A "full" audit in which every aspect and stage of the audited subject is fully considered. It includes review of both the design and operation of controls. Undertaken from a systems perspective with a 'cradle to grave approach'

**Key Controls Testing (Key)**

Clearly focussed on a small number of material or key controls.

**Systems Development Audit (SDA)**

Ongoing review of developing plans and designs for new systems and processes aimed at identifying potential weaknesses in control if the plans and designs go ahead as they are.

**Verification Audit (Verification)**

Where there is pre-existing confidence that controls are well designed, but compliance is a material issue, audits which test only for compliance with controls can be appropriate. Audit undertaken to verify key outcomes. This work normally takes the form of checking data and management actions to confirm accuracy and appropriateness and does not consider controls or risks in the wider sense.

**Follow Up**

Work undertaken to assess the extent to which management action plans have been implemented. This may be following up our own recommendations from previous years or through follow up of other assurance provider outcomes (eg OfSTED or External Audit).

*Table 2: Direct Schools Work*

Schools work for 2009/10 will be dictated by DCSF FMSiS requirements and work in each school will be a mixture of both FMSiS and traditional audit reviews. We will reserve an allocation of audit days for additional schools audit visits in accordance with the risk profile of schools.

SCHOOL	TYPE
AMERSHAM SCHOOL - THE	Upper
AYLESBURY GRAMMAR SCHOOL (BOYS)	Grammar
AYLESBURY HIGH SCHOOL (GIRLS)	Grammar
BEACONSFIELD HIGH SCHOOL (GIRLS)	Grammar
BEACONSFIELD SCHOOL - THE	Upper
BEECHVIEW SCHOOL	Junior
BOWERDEAN NURSERY SCHOOL	Nursery
BUCKINGHAM SCHOOL	Upper
BURNHAM GRAMMAR SCHOOL	Grammar
BURNHAM UPPER SCHOOL	Upper
CHALFONTS COMMUNITY COLLEGE - THE	Upper
CHESHAM HIGH SCHOOL	Grammar
CHESHAM PARK COMMUNITY COLLEGE	Upper
COLESHILL CHURCH OF ENGLAND INFANT SCHOOL	Infant
COTTESLOE SCHOOL - THE	Upper
CRESSEX COMMUNITY SCHOOL	Upper
CUDDINGTON CHURCH OF ENGLAND SCHOOL	Infant
DAGNALL SCHOOL	Infant
DENHAM VILLAGE INFANT SCHOOL	Infant
DINTON CHURCH OF ENGLAND INFANT SCHOOL	Infant
DR CHALLONER'S GRAMMAR SCHOOL (BOYS)	Grammar
DR CHALLONER'S HIGH SCHOOL (GIRLS)	Grammar
DRAYTON PARSLow VILLAGE SCHOOL	Infant
DROPMORE INFANT SCHOOL	Infant
EAST CLAYDON SCHOOL	Infant
FULMER INFANT SCHOOL	Infant
GRANGE SCHOOL - THE	Upper
GREAT KIMBLE CHURCH OF ENGLAND SCHOOL	Infant
GREAT MARLOW SCHOOL	Upper
HADDENHAM INFANT SCHOOL	Infant
HADDENHAM ST MARY'S CHURCH OF ENGLAND SCHOOL	Infant
HANNAH BALL INFANT SCHOOL	Infant
HENRY ALLEN NURSERY SCHOOL	Nursery
HIGHCREST COMMUNITY SCHOOL	Upper
HOLMER GREEN SENIOR SCHOOL	Upper
HUGHENDEN INFANT SCHOOL	Infant
HYDE HEATH INFANT SCHOOL	Infant
IBSTONE CHURCH OF ENGLAND INFANT SCHOOL	Infant
IVER VILLAGE INFANT SCHOOL	Infant
JOHN COLET SCHOOL	Upper
JOHN HAMPDEN GRAMMAR SCHOOL - (BOYS)	Grammar

SCHOOL	TYPE
JORDANS SCHOOL	Infant
LEE COMMON CHURCH OF ENGLAND SCHOOL	Infant
LITTLE MARLOW CHURCH OF ENGLAND INFANT SCHOOL	Infant
LITTLE MISSENDEN CHURCH OF ENGLAND SCHOOL	Infant
MAIDS MORETON CHURCH OF ENGLAND SCHOOL	Infant
MANDEVILLE UPPER SCHOOL	Upper
MARSH GIBBON CHURCH OF ENGLAND SCHOOL	Infant
MARSWORTH CHURCH OF ENGLAND INFANT SCHOOL	Infant
MARY TOWERTON SCHOOL - THE	Infant
MISBOURNE SCHOOL - THE	Upper
MURSLEY CHURCH OF ENGLAND SCHOOL	Infant
PADBURY CHURCH OF ENGLAND SCHOOL	Infant
PRINCES RISBOROUGH SCHOOL	Upper
QUARRENDON UPPER SCHOOL	Upper
RADNAGE CHURCH OF ENGLAND INFANT SCHOOL	Infant
ROUNDWOOD SCHOOL (GAWCOTT & TINGEWICK)	Infant
ROYAL GRAMMAR SCHOOL - THE (BOYS)	Grammar
ROYAL LATIN SCHOOL - THE	Grammar
SIR HENRY FLOYD GRAMMAR SCHOOL	Grammar
SIR WILLIAM BORLASE'S GRAMMAR SCHOOL	Grammar
SIR WILLIAM RAMSAY SCHOOL	Upper
SPEEN CHURCH OF ENGLAND SCHOOL	Infant
ST BERNARD'S CATHOLIC SCHOOL	Upper
ST GEORGE'S CHURCH OF ENGLAND INFANT SCHOOL	Infant
SWANBOURNE CHURCH OF ENGLAND SCHOOL	Infant
THORNBOROUGH INFANT SCHOOL	Infant
TWYFORD CHURCH OF ENGLAND SCHOOL	Infant
WADDESDON CHURCH OF ENGLAND SCHOOL - THE	Upper
WESTCOTT CHURCH OF ENGLAND SCHOOL	Infant
WHADDON CHURCH OF ENGLAND SCHOOL	Infant
WYCOMBE HIGH SCHOOL (GIRLS)	Grammar
WYE VALLEY SCHOOL - THE	Upper

## APPENDIX B

### 2009/10 Internal Audit Performance Indicators

<b>PERFORMANCE INDICATOR</b>	<b>Target</b>
Completion of the revised annual audit plan. <i>(Audit Commission Benchmark = 90%)</i>	95%
Chargeable days per FTE employee.	70%
Time taken to complete an audit within the planned time budget.	100%
Dispatch all draft reports within 15 working days of the end of the audit.	100%
Overall customer satisfaction on the value added by audit and appropriateness of recommendations.	95%

*\* These remain unchanged from previous years*

## APPENDIX C

### INTERNAL AUDIT STRATEGY

#### 1 Introduction

- 1.1 The purpose of Internal Audit is to provide the Council, through the Regulatory and Audit Committee, and the Chief Executive with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the organisation's agreed objectives. In order to provide this opinion, we are required to review annually the risk management and governance processes within the organisation. We also need to review on a cyclical basis, the operation of internal control systems within the organisation.
- 1.2 Internal Audit is not a substitute for effective internal control. The proper role of governance and internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.
- 1.3 The responsibility, status and authority of Internal Audit at Buckinghamshire County Council (BCC) is outlined within the Council's Constitution, Financial Regulations and Internal Audit Service Charter.
- 1.4 The Accounts and Audit Regulations require that BCC have 'an adequate and effective system of internal audit of its accounting records and of its system of internal control'.

#### 2 How the Service will be provided

- 2.1 The provision of Internal Audit is delivered by an in-house team, however, the Chief Auditor is keen to ensure that some elements of the Annual Plan are resourced through contracted staff in areas where specialist skills are required. A partnership has been agreed with a private sector internal audit provider and three District Council audit teams. Services are provided in accordance with the Audit Service Charter.
- 2.2 In order to support the Council's commitment to identifying and delivering efficiencies in accordance with the Gershon agenda, Internal Audit are actively developing working relationships with other public sector organisations and are exploring the feasibility of information sharing, resource sharing and providing audit services to other bodies. This could include integrating services.

#### 3 Annual Governance Statement

- 3.1 It is the role of management to identify principal risks to Council Aims and the key controls necessary to manage these effectively. It is necessary to review risk profiles at least annually. Whilst all identified are not necessarily manageable or auditable, assurance should be provided as far as practically possible.
- 3.2 Internal Audit will develop an Annual Plan which will cover the key auditable risks facing the Council, providing assurance can be placed on the risk management process. In accordance with the Code of Practice, an annual report will be produced which shall provide an Annual Audit Opinion on the adequacy and effectiveness of BCC's system of internal control. Accountable Officers and Committee should use this report to underpin the Annual Governance Statement.

- 3.3 Internal Audit will seek to rely on alternative sources of assurance as appropriate and are developing links with partner inspection bodies to minimise duplication of work. In addition, Governance and Internal Audit will validate and verify the assertions made in the Council's Risk Register and annual assurance statements completed by managers. This should assist the process in increasing the awareness and effectiveness of a risk management culture. Internal Audit shall also provide risk management advice to the Regulatory and Audit Committee as required.

#### 4 The Audit Process

- 4.1 In order to underpin the Annual Audit Opinion, Internal Audit have established a risk based methodology which provides assurance that key controls are adequate and operating as intended to mitigate principal risk exposures.
- 4.2 The amount of audit resource allocated to particular areas is identified by a methodological assessment of audit need. In establishing a strategy for Internal Audit, the relationship between risk and frequency of audit remains absolute as far as resources permit. The level of risk will always determine the frequency by which auditable areas will be subject to audit. This ensures that key risk areas are looked at on a regular basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage. The frequency will be:

<b>Risk</b>	<b>Audit Frequency</b>
High	Annual review.
Medium	Periodic review but not annual.
Low	Infrequent review, if included at all.

- 4.3 Auditor's judgment will be applied in assessing the number of days required for each audit identified in the strategic cycle. The level of resource applied is a product of:
- The relative risk of the auditable area.
  - The complexity of the system in place.
  - Management concerns.
  - Factors such as number of locations, number of transactions or frequency of transactions.
  - The assurance which can be brought forward from previous year's audits.
  - The type of audit undertaken.
- 4.4 Each individual audit will provide an assurance statement outlining the extent to which key risks are mitigated. Where appropriate, recommendations will be made aimed at addressing any control weaknesses identified. Management responses will be incorporated within a summary action plan. Implementation of action plans will be followed up annually. Internal Audit will provide a quarterly summary of its work to the Regulatory and Audit Committee and EMT.

## **5 Assessing the effectiveness of Risk Management, Governance and the System of Internal Control**

- 5.1 The effectiveness of risk management, governance and financial management will be reviewed annually, to gather evidence to support the Annual Audit Opinion. This review will cover the elements of the risk analysis that we regard as essential for annual review in order to provide reasonable assurance to the organisation. The opinion on financial management is developed through a suite of smaller reviews.
- 5.2 The risk profile of BCC may vary from time to time and Internal Audit must be responsive to this. Consequently, the Annual Plan will be reviewed quarterly to ensure it remains congruent with the BCC risk profile.

## **6 Quality Assurance**

- 6.1 The quality of work is assured through the close supervision of staff, and the subsequent review of files of working papers by a Manager or Principal Auditor. Draft reports and key documents on file are reviewed by the AHoF prior to issue of the draft report. All staff work to an Audit Manual which is currently being updated to reflect new working practices and this stipulates the quality control mechanisms that will operate on each audit assignment.

## **7 Resources and Skills Required**

- 7.1 The in-house team work with a private sector partner and other Council staff to deliver services in accordance with the Service Charter. Internal Audit are also responsible for anti-fraud strategies throughout BCC and consequently will undertake some irregularity investigations as the need arises. Contingency budgets will be set within the Annual Plan.

## **8 Consultation and Implications**

- 8.1 During the development of this Strategy and Annual Plan, the team consults with the key managers and external audit as appropriate.

## **9 Responsible Officer**

Clive Palfreyman, Assistant Head of Finance (Corporate Financial Services)  
01296 382280 [cdpalfreyman@buckscc.gov.uk](mailto:cdpalfreyman@buckscc.gov.uk)

