REPORT TO:	DATE	CLASSIFICATION	REPORT NO.	AGENDA NO.
Audit Committee	**06 January 2009**			

REPORT OF:	
Corporate Director, Resources	**Revised Audit Plan for 2008-09**
ORIGINATING OFFICER(S):	
Service Head, Risk Management	**Ward(s) Affected: N/A**

1.   Summary

This report provides an update of audit activity planned for this financial year and reflects changes made to the original internal audit plan as a result of changing priorities of the authority and the resources available to perform audit work.

2.   Recommendations

2.1   The Audit Committee is asked to note the contents of this report and to endorse the changes to the 2008/09 internal audit plan.

3.   Background

3.1   The original internal audit plan was prepared at the start of the current financial year and was presented to the Audit Committee for endorsement in March 2008. The internal audit plan was formulated using the governance model whereby four key areas were assessed for all operations of the Council and prioritised. Details of the governance based Audit Assessment methodology and the Audit Strategy are attached at Appendix 3. The audit plan also made provision for review of key financial systems, proactive fraud work and reactive fraud work.

3.2   In line with the internal audit strategy, the plan has been refreshed and some changes made to the original annual audit plan. The reasons for this are as follows:

●   Requests from officers to perform audits that were not originally planned;

●   Changes made to existing systems and the need to allow a period of bedding in;

- Make use of days provided in the original plan that had not been allocated to specific audits;

- To avoid duplication of work with either the external auditor or other assurance provider; and

- Additional commitment to unplanned work.

4. Updated Internal Audit Plan for 2008/09

4.1 Appendix 1 summarises audits that have been added to or deferred from the original internal audit plan. Appendix 2 shows the updated internal audit plan following the changes and provides for provision of unallocated days which could be used for specific audits at the request of Directorates, thus retaining some flexibility in the plan. In summary, the updated internal audit plan still shows a total provision of 1,880 audit days to be delivered in the current financial year. The summary below shows how the plan has changed.

Number of days originally planned	1,880
Plus: Additional audits added to the plan (Please refer to Appendix 1)	125
Less: Allocation of days to specific audits (Please refer to Appendix 1)	125
Number of days per the amended plan	1,880

5. Comments of the Chief Financial Officer

5.1 These are contained within the body of this report.

6. Concurrent Report of the Assistant Chief Executive (Legal Services)

6.1 There are no immediate legal implications arising from this report.

7. One Tower Hamlets

7.1 There are no specific one Tower Hamlets considerations.

7.2 There are no specific Anti-Poverty issues arising from this report.

8. Risk Management Implications

8.1 The re-profiling of audits is to ensure audit resources are devoted to high risk areas that require assurance for management.

9. Sustainable Action for a Greener Environment (SAGE)

9.1 There are no specific SAGE implications.

A Summary of Changes to the Internal Audit Plan – 2008/09

Auditable Area	Directorate	No. of days
Audits Added / Amendments to the Original Plan		
Blue Badges	CLC	15
Transport Recharges	CLC	15
Income control	AHW	15
Bow Bengali Forum financial audit	D&R	15
Management of Commercial Property Portfolio	D&R	20
The Oval	D&R	5
Community empowerment network – inquiry and Devanant Centre	D&R	5
Follow ups	THH	20
Horticulture contract monitoring	THH	15
Sub Total		**125**
Housing repairs	THH	20
Single Assessment	AHW	15
Reconciliation of payroll accounts	Res	10
Household Recycling	CLC	20
Use of Unallocated days	THH	20
Use of Unallocated days	Childrens Services	20
Use of Unallocated days	AHW	10
Use of Unallocated days	D&R	10
Sub Total		**125**

London Borough of Tower Hamlets
Revised Internal Audit Plan – 2008/09

	Audit Days	Pages
Corporate Systems and Council–wide reviews	135	2
Assistant Chief Executive's	35	4
Childrens' Services	391	4
Communities, Localities & Culture	105	7
Tower hamlets Housing	135	8
Development & Renewal	75	9
Adult, Health and Wellbeing	65	12
Resources & core financial systems	305	13
Contract audit	50	15
Information Technology audits	144	15
VFM and Pro-active fraud	70	15
Follow up, management and reactive fraud provision	370	16
Total Provision	**1,880**	**-**

REVISED INTERNAL AUDIT PLAN – 2008/09

Auditable System	Broad Scope	Risk Assessment	Audit Days	Source of Audit	Link with Corporate Priorities
Corporate Systems					
Project Management	The authority has recently developed a standard methodology for effective programme and project management across the Council. The methodology was launched in January 2008. Our scope is to ensure the tools developed by the authority are applied by all parts of the Council. We will review a sample of strategic projects to monitor compliance with the standard methodology.	H	20	From Audit Needs Assessment in January 2008 and management requests	**Efficient and effective services.**
Management of Corporate Complaints	This audit will review the arrangements for managing and monitoring complaints administered by the Council's Corporate Complaints unit. The review will also assist in obtaining the necessary accreditation for the service.	M	15	From Audit Needs Assessment in January 2008 and management requests.	**Efficient and effective services.** **Improved equality of opportunity.**
Scheme of Delegation	This review will focus on the Council's arrangements for delegating appropriate levels of authority to various senior officers. It will seek to give assurances on the adequacy and effectiveness of the Scheme.	H	10	From Audit Needs Analysis in January 2008.	**Efficient and effective services**
Information management including best value and other Local Authority Performance Indicators	The purpose of this review is to work jointly with the external auditors to establish the robustness of the BVPIs and some local performance indicators.	H	50	Annual programme of work to ensure completeness, accuracy and validity of Council PIs.	**Efficient and effective services**

REVISED INTERNAL AUDIT PLAN – 2008/09

Auditable System	Broad Scope	Risk Assessment	Audit Days	Source of Audit	Link with Corporate Priorities
Corporate Systems					
Risk Management	The Council's risk management arrangements are an important part of its Assurance Framework. This audit will review and report upon the soundness of arrangements in place for identifying, assessing and managing key risks to the Council at Strategic, Directorate and also at Service level.	H	20	From Audit Needs Analysis in January 2008	**Efficient and effective services**
To be allocated subject to operational risk assessment			20		

REVISED INTERNAL AUDIT PLAN – 2008/09

Audit Name	Broad Scope	Risk Assessment	Audit Days	Source of Audit	Link with Corporate Priorities
Assistant Chief Executive's					
Communication Strategy	This audit will review systems in place for managing the Council's external and internal communications with its customers, stakeholders and others.	M	15	Audit Needs analysis in January 2008	**Efficient and effective services.**
To be allocated subject to operational risk assessment			20		
Children's Services					
Building Schools for the Future – Programme and project management	The scope of this audit would be to review the arrangements for programme and project management and monitoring of the BSF initiative.	H	15	Risk register CO19 and Audit Needs analysis in January 2008.	**Efficient and effective services and increased educational attainment**
Child Protection	This audit will review the authority's child protection arrangements for managing, controlling and monitoring Looked after Children and Children with Disabilities.	M	15	Risk register CO4 and Audit Needs analysis in January 2008.	**Improved outcome for vulnerable children.** **Efficient and effective services and increased educational attainment**
Contract Services – income Collection and monitoring	This audit will examine systems for collecting, banking and accounting for income received in respect of Meals on Wheals service.	H	15	Management request	**Efficient and effective services and improved equality of opportunity.**

REVISED INTERNAL AUDIT PLAN – 2008/09

Audit Name	Broad Scope	Risk Assessment	Audit Days	Source of Audit	Link with Corporate Priorities
Home to School Transport	This audit will review the Council's arrangements for providing home to school transport to special education needs pupils.	M	20	Audit Needs analysis in January 2008	**Improved outcome for vulnerable children.** **Efficient and effective services.** **Increased educational attainment.** **Improved equality of opportunity.**
Schools' Regularity Audit	School visits are undertaken using a risk based approach to review mainly the arrangements for school governance, budget planning and control, accounting and financial control, purchasing, personnel/payroll administration and control, IT Security and asset management.	H	190	From Audit Needs Assessment in January 2008.	**Efficient and effective services and increased educational attainment**
Financial Management Standards for Primary Schools	The DCFS's guidance requires bigger primary schools to demonstrate good financial management arrangements by 31/03/2008. The S151 officer will need to show that the standards set by the DCFS have been met, or an action plan is in place to meet the standards. We plan to visit the respective number of primary schools during the year and integrate the DCFS's financial management standards into our audit programme for schools.	H	96	DCFS regulation on financial management standards at schools in line with the DCFS toolkit.	**Efficient and effective services and increased educational attainment**
Children's Centres	In order to improve standards of early years provision to give every child the best possible start in life, a number of	M	20	Audit Needs analysis in January 2008 and	**Efficient and effective services.**

REVISED INTERNAL AUDIT PLAN – 2008/09

Audit Name	Broad Scope	Risk Assessment	Audit Days	Source of Audit	Link with Corporate Priorities
	children's centres have been developed which are fully operational. This regularity audit will review the governance arrangements and systems for controlling and monitoring income, expenditure and assets to ensure that the finance and support systems enable the centres to meet their key service objectives.			management request	**Increased educational attainment.** **Improved equality of opportunity.**

Communities. Localities and Culture

Audit Name	Broad Scope	Risk Assessment	Audit Days	Source of Audit	Link with Corporate Priorities
Blue Badges	Our scope for this audit will include Council's arrangements for issuing, assessing, controlling and monitoring Blue Badges.	H	15	Management Request	**Efficient and effective services**
Control and Monitoring of on-street Parking Income	This audit will review systems for collecting, controlling and monitoring parking income from on-street pay and display machines.	H	20	Audit Needs analysis in January 2008	**Efficient and effective services**
Brady Arts Centre	This regularity audit will examine systems and controls in place at the centre for controlling income and expenditure at the centre, and for ensuring that Council's assets and interests are safeguarded at all times.	M	10	Audit Needs analysis in January 2008	**Increased participation in cultural activities.** **Efficient and effective services**
Fuel Purchase and usage	This review will examine the arrangements for purchasing fuel and for monitoring the utilisation of fuel across the Council.	M	15	Audit Needs analysis in January 2008	**Efficient and effective services**
Crime Reduction – Project Management and grant usage	There are a number of LAA grant funded projects to achieve crime reduction and safety	M	20	Audit Needs analysis in	**A cleaner, greener, safer Tower Hamlet.**

INTERNAL AUDIT PLAN – 2008/09

Audit Name	Broad Scope	Risk Assessment	Audit Days	Source of Audit	Link with Corporate Priorities
	objectives of the Council. This audit will select a sample of projects and will seek to provide assurance that projects are managed well and that grant monies are utilised effectively.			January 2008	
Transport Recharges	This review will provide assurance on the Transport Services Unit arrangements for recharging transport costs to client Directorates	M	15	Management Request	**Efficient and effective services**
Tower Hamlets Homes					
Governance	This audit will examine the governance arrangements in place for running the ALMO. The scope of the audit will be determined jointly with management.	H	15	Audit Needs analysis in January 2008 and risk register H10	**Efficient and effective services**
Horticulture contract monitoring	This audit will examine systems for managing and controlling the horticulture contract	H	15	Audit Needs analysis in January 2008 and risk register CO2 and H10	**Decent homes in decent neighbourhoods.**
Major Works	The scope of this review will include systems for identifying, allocating, apportioning, billing and recovering leaseholder charges for major works undertaken.	H	15	Audit Needs analysis in January 2008 and risk H10	**Efficient and effective services.**

Audit Name	Broad Scope	Risk Assessment	Audit Days	Source of Audit	Link with Corporate Priorities
Management of Voids	This review will seek to provide assurance on the arrangements in place for managing void dwellings under the control of THH.	M	15	Audit Needs analysis in January 2008	**Decent homes in decent neighbourhoods** **Efficient and effective services.**
Service Charges	This review will examine systems for identifying, calculating, apportioning, billing and recovery of service charges to leaseholders. The council's compliance with legislative requirements will also be reviewed.	H	20	Audit Needs analysis in January 2008	**Decent homes in decent neighbourhoods** **Efficient and effective services.**
Contract Audits	A sample of building contracts will be selected to test the arrangements for administering and managing these contracts to provide assurance on cost and programme control.	H	30	Audit Needs analysis in January 2008 and risk register H10 and CO2	**Decent homes in decent neighbourhoods** **Efficient and effective services.**
Follow up audits	Follow up on the audits carried out in 2007/08 financial year	H	25	Follow up programme	
Development and Renewal					
Management and monitoring of grant funded organisations	The authority receives funding from a variety of external sources. Following consultation with management, we will select a sample of organisations and undertake visits to assess	H	20	Risk register CO17 Management of externally funded programmes	**Efficient and effective services.** **Securing and sustaining communities.** **Increased local**

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INTERNAL AUDIT PLAN – 2008/09

Audit Name	Broad Scope	Risk Assessment	Audit Days	Source of Audit	Link with Corporate Priorities
	whether the funds are used in line with grant conditions.				employment.
Client Monitoring of ALMO	This review will examine systems in place for monitoring the performance of the ALMO in meeting various deliverables agreed with the Council. The scope will also include payment and certification of management fee.	H	15	Audit Needs analysis in January 2008	**Efficient and effective services.** **Decent homes in decent neighbourhoods.**
Local Area Agreements	This audit will review the arrangements for compiling the grant claim for projects funded from LAA. Audit of this activity is mandatory.	H	20	Audit Needs analysis in January 2008	**Efficient and effective services.**
Management of Commercial Property portfolio	This audit will review systems and controls in place for managing the Council's commercial property portfolio	H	20	Audit Needs Analysis in July 2008	**Efficient and effective services.**
Community Empowerment network – Davenant Centre	This work was undertaken following our audit of Local Area Agreement	H	5	Audit Needs Analysis in July 2008	**Efficient and effective services.**
The Oval	This inquiry was undertaken following management request		5	Management request	**Efficient and effective services.**

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INTERNAL AUDIT PLAN – 2008/09

Audit Name	Broad Scope	Risk Assessment	Audit Days	Source of Audit	Link with Corporate Priorities
Bow Bengali Forum – Financial audit	This audit was carried out following a whistleblow	H	15	Management request	**Efficient and effective services** **Securing and sustaining communities**

INTERNAL AUDIT PLAN – 2008/09

Audit Name	Broad Scope	Risk Assessment	Audit Days	Source of Audit	Link with Corporate Priorities
Adults, Health and Wellbeing					
Commissioning of Home Care services	This audit will review the management, control and monitoring of commissioning of home care services for the elderly.	M	20	From Audit Needs Assessment in January 2008	**Improved outcomes for vulnerable children and adults.** **More effective and efficient Council services.**
Homelessness Assessment	The objective of this audit will be to review the arrangements for assessing cases of homelessness to ensure that legislative requirements and council procedures are complied with.	M	15	From Audit Needs Assessment in January 2008 and risk register AS10	**Improved outcomes for vulnerable children and adults.** **More effective and efficient Council services.**
Supporting People	This audit will review the Council's systems for managing the Supporting People programme.	H	15	From Audit Needs Assessment in January 2008	**Improved outcomes for vulnerable children and adults.** **More effective and efficient Council services.**
Income collection and monitoring	This audit will review the Directorate's systems for collecting and banking income.	M	15	Management request	**More effective and efficient Council services.**

INTERNAL AUDIT PLAN – 2008/09

Audit Name	Broad Scope	Risk Assessment	Audit Days	Source of Audit	Link with Corporate Priorities
Resources					
Housing and Council Tax Benefit		H	20		**Effective and efficient services**
General Ledger incl. Budgetary Control		H	25		**Effective and efficient services**
Cashiers / Cash income		H	15		**Effective and efficient services**
Council Tax		H	20		**Effective and efficient services**
Sundry Debtors including Recovery and Write offs	Reviews of key financial systems to provide assurance to management in preparing in the annual statement of accounts and to support the authority's "managed" audit approach.	H	20		**Effective and efficient services**
Creditors		H	25	Risk Register CO6 / Management request	**Effective and efficient services**
Capital Accounting		H	10		**Effective and efficient services**
Pensions		H	10		**Effective and efficient services**
N.N.D.R.		H	15		**Effective and efficient services**
Personnel/Payroll		H	25		**Effective and efficient services**
Housing Rents		H	15		**Effective and efficient services**
Investments /Loans/Prudential Borrowing		H	15		**Effective and efficient services**
Support the work of External Audit by Mapping Key Financial Systems	Following the requirement of the International Auditing Standards to map all material financial systems, we have agreed with External Audit to complete	H	35	To identify key controls that facilitates good financial governance.	**Effective and efficient services**

Audit Name	Broad Scope	Risk Assessment	Audit Days	Source of Audit	Link with Corporate Priorities
	this process over three years. This provision reflects our continued commitment to deliver this work.				
Grant Claim - Teachers Pensions Return	This is an annual audit which examined the deduction, processing and payment of teachers' pensions contribution to provide assurance to the Audit Commission certifying the Grant Claim.	H	15	Audit Commission requirement	**Efficient and effective services**
Follow ups on Systems audits	Financial This work will assess the progress made in implementing the agreed recommendations following the audit of financial systems for 2007/08.	-	15	-	**-**
Housing Allowance implementation	- The objective of this audit will be to review the implementation of Housing Allowance scheme. Both the implementation plan and programme will be reviewed.	M	15	From Audit Needs Assessment in January 2008 and risk register AS10	**Improved outcomes for vulnerable children and adults.** **More effective and efficient Council services.**
Implementation of IFRS	This audit will review the arrangements made by the Council to prepare for the implementation of International Financial Reporting Standards which becomes mandatory for 2010/11.		10	From Audit Needs Assessment in January 2008	**Effective and efficient Council services**

INTERNAL AUDIT PLAN – 2008/09

Audit Name	Broad Scope	Risk Assessment	Audit Days	Source of Audit	Link with Corporate Priorities
Contract Audit					
Contract Audit Reviews	These audits will examine sample capital and revenue contracts to ensure that required works/services are carried out and provided and that payments made were in line with the contract obligations.	H	50	From Audit Needs Assessment in January 2008	**Effective and efficient Council services**
Information Technology Audits					
To be determined from operational risk analysis / management consultation	A separate Computer Audit Plan will be devised following the review of the computer audit strategic plan. The plan will include application reviews encompassing the key financial systems.	-	144	Risk Registers CO5 and management request	**Effective and efficient Council services**
Value for Money Audits					
Procurement of Mobile Phones	This review will focus on the Council's arrangements for procuring and managing mobile phones, ensuring that the arrangements meet the criteria of economy, efficiency and effectiveness.	M	20	From Audit Needs Assessment in January 2008	**Effective and efficient Council services**
Proactive Fraud Work	A provision of fraud awareness and anti-fraud activities. A separate anti-fraud plan has been devised.	-	50	Part of the contract	**Effective and efficient Council services**

INTERNAL AUDIT PLAN – 2008/09

Audit Name	Broad Scope	Risk Assessment	Audit Days	Source of Audit	Link with Corporate Priorities
Follow Ups	Follow-up of reviews carried out in 07/08 to ensure implementation of audit recommendations.	-	110		**Effective and efficient Council services**

Governance-based Audit Assessment Methodology

Assessment Categories

The Risk Assessment model takes account four assessment categories to produce a risk index for each auditable area. The auditable area is scored in each category using assessment criteria to gauge the degree of risk or materiality associated with the particular area. The table below summarises the proposed four assessment categories and what each is intended to measure.

	Assessment Category	Measure
A	Corporate Importance – Objectives/Priorities	Corporate materiality
B	Corporate Sensitivity – Impact	Reputational materiality
C	Inherent Risk	Inherent vulnerability
D	Control Risk	Control effectiveness

The full definition for each category and the scoring criteria are described below.

Assessment Process

Assessment was based on professional judgement after careful consideration of the key risks to the authority with the Executive Directors and other key officers, a review of current and previous audit plans and strategic issues facing the authority. The following steps were followed in performing the risk assessment:

Step	Action
1	Select the System and Corporate Controls to be risk assessed, to ensure a clear and unambiguous understanding of the area under review. This is normally called the Auditable Area
2	Select the most appropriate assessment criterion and therefore the score in each assessment category
3	Record the scores.
4	Compute the risk index by reference to the following section

Calculation of the Audit Risk Index

Internal Audit risk is the product of risk and materiality. In valuing materiality it is appropriate to add the constituent assessments of Corporate Importance and Corporate Sensitivity to generate a Materiality Factor on a scale of 100.

Total Risk is the product of inherent and control risk. For the purposes of simplicity in this model Inherent Risk is assessed on a scale of 5-10 and Control Risk on a scale of 2-10. The minimum Risk Factor is produced by multiplying these components is therefore 10% (2 x 5).

The Audit Risk Index for each auditable area is, therefore, the Materiality Factor multiplied by the Risk Factor.

Results of the Audit Risk Assessment

The structured list of auditable areas with illustrative assessment scores is recorded and the summarised scores used to give the Risk Factor and Materiality Factor and the resultant Audit Risk Index.

The list of auditable areas is then ranked by reference to the Audit Risk Index and grouped as high, medium or low priority. The top third are considered to be high priority, the next medium priority, and the bottom third low priority.

Internal Audit Risk Assessment Matrices

A   CORPORATE IMPORTANCE   This aspect considers the effect on an organisation of any inability to achieve management defined service objectives should the system or process fail. This aspect also takes into account the financial exposure or materiality of the area. The consequential impact, either directly or indirectly, on other systems and processes is also relevant to the assessment. Overall it is a measure of the extent to which the organisation depends on the correct running of the system to achieve its strategic objectives.

Score	Risk to Department, Corporate and/or Service Objectives		Operational Risk Exposure		Financial Risk Exposure
10	Negligible impact on achievement of service objectives. This would still be achieved with minimum extra cost or inconvenience.	or	Minor inconvenience	or	Under 2% of total operating income or net assets.
20	Service objectives only partially achievable without compensating action being taken or reallocation of resources.	or	Difficult to recover	or	Between 2% and 10% of operating income or net assets.
30	Unable to achieve service objectives without substantial additional costs or time delays or adverse effect on achievement of national targets / performance indicators.	or	Permanent loss of data	or	Between 10% and 30% of operating income or net assets.
40	Unable to achieve service objectives resulting in significant visible impact on service provision such as closure of facilities.	or	Unable to restore system	or	Between 30% and 50% of operating income or net assets.
50	Unable to achieve service objectives, resulting in inability to fulfil corporate obligations.	or	Organisation unable to function	or	Over 50% of total operating income or net assets

Internal Audit Risk Assessment Matrices

B   Corporate Sensitivity   This aspect takes into account the sensitivity / confidentiality of the information processed, or service delivered by the system, or decisions influenced by the output. It also assesses any legal and regulatory compliance requirements. The measure should also reflect any management concerns and sensitivities.

Score	Risk to Public Image		Risk of Adverse Publicity		Risk to Accountability		Risk of non-legal Compliance
10	Negligible consequences					or	No regulatory requirements
20	Some public embarrassment but no damage to reputation or standing in the community	or	Information would be of interest to local press			or	Minimal regulatory requirements and limited sensitivity to non-compliance
30	Some public embarrassment leading to limited damage	or	Information would be of interest to local MPs			or	Modest legal and regulatory requirements
40	Loss of credibility and public confidence in the service concerned	or	Incident of interest to National Press	Or	Incident potentially leading to the dismissal or resignation of the responsible functional manager	or	Extensive legal and regulatory requirements with sanctions for non-compliance
50	Highly damaging with immediate impact on public confidence	or	Incident of interest to the Audit Commission, government agencies	Or	Incident potentially leading to the resignation or dismissal of a Chief Officer	or	Possible court enforcement order for non-compliance

Internal Audit Risk Assessment Matrices

C   Inherent Risk   This aspect considers the inherent risk of the system, service, process or related assets to error, loss, irregularity, inefficiency, illegality or failure. The particular service sector, nature of operations and the pace of change will also affect the level of inherent risk. Similarly the relative complexity of the system will influence the inherent risk or error. The inherent vulnerability of a system, service or process cannot be altered, only mitigated by the quality of controls considered in section D.

Score	Inherent Risk – Vulnerability		Risk of Error due to System Complexity		Risk resulting from Pace of Change		Risk to Asset Security
5	Low vulnerability	or	Simple system with low risk of error	or	No changes planned	or	Undesirable low value assets not at risk of fraud or loss
6	Medium or low inherent risk	or		or	Limited changes planned with reasonable timescale	or	
7	Medium vulnerability	or	Moderately complex system with medium risk of error	or	Moderate level of change over medium term	or	
8	Medium to high inherent risk	or		or	Significant level of change with restricted timescale	or	
10	Highly vulnerable	or	Complex system with high risk of error	or	Extensive changes planned with short timescale	or	Highly desirable assets exposed to high risk of fraud or loss

Internal Audit Risk Assessment Matrices

D   Control Risk   This aspect assesses the level of control risk based upon the results of past audits of the control environment under review. This aspect also takes into account of the operating history and condition of systems and processes and knowledge of management controls to minimise exposure to risk. CRSA and extensive Control Risk Workshops under the leadership of the Council's Risk Manager could support evaluation.

Score	History of Risk Management Success		Management Risk and Control Environment		Condition of Risk Management Controls
2	No history of control weakness	or	There is effective risk management in place and adequate controls operated by risk-aware management	or	Effective controls and robust attitude to the management of all material risks. Embedded risk management culture
4	No history of significant weakness	or	Good management risk and control environment	or	Stable system with history of reliability and controls. Risk management issued considered regularly.
6	No high risk issues outstanding from the previous audit/investigation/best value/external review	or	No knowledge of management risk and control environment	or	Risk management and system controls not validated.
8	Some significant problems were identified and are known to be outstanding from the previous audit/review	or	Some significant concerns have been expressed by management (through Controls Risk Workshops)	or	Technical health of system of risk management and controls in doubt.
10	Major weaknesses in risk management and controls were identified and are known to be outstanding	or	Major concerns have been expressed by management (through Controls Risk workshops)	or	Obsolete system with history of problems and ineffective control. Little or no work undertaken on risk management.

Internal Audit Strategy

Introduction

What is Internal Audit?

Internal Audit is a review function within an organisation. Essentially it exists to perform the following roles:

- review systems of risk management, internal control and governance to ensure that these are sound and effective.
- to provide an assurance opinion on the soundness of the organisation's risk management and internal control frameworks.
- to add value to the organisation's operational activities by recommending enhancements to systems and identifying potential efficiencies.

Perhaps the most succinct definition of Internal Audit is provided by the Institute of Internal Auditors – UK and Ireland (IIA-UK), as follows:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Authority's Internal Audit Charter defines the function of Internal Audit, with specific reference to its role within the Authority, in the following way:

Internal Audit is an independent review function established as a service to Members, the Audit Committee and all levels of management. The Internal Audit Service is responsible for the independent assessment of the adequacy and effectiveness of the procedures and controls within systems operating within all of the Council's activities. It also has a responsibility to provide assurance to management that the Authority's risk management and corporate governance arrangements are satisfactory.

Why do we need an Internal Audit Strategy?

An Internal Audit Strategy outlines the means by which Internal Audit seeks to achieve its stated aims and objectives. The strategy is the plan for the effectively delivery of the Internal Audit service.

This document sets out Internal Audit's strategic approach, which should facilitate:

- on an annual basis, the provision to the S151 officer of an overall opinion on the Authority's risk management, control and governance, to support the preparation of the Statement of Internal Control;
- audit of the Authority' risk management, control and governance processes through periodic audit plans in a way which affords suitable priority to the Authority's objectives and risks;

- improvement of the Authority's risk management, control and governance by providing line management with recommendations arising from audit work;
- the identification of audit resources required to deliver an audit service which meets the CIPFA Code of Practice 2006 for Internal Audit in Local Government;
- effective co-operation with external auditors and other review bodies functioning in the Authority; and
- provision of assurance and consultancy services by Internal Audit.

The Role and Purpose of Internal Audit

The role of Internal Audit is to understand the Authority's key risks, and to review and evaluate the adequacy and effectiveness of the systems of internal control, risk management and corporate governance that are in operation at the Council, to ensure that they are sufficient for the purposes of mitigating risk.

It is a statutory requirement for Local Authorities to have an internal audit function, under S151 of the Local Government Act 1972. The Act also stipulates that Internal Audit should have unrestricted access to all information and records retained by the Authority. This enables Internal Audit to comprehensively review, appraise and report on the authority's functions as outlined in the Audit Charter.

Strategic Aims

Internal Audit exists to support the Council in the achievement of its corporate objectives. In particular:

- Internal Audit will support the Authority's aim to provide quality public services, by evaluating and reporting on the standard of systems of internal control in Council service areas;
- Internal Audit will support the Authority in working to the values set out in its corporate plan by providing the Head of Risk Management, the Director of Resources and the Audit Committee with reports on the extent of compliance with the Authority's Code of Corporate Governance;
- Internal Audit will contribute to the delivery of the Authority's community aims through professional audit reviews and effective recommendations for improving systems that support the Council's organisational aims;
- Internal Audit will assist the Director of Resources in the discharge of his statutory responsibilities for ensuring the proper administration of the Authority's financial affairs and will contribute to the Authority's aim of maximising and making best use of its financial resources through:
  - Risk based reviews of financial systems;
  - Advice on the adequacy and effectiveness of controls in new and developing systems;
  - Promotion of best practice across the Authority;
  - Advice on the prevention and detection of fraud affecting the Authority and investigation of waste or abuse within the Council systems.

Internal Audit & Risk Management

Risks are potential events or occurrences that may have an adverse effect on the organisation's ability to achieve its objectives. Risk Management is the process of identifying, evaluating and responding to risks in order to mitigate them. Risk Management is not the responsibility of Internal Audit. However, Internal Audit will use the authority's risk management framework to focus its work by concentrating on those areas that are most critical to the authority. Consequently, Internal Audit will review the authority's risk registers on a six monthly basis and where necessary amend the internal audit plan to ensure audit resources are continually focused on areas identified by management where the objectives may not be achieved.

Dimension 4 from the CIPFA/SOLACE report on good governance highlights Risk Management as being an integral part of good governance. Internal Audit will therefore also examine the authority's risk management arrangements annually and in so doing, also fulfil the requirements of the CIPFA Code of Practice 2006 for Internal Audit in Local Government to report formally on the authority's arrangement for Risk Management.

Identifying Audit Coverage

In order to identify the auditable systems and establish the areas of risk or specific importance within the authority, Internal Audit will adopt an approach involving discussion and review of the current position. Information will be gathered by meeting key officers within the authority including Corporate Directors and Finance Managers, the Chief Executive and other key officers within the authority. Internal Audit will also discuss the requirements of the External Auditors and the requirements of the "managed audit" approach to ensure those areas upon which our external auditors would seek to place reliance on the internal audit work are included within the internal audit programme. Details of the "Governance" Based Strategic Planning are attached to this paper for information.

In compiling its work programme, Internal Audit will make use of information available within the authority to identify auditable systems, such as

- the authority's risk registers, to ensure risks are being managed properly;
- background information obtained from previous audits and our discussions to date with the authority;
- experience of issues raised at other public sector organisations after carefully considering key risks to the authority; and
- current and previous audit plans and strategic issues facing the authority.

For each auditable system, Internal Audit will classify the systems into one of three risk bands according to the system's significance to the authority: High (H), Medium (M) or Low (L). It is recognised and appreciated that Internal Audit cannot review all auditable systems within the authority each year as both financial and human resources are limited. Internal Audit will therefore seek to use the resources available to review those auditable systems that are most significant to the authority. Hence, all systems highlighted as being highly significant will always be included within the annual audit plan. A proportion of medium significance audits will also be included in the plan. In deciding which medium-significance auditable system to review, we will use our assessment of the system and discuss with management those areas that will add value. It is highly unlikely the resources will permit the inclusion of auditable units that are of low significance to the authority and therefore these auditable units will feature on the Internal Audit plan unless specifically requested by management.

Delivering the Strategy

The strategic internal audit plan will be compiled annually for each financial year and only comprise those systems due for review in that year. The strategic plan will therefore relate to one financial year and be subject to a formal six monthly review.

Internal audit will primary perform risk based audits, all exceptions to this will require prior agreement from the Head of Risk Management. The risk based approach entails examining the objective of the auditable system, the risks relating to the delivery of those objectives and an assessment of the adequacy and effectiveness of the control framework to achieve the desired objectives.

Audit Reporting

The reporting arrangements for Internal Audit are detailed in the Internal Audit Charter under "Reporting".

Quality

All internal audit work will be subject to rigorous review and quality assurance procedures. This will entail:-

- planning the scope of the audit to ensure focus on areas of risks and concerns;
- supervision of audit work by the Audit Managers;
- a formal review and sign off of the audit report and audit file by the Audit Managers;
- further formal reviews of all reports and sign off for issue to auditee by the Partnership Manager;
- obtaining feedback and comments from the auditees and Directors;
- seeking feedback from the external auditors; and
- bench marking Internal Audit quality control procedures with other similar organisations.