

Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by this Committee

To Council

To Cabinet

To an O & S Committee

To an Area Committee

Further Consultation

Agenda No

Audit and Standards Committee – 28 May 2009

Internal Audit Strategy 2009/2010

Report of the Strategic Director of Customers, Workforce and Governance

Recommendation

That the proposed internal audit strategy is approved.

The overall objective of internal audit is to provide an opinion on the overall adequacy and effectiveness of the council's 'internal control environment'. To do this, audit work during the year needs to be planned to cover the significant risks facing the Council. The attached strategy outlines the audit work to be undertaken during 2009/10 for approval by the Committee.

DAVID CARTER
Strategic Director of
Customers, Workforce and
Governance

Shire Hall
Warwick

1 April 2009

Internal Audit Strategy 2009/2010

“Providing assurance on internal controls”

1 Introduction

- 1.1 Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. On behalf of the Authority, internal audit review, appraise and report on the efficiency, effectiveness and economy of these arrangements. This report outlines the internal audit work plan for 2009/10 which will culminate in an opinion on the adequacy of the Authority's control environment.

2 Regulatory background

- 2.1 The requirement for an internal audit function is contained in The Accounts and Audit Regulations 2003 (as amended) which require the Authority to:
“maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

In Warwickshire the County Council has delegated its responsibilities to the Strategic Director of Customers, Workforce and Governance. Guidance on the regulations indicates that proper internal control practices are those contained in various Cipfa publications but particularly the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Regulations therefore effectively make compliance with the Cipfa Code mandatory.

- 2.2 The internal audit service also assists the Strategic Director of Resources in discharging his delegated responsibilities under Section 151 of the Local Government Act 1972 which requires that authorities:

“make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

In addition, internal audit makes a key contribution to the Authority's CAA assessment particularly the risk and internal control element (Key Lines of Enquiry 2.4) of the Use of Resources block.

- 2.3 The regulations, and related guidance, also lay down far-reaching requirements regarding systems of internal control. They require the Authority to:
- Have “a sound system of internal control ... which includes arrangements for the management of risk”;

- “Conduct a review at least once a year of the effectiveness of its system of internal control”; and
- Prepare and publish an Annual Governance Statement.

The regulations and Code require a much wider role for internal audit compared to the historical focus on financial systems. The scope of internal audit therefore encompasses virtually every management control system, covering every risk in corporate and departmental risk registers. These requirements bring local government practices into line with the private sector and others parts of the public sector.

- 2.4 It is best practice to regularly review the overall terms of reference for the internal audit service. This document, which was approved by the Audit and Standards Committee in June 2008, has been reviewed and we have concluded that, apart from minor typographical changes, it remains relevant and no changes are required at this time. For reference the updated document is attached as Appendix A. It also applies to work undertaken for the Pension Fund.

3 Definition of internal audit

- 3.1 The Code defines internal audit as:

“an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.”

Whilst audit’s main role is to provide an opinion on the control environment, the Code states that internal audit may also undertake non-assurance work at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources. This can include advice, training, facilitation and fraud / irregularity related work.

- 3.2 The Code defines the control environment as comprising the systems of governance, risk management and internal control. The key elements of the control environment include:

- “establishing and monitoring the achievement of the organisation’s objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties

- ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness
- the financial management of the organisation and the reporting of financial management
- the performance management of the organisation and the reporting of performance management.”

4 Our vision, purpose and values

4.1 Our overall purpose is:

“To provide assurance on internal controls by providing an effective and professional internal audit service.”

A secondary objective is to improve the overall level of internal control and management of risk within the County Council. Hence we assist management to achieve the council’s objectives.

4.2 As a modern effective internal audit service our aspirations are to:

- Act as a catalyst for improvement at the heart of the organisation
- Influence and promote the ethics, behaviour and standards of the organisation
- Provide an independent and objective opinion on the adequacy of each customers’ arrangements to manage risk
- Develop a risk aware culture that enables customers to make informed decisions
- Understand and respond to our customers’ needs, working with them to develop effective ways of managing risk
- Be forward thinking – knowing where the organisation wishes to be and the internal and external factors that may affect the achievement of its objectives
- Continually improve the quality of our services
- Develop, promote and share best practice

4.3 A key driver of this strategy is the need to meet our customers needs. Our customers will continue to be affected by a variety of local and national issues:

- Increased growth in partnerships, for example with health and the private sector, and particularly the local area agreement;
- Ever increasing use of technology to deliver services;
- Flexible working arrangements to make more effective use of accommodation;
- The introduction of new ways for customers and the public to access services (one stop shops etc); and

- Pressure to reduce the cost of administrative / support functions while improving quality / effectiveness.

These, and other developments, will mean increased pressure on the audit service to review existing systems and provide advice on new and complex initiatives within reducing resources.

4.4 To deliver on our vision we will:

- Continue to develop our staff to ensure we are fully equipped to respond to our customer's demands,
- Continue to invest in modern technology to improve efficiency and effectiveness.
- Add value and make best use of our resources by focussing on key risks facing our customers.
- Increasingly work in partnership with clients to improve controls and performance generally. We must add value and help deliver innovations in service delivery.
- Continue to work with colleagues in districts to achieve economies of scale and improve effectiveness.
- Continue to buy in specialist help – particularly in IT and contract audit. A contract for IT audit, which was let competitively in conjunction with the Warwickshire districts, commenced on 1 April 2006. Specialist contract audit services are also bought in, from the acknowledged leader in the field. Whilst an internal audit service can best be provided by an in-house unit the use of external specialists to supplement in-house results in a more effective service.

4.5 If we can embrace the challenges set out above we will be a vital component of Warwickshire's success.

5 Audit approach

5.1 In accordance with the Code, most individual assignments are undertaken using the risk based systems audit approach. This approach:

- a) "identifies and records the objectives, risks and controls
- b) establishes the extent to which the objectives of the system are consistent with higher level corporate objectives
- c) evaluates the controls in principle to decide whether or not they are appropriate and can be reasonably relied upon to achieve their purpose;
- d) identifies any instances of over- and under-control;
- e) determine an appropriate strategy to test the effectiveness of controls, i.e. through compliance and/or substantive testing;
- f) arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment."

This approach requires a broader review focusing on key corporate objectives and risks rather than an audit of solely financial issues. For example a review of school trips might review health and safety issues whilst historically the audit would have focussed on collection and banking of cash. Our role is to provide an opinion on whether risks and opportunities relating to the corporate objectives are being managed effectively. This opinion feeds into the authority's annual governance statement. To reduce duplication of effort we will work in partnership and place assurance on work done by other review bodies.

- 5.2 The use of a computerised audit management and working papers system is an essential element of our streamlined working practices which are based upon best professional practice as contained in the Cipfa Model Audit Manual.

6 Risk Assessment Methodology

- 6.1 The methodology adopted in preparing the audit plan is essentially to calculate the total number of days available, deduct commitments and an allowance for non-assurance work leaving the bulk of time for risk based audits and advice.
- 6.2 A risk assessment is prepared which is used to determine which topics should be reviewed during the coming year. This assessment is primarily based on discussions with senior officers that highlight key local and national issues. These discussions are supplemented by reviewing entries in the corporate and departmental risk registers. In addition, the head of audit regularly attends various professional networking meetings which highlight wider the issues affecting local government internal audit which need to be reflected in the programme of work.
- 6.3 Topics are prioritised based upon a number of factors, including:
- Materiality
 - Business Risk
 - Time elapsed since previous audit
 - Cumulative audit knowledge
 - Experience of past irregularities
- 6.4 To maximise the benefits of limited audit resources and avoid duplication the service liaises closely with the Authority's external auditors. Our objective is for external auditors to fully rely on our work and to agree a split of work on financial systems that is acceptable to both parties.
- 6.5 The process adopted is consistent with that advocated in the Cipfa Model Audit Manual and ensures that the audit plan addresses the key risks facing the Authority.
- 6.6 A key role of internal audit is to review and support the risk management process. Considerable progress has been made in embedding risk management. As risk management becomes more embedded the audit plan

will increasingly be based upon the authority's own assessment of risk as contained in the corporate and departmental risk registers. The audit management system has been upgraded to make it compatible with the Authority's risk management system.

7 Audit Plan 2009/2010

7.1 The plan is split into a number of elements each of which is described in the following paragraphs:

(a) Assurance Work

The bulk of audit work is devoted to reviewing and providing an opinion on the Authority's control environment and covers the significant business risks facing the Authority.

Included within this block are audits of the material financial systems and work at schools. The work proposed on the material financial systems (HR Transactional Unit, etc) has been discussed with the Authority's external auditors and to avoid duplication they will seek to place reliance on the internal work. The plan continues the approach to school audits used in previous years of undertaking risk based themed audits instead of the more traditional cyclical school visits whereby each school was audited over a period of 3 – 5 years. The resources required for the traditional approach were significant and bearing in mind that similar issues arise at most schools, the themed audit approach is a more effective use of audit resources.

Priority audits from 2008/9 that could not be started in that year are rolled over into 2009/10. There will also be some 2008/9 audits partly completed as at 31 March 2009. The plan allows for this eventuality.

There are a small number of topics that the Authority has decided should be done to a defined frequency. These are usually key corporate processes. Contract Standing Orders require an annual review of compliance and a biennial corporate governance audit is also due in 2009/2010. Also included in this category is the work arising from the Authority's mandatory participation in the National Fraud Initiative run by the Audit Commission – work on checking the output from the 2008/9 exercise will continue in 2009/2010.

(b) Non-assurance work

The Code explains that whilst internal audit "primarily" provides an independent and objective opinion on the control environment, it may also undertake non-assurance work at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources. Given the limited resources available

we have to strike a balance between the requests for non-assurance work and the primary need to do sufficient assurance work to enable a sound opinion to be provided at year end on the control environment.

(i) Fraud

Warwickshire is fortunate in not having a large number of irregularities. Specific provision has been included in the plan for investigating irregularities based on past experience of the number and complexity of cases. Additional training in fraud investigation techniques will be provided during the year to improve the effectiveness and efficiency of investigations.

(ii) Certification

At Warwickshire, audit have historically audited the financial statements of a variety of miscellaneous county council funds including:

- Lord Lieutenant
- Members Club
- Staff Club

This work will continue. However, increasingly we are being required by grant conditions to certify the accuracy of a variety of grant claims and / or undertake an audit and / or provide an opinion on governance arrangements. Certification work that we are required to undertake during 2009/10 includes:

- Local Area Agreement
- Supporting people

This work conflicts with the requirement to produce a risk based plan and the Code – an issue that is being addressed nationally by the Cipfa Audit Panel

In some cases grant conditions simply require that the head of audit considers the need for an audit in the general risk assessment. This has been done and, where appropriate, an audit has been included in the work plan.

(iii) Advice on managing risk and design of controls

It is more constructive for auditors to advise on risk management and design of controls at the outset of a project (and during its currency) rather than to make critical comments after the event when often it is too late to make a difference - timely advice adds more value than untimely criticism.

The County Council is continuing to undergo significant changes and discussions with senior officers have identified a continuing

high demand for this type of work. The service has been restructured to facilitate a more pro-active approach and strengthen the links with the risk management function. In overall terms this allows us to make the best use of our limited resources and deliver a more effective service.

Key projects and developments on which it is anticipated advice will be required during the year include:

- Procurement and implementation of replacement financial systems
- Developments in Adult Social Care including Putting People First, Care and Choice and individualised budgets
- Building schools for the future
- Reconfiguration of home care services
- Waste management projects
- Support to HR initiatives particularly Phase 2 of the Pay and Conditions Review and the review / strengthening of processes in the HR Service Centre.
- Learning and Skills Council transfer
- Improvements to general partnership governance

Although responsibility for operating sound controls and for the detection of fraud is the responsibility of management we have a key supporting role. In particular, we will continue to publicise the Council's anti-fraud policy.

(iv) Value for Money

Although internal auditors consider value for money issues where relevant during risk based audits, specific value for money audits have not been undertaken for many years. Undertaking such work would adversely impact the core assurance and advice work, consequently specific VFM reviews have not been included in the plan. However, auditors will continue to highlight any VFM issues that arise during general audits. In line with the Council's objectives auditors will pay particular attention to identifying opportunities to reduce over-control, and streamline processes.

The work programme is summarised in Appendix B.

- 7.2 Finally, the plan is intended to be flexible. There will inevitably be circumstances where the head of audit will have to amend the programme, e.g. when a major irregularity investigation is required, risks change or a specific project becomes a matter of priority. The plan includes a reasonable amount of contingency time to cope with the usual level of demand but there may be cases where individual lower priority audits have to be rescheduled because of competing priorities. Throughout the year the plan will be updated to ensure it remains relevant. In year changes to the plan to reflect such changes are accepted as best practice.

- 7.3 This audit plan, therefore, is not set in stone. It will need revising as circumstances change. The Audit and Standards Committee will be kept informed of any significant changes to and progress against the plan through regular progress reports.

G Rollason
Audit and Risk Manager

31 March 2009

**TERMS OF REFERENCE
For the
INTERNAL AUDIT SERVICE
Of
WARWICKSHIRE COUNTY COUNCIL
June 2009**

1 INTRODUCTION

- 1.1 The requirement for an internal audit function is contained in The Accounts and Audit Regulations 2003 (as amended) which require the Authority to:
“maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

Proper internal audit practices are those contained in various Cipfa publications but primarily the Cipfa Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

- 1.2 The internal audit service also assists the Strategic Director of Resources in discharging his delegated responsibilities under Section 151 of the Local Government Act 1972 which requires that authorities:

“make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

- 1.3 These Regulations and Code require a much wider role for internal audit compared with the historical focus on financial systems. Recognising this wider role the Authority has formally delegated its responsibility for internal audit to the Strategic Director of Customers, Workforce and Governance, who is the designated monitoring officer.
- 1.4 The purpose of this document is to set out the nature, role, responsibilities and authority of the internal audit service within Warwickshire County Council.

2 ROLE

- 2.1 Internal audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

3 OBJECTIVES

- 3.1 Internal audit's objective is to give assurance to the County Council, through the Audit and Standards Committee, on the adequacy and reliability of the Authority's control environment.
- 3.2 This assurance will be provided by an annual report that will give an opinion of the control environment. This opinion will feed into the Authority's Annual Governance Statement.

4 RESPONSIBILITIES OF INTERNAL AUDIT

- 4.1 Internal audit is responsible for providing assurance across all the Authority's activities, including:
- schools
 - services provided on behalf of other organisations by the Authority, and
 - services provided by other organisations on behalf of the Authority.
- 4.2 Internal audit provides assurance on the organisation's entire control environment. The key elements of the control environment include:
- "establishing and monitoring the achievement of the organisation's objectives
 - the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
 - ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness
 - the financial management of the organisation and the reporting of financial management
 - the performance management of the organisation and the reporting of performance management."

Audits are undertaken using the risk based approach as outlined in the Cipfa Code.

Internal audit is responsible for reviewing the Authority's response to fraudulent activity in order to ensure that appropriate action has been taken. Once an investigation is concluded, internal audit will undertake a review to determine whether controls should be strengthened.

- 4.3 Whilst internal audit primarily provides an independent and objective opinion on the control environment, the Code states that internal audit may also undertake non-assurance work (consultancy) at the request of the

organisation, subject to there being no impact on the core assurance work and the availability of skills and resources. This can include advice, training, facilitation and fraud / irregularity related work.

4.3.1 Policy and Systems Development

Internal audit is most efficient when its advice is utilised to ensure that risks are identified and appropriate controls are incorporated at an early stage in the planning of policy or systems development. As such, managers are required to consult internal audit at the start of such processes. Internal audit must be informed and consulted about plans for major or complex changes to systems. Internal audit will advise / comment on proposed changes and the controls to be incorporated in new and revised systems but the final decision on whether to accept the audit advice rests with the relevant manager.

The provision of such advice does not prejudice internal audit's right to evaluate the established systems and controls at a later date.

4.3.2 Fraud

All managers are responsible for the prevention and detection of fraud, corruption and other irregularities. However, internal audit assists with these responsibilities. Internal auditors when conducting audit assignments are alert to opportunities, such as control weaknesses that could allow fraud. If internal audit discovers evidence of a fraud or other irregularity the relevant line manager will be informed.

Subject to the availability of resources, internal audit will also investigate suspected fraud and other irregularities. It is the responsibility of the relevant line manager to determine what action to take as a result of the investigation.

Managers should immediately inform the Audit and Risk Manager if a fraud or other irregularity is suspected who will then inform the strategic directors of Customers, Workforce and Governance and Resources. Managers should also ensure that:

- any supporting documentation or other evidence is secured; and
- confidentiality is maintained so as not to prejudice any subsequent investigation.

The Audit and Risk Manager is responsible for reporting frauds and subsequent liaison with the Police and other investigative agencies.

4.3.3 Best value and value for money

Internal audit will assist managers by examining and evaluating the extent that value for money is achieved as part of routine internal audit reviews.

At the request of the Chief Executive, a Strategic Director or other senior manager, and subject to the availability of resources, internal audit will also:

- undertake or participate in specific value for money / service reviews;
- facilitate the introduction of best practices across the Authority.

The scope of a value for money / service review will not normally overlap with the scope of an audit. However, internal audit will take account of the timing and scope of such reviews when planning its work.

Where a review team is actively looking at options that have a material impact on risks and controls the Audit and Risk Manager must be informed at an early stage.

Where requested, and subject to the agreement of the relevant manager, internal audit will assist reviewers by supplying information and knowledge gained during audits where this is relevant to the scope of the review.

4.3.4 Other investigations

The Audit and Risk Manager may, at the request of senior managers or the County Council or any of its committees, carry out investigations into issues where the Authority's strategic, corporate or financial interests are at stake.

5 INDEPENDENCE

- 5.1 The internal audit of Warwickshire County Council is provided by the Internal Audit and Risk Management Service of the Customers, Workforce and Governance Directorate. The service is managed by the Audit and Risk Manager who is professionally qualified. Although the Audit and Risk Manager's direct reporting line on audit matters is to the Head of Law and Governance he also reports to the County Council through its Audit and Standards Committee which has responsibility for overseeing audit arrangements. The Audit and Risk Manager also has a professional responsibility to the Strategic Director of Resources in his capacity as chief financial officer.
- 5.2 The service has responsibility for co-ordinating work on risk management and business continuity but individual service heads are responsible for managing risk and preparing business continuity plans for their areas of responsibility. A clear separation of work is maintained within the service to ensure that no conflict of interest arises and to maintain objectivity. Apart from these areas of work internal audit does not have any executive responsibilities and is independent of the activities that it audits. This enables it to provide impartial and unbiased professional opinions and recommendations. Internal audit is free to plan, undertake and report on its work, as the Audit and Risk Manager deems appropriate, in consultation with relevant managers and the Audit and Standards Committee.

- 5.3 Line managers are fully responsible for the quality of internal control within their area of responsibility. They should ensure that appropriate and adequate control and risk management arrangements exist without depending on internal audit activity.
- 5.4 Internal audit provides advice and assistance to managers and provides assurance that their control responsibilities are being properly fulfilled. Line managers are accountable for accepting internal audit advice and implementing their recommendations.

6 AUDIT AND STANDARDS COMMITTEE

- 6.1 The Audit and Standards Committee's responsibilities are detailed in the Constitution but in summary include the overview of internal audit and risk management matters and arrangements for the maintenance of probity.
- 6.2 The role of the Committee complies with relevant Cipfa guidance on audit committees and includes:
- formally approving (but not directing) the overall internal audit strategy to ensure that it meets the council's overall strategic direction;
 - approving the annual programme of audits (paying particular attention to whether there is sufficient and appropriate coverage);
 - monitoring progress against the plan and assesses whether adequate skills and resources are available to provide an effective audit function;
 - considering summaries of work done, key findings, issues of concern and action in hand as a result of audit work; and
 - receiving and reviewing the annual report from the Audit and Risk Manager in order to reach an overall opinion on the internal control environment and the quality of internal audit coverage.
- 6.3 The Audit and Risk Manager provides independent assurance to the committee, and by doing so, helps support the chief financial officer's Section 151 responsibilities.
- 6.4 As required by the Cipfa guidance the Audit and Risk Manager has the right to meet privately with the Committee.

7 OVERVIEW AND SCRUTINY

- 7.1 The responsibilities of overview and scrutiny committees are detailed in the Constitution but include, in summary, the review and scrutiny of decisions made or actions taken in connection with the discharge of the Council's functions.
- 7.2 Internal audit will assist in this role by undertaking or participating in any specific reviews as requested by an overview and scrutiny committee or the Scrutiny Services Manager.

8 RIGHT OF ACCESS

- 8.1 To undertake their work internal auditors have unrestricted access to all the Authority's personnel, premises, documents, records, information and assets including those of partner organisations. Internal auditors have authority to access all computer data as part of their work, including that registered under the Data Protection Act.
- 8.2 Internal auditors are authorised to obtain the information and explanations they consider necessary from any employees, partners or agents of the Authority to fulfil their objectives and responsibilities. Managers must ensure that internal audit access is considered when preparing partnership agreements or contracts for the purchase or supply of goods and services.
- 8.3 Internal auditors have rights of access to any data required for their work that is owned by the Authority, but is processed or held elsewhere by third parties.
- 8.4 The Audit and Risk Manager has the right of direct access to the strategic directors of Customers, Workforce & Governance and Resources, Chief Executive and the Chair of the Audit and Standards Committee.
- 8.5 Any unresolved dispute over access to information will be referred to the Monitoring Officer.

9 INTERNAL AUDIT STANDARDS

- 9.1 Internal audit operates in accordance with the best practice standards and guidance in the "Code of Practice for Internal Audit in Local Government in the United Kingdom" issued by Cipfa.
- 9.2 Individual auditors are required to comply with the Cipfa Code, all relevant ethical and technical standards issued by their professional bodies and with all relevant codes of conduct issued by the Authority.
- 9.3 The Audit and Risk Manager, in conjunction with the Strategic Director of Customers, Workforce and Governance, is responsible for ensuring that the internal audit service is appropriately staffed in terms of numbers, grades and experience. Internal auditors will be properly trained to fulfil their responsibilities.
- 9.4 Internal auditors are expected to:
- exercise due professional care based upon appropriate experience, training, ability, integrity and objectivity;
 - maintain and keep up to date their professional knowledge and skills and to participate in any continuing professional development scheme (CPD) operated by their professional body;
 - participate in the Authority's staff appraisal scheme;
 - comply with the Authority's rules about declaring interests; and

- obtain and record sufficient audit evidence to support their findings and recommendations.

9.5 Internal audit will safeguard the information obtained in carrying out its duties. Information obtained will not be use for personal gain or disclosed unless there is a legal or professional requirement to do so (for example under the Freedom of Information Act).

10 INTERNAL AUDIT PLANNING

10.1 Internal audit work is planned at all levels of operation in order to establish priorities, achieve objectives and ensure the efficient and effective use of audit resources.

10.2 The Audit and Risk Manager produces annual plans. These plans are developed in consultation with senior managers and take account of the Authority's risk management process. The Audit and Standards Committee approves each year's plan. These plans include an element of contingency to allow internal audit to be responsive to changing conditions and requests for assistance from managers. It is the responsibility of the Strategic Director of Customers, Workforce and Governance to ensure that the budget and resources allocated to internal audit are sufficient to ensure that these plans can be delivered. This is assessed as part of the business planning process.

10.3 The Audit and Risk Manager is authorised to amend the plan during the year as necessary in conjunction with the strategic directors of Customers, Workforce and Governance and Resources to reflect changes to systems or processes or in the risks facing the Authority. All managers are expected to notify internal audit of such changes immediately they become aware of them.

10.4 Terms of reference are prepared for each routine internal audit assignment and usually discussed with relevant line managers before the work is started.

10.5 Internal audit will usually give reasonable notice to the relevant manager of the start of an audit and will minimise any disruption to the smooth running of the unit under review. However, internal audit reserves the right for unannounced visits where the Audit and Risk Manager considers it necessary.

11 INTERNAL AUDIT REPORTING

11.1 Internal audit reports all findings to appropriate managers. Significant issues are reported in writing. The reports include an opinion on the area reviewed, make recommendations for improvement and specify the officer responsible for implementation. Opinions on individual assignments feed into the overall opinion given in the annual report. Recommendations are prioritised.

- 11.2 The Audit and Risk Manager is responsible for monitoring and reporting on the extent of implementation of agreed internal audit recommendations. The Audit and Risk Manager reports to the strategic directors of Customers, Workforce & Governance and the Audit and Standards Committee, as appropriate, where significant internal audit recommendations do not receive adequate attention.
- 11.3 The Audit and Risk Manager submits regular reports to the Audit and Standards Committee outlining the results of audits. An annual report will be provided giving an opinion on the Authority's control environment and which feeds into the Authority's Annual Governance Statement.

12 CO-OPERATION

- 12.1 The Audit and Risk Manager co-ordinates internal audit plans and activities with external auditors to ensure the most efficient use of the total resources devoted to audit and review.
- 12.2 The Audit and Risk Manager is authorised to share information with external auditors.
- 12.3 Internal audit will work in partnership with other services on such matters as corporate governance, data protection, contracting and risk management. Internal audit will work closely with the Strategic Director of Resources in his capacity as chief financial officer.
- 12.4 Line managers are expected to be open, frank and honest about any risks, concerns or problems that may exist.
- 12.5 Where services are provided by or to other organisations the Audit and Risk Manager is authorised to agree the responsibility for internal audit of those services with the internal auditors of those organisations.

13 QUALITY OF SERVICE

- 13.1 The Audit and Risk Manager manages a quality assurance programme to ensure that internal audit work complies with professional standards and achieves its objectives.
- 13.2 Internal audit takes the following action to provide a quality service:
- adopts a flexible risk driven approach;
 - works in partnership with managers and staff to develop and maintain adequate and reliable systems of internal control;
 - continually seeks to improve the efficiency of its services in consultation with managers from across the Authority;
 - regularly reviews its procedures to ensure that they remain appropriate; and

- develops a set of performance indicators and targets to help the Strategic Director of Customers, Workforce and Governance monitor its success;

13.3 The internal audit quality assurance programme will include:

- suitable guidance, support and review of all internal audit work;
- seeking feedback from line managers on the quality of internal audit work; and
- periodic internal quality audits to monitor services provided by all internal auditors.

13.4 The quality and scope of internal audit work is also regularly reviewed by the Authority's external auditors.

13.5 The Audit and Risk Manager will investigate and respond promptly to all complaints about internal auditors or the service provided.

2009/2010 Risk and Assurance Plan

Client	Topic	Certification	Risk / advice	Assurance
AHCS	Supporting People	✓		✓
	Direct payments			✓
	Care First			✓
	Direct payments			✓
	Putting people first incl personalisation and CAF demo		✓	✓
	Safeguarding			✓
	Information governance			✓
	External home care			✓
	One stop shops / CSC			✓
	Mental health transfer		✓	
	Care and choice		✓	
	Library transformation programme		✓	
	Reconfiguration of home care		✓	
	Learning disability budget transfer		✓	
CWG	Equal pay		✓	
	School governance			✓
	HR service centre			✓
	Interpreting			✓
	Lord Lieutenant Fund	✓		
CYPF	Justices Wine and Plate Fund	✓		
	Transforming education incl building schools for the future		✓	
CYPF	Trust and Academy status			✓
	Financial Management Standard in Schools			✓
	LSC transfer		✓	
	14 - 19 changes		✓	
	Education social work			✓
	Direct payments in Integrated Disability Service			✓
	Bus passes			✓
	Childrens Centres			✓
	Youth Offending Team			✓
	Schools - procurement			✓
	SIMS			✓
	Schools - financial management			✓
	ICSS			✓
	Safeguarding		✓	
	Case file recording			✓
	Safer recruitment			✓
	Kineton School	✓		
	Etone			✓
	Ash Green			✓
	Chetwynd			✓
Early years			✓	

Client	Topic	Certification	Risk / advice	Assurance
EE	Contact Point			✓
	Civil Parking Enforcement			✓
FR	Highways Maintenance Contract - retendering		✓	
	Waste projects		✓	
	Bus Operators Grant	✓		
	Programme and project management			✓
	Smallholdings		✓	
	Occupational road risk		✓	
	Atherstone Fire		✓	
PP	Firefighters Fund	✓		
	Transport management			✓
RE	Partnerships		✓	
	Project management		✓	
	Local area agreement	✓	✓	✓
Corporate	LPSA2	✓		
	Cash and treasury management			✓
	Financial systems development		✓	✓
	Property - asbestos and water hygiene			✓
	Information security		✓	
	Procurement		✓	
	ICT Network security			✓
	ICT Installation			✓
	ICT Service Management			✓
	ICT Strategy			✓
	Payroll		✓	✓
	BACS			✓
Corporate	Staff Club	✓		
	Corporate Governance			✓
	Compliance with contract standing orders			✓
	Preparation of Annual Governance Statement			✓
	General advice		✓	
	Risk management		✓	
	Business continuity		✓	
	Counter fraud publicity			
National Fraud Initiative				

**Counter
Fraud**

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Counter Fraud
✓ ✓