

Internal Audit Strategy and Annual Plan 2012-13



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Contents	Page
Introduction	2
Key Deliverables 2012/13	2
The Role and Purpose of Internal Audit at the National Park	3
Protocol for Audit Reviews	3
Priority Areas for 2012/13	4
Performance Management	4
Developing the Internal Audit Plan	5
Summary Internal Audit Plan 2012/13	5
Appendices	
Detailed Internal Audit Plan 2012/13	A
Summary 3 Year Internal Audit Plan	B
Terms of Reference for the Provision of Internal Audit Services	C
Service Performance Targets	D

Introduction

Purpose of this report

1. This document sets out the South Downs National Park Authority (SDNPA) Internal Audit Strategy and Annual Plan for the year 2012/13.
2. The SDNPA's internal audit function is provided by Brighton and Hove City Council. The terms of reference are attached at Appendix C
3. Internal Audit supports and contributes to the achievement of the SDNPA's priorities for 2012/13 as follows:

Purposes:

- Conserve and enhance the natural beauty, wildlife and cultural heritage of the area.
- Promote opportunities for the understanding and enjoyment of the park's special qualities by the public.

Authority Duty:

- To seek to foster the economic and social well-being of the communities within the National Park.

4. The purpose of the Internal Audit Strategy and Plan is to:
 - Provide independent and objective overall assurance to Members and senior management on the effectiveness of the SDNPA's control environment.
 - Identify the key risks facing the SDNPA to achieving its objectives and determine the corresponding level of audit resources.
 - Add value and support senior management in providing effective control and identifying opportunities for improving value for money.
 - Support the Chief Finance Officer in fulfilling obligations as the SDNPA's nominated Section 151 Officer.
 - Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations.

Providing Assurance

5. The Internal Audit Strategy and Plan is aimed primarily at providing ongoing and annual assurance to the SDNPA to provide confidence to its stakeholders.

Key Deliverables for 2012/13

6. The following are considered to be our key deliverables:
 - To provide ongoing assurance to management on the integrity, effectiveness and operation of the SDNPA's internal control system.
 - Delivery of the Annual Audit Plan.
 - To meet the requirements of the audit arrangements with the SDNPA's external auditors.

- To embed integration of internal audit work with governance and managing risk to produce a coordinated risk-based approach to the audit of business/operational systems across the SDNPA.
- To ensure agreed management responses to audit recommendations made are implemented.
- To deliver the statutory requirements of the Accounts and Audit Regulations 2011.
- To develop our role and work closely with the Audit Committee.

The Role and Purpose of Internal Audit at the National Park

7. The statutory basis for the internal audit service is provided in the Accounts and Audit Regulations 2011, which states that *a local authority shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practice*. The SDNPA has recognised this statutory requirement in its Financial Regulations.
8. In addition to the above, the Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972, to establish a clear framework for the proper administration of the authority's affairs. To perform that duty the Section 151 Officer relies on amongst other things, the work of Audit & Business Risk Services in reviewing systems of internal control, financial management and other assurance processes.
9. The standards for 'proper practice' in relation to internal audit are laid down in CIPFA's Code of Practice for Internal Audit in Local Government (Updated in 2006). We continually ensure compliance with these professional standards and reflect this in our Terms of Reference, Appendix C.
10. The standard and quality of our service is principally scrutinised in three ways:
 - Scrutiny by the Audit Committee
 - Review by External Audit
 - Customer feedback

Protocol for Audit Reviews

11. For each audit review carried out an Audit Owner is identified who will be involved in the scoping to ensure appropriately focussed on key perceived risks, providing assurance and maximising added value. A terms of reference will be produced for each audit review to ensure the scope, objectives and approach are understood and agreed.
12. Draft internal audit reports will be issued for discussion with the appropriate levels of management which is normally set-out in the terms of reference.
13. Final internal audit reports will be issued after the agreement of draft reports and contain completed management action plans that identify those responsible for implementation and timescales.
14. Agreed actions or recommendations will be followed-up in accordance with an agreed protocol.

Priority Areas for 2012/13

15. Having regard to the current risk profile of the SDNPA, the following areas have been identified as priority areas of our work for 2012/13.

Key Financial Systems

16. The effectiveness of controls and management of risks within financial systems remains a core part of our audit work. This work is important in providing annual assurance to the SDNPA and to meet the requirements of the National Park's external auditors. Audits have been scheduled on a 3 year cyclical basis so not all key financial system audits will be undertaken each year. (see Appendix B)

Other Services and Systems

17. We will review other services, systems and processes according to an assessment of risk and business need. This may include financial, administrative or operational systems or services.

Risk Management

18. We have a key role to promote effective risk management across the SDNPA. Within individual audits we will seek to assess compliance with good risk management practices and the adequacy of controls put in place by management to mitigate risks in their service areas.

ICT Audit

19. This work will be delivered either by Hampshire Internal Audit or Deloitte depending on requirements.

Counter Fraud Work

20. We will support the SDNPA's counter fraud arrangements. This may include individual investigations and/or counter fraud training or workshops.

Audit Planning, Strategy and Audit Committee Support

21. We will work closely with Audit Committee Members in developing its role in relation to best practice and to contribute to effective corporate governance of the SDNPA.

Performance Management

22. To achieve planned coverage, deliver a high standard of customer care and demonstrate effectiveness of the service, we have established performance targets based on best professional practice and which are easily comparable with other organisations.
23. Performance indicators and targets are shown at Appendix C for four aspects of our service:

- Cost and quality of input
- Productivity and process efficiency
- Compliance with professional standards
- Staff Qualifications

Developing the Internal Audit Plan

24. The methodology used for developing the Annual Internal Audit Plan will be focused on the quantification of the risks associated with the National Parks objectives in consultation with key officers.
25. Audit work covering governance will contribute towards our advice and assistance on the preparation of the Annual Governance Statement.
26. The Annual Internal Audit Plan is indicative and it may be that changes will be made during the year as the risk profile of the SDNPA changes. This will be achieved through ongoing review and amendment, in consultation with relevant officers.
27. The Audit Committee will be kept informed of progress against the Annual Audit Plan and give approval to any significant changes during the year.

Summary Internal Audit Plan 2012/13

28. Appendix A shows the Annual Internal Audit Plan and provides a brief summary of each review. The plan also cross references (where relevant) against the Authority's Risk Register. The allocation of the 35 audit days is summarised in table 1 below.

Table 1 – Summary of Internal Audit Annual Internal Audit Plan 2012/13

Thematic Area	Audit Days
Key Financial Systems	9
Other Services and Systems	9
Risk Management	1
ICT Audits	5
Counter Fraud Work	1
Audit Committee Support, Audit Strategy and Planning	10
Totals	35

Appendix A

DETAILED INTERNAL AUDIT PLAN 2012/13

The table below details the Plan for 2012/13. Where the Corporate Risk Register (as at January 2012) details risks these have been cross referenced to the audits.

Ref.	Audit Review	Corporate Risk Reference	Audit Days	Audit Details		
				Overview	Audit Owner	Timing
Key Financial Systems						
1001	Payroll	(5) Organisation and Resilience of Corporate Systems	3	To review main controls over the Payroll System. To include procedures for starters and leavers, data input and additional payments and allowances.	Director of Corporate Services	Quarter 3
1002	Creditors/ Accounts Payable	(5) Organisation and Resilience of Corporate Systems	3	To examine key controls for the payment of suppliers and other third parties, including systems procedures documentation, authorisations and payment mechanisms.	Director of Corporate Services	Quarter 2
1021	Capital Expenditure	(33) Estates Strategy incl. Capron House	3	To review controls over the management and cost of capital projects.	Director of Corporate Services	Quarter 2
Other Services and Systems						
1020	Grant Funding	(55) Partnership working	2	Assess the controls over applications for and management of external funding, including accounting arrangements.	Director of Corporate Services	Quarter 2

1008	Procurement	(42) Procurement of corporate support services	3	Review of the Authority's corporate framework for procurement. To include examining bought in services and SLAs as well as procedures and guidance.	Finance & Procurement Manager	Quarter 2
1016	Planning	(48) Idox System (50) Payments to Local Planning Authorities (41) Planning application numbers and costs	4	To examine the key controls over the Authority's S101 arrangements with Local Planning authorities, including income collection, reconciliation arrangements and use of IT systems.	Director of Planning	Quarter 3
ICT Audits						
1015	IT Audit	(53) Procurement of ICT Services	5	Terms of Reference to be confirmed following completion of ICT Procurement.	ICT Manager	Quarter 3
Risk Management						
1022	Facilitation of Risk Management Workshops and Advice		1	Support to the Authority's corporate risk management processes including advice and facilitation of risk workshops.	Director of Corporate Services	Quarter 1
Counter Fraud Work						
1010	Contingency for Investigations/ Counter Fraud Work		1	Contingency for investigation of fraud and irregularities and other counter fraud work including training or workshops.	Director of Corporate Services	Quarter 1-4

Audit Committee Support, Audit Strategy and Planning					
1201	Support to Audit Committee and Authority by Audit Manager.	10	Attendance at Audit Committee including preparation and agenda facilitation. Corporate support. Preparation of Audit Plan and Strategy, audit progress report, annual report, liaison with external audit.	Director of Corporate Services / Chief Executive	Quarters 1-4
	Total Days	35			

Summary 3 Year Internal Audit Plan

	2012/13	2013/14	2014/15
Audit	Days	Days	Days
Key Financial Systems			
Payroll	3	3	3
Creditors/ Accounts Payable	3	3	3
Debtors/ Income		3	
Treasury Management			1
Main Accounting and Budget Management		3	
Capital Accounting	3		2
Other Services and Systems			
Grant Funding	2		
Planning	4		4
Procurement	3		3
Health and Safety		2	
Corporate Governance Arrangements		2	
Allowances and Expenses		2	
HR Processes			2
ICT Audit	5	5	5
Counter Fraud Work	1	1	1
Risk Management	1	1	1
Support for Audit Committee and Audit Planning	10	10	10
	35	35	35

Terms of Reference for the provision of Internal Audit Services

1. Purpose

- 1.1 This Terms of Reference is for the provision of Internal Audit Service to SDNPA. It is reviewed and approved on an annual basis to ensure that current needs are met.

2. Role and Function

- 2.1 Internal audit is an assurance function that primarily provides an independent and objective opinion and adds value to the SDNPA 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. The service is delivered by the Audit & Business Risk at Brighton and Hove City Council.
- 2.2 The control environment comprises the systems of governance, risk management and internal control.

3. Reporting Lines & Relationships

- 3.1 The Audit Manager reports to the Chief Executive, Director of Corporate Services, Chief Finance Office and members of the Audit Committee.
- 3.2 The Audit Committee is responsible for approving the Internal Audit Strategy and Plan.

4. Independence and Accountability

- 4.1 Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements and recommendations. Internal auditors do not have operational responsibility.
- 4.2 Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. Internal Audit has unrestricted access to officers, members, records and to report in its own name.
- 4.3 The existence of an internal audit function within the SDNPA does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well ordered manner.

5. Statutory Role

- 5.1 Internal auditing is provided as a statutory service in the context of the Accounts & Audit Regulations 2011 which states that a relevant body shall maintain an adequate and effective system of internal audit of its accounting systems and its system of internal control in accordance with the proper Internal audit practices.

- 5.2 The statutory role is recognised and endorsed within the SDNPA's Financial Regulations, which provides the authority for unlimited access to officers, Members, documents and records and to require information and explanation necessary.

6. Consultancy and Advisory Role

- 6.1 Audit & Business Risk may also perform a consultancy or advisory role on an ad-hoc basis or as part of the Internal audit Plan, if requested by management. Reports from this type of work contain findings and recommendations particularly to add value to the SDNPA's services in achieving value for money in its use of resources.

7. Internal Audit Standards

- 7.1 There is a statutory requirement for Audit & Business Risk to work in accordance with the 'proper audit practices'. These are effectively the CIPFA Code of Practice for Internal Audit in Local Government that accompanies the Accounts & Audit Regulations 2011.

8. Internal Audit Scope

- 8.1 The scope for Audit & Business Risk is 'the control environment comprising risk management, control and governance'. This means that the scope of Audit & Business Risk includes all of the SDNPA's operations, resources, services and responsibilities in relation to associated partner organisations. The priorities for Audit & Business Risk will be determined by a process of risk assessment.

9 Internal Audit Resources

- 9.1 Audit & Business Risk will ensure as far as possible that it appropriately staffed in terms of numbers, skills and experience. The Head of Audit & Business Risk at Brighton and Hove City Council responsible for appointing staff and will ensure these are made in order to achieve the appropriate mix of qualifications, experience and skills.

- 9.2 The make up of the Audit & Business Risk Team is currently as follows:-

- Head of Audit and Business Risk (Ian Withers)
- Audit Manager (Mark Dallen)
- Principal Auditors x 3
- Principal Auditor (Counter Fraud)
- Auditors x 3
- Risk Manager

- 9.3 The Team currently includes four three qualified accountants (CIPFA and ACA) and four fully qualified members of the Chartered Institute of Internal Auditors (CMAA). In addition we have currently one Auditor studying for professional qualifications.

- 9.4 Where necessary to provide an adequate, effective and professional service the Audit Manager may outsource internal audit work to supplement internal resources but will ensure quality is not compromised.

10. Fraud and Corruption

- 10.1 Managing the risk of fraud and corruption is the responsibility of management. Internal audit reviews alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Audit & Business Risk will, however be alert in all their work to risks and exposures that could allow fraud or corruption.

11. Reporting Accountabilities

- 11.1 A written internal audit report will be prepared for every audit carried out and issued to the appropriate manager responsible for the area under review. Internal audit reports will include an 'opinion' on the risk and adequacy of controls, which together will contribute to the annual audit opinion on the SDNPA's control environment.
- 11.2 Audit & Business Risk will make practical recommendations based on the findings of the audit work and discuss these with management to establish appropriate action plans.
- 11.3 Management are expected to implement all agreed recommendations within a reasonable timeframe. Each internal audit will be followed up in accordance with an agreed protocol, with progress on implementation reported to the Audit Committee.
- 11.4 The Chief Finance Officer will report regularly to the Audit Committee on progress made against the Annual Audit Plan and the summarised outcomes of individual audits.
- 11.5 The Chief Finance Officer will provide an Annual Internal Audit Report to the Audit Committee that includes an opinion on the adequacy and effectiveness of the control environment.

12. Responsibilities

- 12.1 In meeting its responsibilities, the activities of Audit & Business Risk will be conducted in accordance with the SDNPA's objectives, established policies and procedures. In addition, internal auditors comply with the Code of Practice for Internal Audit in Local Government (CIPFA).
- 12.2 Audit & Business Risk will co-ordinate effectively with the SDNPA's appointed external auditors for optimal audit coverage and to ensure that appropriate reliance can be placed on internal audit work.

Service Performance Targets

Aspect of Service	Performance Indicators	Target
Cost and Quality of Input	<ul style="list-style-type: none"> Planned days delivered 	<ul style="list-style-type: none"> 100%
Productivity and Process Efficiency	<ul style="list-style-type: none"> Achievement of annual plan (%) Issue of draft report after completion of fieldwork Issue of final report after agreement with client of draft 	<ul style="list-style-type: none"> 95% Minimum Within 10 Days Within 10 Days
Compliance with Professional Standards	<ul style="list-style-type: none"> CIPFA Code of Practice for Internal Audit in Local Government (2006) 	<ul style="list-style-type: none"> 100% compliant
Our Staff	<ul style="list-style-type: none"> Professionally Qualified Annual Training & Development Received (Minimum) 	<ul style="list-style-type: none"> 80% 5 Days