Report to: **Audit and Best Value Scrutiny Committee**

Date: **8 July 2009**

By: **Deputy Chief Executive and Director of Corporate Resources**

Title of report: **Internal Audit Strategy 2009/10 and Annual Plan**

Purpose of report: **To present the Council's Internal Audit Strategy 2009/10 and Annual Plan**

RECOMMENDATION:

Members are recommended to review and endorse the Council's Internal Audit Strategy 2009/10 and Annual Plan.

1.   **Financial Appraisal**

1.1   Resources needed to deliver the Council's Internal Audit Strategy and Annual Plan during 2009/10 are provided for within the agreed budget of the Audit and Performance Division, Corporate Resources Directorate.

2.   **Background**

2.1   All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2006. The latter states that authorities must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal controls in accordance with the proper internal audit practices".

2.2   The Council's Internal Audit Strategy 2009/10 and Annual Plan (Annexe A) sets out how the Council will meet its statutory requirements for internal audit. The Strategy proposes an approach based on focussing audit resources in those areas where the highest risk to the achievement of the Council's objectives lies. These areas have been identified and prioritised based on the Council's own risk assessment processes (including the Strategic Risk Log) and following extensive consultation with officers, members and other partners including the Council's external auditors, PKF. A workshop was also held with Members of the Audit and Best Value Scrutiny Committee on 4 March 2009 and comments made have been fed into the planning process.

2.3   In times of significant transformation organisations must both manage change effectively and ensure that core controls remain in position. The Council is continues to pursue a challenging transformation programme and therefore internal audit must be in a position to give an opinion/assurance that covers the control environment in relation to both new developments and existing systems. This has been a key driver in developing this Strategy and Plan.

2.4   The Strategy and Plan will be delivered in line with proper internal audit practices as set out in the Code of Practice for Internal Audit in Local Government and the requirements of our managed audit arrangements with our external auditors.

3.   Recommendation

3.1   The Deputy Chief Executive and Director of Corporate Resources has already approved the Internal Audit Strategy 2009/10 and Annual Plan. Audit and Best Value Scrutiny Committee is recommended to review and endorse the Strategy and Plan prior to its submission to Cabinet on 28 July 2009.

SEAN NOLAN
Deputy Chief Executive and Director of Corporate Resources

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BACKGROUND DOCUMENTS
Internal Audit Strategy and Annual Audit Plan 2009/10

INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2009-2010

East Sussex
County Council

1. Role of Internal Audit

1.1   All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2003 (as amended 2006).   The latter states that authorities must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal controls in accordance with the proper practices in relation to internal control".

1.2   Internal audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance, 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.   To carry out this role the Audit and Performance Division's Internal Audit Service (IAS) aims to:

- satisfy legal requirements and professional standards;
- examine, evaluate and report objectively on the adequacy of arrangements to secure proper economic, efficient and effective use of resources;
- assist management with its responsibility for establishing and maintaining internal control systems and for ensuring that resources are properly applied, risks are appropriately managed and outcomes are achieved;
- investigate allegations of fraud and corruption in line with the Council's Anti-Fraud and Corruption Strategy; and
- provide an annual opinion to Members and Officers on the adequacy of the Council's control environment, and regular reports on key audit findings.

1.3   The full scope and responsibility of the IAS is set out within the Internal Audit Charter and Terms of Reference which was approved by the Audit and Best Value Scrutiny Committee in November 2007 and which is attached as Appendix D.

1.4   The key service objective for the IAS as set out in the 2009/10 Corporate Resources Business Plan is to maintain and improve high standards of governance, internal control and risk management across the Council.

1.5   The delivery of this objective is underpinned by a series of actions and targets within the Audit and Performance Divisional Business Plan and the objectives agreed with individual members of the IAS through the performance appraisal process.

2. Risk assessment

2.1 The County Council's audit strategy is updated annually. This is based on a combination of management's assessment of risk (including that set out within the County Council's Strategic Risk Register) and our own risk assessment of the County Council's major systems and other auditable areas. This allows us to prioritise those areas to be included within the plan on the basis of risk.

2.2 The update of the annual plan for 2009/10 has relied heavily upon management's own strategic risk assessment and Appendix E provides a summary of internal audit coverage against the County Council's Strategic Risk Register (based on the current version at the time of producing this Strategy). Our planning has also been informed by extensive consultation with the following stakeholders, to ensure that their views on risks and current issues, within individual departments and corporately, are reasonably identified and reflected within the plan, where appropriate:

- the Deputy Chief Executive and Director of Corporate Resources;
- members of the Audit and Best Value Scrutiny Committee;
- Departmental Management Teams (including Chief Officers);
- key contacts within departments and lead officers for key corporate projects;
- E-business managers;
- the Council's external auditors, PKF, to ensure that audit resources are used to the best effect, reliance can be placed on the work of internal audit and duplication is avoided; and
- other bodies' internal audit providers, where joint working is proposed.

2.3 In times of significant transformation, organisations must both manage change effectively and ensure that core controls remain in position. The Council continues to be engaged in a number of major projects and developments, including implementation and development of a number of new key ICT systems and capital projects. Internal audit must therefore be in a position to give an opinion/assurance that covers the control environment in relation to both new developments and existing systems. This continues to be a key driver in developing this strategy and plan.

2.4 The key factors, which have driven our assessment of risk and audit needs for 2009/10, are:

- **Governance Arrangements** – The Council's overarching governance framework covers all aspects of its business, including risk management, internal control and ethical standards. Internal audit has a key role to play in giving assurance that this framework operates effectively and its work is a key source of assurance for officers and Members in approving the Council's Annual Governance Statement;
- **Risk Management** – Internal audit has a key role to promote effective risk management and to assess the adequacy of controls put in place by management to manage risks;

- **Financial Excellence** – the adequacy of controls within key financial systems and budgetary control remain at the core of our work and inform the Annual Governance

Statement and the external audit of the Council's accounts. This will include reviews of those finance modules of SAP already implemented, other departmental material financial systems, the provision of appropriate advice and support to future developments and a continuing programme of schools audit activity, including external assessments for Financial Management Standards in Schools;

- **Impact of the Recession** – in addition to considering the risks associated with the impact of the recession within individual audit assignments throughout the year, we will be reviewing progress against the action plan arising from the 'Impact of the Recession' report to Cabinet in January 2009;
- **E-Government and ICT** – this will include reviews of risks and controls relating to both existing systems and services, including SAP (reflecting the significant investment over recent years) and departmental line of business systems, as well as the proactive review and assessment of new developments;
- **Partnerships** – the Council is increasingly operating and delivering services jointly through partnerships and the management of partnership risks is a key focus of the Audit Commission's Use of Resources assessment and will be a fundamental part of the developing Comprehensive Area Assessment. We will continue to build on our previous work on pooled budgets, external funding and local area agreements etc and will deliver this through joint working where appropriate;
- **Efficiency and Productivity** – increased emphasis on efficiency, productivity, data quality and value for money. Internal audit reviews will continue to reflect this through the assessment of data quality for key performance targets and the achievement of economy, efficiency and effectiveness by services;
- **Project Management and Procurement Arrangements** – the Council's use of project management and changing approaches to procurement and contract management are a key part of delivering improved services. We will continue to work alongside managers to ensue that risks are managed and effective controls embedded in our processes, services or contracts;
- **Anti Fraud and Corruption** – following the introduction of updated best practice guidance from CIPFA on managing the risk of fraud, we will seek to continue to review and develop County Council anti fraud and corruption arrangements including increased use of pro-active / targeted reviews.

2.5   The key risk issues within each department which are included in the audit plan for the coming year are set out below:

Corporate Resources Directorate (including ICT audit):
- Fundamental Accounting Systems (FAS) – to provide appropriate audit coverage in line with the managed audit approach, making use of both full and interim reviews, taking into account the introduction of International Standards for Auditing. This activity forms the core of our internal audit plan and is work which is directly relied upon by our external auditor, PKF. Provision has also been made within the 09/10 audit plan to provide input into planned development projects in relation to SAP;
- Pension Fund – a number of reviews planned specific to the Council's role in administering the East Sussex Pension Fund in accordance with a Pension Fund Internal Audit Strategy and best practice guidance;
- Anti Fraud and Corruption (inc. National Fraud Initiative (NFI)) – reviewing and developing the Council's anti fraud and corruption arrangements in line with best practice, including the introduction of pro-active counter fraud activity and the investigation of any issues arising from the 2008 NFI;
- E-government – a range of specialist ICT audit reviews and support for major system developments across the County. ICT audit activity will also include a review of County Council information governance arrangements.

Chief Executive's

- Corporate Governance – a review of the ESCC Corporate Governance Framework and processes in place for ensuring it is effective. This also includes ongoing support for the Corporate Governance Group;
- National Indicator Sets/Local Area Agreement (LAA) – a review of a number of high risk national indicators to provide assurance that data quality is robust and in accordance with specified definitions. To also follow up on the previous review of national indicators as part of the LAA and to provide assurance over the accuracy of outturn performance data;
- Partnership Governance (Corporate Review) – working with departments to build on previous internal audit activity identifying key / high risk partnerships and assessing adequacy of governance arrangements and compliance with corporate partnership guidance;
- County Council Recruitment (Corporate Review) – to review management compliance across all departments with corporate recruitment and selection procedures;
- New Agency Staff Contract – review of the operation of the new contract and contract management arrangements;
- CRB Checking of Contractors (Corporate Review) – to ensure that robust arrangements are in place across the Authority for CRB checking all contractors who have potential contact with children and vulnerable people.

Children's Services

- Schools – to deliver a programme of audit activity as set out within our Schools Internal Audit Strategy. This work includes a comprehensive programme of external assessments as part of the national Financial Management Standard in Schools and, in 2009/10, themed reviews of ICT Governance and Codes of Conduct/Conflicts of Interest;
- Hastings Federation – to provide assurance over the financial management arrangements in relation to the Hastings Federation, including budget compilation, control and monitoring;
- Carepay – a fundamental accounting system used to pay foster parents which is subject to either a full or interim review each year;
- Primary Capital Programme – to provide assurance on overall programme management and governance arrangements which will include reviewing the adequacy of individual project management for a sample of projects;
- Budget Management – to review the adequacy and effectiveness of budgetary control in relation to a small sample of volatile budgets, including Special Educational Needs – Agency Placements;
- Bexhill High School BSF Project Governance – to continue to review the adequacy of project management and governance arrangements in relation to the rebuilding of Bexhill High School;

Transport and Environment

- Integrated Waste Services Management Contract – continuation of the review of contractor payments model as well as ongoing advice and support through attendance at quarterly internal and external audit liaison meetings. During the year, Internal Audit will also be conducting a review of ESCC arrangements as part of the Landfill Allowance Trading Scheme;
- Highways Maintenance (Exor) – a fundamental accounting system used to pay highways contractors which is subject to either a full or interim review each year. This will be the first full review of the system since its implementation;

- Passenger Transport (Trapeze) - a fundamental accounting system used to pay transport providers which is subject to either a full or interim review each year;
- Bexhill/Hastings Link Road – to continue to review the adequacy of project management and governance arrangements in relation to the Bexhill / Hasting Link Road Project.

Adult Social Care
- Putting People First – As part of the phased 3 year introduction of new legislation, internal audit will be providing support, advice and assurance that new systems and working practices are introduced in a controlled manner;
- Abacus System - a fundamental accounting system used to both pay providers and collect income which is subject to either a full or interim review each year. A separate payments and income review will be carried out, which will include ICT security controls;
- Supporting People - a fundamental accounting system which is subject to either a full or interim review each year, in addition to a separate annual review of the Supporting People Grant Claim in order to provide an audit opinion prior to the grant claim certification;
- Business Transformation Programme – to continue to provide advice and assurance relating to the remaining elements of the business transformation programme, including Telephone Monitoring System, Care Assessment System and Home Care Rostering System;
- Agewell - continuation of support, advice and guidance to the Project Board. Provision of assurance at key project milestones as part of the project sign-off process.

2.6   During the coming year, we will also be undertaking follow up reviews for all previous audit assignments which have resulted in either 'no assurance' or 'minimal assurance' audit opinions. In addition, we will continue to carry out action tracking within each department to assess the extent to which all previously issued 'high' priority recommendations have been implemented. The results of this work will be reported within each departmental annual report and the overall Internal Audit Annual Report and Opinion and will provide a clear indication of the extent to which the internal control environment has improved as a result.

3.   Audit Needs Assessment

3.1   As explained above, development of the 2009/10 audit needs assessment is based on management's assessment of risk identified within the Strategic Risk Register, within departmental risk assessments and through audit consultation meetings. This is then supplemented with our own internal audit risk assessment. In order to produce the audit plan, the following key principles are then applied:

- All fundamental accounting systems are subject to annual audits of compliance against key controls in accordance with external audit requirements;
- Systems with 'no assurance' or 'minimal assurance' audit opinions during previous years which are not subject to annual audit will be subject to a specific follow up review to assess the effective implementation by management of agreed audit recommendations;
- Where common areas of risk are identified across several departments then the use of corporate themed reviews is considered to ensure an approach which is both consistent and makes effective use of resources;
- Where a system is assessed as having risks which require both systems audit and ICT audit input then joint reviews will be carried out wherever possible;

- The development of new systems or significant changes to existing systems will be separately identified within the audit needs assessment.

3.2   Whilst we continue to plan over a number of years (as set out above), the published audit plan is limited to one year but will be subject to ongoing review over this period to ensure our work takes into account emerging risks.   A list of review areas already identified for potential inclusion in the 2010/11 plan is attached at Appendix F.

4.   Matching audit needs to resources

4.1   The overall aim of the internal audit strategy is to allocate available internal audit resources so as to focus on the key risk areas and provide an appropriate level of assurance for each directorate and for the County Council as a whole.

4.2   The audit needs assessment has been matched with available internal audit resources to produce the annual plan for 2009/10. Resource planning assumptions for 2009/10 have been fully reviewed following consultation with staff to ensure that sufficient time is allocated for indirect work, for example training and development. It is assumed that some audit work will be carried forward from 2009/10 for completion within resources available in 2010/11 and that this will not exceed that carried forward from 2008/09. This reflects a reasonable level of work in progress.

4.3   Resources have also been allocated to the two external bodies for whom Audit and Performance Division provides internal audit services: East Sussex Fire and Rescue Service and Plumpton College.   In addition, changing governance and external audit requirements have led to additional days being programmed for work on behalf of the High Weald Area of Outstanding Natural Beauty (AONB) and the South Downs Joint Committee (SDJC). This work will be charged for.

4.4   The resource plan for 2009/10 is based on a full compliment of 13.5 full time equivalent (fte) staff (in addition to the Chief Internal Auditor role of the Assistant Director - Audit and Performance).   Within this resource plan are 11.2 (fte) staff employed on permanent contracts, 1.3 (fte) staff on fixed term contracts and 1 CIPFA Trainee on work placement with the team until December 2009.

4.5   The 2 staff employed on fixed term contracts have been specifically recruited to enable us to deliver the challenging programme of external assessment work as part of the DfES Financial Management Standard in Schools (FMSiS). The cost of these additional resources is to be met directly from income received from schools assessment during the year and from additional funding agreed by the Schools Forum. This additional funding enables us to continue to provide advice and support to schools on the assessment process.

4.6   Additional funding has also been secured to support improvements in Anti Fraud and Corruption work, the exact focus of which will be determined during the year.

4.7   The total number of planned audit days for 2009/10 is 2,182. This level of resource is lower than 2008/09 (reduction of 189 days) reflecting the reduction in one Audit Manager post following the recent restructuring of the team and one less CIPFA Trainee placement than the previous year. The level of resource is however considered sufficient

to allow the IAS to deliver its risk based plan in line with the standards set out in CIPFA Code of Practice for Internal Audit in Local Government 2006.

Table 1: Annual Internal Audit Plan – Plan and Actual Days Delivered

	2005/06	2006/07	2007/08	2008/09	2009/10
Plan Days	2,126	1,990	2,082	2,371	2,182
Actual Days	2,071	2,050.5	2,114	2,427	TBC

5.   Audit Approach

5.1   The approach of internal audit is to use systems based reviews, supplemented in some areas by the use of regularity audits, control self-assessment and themed reviews. All audits have regard to management's arrangements for:

- Identifying and managing risk;
- securing the proper, economic, efficient and effective use of resources;
- achieving key performance indicators, where appropriate;
- preventing fraud and irregularity.

5.2   In addition to these audits and the advice on controls given on specific development areas, which are separately identified within the plan, there are a number of generic areas where demands upon internal audit cannot be planned in advance. For this reason time is built into the plan to cover the following areas:

- Contingency – an allowance of 250 days to provide capacity for unplanned work, including special audits and the investigation of potential irregularities.   This contingency also allows for the completion of work in progress from the 2008/09 plan;
- Advice to departments – an allowance against each department to cover the provision of ad hoc advice on audit and control issues.

A summary of the allocation of audit resources across the 2009/10 audit plan is shown at Appendix A. Appendix B shows the coverage of the audit plan in more detail.

5.3   In delivering this Strategy, the IAS works closely with the Council's external auditors, PKF, to ensure that the use of audit resources is maximised, duplication of work is avoided, and statutory requirements are met. A Joint Working Protocol is in place with PKF to facilitate this and formalise our working relationship.

6.   Training and Development

6.1   The effectiveness of internal audit service depends significantly on the quality, training and experience of its staff.   Training needs of individual staff members are identified through the performance appraisal process and delivered and monitored as part of the CRD's Training and Development Plan. As part of this process, all audit staff are assessed against the skills and competencies matrix as set out in the CIPFA publication 'The Excellent Internal Auditor – A Good Practice Guide to Skills and Competencies'.

6.2   As well as basic training in audit techniques, and the acquisition of specialist audit skills, the IAS is committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development. During 2008/09, one member of staff successfully completed the Institute of Internal Auditors professional qualification and as explained above, we are also providing a work placement for one CIPFA trainee.

During 2009/10, the focus will be on the development of specialist audit skills following the recent restructuring of the team, particularly in relation to the Senior Auditors. In addition, two members of staff are due to complete the CIPFA Certificate in Investigative Practices professional qualification.

7. Quality and Performance

7.1   The IAS maintains a Quality Manual, which sets out the standards to which all audit assignments are completed. This manual is in a fully electronic format available to all staff via our Internal Audit Homepage on the ESCC Intranet. During 2009/10 we will continue to update and develop the Manual and associated working practices in light of best practice and to ensure full compliance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.

7.2   The performance of the IAS is measured against the key service targets and objectives set out in the Council's Business Plan, the CRD Business Plan and the Audit and Performance Division's Business Plan. At a detailed level each audit assignment is monitored and customer feedback sought. There is ongoing performance appraisal and supervision for all IAS staff during the year to support them in achieving their personal targets. External review of the IAS is carried out by the County Council's external auditors, PKF, and reported on in the Audit and Inspection Annual Letter and within the CPA. During 2009/10, PKF will also be conducting a full triennial review of the IAS to assess compliance against CIPFA Code of Practice for Internal Audit in Local Government 2006. The results of this review will be reported on separately by PKF towards the end of 2009/10.

7.3   In addition to the individual report to management for each audit assignment, quarterly reports on key audit findings and the delivery of the audit plan against key performance indicators are made to both COMT and the Audit and Best Value Scrutiny Committee. These key performance indicators and targets for 2009/10 are shown in appendix C.

7.4   The IAS will continue to liaise closely with other internal audit services through the Sussex Audit Group, Home Counties Chief Internal Auditors' Group and the County Chief Auditors' Network.

SEAN NOLAN, DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF CORPORATE RESOURCES

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Annual internal audit plan by customer

Service	2009/10 Plan Days	% of 2009/10 Plan Days	2008/09 Revised Days
East Sussex County Council			
Corporate Body (incl CRD)	495	22.7%	556
Computer Audit	175	8.0%	215
Children's Services	489	22.4%	470
Adult Social Care	293	13.4%	345
Transport & Environment	195	8.9%	250
Chief Executive's	173	7.9%	180
Contingency (incl. carry forward)	250	11.5%	250
Sub total – internal customers	*2,070*	*94.9%*	*2,266*
Fire Authority	70	3.2%	70
Plumpton College	27	1.2%	35
South Downs Joint Committee	10	0.5%	
High Weald AONB	5	0.2%	
Sub total - external customers	*112*	*5.1%*	*105*
Total audit days	***2,182***	***100.0%***	***2,371***

Appendix C

Internal Audit Performance Indicators

Performance Indicator	Target
Planned days delivered (%)	>90%
Planned audits completed = final reports issued (%)	90% (to be confirmed)
Actual v Plan time on completed audits (%)	<105%
External Audit reliance on internal audit	Achieved
CAA score	Achieve a score of at least 3 / 4 for internal control and risk management.
Recommendations accepted (%)	>90%
Overall customer feedback exceeds 85% (i.e. good or very good)	>85%
Reports to Chief Officers and Members	Quarterly

2009/2010 Internal Audit Plan

Department:	Corporate Resources Directorate

Review Name	Risk	Type	Outline Objective
SAP Future Phases - Payment Cards	High	Systems	To ensure that adequate internal controls are in place over the introduction of new payment cards across the Authority as promoted by the Office of Government Commerce. Internal Audit activity will include payment controls, interfaces with SAP and the adequacy of management information.
SAP Future Phases (Other Projects)	High	Advice	To provide ongoing advice, challenge and support to future SAP developments covering risk management, internal control and probity issues. Other developments include capital accounting changes, new training environment, e-invoicing, EBP upgrade, staff forecasting system and the projects business intelligence database.
Impact of Recession (Corporate Review)	High	Systems	In January 2009 the Chief Executive reported to Cabinet on the potential impacts of the current global economic recession, including a 29-point action plan. This review will evaluate the monitoring arrangements and the progress towards achieving the action plan, with a particular focus on the areas of ESCC impact.
Accounts Payable / Procurement (Corporate Review)	High	Systems	To ensure adequate controls exist over the procure to pay process, including ordering, goods receipting and payment. This review will also include a follow up of our work in 08/09 and will be relied upon by the County Council's external auditor.
HR/Payroll (Corporate Review)	High	Systems	To ensure adequate controls exist over the HR/Payroll function and processes. This review will also include a follow up of our work in 08/09 and will be relied upon by the County Council's external auditor.
Accounts Receivable (Corporate Review)	High	Systems	To ensure adequate controls exist over the collection and recording of income within the council, including debt recovery arrangements. This review will also include a follow up of our work in 08/09 and will be relied upon by the County Council's external auditor.
General Ledger (Corporate Review)	High	Systems	To ensure adequate controls exist in relation to the County Council's general ledger, including year-end procedures, journal transfers and bank reconciliation. This review will also include a follow up of our work in 08/09 and will be relied upon by the County Council's external auditor. A review of County Council preparedness for International Financial Reporting Standards will also be included.
Pension Fund - Governance & Strategy	High	Systems	A review to assess the adequacy of East Sussex Pension Fund management and governance arrangements. This work forms part of a Pension Fund Internal Audit Strategy developed based on a risk assessment and in accordance with national best practice guidance.
Pension Processes & Systems	High	Systems	To review the key controls in relation to the calculation and payment of pensions, transfers to and from the pension fund and the collection and recording of pension contributions (incl. contributions from other admitted bodies). This work forms part of a Pension Fund Internal Audit Strategy developed based on a risk assessment and in accordance with national best practice guidance.

Department:			Corporate Resources Directorate

Review Name	Risk	Type	Outline Objective
Pension Fund External Control Assurance	High	Systems	To examine arrangements for ensuring the adequacy of the control environment of the Pension Fund investment managers and custodian. The review will include identifying and examining the sources of assurance available in relation to these organisations. This work forms part of a Pension Fund Internal Audit Strategy developed based on a risk assessment and in accordance with national best practice guidance.
Pension Fund Investments	High	Systems	To review controls surrounding the administration of the pension fund investments, including, monitoring of fund manager performance and accounting arrangements. This work forms part of a Pension Fund Internal Audit Strategy developed based on a risk assessment and in accordance with national best practice guidance.
Anti Fraud and Corruption Arrangements (Corporate)	High	Regularity	To continue to develop the County Council's Anti Fraud and Corruption arrangements based on the latest best practice. This includes increasing the profile and awareness of anti fraud activity, conducting pro-active anti fraud reviews and developing internal investigation practices. Internal audit will also continue to follow up and investigate any outcomes from the 2008 National Fraud Initiative.
Treasury Management	Medium	Systems	Review of the controls relating to borrowing and lending arrangements as part of the Treasury Management process (including long-term borrowing arrangements). This review will also include a follow up of our work in 08/09 and will be relied upon by the County Council's external auditor. Also included with the review will be any relevant issues raised in the Audit Commission's recent national report on investment in Icelandic banks.
Building Maintenance	Medium	Systems	To follow up a weak opinion issued during 2007/08 to ensure that the recommendations made in the original audit report have been fully implemented. Work relating to CRB checking of contractors, which was an issue raised in the original report, is being carried out as part of a separate review within the Chief Executive's Audit Plan.
Risk Management (Corporate Review)	Medium	Systems	To continue to assess the adequacy and effectiveness of arrangements within the Authority for managing its strategic risks. The review will build upon the work undertaken in 2008/09 and will include selecting a sample of strategic risks and assessing the effectiveness and implementation of identified mitigation measures. The review will also seek to identify other sources of available assurance against Strategic risks.
Insurance	Medium	Systems	To review ESCC's insurance arrangements, with a particular focus on the area of high volume claims to ensure that these are subject to appropriate assessment, scrutiny and challenge. The review will also cover mitigation arrangements and the levels and breadth of cover generally.
Procurement of Energy Supplies	Medium	Systems	To review ESCC's arrangements for payment of energy and water supplies, to ensure that utility company invoices are settled efficiently and effectively, and only after confirmation that the services have been received.
Procurement / Letting of Contracts (Corporate Review)	Medium	Systems	To review procurement arrangements across the Authority to ensure compliance with Contract Standing Orders and other corporate procurement procedures. The review will build on work undertaken in 2008/09 and will focus of spend areas outside of corporate contracts and outside of departmental contract teams.

Department:			Corporate Resources Directorate

Review Name	Risk	Type	Outline Objective
User Authorisations Follow Up	High	Systems	To follow-up on internal audit work in previous years, covering SAP system administration, audit trails and management of user roles.
Support for Audit and Best Value Scrutiny Committee	N/A	Liaison	Support to the Committee to include attendance at all meetings and Chair's Briefings and production of regular progress reports on internal audit activity and performance.
External Audit Liaison	N/A	Liaison	Participation in regular liaison meetings with the County Council's external auditors to ensure proper co-ordination of audit activity in accordance with professional standards and agreed joint working protocol.
Internal Audit Strategy and Annual Audit Plan	N/A	Management	To work with management to produce the Internal Audit Strategy and Annual Internal Audit Plan for 2010/11 for formal reporting to COMT, Audit and Best Value Scrutiny Committee and Cabinet.
Internal Audit Annual Report and Opinion	N/A	Liaison	To give an opinion on the County Council's control environment for the year 2008/09.
Benchmarking	N/A	Management	To participate in the CIPFA Internal Audit Benchmarking Club 2009 and respond to any issues arising.
Action Tracking of Previous Audit Recommendations	N/A	Liaison	To confirm implementation of all high risk audit recommendations within the department.
CRD Annual Report and Opinion	N/A	Liaison	To provide an opinion on the control environment within the Corporate Resources Directorate for the year 2008/09.
CRD Advice	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within CRD as they arise during the year.
CRD Liaison and Strategic Planning	N/A	Liaison	Risk assessment and production of the Annual Audit Plan for Corporate Resources Directorate. Ongoing liaison with management during the year.

Total Planned Days for Corporate Resources		495

2009/2010 Internal Audit Plan

Department:			ICT Audit

Review Name	Risk	Type	Outline Objective
Information Governance & Security Arrangements	High	Systems	To evaluate action plans to maintain and develop compliance with Government Connect and the NHS's N3 network, and ensure that actions resulting from previous submissions are implemented effectively. To ensure that corporate information governance and security arrangements are consistent, effective and meet best practice requirements.
E-Recruitment	High	Systems	To review arrangements regarding security and access controls (from Personnel staff and candidates) to ensure access to personal data is effectively managed and controlled, having due regard to the requirements of the Data Protection Act.
Treasury Management - Money Transfer System	High	Systems	To review the security and operation of the proposed Bankline system for transfer of funds. "Bankline" was to be implemented in 2008/09, but was postponed following the departure of a key member of staff.
Review of Key ICT Controls in Key Financial Systems.	High	Systems	To develop an ICT audit methodology for use with the audit of all Fundamental Accounting Systems including back up and recovery, controls over system changes, remote access, support arrangements and controls over system batch processes. This methodology will be incorporated into each of the audits of Fundamental Accounting Systems reflected elsewhere in the Audit Plan.
SAP Data Archiving	High	Systems	To review controls to ensure that data is archived in a controlled manner, ensuring that appropriate controls prevent loss of data during and after archiving, and that data are protected from unauthorised modification or deletion.
Review of Controls over Third Party Access to ESCC Data.	High	Systems	To develop and review control standards and minimum control requirements across departments, relating to 3rd party access to ESCC systems and data. Identification of those third parties who have access to ESCC data and what controls are in place to protect this data. Review is to include Carefirst 6, HMSMR and sharing of Traffic Data.
Home Care Rostering System (ASC)	Medium	Systems	To provide assurance over the adequacy and effectiveness of key ICT controls associated with the new system in line with best practice, and the Information Systems Audit and Control Association (ISACA) Guideline on Post-Implementation Reviews.
Decommissioning of CareStore	Medium	Systems	To review the adequacy and effectiveness of controls in the new SharePoint solution, so that assurance can be provided that CareStore can be decommissioned in a properly controlled manner.
IT Service Delivery and Support			To review the whole IT service delivery and support function in accordance with the Certified Information System Auditor (CISA) Best Practice Guidance. This corporate review will cover such areas as service level management practices, operations management, data administration, change management and incident management practices.
Network Security Follow Up Review	High	Systems	To follow-up work completed in 08/09, covering the adequacy of technical and physical security controls and procedures to protect the ESCC network from internal and external attack.
OpenGalaxy3	Medium	Systems	To review system testing and ICT security arrangements of the latest version of the libraries control and management system, in accordance with best practice.

Department:	ICT Audit		

Review Name	Risk	Type	Outline Objective
Youth Website	Medium	Systems	To review security controls surrounding access to the website and associated permissions. Also to review arrangements for moderation of content of public forum pages.
ICT Audit Advice	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues in relation to ICT as they arise during the year.
ICT Liaison and Strategic Planning	N/A	Liaison	Risk assessment and production of the Annual ICT Audit Plan. Ongoing liaison with management during the year.

Total Planned Days for ICT Audit	175

Department:	Chief Executive's

Review Name	Risk	Type	Outline Objective
National Indicator Sets (Data Quality) (Corporate Review)	High	Systems	To ensure that, for a sample of high risk National Indicators, (selected in conjunction with Corporate Performance), data is complete, accurate and in accordance with specified definitions. The review will also follow up on any recommendations arising from the 2008/09 review of NIs and the Local Area Agreement.
Partnership Governance (Corporate Review)	High	Systems	To work with departments in identifying key / high risk partnerships and to obtain assurance over the adequacy of governance arrangements, including compliance with corporate partnerships guidance. The review will build on previous audit activity undertaken at the end of 2008/09.
Business Continuity/Disaster Recovery Follow-up (Corporate Review)	High	Systems	To follow-up on the recommendations arising from the 2008/09 review of business continuity arrangements. Internal Audit will also to provide advice and support as part of the project to continue to develop business continuity arrangements.
Use of Consultants - Follow Up Review (Corporate Review)	High	Systems	To follow up previous corporate review of external consultants completed in 2008/09, which resulted in a 'weak' audit opinion. The follow up will assess the extent to which previous internal audit recommendations have been implemented.
Establishment Income Collection and Banking (Departmental Review)	Medium	Systems	To review adequacy of internal controls over income collection, recording and banking to ensure that all income due to the County Council is received and accounted for correctly. The review will cover the Registration Service, Libraries, Archive Service and Travellers sites.
Agency Staff Contract (Corporate Review)	High	Systems	To review and evaluate the adequacy of internal control arrangements in relation to the new temporary staff sourcing solution. The review will include an examination of new systems under the contract, contract management arrangements and contractor performance.
CRB Checking of Contractors (Corporate Review)	Medium	Systems	To ensure that robust arrangements are in place across the Authority for ensuring that County Council contractors in contact with children and vulnerable people are subject to appropriate Criminal Records Bureau checks.
Corporate Governance (Corporate Review)	Medium	Systems	The review will establish the adequacy of the ESCC Corporate Governance Framework and the process in place for ensuring it is effective and up to date. A comparison will be made between ESCC local corporate governance arrangements and national best practice guidance. Ongoing support will also be provided to the Corporate Governance Group to develop and improve the Councils governance arrangements.
Action Tracking of Previous Audit Recommendations	N/A	Liaison	To confirm implementation of all high risk audit recommendations within the department.
Chief Executive's Annual Report and Opinion	N/A	Annual Report	To form an opinion on the control environment within the Chief Executive's Department for the year 2008/09.
Chief Executive's Advice	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within Chief Executive's Department as they arise during the year.
Chief Executive's Liaison and Strategic Planning	N/A	Advice	Risk assessment and production of the Annual Audit Plan for Chief Executive's Department. Ongoing liaison with management during the year.

Department:			Chief Executive's

Review Name	Risk	Type	Outline Objective
Total Planned Days for Chief Executive's			**173**

2009/2010 Internal Audit Plan

Department:	Children's Services

Review Name	Risk	Type	Outline Objective
Hastings Federation	High	Systems	To ensure that adequate controls are in place in respect of the financial management arrangements relating to budget compilation, control, monitoring and reporting for the Hastings Federation.
Carepay	High	Systems	To ensure adequate controls exist over access to the system, amendments to standing data, accuracy and authorisation of payments, terminations of allowances and recovery of overpayments. A systems based audit which includes a review of key ICT controls.
Building Schools for the Future (BSF)	High	Advice	To provide advice, support and challenge as part of County Council arrangements for BSF, including governance, risk management and programme management arrangements.
Bexhill High School BSF - Project Governance Review	High	Systems	A review of project governance arrangements in relation to the rebuilding of Bexhill High School as part of the Department for Children, Schools and Families "Building Schools for the Future Programme". The review will assess the adequacy of project management and governance including roles, responsibilities and accountabilities, risk management, financial management, monitoring and reporting.
Primary Capital Programme	High	Systems	To carry out a review to ensure that adequate and effective Programme management and governance arrangements are in place to deliver the primary capital programme. The review will also consider the adequacy of individual project management, following up on the recommendations made in the 2008/09 internal review of Capital Project Management.
Budget Management	High	Systems	This audit will select a small number of volatile budget areas within the Department and review the adequacy of financial management, monitoring and reporting. The review will focus on Home to School Transport, Special Educational Needs - Agency Placements and Looked After Children.
ContactPoint	High	Advice	To provide advice and support to the development of the new ContactPoint system and to provide assurance that a suitable level of technical and management control is in place.
Financial Management Standard in Schools [FMSIS]	Medium	Regularity	To carry out the external assessments of primary and secondary schools to evaluate compliance against the national Financial Management Standard for Schools.
Schools Themed Review - ICT Governance	Medium	Systems	To examine ICT governance and ICT security arrangements (including access permissions) in schools across the County. The review be based on an sample of primary, secondary and special schools with findings and recommendations being reported both centrally to Children's Services and ICT Services and individually to the schools sampled.
Schools Themed Review - Code of Conduct / Conflicts of Interest	Medium	Systems	To examine the adequacy of governance arrangements in schools in across the County, with a particularly focus on staff codes of conduct and arrangements for managing potential conflicts of interest. The review will be based on a sample of primary, secondary and special schools with findings and recommendations being reported both centrally to Children's Services and individually to the schools sampled.
Sports Grants	Medium	Regularity	To carry out the annual audit of the sport grant claims in respect of Beacon and Hailsham Schools.

Department:	Children's Services		

Review Name	Risk	Type	Outline Objective
Children's Trust	Medium	Advice	In partnership with other agencies, Children's Services are developing the Children's Trust. Internal Audit will evaluate and report upon governance and accountability arrangements as measured by the Audit Commission's self-assessment tool for children's trust boards.
Governor Training	N/A	Advice	To provide training to school governors on internal control, audit and governance issues with a view to ensuring that the Governing Bodies of schools operating under schemes of Local Management observe Financial Regulations and Procedures as agreed by the County Council, the Standing Orders relating to Contracts and instructions issued by the LEA.
Action Tracking of Previous Audit Recommendations	N/A	Liaison	To confirm implementation of all high risk audit recommendations within the department.
Children's Services Annual Report and Opinion	N/A	Annual Report	To provide an opinion on the control environment within the Children's Services Department for the year 2008/09.
Children's Services Advice	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within Children's Services as they arise during the year.
Children's Services Liaison and Strategic Planning	N/A	Liaison	Risk assessment and production of the Annual Audit Plan for Children's Services. Ongoing liaison with management during the year.

Total Planned Days for Children's Services	489

2009/2010 Internal Audit Plan

Department:	Adult Social Care

Review Name	Risk	Type	Outline Objective
Abacus - Income	High	Systems	To ensure that adequate and effective controls exist in relation to income collection, accounting and reporting, including SAP interface and reconciliation controls. This review will also include a follow up of our work in 08/09 and will be relied upon by the County Council's external auditor.
Abacus - Payments	High	Systems	To ensure that adequate and effective controls are in place in relation to payments to providers via the Abacus system, including controls over payment authorisations and SAP interface and reconciliation. This review will also include a follow up of our work in 08/09 and will be relied upon by the County Council's external auditor.
Private Finance Initiative (Agewell)	High	Advice	To provide ongoing advice, support and challenge on governance, control and probity issues in relation to the Agewell Project. In particular, to provide support and assurance in respect of the due diligence work prior to the PFI agreement being signed.
Continuing Health Care - Funding Responsibilities	High	Systems	Review of arrangements for ensuring that robust systems are in place for identifying, monitoring and reporting on those packages of care for which the County Council is responsible for funding.
Supporting People (SPOCC)	High	Systems	To ensure that payments to providers of housing related support services are being made in a controlled manner, against a valid contract, at the rate specified and for clients confirmed as being in receipt of approved benefits. Additionally ICT controls in respect of access to the system, back-up arrangements, system changes and system support arrangements will be reviewed.
Supporting People (SPOCC) Grant Claim	High	Regularity	A review of expenditure to ensure that it is appropriate, meets the relevant grant terms and conditions and is properly accounted for in order to enable the Head of Internal Audit to certify the claim.
Putting People First	High	Advice	As part of the phased 3 year introduction of new legislation, internal audit will be providing support, advice and assurance that new systems and working practices are introduced in a controlled manner. Agreed focus areas will include Personal Budgets, the Resource Allocation System, Project Governance (including Risk Management) and the development of new systems and processes.
ContrOCC System	High	Systems	To ensure that Individual Service Agreements managed through the ContrOCC system are accurate, timely, subject to robust authorisation controls and support payments made to providers.
Residual Business Transformation Programme	High	Advice	To provide support, advice and assurance that new system initiatives / revised working practices are implemented in a controlled environment. This includes the Real Time Telephone Monitoring system, the Care Assessment System (Atlas), Home Care Rostering system.
Valuing People Now: Learning Disability Services - Transfer from Health	High	Advice	To provide advice, support and assurance over governance arrangements in respect of the Valuing People Now Joint Project Group. The focus of this work will be to assess the extent to which governance arrangements are effective in delivering the planned outcomes and managing the associated risks.

Department:			Adult Social Care

Review Name	Risk	Type	Outline Objective
Appointeeships - Client Monies Scheme	Medium	Systems	To provide assurance that robust controls are in place in relation to a new system for managing client money under the Appointeeships scheme. Focus areas will include controls over access to the system and personal data and accounting arrangements.
Action Tracking of Previous Audit Recommendations	N/A	Liaison	To confirm implementation of all high risk audit recommendations within the department.
Adult Social Care Annual Report and Opinion	N/A	Annual Report	To form an opinion on the control environment within the Adult Social Care Department for the year 2008/09.
Adult Social Care Advice	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within Adult Social Care as they arise during the year.
Adult Social Care Liaison and Strategic Planning	N/A	Liaison	Risk assessment and production of the Annual Audit Plan for Adult Social Care. Ongoing liaison with management during the year.

Total Planned Days for Adult Social Care		**293**

Department:	Transport & Environment		

Review Name	Risk	Type	Outline Objective
Integrated Waste Management Services Contract (IWMSC) - Review of the Contractors Finance Model.	High	Systems	To ensure that the model used by Veolia for calculating their Internal Rate of Return (IRR) is fit for purpose and will produce complete and accurate information in accordance with the terms and conditions of the contract. This is a continuation of the audit work carried out in 2008/9.
Integrated Waste Management Services Contract (IWMSC) - Ongoing Advice and Support	High	Advice	To continue the provision of support, advice and challenge in relation to the IWSMC. This involves attendance at quarterly audit working group meetings involving ESCC/B&HCC Internal Audit and External Audit.
Landfill Allowance Trading Scheme (LATS)	High	Systems	To ensure that the County Council has in place adequate, effective and properly controlled arrangements for operating under the Landfill Allowance Trading Scheme.
Hastings / Bexhill Link Road - Project Governance Review	High	Systems	To continue to review and report upon the project governance arrangements in relation to the Bexhill / Hastings Link Road Project. The review will focus on the financial management, budget monitoring and reporting of the project and also include an implementation check on the recommendations made in the 2008/9 audit.
Home to School Transport Budgetary Control - Follow Up	High	Systems	To follow-up an audit carried out in 2007/08 which identified control weaknesses relating to the management and monitoring of the home to school transport budget.
Highways Maintenance - Exor	High	Systems	To ensure that adequate controls exist in relation to the Highways management system. In particular that the payments process is robust, accurate and timely and that all payments are made within the terms and conditions of the May Gurney contract. This is a full review following the introduction of Exor. A systems based audit which includes a review of key ICT controls and which will be relied upon by the County Council's external auditor.
Passenger Transport - Trapeze	High	Systems	To ensure that adequate controls exist in relation to the new Passenger Transport IT solution, which includes making payments to providers and interfacing with the County Council general ledger (SAP). A systems based audit which includes a review of key ICT controls and will be relied upon by the County Council's external auditor.
Highways Maintenance - Future Contract Arrangements	High	Advice	A advise and support new arrangements for extending or re-letting the current Highways maintenance contract, having regard to best value, probity and service continuity.
Living Cliffe Project Review	Medium	Systems	To review the project with a focus on adequacy of governance arrangements, stakeholder communication, planning, project management and financial control, monitoring and reporting. The findings from this review will inform future project management arrangements in the department.
T&E Induction	N/A	Liaison	Continuing support to the departmental induction process, covering governance and standards of conduct issues.
Action Tracking of Previous Audit Recommendations	N/A	Liaison	To confirm implementation of all high risk audit recommendations within the department.
T&E Annual Report and Opinion	N/A	Annual Report	To form an opinion on the control environment within the Transport & Environment for the year from 2008/09.

Department:	Transport & Environment		

Review Name	Risk	Type	Outline Objective
T&E Advice	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within Transport & Environment as they arise during the year.
T&E Liaison and Strategic Planning	N/A	Liaison	Risk assessment and production of the Annual Audit Plan for Transport & Environment. Ongoing liaison with management during the year.

Total Planned Days for T&E		195

**East Sussex
County Council**

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ESCC INTERNAL AUDIT CHARTER & TERMS OF REFERENCE

1.   RESPONSIBILITIES AND OBJECTIVES

1.1   Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisations 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.

1.2   It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

2.   STATUTORY ROLE

2.1   Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2003 (as amended in 2006), which state in respect of Internal Audit that:

"A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices, and any officer or member of that body shall, if the body requires:

• make available such documents of the body which relate to its accounting and other records as appear to be necessary for the purpose of the audit; and
• supply the body with such information and explanation as the body considers necessary for that purpose."

2.2   The statutory role is recognised and endorsed within the Council's Financial Regulations, which provide the authority for access to officers, members, documents and records and to require information and explanation as necessary.

3.   INDEPENDENCE AND ACCOUNTABILITY

3.1   Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors have no operational responsibilities.

3.2   Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Chief Internal Auditor has direct access to, and freedom to report in his own name and without fear of favour to, all officers and Members and particularly those charged with governance.

3.3   Accountability for the response to the advice and recommendation of Internal Audit lies with management, who either accept and implement the advice or formally reject it.

4.   INTERNAL AUDIT SCOPE

4.1   The scope of Internal Audit includes the entire control environment and therefore all of the Council's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and Management risk assessment (as set out within County Council risk registers). Extensive consultation also takes place with key stakeholders.

5.   REPORTING LINES AND RELATIONSHIPS

5.1   East Sussex County Council has delegated responsibility for ensuring that statutory internal audit arrangements are in place to the Deputy Chief Executive and Director of Corporate Resources. These arrangements form a key element of the County Council's framework for corporate governance. On a day to day basis the Assistant Director (Audit and Performance) serves as the County Council's Chief Internal Auditor and the Audit and Performance Division provides internal audit services to the County Council on behalf of the Deputy Chief Executive and Director of Corporate Resources.

5.2   The Chief Internal Auditor reports directly to the Deputy Chief Executive and Director of Corporate Resources. The County Council also has an Audit and Best Value Scrutiny Committee to whom internal audit report on a quarterly basis. These reports cover results of internal audit activity and details of internal audit performance, including progress on delivering the Audit Plan. In addition, internal audit provides an annual report and opinion to Chief Officers and Members on the adequacy of the Council's control environment.

6. INTERNAL AUDIT STANDARDS

6.1 There is a statutory requirement for Internal Audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect 'the Standards' for local authority internal audit. The guidance accompanying the Accounts and Audit Regulations 2003 (as amended in 2006) makes it clear that 'the Standards are those shown in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The CIPFA Standards have been adopted by East Sussex County Council Internal Audit.

7. INTERNAL AUDIT RESOURCES

7.1 It is a requirement that Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

7.2 The Chief Internal Auditor is responsible for appointing the staff of the Internal Audit Service and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Internal Audit Service maintains an annually updated Training and Development Plan, which sets out an ongoing development programme for Internal Audit staff.

7.3 The Chief Internal Auditor is responsible for ensuring that the resources of the Internal Audit Service are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby they concluded that resources were insufficient, they must formally report this to the Deputy Chief Executive and Director of Corporate Resources and, if the position is not resolved, to the Audit and Best Value Scrutiny Committee.

8. FRAUD AND CORRUPTION

8.1 Managing the risk of fraud and corruption is the responsibility of Chief Officers not Internal Audit. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Anti Fraud and Corruption Strategy.

8.2 Internal Audit should also be informed of all suspected or detected fraud, corruption or impropriety in order to consider the adequacy of the relevant controls, and evaluate the implication of fraud and corruption for his opinion on the control environment.

Councillor David Tutt
Chairman of the Audit and Best Value Scrutiny Committee

Sean Nolan
Deputy Chief Executive and Director of Corporate Resources

Duncan Savage
Assistant Director – Audit and Performance

ESCC Strategic Risk Log – Internal Audit Coverage 2009/10

	KEY THEME AREAS	LEAD COORDINATING OFFICER ON BEHALF OF COMT	INTERNAL AUDIT COVERAGE
1.	Failure to recruit and retain key staff, and manage capacity pressures and staff moral and motivation effectively	Andrew Ogden	• Corporate Recruitment Review • HR/Payroll • E-Recruitment (ICT Audit)
2.	Failure to implement effectively key departmental restructuring exercises (as well as ensuring a sound response to 'single status', and equal pay issues).	Andrew Ogden(relevant department lead)	• Corporate Recruitment Review
3.	Failure to meet the ongoing challenge of improving performance whilst Reconciling Policy and Resources in the context of rising expectations, limited resources, efficiency expectations and the tension between vulnerable and universal services.	Sean Nolan(Becky Shaw)	• Risk Management Review
4.	Failure to manage adequately volatile budget areas (e.g. social care, special needs, home to school transport etc) to the extent they impact sufficiently on other priorities.	Sean Nolan	• Specific Departmental Reviews
5.	Reputational damage and lack of confidence from failure to maintain or deliver increased service standards (including inspection or assessment scores in CPA/CAA).	Becky Shaw	• National Indicator Sets Review • Local Area Agreement • Corporate Governance • Partnership Governance

	KEY THEME AREAS	LEAD COORDINATING OFFICER ON BEHALF OF COMT	INTERNAL AUDIT COVERAGE
6.	Negative impact of the Recession on the County Council and on East Sussex residents, businesses and communities (including collapse of key supply chains due to the economic downturn).	Cheryl Miller (All Chief Officers)	• Impact of Recession Action Plan Review • Risk Management Review
7.	Failure to manage successfully the quality, relationships and outcomes from the increasingly complex partnership agenda including the various aspects of locality working.	Becky Shaw	• Partnership Governance Review
8.	Failure to manage effectively the key strategic relationships with, and performance of, key commercial partners (e.g. BT, Serco, Veolia, key care providers etc).	Cheryl Miller (all Chief Officers)	• Risk Management Review • IWSMC Finance Model and Advice/Support • Highways Future Contract Arrangements • Learning Disability Services – Transfer from Health
9.	Failure to secure an effective 'Agewell' Scheme in line with business objectives.	Keith Hinkley	• Agewell Review
10.	Failure to put in place an effective medium term service plan consistent with commissioning strategies, "Putting People First", whole system challenges, and drivers with maximum efficiencies and resources available.	Keith Hinkley	• Putting People First – Programme Support and Assurance

	KEY THEME AREAS	LEAD COORDINATING OFFICER ON BEHALF OF COMT	INTERNAL AUDIT COVERAGE
11.	Risks from changes within the NHS including consultation on "Fit for the Future" and application of provider Trusts for Foundation status. Further risk that there will be delays in the local health economy picking up new responsibilities for continuing healthcare	Keith Hinkley	• Continuing Health Care Funding Responsibilities
12.	Failure to sustain current improved performance on our priority performance indicators within Adult Social Care	Keith Hinkley	• National Indicator Sets Review • Specific Departmental Reviews
13.	Failure to deliver ASC Transformation Agenda.	Keith Hinkley	• ASC Residual Business Transformation Programme • Abacus Income Review • Abacus Payments Review • ContrOCC
14.	Transfer from NHS to ESCC of responsibility and fund for commissioning Learning Disability Services for adults.	Keith Hinkley	• Partnership Governance • Learning Disability Services – Transfer from Health
15.	Implementation by PCT of Continuing Health Care (CHC) criteria.	Keith Hinkley	• Continuing Health Care Funding Responsibilities • Partnership Governance
16.	Failure to secure appropriate approval for the Link Road and expected external funding support and to ensure that the same remains affordable and deliverable.	Rupert Clubb	• Hastings/Bexhill Link Road Project Governance Review

	KEY THEME AREAS	LEAD COORDINATING OFFICER ON BEHALF OF COMT	INTERNAL AUDIT COVERAGE
17.	Failure in key waste delivery plan and milestones (including in relation to indemnities resting with the County Council and recycling with Districts).	Rupert Clubb	• IWSMC Finance Model and Advice/Support • Landfill Allowance Trading Scheme (LATS) Review
18.	Failure to deliver benefits of a joint waste authority with Districts.	Rupert Clubb	• No audit coverage planned
19.	Failure to deliver major property projects – on cost, to specification and to time – but including failure to deliver effective client or sponsor role.	Sean Nolan	• Primary Capital Programme Review • Building Schools for the Future • Bexhill High School BSF Project
20.	Failure to deliver economic regeneration aspirational progress in key areas, (including Hastings, Bexhill, Newhaven and Eastbourne Hailsham Triangle) and to fail to maximize benefit of any new Sub-Regional economic governance structures.	Cheryl Miller	• No audit coverage planned
21.	Failure to deliver the benefits of a 'hard federation' in Hastings to improve standards at Key Stage 3 and 4.	Matt Dunkley	• Hastings Federation Financial Management Review
22.	Failure to respond effectively to the growing number of young people being classed as vulnerable and potentially requiring support and services.	Matt Dunkley	• Risk Management • ContactPoint • Children's Trust • Carepay

	KEY THEME AREAS	LEAD COORDINATING OFFICER ON BEHALF OF COMT	INTERNAL AUDIT COVERAGE
23.	Failure to articulate effectively and commission major school re configurations requirement over the short and long term – including Academy Programme in Hastings, BSF in Bexhill, further BSF rounds and primary capital programme.	Matt Dunkley	• Primary Capital Programme Review • Building Schools for the Future • Bexhill High School BSF Project
24.	Failure to influence effectively school performance to avoid significant intervention measure from Government (inc Ofsted).	Matt Dunkley	• Financial Management Standard in Schools • Themed Reviews of Schools

2010/11 Potential Audit Activity

Corporate Resources Directorate
Schemes Delegation
Disposal of Surplus Property
Mobile Telephones
Management of Lettings
Cheque Control
Facilities Management
CBOSS Contract Management
VAT

ICT Audit
Libraries Self Service Pilot
SIMS Learning Gateway
Tribal / Trapeze Interface
Historic Buildings Sites & Monuments Record
E-Invoicing
Intranet Redevelopment

Chief Executive's
Lease Car Scheme
Travellers Sites Financial Management
Adult Community Colleges
County Council Recruitment

Children's Services
Standards Fund
Early Years - Payments to Providers
School Budget Clawbacks
Music Service

Transport & Environment
Rights of Way Asset Management
Eastbourne On Street Parking
Vehicle Fleet Management
Passenger Transport - Contracting and Tendering

Adult Social Care
Direct Payments
Residential Nursing Care Charges
Home Care Rostering System
Major Adaptation Works
Establishment Visit Programme
Delayed Discharges
Integrated Community Equipment Service