

Report to: **Audit, Best Value and Community Services Scrutiny Committee**

Date: **1 June 2012**

By: **Interim Director of Corporate Resources**

Title of report: **Internal Audit Strategy 2012/13 and Annual Plan**

Purpose of report: **To present the Council's Internal Audit Strategy 2012/13 and Annual Plan**

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**RECOMMENDATIONS: Members are recommended to**

- 1. review and endorse the Council's Internal Audit Strategy 2012/13 and Annual Plan; and**
  - 2. approve the updated Internal Audit Charter.**
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**1. Financial Appraisal**

1.1 Resources needed to deliver the Council's Internal Audit Strategy and Annual Plan during 2012/13 are provided for within the agreed budget of the Audit and Performance Division, Corporate Resources Directorate. The budget reflects the outcomes of the Internal Audit Service review conducted during 2011/12, including agreed savings and a shift of funding to the increased use of external specialist resources.

**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 2011. 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 2012/13 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, Best Value and Community Services Scrutiny Committee on 28 February 2012 and comments made have been fed into the planning process.

2.3 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.

2.4 The Internal Audit Charter sets out the scope and responsibility of internal audit and this was originally approved by the Audit and Best Value Scrutiny Committee in 2007. Whilst the Charter remains fit for purpose, it has recently been subject to minor amendment to reflect the outcomes from the Internal Audit Service Review. The updated version is attached to the Internal Audit Strategy as Appendix C, which Members are asked to approve as part of this report.

### **3. Recommendations**

3.1 The Interim Director of Corporate Resources has already approved the Internal Audit Strategy 2012/13 and Annual Plan. The Audit, Best Value and Community Services Scrutiny Committee is recommended to review and endorse the Strategy and Plan prior to its submission to Cabinet in July 2012.

ANDREW TRAVERS  
Interim Director of Corporate Resources

Contact Officers:	Duncan Savage	Tel No. 01273 482330
	Russell Banks	Tel No. 01273 481447

BACKGROUND DOCUMENTS  
Internal Audit Strategy and Annual Audit Plan 2012/13

# **INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2012-2013**

## **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 2011. The full role and scope of the County Council's Internal Audit Service (IAS) is set out within our Internal Audit Charter and Terms of Reference, which was approved by the Audit and Best Value Scrutiny Committee in November 2007. This Charter has been subject to minor revisions during 2012 and is attached as Appendix C for approval.

1.2 The key policy steer for the IAS, as set out within the 2012/13 Council Plan, is 'to maintain and improve high standards of governance, internal control and risk management across the Council'.

1.3 During 2011, an Internal Audit Service Review was completed and reported to Chief Officer Management Team and Audit, Best Value and Community Services Scrutiny Committee. Amongst the recommendations agreed as part of the review, was the introduction of the following mission statement as the basis for the future delivery of internal audit services at ESCC:

*'Internal audit is an independent assurance function which conducts reviews and provides advice, support and challenge to the organisation on risk, governance and internal control matters. In achieving this, the service aims to:*

- *Deliver a high quality, cost effective service in line with best practice and professional standards;*
- *Work constructively with management to support new developments and major change programmes;*
- *Be pragmatic and proportionate with its recommendations, having regard not just to risk, but also the cost of controls;*
- *Be flexible and responsive to the needs of the organisation in all its work.'*

## **2. Risk Assessment and Audit Planning**

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

2.2 The update of the annual plan for 2012/13 has involved extensive consultation with a range of stakeholders, to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered. In order to ensure that the most effective use is made of available resources, to avoid duplication and to minimise service disruption, every effort has been made to identify, and where possible, rely upon, other sources of assurance available. Appendix D provides a summary of internal audit coverage against the Council's Strategic Risk Register (based on the current version at the time of producing this Strategy).

2.3 In producing the audit plan, the following key principles are also 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 audited annually will be subject to a specific follow up review to assess the effective implementation by management of agreed audit recommendations. This will also include a sample of previous reviews with a 'partial assurance' opinion;
- 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;
- As an agreed outcome from the Internal Audit Service Review, we will in future ensure that, where relevant, lessons learned from individual reviews are shared with the rest of the organisation to help raise standards across the board.

### **3. Key Issues**

#### Major Change

3.1 In times of significant transformation, organisations must both manage change effectively and ensure that core controls remain in place. The Council currently faces some significant financial pressures as a result of the national reduction in public sector spending, and continues to be engaged in a number of major projects, developments and restructurings, including the corporate programme of service reviews. The Council is also experiencing changes to the services that it is responsible for delivering and in the way services are delivered.

3.2 The IAS must therefore be in a position to give an opinion/assurance that covers the control environment in relation to both existing systems and these new developments. It is also essential that this work is undertaken in a flexible and supportive manner, in conjunction with management, to ensure that both risks and opportunities are properly considered. During 2012/13, a number of major programmes and projects are featured within the audit plan, with the intention that the IAS is able to provide proactive advice and assurance as these projects progress. These include:

- Children's Services Transformation ('Thrive');
- Local Broadband Plan;
- CBOSS Retender;
- Public Sector Network;
- Carefirst Replacement.

3.3 In recognition that in some cases, sufficient information regarding the full extent of future changes and associated risks may not yet be known, the 2012/13 audit plan includes a proportion of time within each department classified as 'Emerging Risks'. This approach, which was successfully applied in 2011/12, has been adopted to enable the IAS to react appropriately throughout the year as new risks materialise and to ensure that internal audit expertise in governance, risk and internal control can be utilised early in the change process. Emerging risks may include the outcomes from the Council's programme of service reviews including corporate support services.

3.4 There are also some areas where, although provision has been made within the plan to undertake assurance activity, the specific nature and scope of the work has yet to be determined. In particular:

- Health – the County Council is now going through a period of change in relationships with Health partners, including changes in responsibility and new areas of service delivery. Our audit plan for 2012/13 therefore continues to incorporate the following:
  - NHS White Paper – the implications for the County Council and the extent to opportunities and risks are being taken and managed;
  - Public Health – risks associated with the transfer of public health responsibilities from the NHS.

3.5 In view of the above, it is important that the IAS works closely with COMT and senior management throughout the year to define the specific risks associated with these areas and to identify how and where audit resources can be utilised to best effect.

### Schools

3.6 Following the removal of the Financial Management Standard in Schools, the assurance regime in relation to schools has become less clear, particularly with the increasing autonomy of schools and the growing responsibilities of governing bodies. Whilst the Director of Corporate Resources remains responsible for signing off the annual Section 51 grant (schools budget share), in many other areas the responsibilities of the Authority have changed.

3.7 In order to ensure the full implications of these changes are properly understood, a project is currently underway within Children's Services, supported by the IAS and Legal Services, to obtain an improved understanding of the Council's duties and responsibilities in relation to schools, including a much clearer picture of the apportionment of risk exposure and the intervention powers available to the Authority.

3.8 The outcome of this work is expected to be reported in early 2012/13 and will be used to inform our future Schools Audit Strategy. In the interim, we have made provision within the plan to continue to undertake a range of audit work within schools, which is likely to include follow ups to previous themed reviews, key financial control testing within individual schools and joint work with Children's Services colleagues to improve the level of scrutiny and challenge amongst school governors.

3.9 Appendix B shows the coverage of the audit plan in more detail.

## **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 highest risk areas and provide an appropriate level of assurance for each directorate and for the County Council as a whole.

4.2 In addition to this, resources have also been allocated to the external bodies for whom we also provide internal audit services at an appropriate charge. These include East Sussex Fire Authority, Plumpton College and a number of new academies.

4.3 The Internal Audit Service Review, reported in February 2012, confirmed the delivery of targeted savings of £100,000 since 2010/11, primarily through a reduction in posts and a reduction of approximately 300 planned audit days since 2010/11.

4.4 In order to ensure that the IAS continues to provide access to appropriate skills and expertise, and to help maintain future business resilience the IAS will supplement its core in house team with an expanded range of external specialist resources. The 2012/13

audit plan has therefore been prepared on this basis, with an anticipated 150-200 days of specialist resources being brought in, covering areas such as ICT audit and contract audit. Overall the level of resource is still considered to be sufficient to allow the IAS to deliver its risk based plan in accordance with professional standards (CIPFA Code of Practice for Internal Audit in Local Government).

## **5. Audit Approach**

5.1 The approach of internal audit is to use risk 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 the IAS cannot be planned in advance. For this reason time is built into the plan to cover the following:

- Contingency – an allowance of 150 days to provide capacity for unplanned work, including special audits and the investigations of potential fraud and irregularity. This contingency also allows for the completion of work in progress from the 2011/12 plan;
- Advice, Management, Liaison and Planning - an allowance against each department to cover provision of ad hoc advice on risk, audit and control issues, audit planning, ongoing liaison with departments and audit management time in support of the delivery of all audit work, planned and unplanned.

5.3 A summary of the allocation of audit resources across the 2012/13 audit plan is shown at Appendix A.

5.4 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 the IAS 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 CIPFA's skills and competencies matrix for internal auditors.

6.2 The IAS is committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development. This is reflected in the current staff group, with nine out of the ten permanent staff holding a professional internal audit or accountancy qualification. One of these is a part qualified member of the Institute of Internal Auditors who is due to complete their final exams during 2012.

## **7. Quality and Performance**

7.1 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. In response to feedback received from stakeholders, these targets have been amended for the coming year to focus principally on the following three areas, all of which are underpinned by a range of individual performance measures:

- Quality/Customer Satisfaction;
- Cost/Coverage;
- Compliance with Professional Standards.

7.2 The IAS subscribes to the CIPFA Benchmarking Club for Internal Audit Services on annual basis, with this information utilised as part of the above performance measures. Full details of these have been provided within Appendix E.

7.3 One of the further actions arising from the Internal Audit Service Review was the commitment to ensure that audit recommendations add sufficient value to the organisation, focussing on the 'real risks'. Our success in achieving this objective will ultimately be measured through the 'Quality/Customer Satisfaction' indicators referred to above, in particular, the views of Chief Officers and Departmental Management Teams.

7.3 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 Annual Audit Letter.

7.4 In addition to the individual reports to management for each audit assignment, reports on key audit findings and the delivery of the audit plan are made to both COMT and the Audit, Best Value and Community Services Scrutiny Committee on a quarterly basis. An Annual Internal Audit Opinion is also produced each year for the County Council along with a similar report covering each individual Council department.

7.5 Whilst 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, a key service objective for the coming year is to further develop our joint working arrangements with other local authority audit teams to improve resilience and make better use of our collective resources.

7.6 Finally, in order to ensure continuing compliance with the CIPFA statement on the role of the head of internal audit, alternative management arrangements have been made where the IAS undertakes audit activity in areas where the Assistant Director – Audit and Performance (as the Head of Internal Audit for the County Council) also has operational responsibility. Specifically, responsibility for management of this work will rest with the Principal Audit Manager who will, where necessary, have direct access to the Director of Corporate Resources.

**ANDREW TRAVERS, INTERIM DIRECTOR OF CORPORATE RESOURCES**

Contact Officers:

Duncan Savage – Assistant Director – Audit and Performance

Tel No: 01273 482330

Russell Banks – Principal Audit Manager

Tel No: 01273 481447



## Annual internal audit plan by customer

<b>Service</b>	<b>2012/13 Plan Days</b>	<b>% of 2012/13 Plan Days</b>	<b>2011/12 Plan Days</b>
East Sussex County Council			
Corporate Body (incl CRD)	490	27.7%	400
Computer Audit	130	7.4%	108
Children's Services	341	19.5%	387
Adult Social Care	249	14.2%	242
Economy, Transport & Environment	171	9.8%	205
Governance & Community Services	111	6.3%	117
Contingency (incl. carry forward)	150	8.5%	200
<i>Sub total – internal customers</i>	<i>1,642</i>	<i>92.7%</i>	<i>1,659</i>
Fire Authority	85	4.9%	70
Plumpton College	22	1.3%	27
Academies	22	1.3%	0
<i>Sub total - external customers</i>	<i>129</i>	<i>7.3%</i>	<i>112</i>
<b>Total audit days</b>	<b>1,771</b>	<b>100.0%</b>	<b>1,761</b>

**Strategic Audit Plan 2012/13 – Detailed analysis of coverage**

*See attached spreadsheet*

## 2012/2013 Internal Audit Plan



<b>Department:</b>	<b>Corporate Resources Directorate</b>
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<b>Review Name</b>	<b>Risk</b>	<b>Type</b>	<b>Outline Objective</b>
Emerging Risks	High	Systems	Internal Audit will perform an important role in helping to ensure that risks associated with changes to services are properly understood and managed, and that management are obtaining the necessary assurance that these changes take place effectively, and without an unacceptably adverse effect on the control environment. This resource will also be used to enable us to respond to any new risks as they emerge during the year.
Property Service Review	High	Systems	A service review of the corporate property function is due to be undertaken during 2012/13, led by an external consultant, Grant Thornton. Internal Audit activity will include obtaining assurance that any risk or internal control implications arising from the review recommendations are properly understood and mitigated where considered appropriate. This will include an evaluation of any new or revised systems and working practices.
Information Governance and Information Security (Corporate Review)	Medium	Systems	Building on work undertaken in previous years, to ensure that corporate information governance and security arrangements are effective, proportionate and consistently applied across the organisation.
Income and Revenue Collection (Corporate Review)	Medium	Systems	The County Council receives revenue from numerous sources and across a range of services. This audit will ensure not only that cash and other income collected is being accounted for and banked accurately, promptly and securely, having regard to the risk of fraud and money laundering, but also that the Council is correctly billing and receiving all the revenues to which it is entitled.
Accounts Payable/Procurement (Corporate Review)	High	Systems	To ensure adequate controls exist over the procure to pay process, including ordering, goods receipting and payment. The review will include a follow up of our work in 2011/12 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. In accordance with the cyclical review arrangements agreed with our external auditor, this review will address the key controls only, together with a follow up of our work in 2011/12.
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 2011/12 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 2011/12 and will be relied upon by the County Council's external auditor.
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 2011/12 and will be relied upon by the County Council's external auditor.

Review Name	Risk	Type	Outline Objective
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 Fund - 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). The audit will also cover the recently adopted separate books of account for the Pension Fund, independent from the Council's own ledgers. 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 - 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.
Fundamental Accounting Systems - Top-up Testing (Corporate Review)	High	Systems	To conduct compliance testing of fundamental accounting systems for the period following the completion of the mainstream audit, up to the end of the financial year. This testing will be conducted in respect of all the fundamental accounting systems that are subject to internal audit in 2012/13 and will be relied upon by the County Council's external auditor.
Capital Programme - Management and Maintenance	Medium	Systems	To provide assurance that projects are subjected to sufficient scrutiny, challenge, and organisational acceptance, prior to admission to the Capital Programme, that during the course of their lifecycle they are managed efficiently and effectively, and that the capital programme itself is managed and reported completely and accurately.
Purchasing Cards (Corporate Review)	Medium	Systems	In June 2010, ESCC introduced a pilot purchasing card scheme, whereby key staff could use a card to purchase goods and services, rather than a conventional purchase order and invoice, or by using petty cash. The objectives of this audit are to ensure that the internal control environment over the use of purchasing cards remains sound, and that the payment review and authorisation processes are also efficient, and proportionate to the levels of expenditure.
SAP Future Phases - CBOSS Retender	High	Advice	The current contract with SERCO for hosting the SAP system expires in 2013. Ahead of the renewal of this contract, the Council is exploring the most efficient, effective and economic way of delivering this service in the future. The audit would provide ongoing advice, challenge and support to the project. This will include assurance that the project is managed in accordance with the County Council's project management standards, that the risks are properly managed and mitigated, and that governance and internal control implications are properly considered as part of any future arrangements.

Review Name	Risk	Type	Outline Objective
SAP Future Phases (Various Projects)	High	Advice	To provide ongoing advice, challenge and support to future SAP developments covering risk management, internal control and probity issues. Potential projects for 2012/13 include E-invoicing, E-tendering and online travel claims.
Carbon Reduction Commitment	Medium	Systems	Carbon Reduction Commitment is a new national initiative providing a financial incentive to reduce energy use by putting a price on carbon emissions. This review will evaluate the systems and controls that are in place for managing this scheme within ESCC, to ensure that best value is obtained from the scheme and that costs are recorded completely and accurately.
Contracting and Procurement Review - BT Global Services	High	Regularity	This is part of an ongoing programme of reviews examining significant and high risk areas of spend across the organisation. BT Global Services has been selected as it is one of the County Council's top twenty suppliers of goods and services by value. The review will evaluate the adequacy and effectiveness of the arrangements for management and monitoring of this contract. as well as ensuring compliance with Financial Regulations, Contract Standing Orders and best practice.
Agile Working (Corporate Review)	Medium	Advice	Agile Working is a corporate initiative, seeking to challenge the way in which we work and the way in which we access and use resources, having clear property, ICT and HR implications. Internal Audit will review the project governance arrangements and the internal control implications of any significant changes to working practices as a result. We will also provide advice, assurance and constructive challenge around the project.
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 administering the County Council's Confidential Reporting Hotline. Internal audit will also continue to co-ordinate activity as part of the National Fraud Initiative, including supporting the preparation and submission of data during 2012.
CRD Strategic Risk Assurance Mapping	High	Management	To carry out a high level mapping exercise, in conjunction with management, to provide assurance over the management of the department's key strategic risks. This work will also be an important source of evidence in support of both the departmental and overall County Council annual audit opinion.
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. This also includes liaison over the delivery of the programme of FAS reviews.
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 2013/14 for formal reporting to COMT, Audit, Best Value and Community Services 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 2011/12.
Benchmarking	N/A	Management	To participate in the CIPFA Internal Audit Benchmarking Club 2012 and respond to any issues arising.

<b>Review Name</b>	<b>Risk</b>	<b>Type</b>	<b>Outline Objective</b>
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 2012/13.
CRD - Client Advice and Support	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within CRD as they arise during the year.
CRD - Audit Management, Client Liaison and Planning			Risk assessment and production of the Annual Audit Plan for Corporate Resources Directorate. Ongoing liaison with management during the year, and audit management time in support of the delivery of all audit work relating to CRD; planned and unplanned.

<b>Total Planned Days for CRD</b>	<b>490</b>
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## 2012/2013 Internal Audit Plan



<b>Department:</b>	<b>ICT Audit</b>
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Review Name	Risk	Type	Outline Objective
Telecoms and Voice-over Internet Protocol (VOIP) - Pre-implementation review	High	Systems	Telecoms and VOIP is currently the subject of a procurement exercise. While Voice-over Internet Protocol (VoIP) communications can provide excellent value for money they can also increase system availability and confidentiality risks, as VoIP is supported by a complex environment of standards. This audit is designed to ensure the adequacy of the controls applied to the Telecoms and VoIP network, which inherits all the vulnerabilities linked with the underlying data network. This audit has been deferred from 2011/12.
Public Sector Network	High	Systems	In line with the SE7 shared services workstream for linking networks, East Sussex is re-tendering the Next Generation Network contract, as part of a much wider secure public sector network, to become a shared regionalised network infrastructure. The potential for reducing overheads and contracting costs is substantial by shared use of infrastructure, merged networks and consolidated data centres, opening the potential for shared applications and hosted services with other public sector authorities. This audit will build on the advice and assurance work that has been conducted during 2011/12. The objectives of this audit are to evaluate the effectiveness of controls around the project, to ensure that the risks have been assessed properly, that the testing regime is comprehensive, and that project planning processes are adequate.
Thin Client Technology	High	Advice	This long-term project commenced in 2011/12. Its aim is to replace existing user-facing technology with a lower-cost "thin" solution, supported by two shared brokers, in replacement of existing desktop functionality. It will be built and migrated in 2012/13 and completed in 2013/14. The objectives of the review are to evaluate controls around the project, to ensure that the risks have been assessed properly, that the testing regime is comprehensive, project planning processes are adequate, and that the solution is both optimal and fit-for-purpose.
Security of Mobile Devices	High	Systems	Remote working is an essential element of modern business practice. However, this needs to take place within a reliable ICT infrastructure that allows users to work remotely safely and securely. This audit will seek to ensure that adequate controls are in place to ensure network security, data integrity and confidentiality, whenever mobile devices are connected to the Council's network.
Data Centre/Server Room Facilities & Security	High	Systems	This audit will ensure that physical and logical security controls are adequate and appropriate, for each of the servers which hold and process the most material and vulnerable data. It will cover such areas as physical access, logical access, environmental controls, prevention of external risks (fire/smoke/water ingress), program change controls, backup & recovery and disaster recovery.
Operating Systems - Windows Server 2003/2008	High	Systems	This audit will assess the adequacy and effectiveness of controls established and applied in the following areas: Server Installation Settings, Security Updates and Patches; Auditing and Logging; Resilience and Data Replication; and Development Best Practices and Tools.

<b>Review Name</b>	<b>Risk</b>	<b>Type</b>	<b>Outline Objective</b>
Development of New Corporate Systems / Investment in Hardware	Medium	Systems	The County Council continuously assesses the appropriateness and adequacy of the systems and hardware that deliver management information. This audit will ensure that the systems and procedures around these developments, and the hardware that supports them, deliver solutions that meet the needs of the organization as a whole.
Key Business Systems: Replacement of Carefirst	High	Systems	Carefirst is a social care management system that is used to monitor, assess and manage the care packages of children and vulnerable adults across the Council. This audit will ensure that the replacement system is implemented in a controlled manner and can only be accessed and amended by those with the appropriate authority, and that management information is complete and accurate.
Key Business Systems: SIMS (Capita) and Learning Gateway	High	Systems	The learning gateway provides parents with real-time, online access to timetables, attendance information, behaviour logs, homework diaries, test results, and correspondence, that will encourage ongoing communication and information sharing between the parent, pupil and school. This audit will ensure that the information is held securely, that it is kept up-to-date, that it cannot be manipulated, and that it can be accessed only by those persons with authority to see it.
Key Business Systems: Trapeze	High	Systems	Trapeze is the Passenger Transport IT solution, which includes making payments to providers and interfacing with the County Council general ledger (SAP). This is a review of key ICT controls, to include access controls, system administration, patch management and business continuity arrangements.
ICT - Audit Management, Client Liaison and Planning	N/A	Liaison	Risk assessment and production of the Annual ICT Audit Plan. Ongoing liaison with management during the year, and audit management time in support of the delivery of all ICT audit work, planned and unplanned.
ICT - Client Advice and Support	N/A	Advice	To provide ongoing ad hoc advice on ICT-related issues as they arise during the year.

<b>Total Planned Days for ICT Audit</b>	<b>130</b>
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## 2012/2013 Internal Audit Plan



**Department:** Governance and Community Services

Review Name	Risk	Type	Outline Objective
Emerging Risks	High	Systems	Internal Audit will perform an important role in helping to ensure that risks associated with changes to services are properly understood and managed, and that management are obtaining the necessary assurance that these changes take place effectively, and without an unacceptably adverse effect on the control environment. This resource will also be used to enable us to respond to any new risks as they emerge during the year.
Transfer of Public Health responsibilities from the NHS	High	Systems	Following the publication of the Government White Paper "Healthy Lives, Healthy People" in November 2010, Public Health is to be transferred from the NHS to local authorities from 2013. Internal Audit work will focus on ensuring that all key risks associated with the transfer and future delivery of the service, including funding and service prioritisation, have been properly identified and managed where appropriate.
Replacement of Galaxy System	Medium	Advice	The County Council Libraries Service currently uses the Galaxy system to order, purchase, receive and monitor library materials throughout the Council's libraries and this is due to be replaced during 2012/13. This review will examine project governance arrangements, compliance with Contract Standing Orders, Financial Regulations and best practice, and will provide internal control assurance over new systems and working practices, including any interface with the SAP system.
Pre-Employment Verification Arrangements	Medium	Systems	To review arrangements within the Authority for verifying key information for new staff, including identity, eligibility to work in the UK and professional qualifications where these are essential for a specific post.
G&CS Strategic Risk Assurance Mapping	High	Management	To carry out a high level mapping exercise, in conjunction with management, to provide assurance over the management of the department's key strategic risks. This work will also be an important source of evidence in support of both the departmental and overall County Council annual audit opinion.
Action Tracking of Previous Audit Recommendations	N/A	Liaison	To confirm implementation of all high risk audit recommendations within the department.
Governance and Community Services Annual Report and Opinion	N/A	Annual Report	To form an opinion on the control environment within the Governance & Community Services Department for the year 2012/13.
Governance and Community Services - Client Advice and Support	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within Governance and Community Services Department as they arise during the year.
Governance and Community Services - Audit Management, Client Liaison and Planning	N/A	Advice	Risk assessment and production of the Annual Audit Plan for Governance and Community Services Department. Ongoing liaison with management during the year, and audit management time in support of the delivery of all audit work relating to Governance & Community Services; planned and unplanned.

**Total Planned Days for G&CS**

**111**

## 2012/2013 Internal Audit Plan



**Department:** Children's Services

Review Name	Risk	Type	Outline Objective
Emerging Risks	High	Systems	Internal Audit will perform an important role in helping to ensure that risks associated with changes to services are properly understood and managed, and that management are obtaining the necessary assurance that these changes take place effectively, and without an unacceptably adverse effect on the control environment. This resource will also be used to enable us to respond to any new risks as they emerge during the year.
Children's Social Care Transformation (Thrive)	High	Systems	We will work closely with programme management to agree specific areas of review and to ensure the major risks faced by the programme are identified, assessed and properly managed. Areas for review are likely to include governance arrangements and programme (including financial) management. Our work will incorporate the major strands of the project including Childrens Centres, Social Care and Targeted Youth Support.
County Powers in Schools	High	Advice	Work has already taken place in this area to identify the Council's statutory duties. The next stage is to identify and assess the risks to the Council associated with non-compliance within schools, together with the identification of risk measures expected to be in place. Once this has been completed, further work will take place in conjunction with Children's Services and Legal Services to clarify any powers available to the Council to ensure compliance by schools in each of these areas. The outcome of this work will be used to inform our future Schools Audit Strategy.
Services to Schools (including follow-up of previous recommendations)	High	Systems	In addition to ensuring the agreed recommendations arising from the 2011/12 review of Services to Schools have been properly implemented, further work will also include a review of financial controls within services to ensure full cost recovery and that income is sufficient.
School Audit Work	Medium	Systems	In advance of County Powers in Schools work being completed, provision has been made within the plan to undertake a range of audit and assurance work within schools. This is likely to include follow ups to previous themed reviews, key financial control testing within individual schools and joint work with Children's Services colleagues to improve the level of scrutiny and challenge amongst school governors.
Music Service	Medium	Systems	To review the governance, partnership, bidding and financial management arrangements associated with the East Sussex Music Education Hub.
Sixth Form Funding	Medium	Systems	To gain assurance over the funding paid in respect of Local Authority Maintained Schools with Sixth Form Funding from 1 April 2011. To ensure payments made in relation to the transitional arrangements for the Education Maintenance Allowance were managed effectively and in accordance with eligibility criteria and guidance, and to ensure payments made in relation to the 16-19 Bursary Fund have been managed effectively in accordance with YPLA guidance.

Review Name	Risk	Type	Outline Objective
Contracting and Procurement Review - Peacehaven Schools Ltd	High	Regularity	This is part of an ongoing programme of reviews examining significant and high risk areas of spend across the organisation. Peacehaven Schools Ltd is responsible for provision of premises, ongoing maintenance, and management of Peacehaven schools, under a Public Finance Initiative (PFI) agreement. It has been selected as it is one of the County Council's top twenty suppliers of goods and services by value. The review will evaluate the adequacy and effectiveness of the arrangements for management and monitoring of this contract, as well as ensuring compliance with Financial Regulations, Contract Standing Orders and best practice.
Nurseries Income Follow-Up	High	Systems	To follow-up the recommendations from the 2010/11 review of nursery income to ensure all the necessary action has been taken by management to address the weaknesses previously identified.
CSD Strategic Risk Assurance Mapping	High	Management	To carry out a high level mapping exercise, in conjunction with management, to provide assurance over the management of the department's key strategic risks. This work will also be an important source of evidence in support of both the departmental and overall County Council annual audit opinion.
Action Tracking of Previous Audit Recommendations	N/A	Liaison	To confirm implementation of all high risk audit recommendations within the department.
CSD Annual Report and Opinion	N/A	Liaison	To provide an opinion on the control environment within the CSD for the year 2011/12.
CSD - Client Advice and Support	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within CSD as they arise during the year.
CSD - Audit Management, Client Liaison and Planning	N/A	Advice	Risk assessment and production of the Annual Audit Plan for CSD. Ongoing liaison with management during the year, and audit management time in support of the delivery of all audit work relating to CSD; planned and unplanned.

<b>Total Planned Days for CSD</b>	<b>341</b>
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## 2012/2013 Internal Audit Plan



<b>Department:</b>	<b>Adult Social Care</b>
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Review Name	Risk	Type	Outline Objective
Emerging Risks	High	Systems	Internal Audit will perform an important role in helping to ensure that risks associated with changes to services are properly understood and managed, and that management are obtaining the necessary assurance that these changes take place effectively, and without an unacceptably adverse effect on the control environment. This resource will also be used to enable us to respond to any new risks as they emerge during the year.
Self Directed Support (SDS) - Lean Working	High	Systems	To continue to provide assurance that the Self Directed Support system is revised, refined and updated with all learning as a result of Lean, since the audit review of July 2011. To ensure that all decisions made to update and change the SDS Pathway are made in a controlled manner. To ensure that the key controls of new systems are being complied with by all service users, carers, operational staff and providers of adult social care.
Resource Allocation (RAS)	High	Systems	To ensure that the RAS is accurate, fit for purpose and that it reflects the outcomes of support packages for all new clients that have received a personal budget. Assurance will also be provided that it continues to be reviewed and tested, and that the final version has been successfully integrated into the ASC IT infrastructure.
Direct Payments, including Pre-Paid Cards	High	Systems	To provide assurance on the implications of using direct payments on a wider scale. This will include reviewing the proposals in relation to pre-paid cards in terms of project and risk management arrangements, contract/tendering arrangements with banks/suppliers, and the risk of fraud.
Carefirst Replacement	High	Advice	There are significant risk and control implications associated with major IT system implementations. Internal Audit activity will include advice and support to management as part of the project to replace Carefirst and as the implementation progress, specific focus areas for further audit assurance will be agreed with management.
Integrated Community Equipment Service (ICES)	High	Systems	To review the controls in place in relation to the new ICES ordering and payments system, including a review of financial management and reporting, and to ensure compliance with these. The review will also include a follow-up of the recommendations made in the pre-implementation audit review of the proposed process.
Blue Badges Follow-Up	High	Systems	To review and evaluate the adequacy of controls and procedures governing the receipt of, and investigation into, allegations of badge misuse. This review will follow-up the previous audit recommendations made.
Fundamental Accounting System - CONTROCC (Expenditure and Income)	High	Systems	To ensure that adequate and effective controls are in place in relation to payments to providers via the Controcc/Abacus system, including controls over payment authorisations and SAP interface and reconciliation. Also, to ensure that adequate and effective controls exist in relation to income collection, accounting and reporting (including SAP interface and reconciliation). This is a key control review which will include a follow up of our work in 11/12 and will be relied upon by the County Council's external auditor.

<b>Review Name</b>	<b>Risk</b>	<b>Type</b>	<b>Outline Objective</b>
Contracting and Procurement Review - A4e Management Grants	High	Regularity	This is part of an ongoing programme of reviews examining significant and high risk areas of spend across the organisation. A4e provides independent living services to disabled people who are in receipt of Direct Payments. It has been selected as it is one of the County Council's top twenty suppliers of goods and services by value. The review will evaluate the adequacy and effectiveness of the arrangements for management and monitoring of this contract, as well as ensuring compliance with Financial Regulations, Contract Standing Orders and best practice.
ASC Strategic Risk Assurance Mapping	High	Management	To carry out a high level mapping exercise, in conjunction with management, to provide assurance over the management of the department's key strategic risks. This work will also be an important source of evidence in support of both the departmental and overall County Council annual audit opinion.
Action Tracking of Previous Audit Recommendations	N/A	Liaison	To confirm implementation of all high risk audit recommendations within the department.
ASC Annual Report and Opinion	N/A	Liaison	To provide an opinion on the control environment within ASC for the year 2011/12.
ASC - Client Advice and Support	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within ASC as they arise during the year.
ASC - Audit Management, Client Liaison and Planning	N/A	Advice	Risk assessment and production of the Annual Audit Plan for ASC. Ongoing liaison with management during the year, and audit management time in support of the delivery of all audit work relating to ASC; planned and unplanned.
<b>Total Planned Days for ASC</b>			<b>249</b>

## 2012/2013 Internal Audit Plan



**Department:** **Economy, Transport and Environment**

Review Name	Risk	Type	Outline Objective
Emerging Risks	High	Systems	Internal Audit will perform an important role in helping to ensure that risks associated with changes to services are properly understood and managed, and that management are obtaining the necessary assurance that these changes take place effectively, and without an unacceptably adverse effect on the control environment. This resource will also be used to enable us to respond to any new risks as they emerge during the year.
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.
Integrated Waste Management Services Contract (IWMSC)	High	Systems	Further work relating to the key risk areas of the IWMSC. Likely to include a review of the Joint Waste Collection Model which is currently being developed to enable local authorities in East Sussex to collect and dispose of the county's waste in an integrated and sustainable manner.
Highways Maintenance Transformation Project - Advice and Challenge	High	Advice/Systems	To continue to provide advice and challenge in relation to the project, looking at specific focus areas as agreed with project management.
Local Broadband Plan	High	Advice	As part of the project to rollout superfast broadband across the county, internal audit will be providing advice, support and constructive challenge on risk, internal control and governance matters. Initially this will focus on providing assurance over project governance arrangements, with further more focussed audit activity to be agreed through the project board.
Fundamental Accounting Systems - EXOR	High	Systems	To ensure that adequate controls exist in relation to the Highways Management system. In particular, the payments process is robust, accurate and timely, that all payments are made within the terms and conditions of the May Gurney contract and that controls around the use of the EXOR to SAP interface are robust. This is a key control review following a full systems review in 2011/12. 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.
E,T&E Strategic Risk Assurance Mapping	High	Management	To carry out a high level mapping exercise, in conjunction with management, to provide assurance over the management of the department's key strategic risks. This work will also be an important source of evidence in support of both the departmental and overall County Council annual audit opinion.

<b>Review Name</b>	<b>Risk</b>	<b>Type</b>	<b>Outline Objective</b>
Action Tracking of Previous Audit Recommendations	N/A	Liaison	To confirm implementation of all high risk audit recommendations within the department.
E,T&E Annual Report and Opinion	N/A	Liaison	To provide an opinion on the control environment within E,T&E for the year 2011/12.
E,T&E - Client Advice and Support	N/A	Advice	To provide ongoing ad hoc advice on control and probity issues within E,T&E as they arise during the year.
E,T&E - Audit Management, Client Liaison and Planning	N/A	Advice	Risk assessment and production of the Annual Audit Plan for E,T&E. Ongoing liaison with management during the year, and audit management time in support of the delivery of all audit work relating to E,T&E; planned and unplanned.
<b>Total Planned Days for E,T&amp;E</b>			<b>171</b>



## 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.

1.3 The agreed Mission Statement for Internal Audit at East Sussex County Council is as follows:

*'Internal Audit is an independent assurance function which conducts reviews and provides advice, support and challenge to the organisation on risk, governance and internal control matters. In achieving this, the service aims to:*

- *Deliver a high quality, cost effective service in line with best practice and professional standards;*
- *Work constructively with management to support new developments and major change programmes;*
- *Be pragmatic and proportionate with its recommendations, having regard not just to risk, but also the cost of controls;*
- *Be flexible and responsive to the needs of the organisation in all its work.'*

### 2. STATUTORY ROLE

2.1 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2011, 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 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 Director of Corporate Resources.

5.2 The Chief Internal Auditor reports directly to the Director of Corporate Resources. The County Council also has an Audit, Best Value and Community Services Scrutiny Committee to whom internal audit reports 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 2011 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 In addition to ESCC audit staff, the Chief Internal Auditor may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

7.4 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 Director of Corporate Resources and, if the position is not resolved, to the Audit, Best Value and Community Services 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 The Chief Internal Auditor 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 their opinion on the control environment.

Councillor Paul Sparks  
Chairman of the Audit and Best Value Scrutiny Committee

Andrew Travers  
Interim Director of Corporate Resources

Duncan Savage  
Assistant Director – Audit and Performance

Updated: March 2012

## ESCC Strategic Risk Log – Internal Audit Coverage 2012/13

	KEY THEME AREAS	LEAD COORDINATING OFFICER ON BEHALF OF COMT	INTERNAL AUDIT COVERAGE 2012/13
1.	Failure to effectively manage staffing implications of budget reductions.	Simon Hughes	<ul style="list-style-type: none"> <li>• Agile Working</li> <li>• CSD Transformation (Thrive)</li> </ul>
2.	Failure to implement effectively key departmental restructuring exercises (as well as ensuring a sound response to 'single status', and equal pay issues).	Simon Hughes (relevant department lead)	<ul style="list-style-type: none"> <li>• Property Service Review</li> <li>• Transfer of Public Health</li> <li>• CSD Transformation (Thrive)</li> </ul>
3.	Failure to meet the ongoing challenge of improving performance in the context of rising expectations, uncertain resources, efficiency expectations and the tension between vulnerable and universal services.	Becky Shaw	<ul style="list-style-type: none"> <li>• Agile Working</li> </ul>
4.	Failure to put in place effective Medium Term financial planning linked to service priorities to deliver sustainable outcomes and deliverable savings plans – in the context of the severe funding constraints now expected allied to existing spending pressures and other risks.	Andrew Travers	<ul style="list-style-type: none"> <li>• Fundamental Accounting Systems</li> <li>• Income and Revenue Collection</li> <li>• Capital Programme Management</li> <li>• Strategic Risk Assurance Mapping</li> </ul>
5.	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.	Andrew Travers	<ul style="list-style-type: none"> <li>• Contracting and Procurement Reviews</li> <li>• Strategic Risk Assurance Mapping</li> <li>• CSD Transformation (Thrive)</li> <li>• ASC Self Directed Support</li> <li>• ASC Resource Allocation System</li> </ul>
6.	Reputational damage and lack of confidence from failure to maintain or deliver increased service standards.	Becky Shaw	<b>SEE NOTE</b>

	<b>KEY THEME AREAS</b>	<b>LEAD COORDINATING OFFICER ON BEHALF OF COMT</b>	<b>INTERNAL AUDIT COVERAGE 2012/13</b>
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	<ul style="list-style-type: none"> <li>• Public Sector Network</li> <li>• Local Broadband Plan</li> <li>• Transfer of Public Health</li> </ul>
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).	All Chief Officers	<ul style="list-style-type: none"> <li>• Integrated Waste Management Services Contract</li> <li>• CBOSS Retender</li> <li>• Contracting and Procurement Reviews – BT, A4E, Peacehaven Schools Ltd</li> <li>• Local Broadband Plan</li> </ul>
9.	Failure to secure an effective revised 'Agewell' Scheme in line with business objectives.	Keith Hinkley	<b>SEE NOTE</b>
10.	Failure to put in place an effective medium term service plan consistent with commissioning strategies, Think Personal, Act Local, whole system challenges, and drivers with maximum efficiencies and resources available.	Keith Hinkley	<b>SEE NOTE</b>
11.	Risks from implementing the NHS White Paper including effective engagement with GP's, delivery of savings targets across health and social care and assumption of public health duties.	Becky Shaw	<ul style="list-style-type: none"> <li>• Transfer of Public Health</li> <li>• Emerging Risks</li> </ul>
12.	Failure to sustain current improved performance on our priority performance indicators within Adult Social Care	Keith Hinkley	<ul style="list-style-type: none"> <li>• ASC Self Directed Support</li> <li>• ASC Resource Allocation System</li> </ul>
13.	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	<ul style="list-style-type: none"> <li>• Capital Programme Management</li> <li>• Emerging Risks</li> </ul>

	<b>KEY THEME AREAS</b>	<b>LEAD COORDINATING OFFICER ON BEHALF OF COMT</b>	<b>INTERNAL AUDIT COVERAGE 2012/13</b>
14	Failure to reduce numbers of Killed and Seriously Injured on East Sussex roads.	Rupert Clubb	<b>SEE NOTE</b>
15	Failure to achieve the required improvement in highway condition after the additional investment of £8.5m	Rupert Clubb	<ul style="list-style-type: none"> <li>• Highways Maintenance Transformation Project</li> </ul>
16	Failure to plan effectively for the disposal of the county's waste	Rupert Clubb	<ul style="list-style-type: none"> <li>• Integrated Waste Management Services Contract</li> </ul>
17	Financial risks relating to grant income of concessionary fares	Rupert Clubb	<b>SEE NOTE</b>
18	Failure to deliver major property projects – on cost, to specification and to time – but including failure to deliver effective client or sponsor role.	Andrew Travers	<ul style="list-style-type: none"> <li>• Capital Programme Management</li> <li>• Property Service Review</li> </ul>
19	Failure to work effectively with other public sector bodies to rationalise the public estate and reduce overall costs	Andrew Travers	<ul style="list-style-type: none"> <li>• Agile Working</li> </ul>
20	Failure to deliver economic regeneration aspirational progress in key areas, (including Hastings, Bexhill, Newhaven and Eastbourne / South Wealden area) and to fail to maximize benefit of any new Sub-Regional economic governance structures.	Becky Shaw	<b>SEE NOTE</b>
21	Failure to respond effectively to the growing number of young people being classed as vulnerable and potentially requiring support and services.	Matt Dunkley	<ul style="list-style-type: none"> <li>• CSD Transformation (Thrive)</li> </ul>

	<b>KEY THEME AREAS</b>	<b>LEAD COORDINATING OFFICER ON BEHALF OF COMT</b>	<b>INTERNAL AUDIT COVERAGE 2012/13</b>
22	Failure to articulate effectively and commission school capital investment requirements over the short and long period	Matt Dunkley	<ul style="list-style-type: none"> <li>• County Powers in Schools</li> <li>• Schools Audit Work</li> <li>• Capital Programme Management</li> </ul>
23	As more schools convert to Academies, Council departments (and in particular CSD) will be affected by reducing available grant (both Formula Grant LACSEG & DSG LACSEG	Matt Dunkley	<ul style="list-style-type: none"> <li>• Services to Schools</li> <li>• County Powers in Schools</li> <li>• Schools Audit Work</li> <li>• Capital Programme Management</li> </ul>
24	Failure to respond appropriately to the increasing number of referrals to children's social services and to the increasing number of children with Child Protection Plans and Looked After Children, to the resulting budgetary pressure.	Matt Dunkley	<ul style="list-style-type: none"> <li>• CSD Transformation (Thrive)</li> </ul>
25	Home to School transport routes are assessed against a nationally set standard. If a route is deemed unsafe, transport is organised. If the national guidance were to change and as a result more routes were deemed unsafe, then this would be a risk to the budget	Rupert Clubb	<b>SEE NOTE</b>
26	Insufficient priority / resources might exacerbate future shortages of funding for County services infrastructure required to support development	Rupert Clubb	<b>SEE NOTE</b>
27	A delay in delivering superfast broadband leaves East Sussex in an uncompetitive position.	Rupert Clubb	<ul style="list-style-type: none"> <li>• Local Broadband Plan</li> </ul>

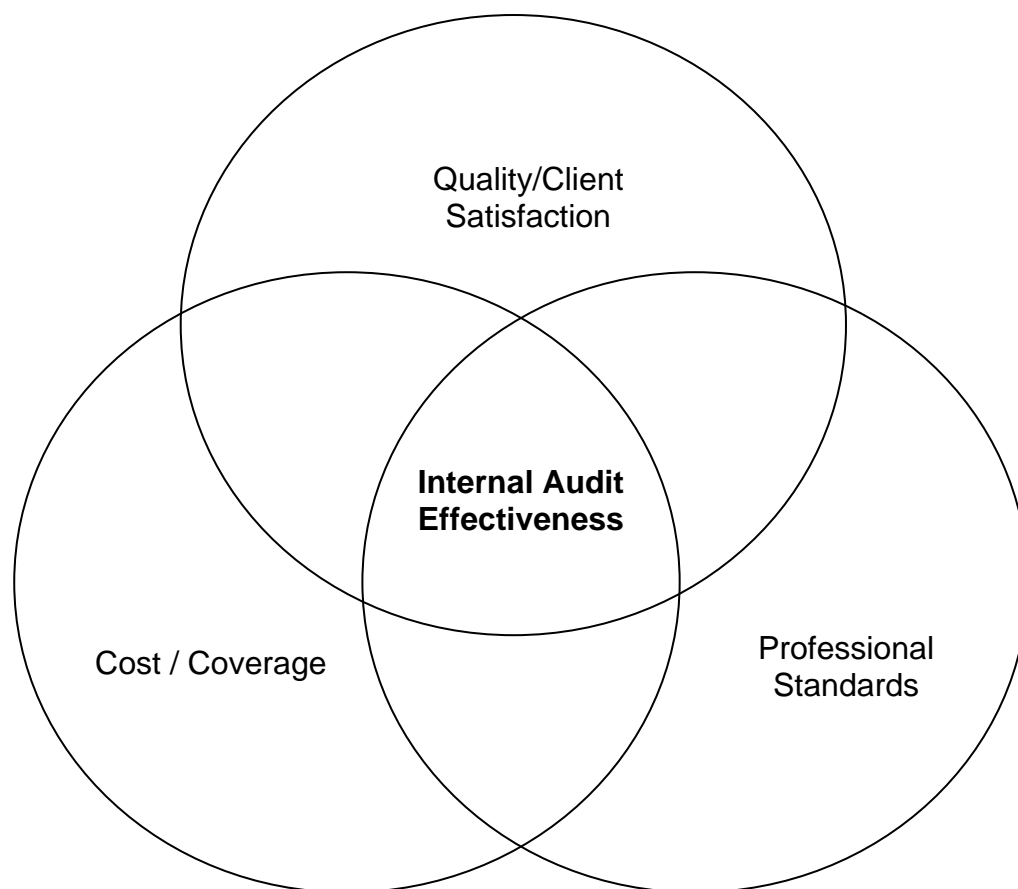
**NOTE:** Whilst in the case of some strategic risks there is currently no planned internal audit coverage, provision has been made within the audit plan for 'Emerging Risks', which can be utilized to cover these areas should the need arise. In addition, the assurance mapping exercise within each department will cover a sample of strategic risks.

# Measuring Internal Audit Effectiveness



Whilst there are a range of potential performance measures for internal audit, these cover three broad areas, which when considered together, provide an overall view of audit effectiveness. These are:

- Quality/Customer Satisfaction;
- Compliance with Professional Standards;
- Cost/Coverage.



Following the recent Internal Audit Service Review, it has been agreed that a more relevant range of performance measures are required, which focus less on the quantitative aspects of the service, such as productivity levels and number of days delivered, and more on the qualitative elements, in particular, client satisfaction.

The table below sets out the proposals for future internal audit performance measures, including the method of collection and frequency:



## APPENDIX E

Measure	Source of Information	Frequency	Specific Measure / Indicator
<b>Client Satisfaction</b>			
Chief Officer/DMT	Consultation/Survey	Annual	Confirmation of satisfaction with service quality and coverage and feedback on areas of improvement.
Client Managers	Satisfaction Questionnaires	Each Audit	%
Section 151 Officer	Liaison Meetings	Quarterly	Satisfied with service quality, adequacy of audit resources and audit coverage.
ABV&CSSC	Chairs Briefing and Formal Meetings	Quarterly / Annual	Confirmation of satisfaction with service quality and coverage and feedback on areas of improvement.
FRG	Consultation	Annual	Confirmation of satisfaction with service quality and coverage and feedback on areas of improvement.
<b>Cost/Coverage</b>			
CIPFA Benchmarking	Benchmarking Report and Supporting Analysis Tools	Annual	Cost per Audit Day and Cost per £m Turnover
Local and National Audit Liaison Groups	Feedback and Points of Practice	Quarterly	Identification and application of best practice.
Delivery of the Annual Audit Plan	Audits Completed	Quarterly	% of Audit Plan Completed.
<b>Professional Standards</b>			
Peer Review / External Assessment	Inspection, Assessment and Report	Every 3 Years	Completed and implementation of any actions arising.
External Audit Reliance	Fundamental Accounting Systems Internal Audit Activity	Annual	Reliance confirmed.

All of the above measures, in addition to a range of more detailed internal audit performance indicators, will be utilised by the Head of Internal Audit as part of the overall management of the service.

It is proposed that the above measures will also form part of a short Annual Internal Audit Effectiveness Report, to be presented to FRG, COMT and ABV&CSSC. Alternatively, this information could form part of the Annual Internal Audit Report and Opinion, presented to the same groups during quarter 1 of each year. In view of the recently completed Internal Audit Service Review, which covered current performance in some detail, it is proposed that the above measures be implemented from 2012/13.