

**Rossendale Borough Council
Internal Audit Plan 2008/09**

Lancashire Audit Service



Executive summary

This paper sets out the plan of work to be undertaken by Rossendale Borough Council's internal audit service for the financial year 2008/09.

This reflects the approach agreed when Lancashire Audit Service was appointed as the Authority's internal auditors for the period 2006/07-2008/09. Our approach will essentially follow the same principles as we have established with you over the last year. The key points to note are as follows:

- We will continue to liaise regularly at a senior level within the Authority – we are committed to continually developing our relationships with Authority staff;
- We will continue to integrate our approach with the Audit Commission;
- We will maintain our previous approach to your immediate audit needs, retaining a focus on your core financial controls and developing computer assisted audit techniques and data mining. At the same time we will more closely align our work with your risk base.

Consultation

The aim of the plan is to focus on an assessment of the risks to the achievement of the Authority's objectives, and the provision of assurance that the actions planned to mitigate these risks are adequate and effective. In deriving this plan the internal audit team has:

- Met the Authority's Head of Financial Services to discuss their assessment of key risks and control environments;
- Undertook an assessment of the authority's Corporate Plan 2007-2010 alongside the Head of Financial Services to identify key risk areas;
- Made its own assessment of the risks facing the Authority; and
- Met with the Authority's external auditor, the Audit Commission, to ensure our plans are complimentary within an overall assurance framework.

Further consultation will be required as the detailed scope of our work is developed for individual audit reviews.

Risk management within Rossendale Borough Council

Rossendale Borough Council have established a framework for identifying risks and assessing the impact and likelihood of individual risks, planned monitoring, and periodic review. The Council has now further developed and embedded risk management by integrating risk management into its performance management system, Covalent.

Additionally, risks have been categorised into the following areas:

- Strategic being those identified in the Corporate Improvement Plan, and
- Business being those identified in service business plans.

Covalent is a web based system and is readily accessible to staff and members of the Council. The system enables recording and subsequent reporting and monitoring of current risks, owners and action status which effectively can be used by the Council to develop its appetite for risk and the tolerances or risk parameters it finds acceptable

Service business plans identify a number of operational risks, and some of these, together with other identified risks, feed into the Corporate Plan for 2007/10, which was finalised in June 2007 by members.

Our approach for 2008/09

Deployment of audit resources

The plan is stated in terms of estimated days input. However the exact time that will be taken for any single piece of audit work is not capable of exact estimation at this stage. The plan therefore represents only best estimates of the audit resources and the ways in which they will be deployed.

The planned deployment of audit resources for the Authority is as follows:

Proposed work	Estimated audit days
Core financial systems	100
Response to fraud / impropriety	10
Section 151 officer assurance	110
Focussed reviews:	
Comprehensive Area Assessment	20
Data Quality (bvpi's, kpi's etc)	20
Planning	15
National Fraud Initiative	15
ICT Controls	15
Client side management arrangements – Leisure Trust	5
Health and Safety	10
Business Continuity Planning	15
Contingency	6
Additional assurance to meet the requirements of the Statement on Internal Control	121

Follow up of completed reviews	5
Risk Assessment and Strategic Planning	5
Liaison with Senior Management	14
Liaison with Audit Commission	3
Committee and other meetings	6
Central reporting (annual and periodic progress)	10
Ad hoc advice and support	6
Audit Management	44
Total audit days	280

Each of these areas is explained in more detail below.

Core financial systems

Any assessment of the Authority's risks generates a requirement to consider the key financial systems under-pinning the operations of the Authority. We exerted a significant proportion of resource in recent years towards documenting the recently implemented systems to the standards now followed by the Audit Commission under the required International Standards on Auditing. We will continue to assess your key internal financial controls and where necessary test these controls for effectiveness. We will gain the coverage you need by a combination of our traditional systems-based audits, and by the targeted use of computer assisted audit techniques to assess the operation of controls over transactions.

The core financial systems for the Authority have been identified as payroll, creditors, debtors, cash and banking, debtors, council tax, housing benefits, NNDR, asset management, general ledger and treasury management. In undertaking this work we intend to make use of data mining and computer assisted audit techniques to interrogate the systems and the data they hold more effectively. This will enable us to increase our audit coverage of each system, to gain assurance over the operation of the controls over their data, and also proactively to focus on areas susceptible to fraud.

Fraud Risk Assessment

As part of each core financial systems review an assessment of fraud risk will be undertaken and appropriate testing will be performed on key controls designed to mitigate the risk of fraud. A separate summary report will be produced at the end of the year to highlight the key themes arising from the fraud risk assessments and associated testing.

Focussed reviews

This work results from meetings with the Authority's Head of Financial Services to discuss the key risk areas and an assessment of the Corporate Plan 2007-2010. It provides additional assurance to meet the requirements of the Statement on Internal Control which now forms part of the revised governance arrangements including the requirement to produce an Annual Governance Statement from March 2008. The following reviews will be undertaken during 2008/09:

Comprehensive Performance Assessment

Preliminary work around the comprehensive performance assessment by the Audit Commission is to commence in September 2008 and an overall assessment will be performed in March 2009. Internal Audit work in this area will involve undertaking a review of progress against the key lines of enquiry and will provide members and Council management with a position statement at the time of the review.

Data Quality

The Government recently published the single set of 198 national indicators that will underpin the new performance framework. Our review of this area will consider the effectiveness of the controls and procedures in place for the timely, complete and accurate production and monitoring of targeted performance indicators.

Planning

There have been various developments in the planning area including structural and staffing changes and improvements in the independence and probity within the planning section. Internal Audit work in this area will assess the probity arrangements within the section and consider the appropriate and timely processing of planning applications and ensure these are dealt with in accordance with documented policies and procedures of the Council.

National Fraud Initiative

The Audit Commission runs a biannual data matching exercise which is designed to help participating bodies identify possible causes of fraud and detect and correct any consequential under or over payments from the public purse.

During 2008/09 Rossendale Borough Council will be involved with the mandatory data matching exercises for creditors and payroll. Housing benefits fraud and errors continue to be a major problem for many local authorities and in respect of this area the Department for Work and Pensions provides the necessary data to the Audit Commission and the data matched identified as part of the exercise will be followed up by Capita Group Plc.

The exact nature of the categories of data required to be included in this year's exercise have yet to be confirmed and we will await further notification in respect of these.

Information and Communications Technology (ICT) Controls

An allocation of 15 audit days has been included for ICT controls within the 2008/09 audit plan, although the specific coverage has yet to be discussed with relevant managers in order to agree the scope and terms of reference of areas to be reviewed.

Client Side Management Arrangements – Leisure Trust

It is intended to undertake a follow-up to our review of contract management arrangements relating to the Leisure Trust that was undertaken in 2007/08. Since the original review, the then Head of Community and Partnerships has left the Council's employment and responsibility for managing the partnership arrangement with the Leisure Trust has been delegated to the Service Assurance Team. The 2007/08 review raised eight recommendations, and we plan to assess the progress made in implementing these agreed recommendations since that time.

Health and Safety

The provision of health and safety service within the Council was outsourced to Burnley Borough Council from 1st October 2007 and under this arrangement Burnley Borough Council will provide a comprehensive service covering seven days a week for a fixed annual fee. Internal audit work during 2008/09 will look to ensure compliance with health and safety regulations and that there are adequate policies, practices and procedures in place within the Council to ensure safety at work.

Business Continuity

Business Continuity Planning (BCP) is an ongoing process of risk assessment and management. Its purpose is to ensure that the Council can continue to operate and deliver services if risks materialise. These could arise from an external source, over which management have no control, or from events occurring within the organisation. BCP is not just concerned with disaster recovery; it addresses anything which could affect the continuity of service over the long term, such as the disruption of key supplies or staff shortages in specialist areas.

Our review will assess the adequacy of BCP within Rossendale Borough Council. In particular, to ensure that the Council has a clear, up to date Business Continuity Plan, which is regularly tested and fully understood by those responsible for invoking it in the event of an emergency.

Follow up reviews

Audit resources have been identified to ensure that all reviews are followed up and our findings are re-assessed as the actions previously agreed with management are implemented.

Other areas specified within the audit plan

An allocation of 44 days has also been made to cover other management and tasks in support of the internal audit service to the Authority:

- Liaison with Senior Management and the Audit Commission;
- Attendance at meetings and liaison;
- Central reporting (annual and periodic progress);
- Involvement in the risk assessment process; and
- Contingency.

Audit resources

During the negotiation process, an outline of planned resource input was agreed and is as follows:

	% input	Days
Head of Internal Audit	3	8
Principal Auditor	12-20	34-56
Senior Auditors (including ICT)	25-35	70-98
Audit team members (including ICT)	50-55	140-154
Total	100	280