

**Rossendale Borough Council
Internal Audit Plan 2010/11**

Lancashire Audit Service



Executive summary

This paper sets out the plan of work to be undertaken by Rossendale Borough Council's (RBC) internal audit service for the financial year 2010/11.

This reflects the approach agreed when Lancashire Audit Service was appointed as the council's internal auditors. Our approach will essentially follow the same principles as we have established over the last year. The key points to note are as follows:

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

Consultation

The aim of the plan is to focus on an assessment of the risks to the achievement of the council's objectives, and the provision of assurance that the actions planned to mitigate these risks are adequate and effective. Consideration should also be given to the key controls employed by the authority and providing assurance that these controls are operating effectively and as intended. In deriving this plan the internal audit team:

- Met the council's Senior Management Team to discuss their assessment of risk and assurance needs;
- Undertook an assessment of the council's corporate plan 2009-2012 to identify key risk areas;
- Made its own assessment of the risks facing the council; and
- Liaised with the council'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

RBC has established a framework for identifying risks and assessing the impact and likelihood of individual risks, planned monitoring, and periodic review. The risks are identified using both a 'top down' and 'bottom up' process of risk assessment and analysis. The risks are managed through the development of appropriate action plans and these are also subsequently fed into the service business plans and, if considered significant, the council Corporate Plan.

The council's Risk Management Strategy was has been recently updated and was presented to Cabinet for approval in November 2009. Amongst the changes the Operational Risk Management Group has been replaced with the Executive Management Team to ensure ownership of risk management resides at the highest level. In addition, the definition of the council's risk appetite has been amended to ensure a consistent approach with the evaluation of risk.

The council has further developed and embedded risk management by integrating risk management into its performance management system, Covalent.

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.

Our approach for 2010/11

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 council is as follows:

Proposed work	Estimated audit days
Core financial systems	108
Response to fraud / impropriety	10
Section 151 officer assurance	118
Focussed reviews:	
Health Inequalities	20
Waste and Recycling	20
Licensing	15
National Fraud Initiative	15
IT Controls	20
Data Quality	15
Contingency	8
Additional assurance to meet the requirements of the Annual Governance Statement	113
Follow up of completed reviews	5
Risk Assessment and Strategic Planning	5
Liaison with Senior Management	12
Liaison with Audit Commission	3
Committee and other meetings	8
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 council's risks generates a requirement to consider the key financial systems under-pinning the operations of the council. We will continue to assess the adequacy of your key internal financial controls and where necessary test these controls for effectiveness. As in recent years, we will accordingly, provide the assurance you need by undertaking risk-based audits in these areas.

We appreciate that there has been improvement in the adequacy and effectiveness of core financial systems within the council and this has been reflected in the number of recommendations made in our audit reports compared with a few years ago. As a result of these improvements we have been able to reduce our coverage over the core financial systems and undertake reviews of operational areas to give additional assurance to the council.

The core financial systems for the council have been identified as payroll, creditors, debtors, cash and banking, debtors, council tax, housing benefits, NNDR, asset management, general ledger and treasury management.

Focussed reviews

This work results from meetings with the council's Senior Management Team to discuss their assessment of risk and their control environments. It provides additional assurance to meet the requirements of the Annual Governance Statement.

Waste and Recycling

RBC entered into a waste and recycling agreement with LCC in 2005/06 setting out the statutory recycling rates the council has to achieve, which are to recycle and compost 40% of all waste by 2010 and recycle and compost 56% of all waste by 2015. There is a significant financial incentive for the council to collect materials as directed and meet the agreed targets.

The UK relies heavily on landfill sites to dispose of waste. This is changing due to the Landfill Directive. The Directive sets rigorous standards to reduce both our reliance on landfill and the environmental impact of waste disposed of in this way.

Our internal audit work will involve assessing action being taken by the council to ensure waste reduction targets are met. We will establish whether appropriate strategies and targets have been set and the process for measuring, reporting and monitoring performance against the established targets is adequate.

Health Inequalities

Whilst the health of all groups in England is improving, over the last ten years health inequalities between the social classes have widened. The gap has increased by 4% amongst men and by 11% amongst women because the health of the rich is improving more quickly than that of the poor. Target areas chosen by the government to measure health inequalities include life expectancy and infant mortality rates.

Within Rossendale, the position surrounding health inequalities is worsening, and this differential is particularly evident amongst men, who can expect to live over 8 years longer if they are from the least deprived areas, as opposed to the most deprived areas. It is acknowledged that this problem will not be resolved in the short term and the required improvements from action taken by the council and its partners will only be realised in the medium to long term.

It is acknowledged that the council cannot improve the position alone and a partnership approach is required with other public and third sector organisations to overcome the highlighted issues. Internal audit work will involve confirming that the role of the council in improving the health inequalities position is clear and understood, the council is appropriately involved, and uses its position to influence the potential action required in reducing the gap and achieving the set objectives.

Licensing

The Licensing Unit is responsible for the regulation and administration of:

- Hackney carriage vehicles and driver licences;
- Private hire vehicle and driver licences;
- Sex establishment licences;
- Charitable street collections licences;
- Charitable house to house collections licences;

The Licensing Act 2003 which came into force on 24th November 2005 was aimed at reducing crime and disorder, encourage tourism and to reduce alcohol misuse. The licensing system is essentially achieved through the provision of authorisation through personal licences, premises licences, club premises certificates and temporary event notices.

The overall objective of our internal audit work will be to assess the system of licensing to administration and regulation is in accordance with legislation and recognised council procedures and practices.

National Fraud Initiative

Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), an exercise that matches electronic data within and between audited bodies to prevent and detect fraud. This includes police authorities, local probation boards and fire and rescue authorities as well as local councils.

Internal audit will co-ordinate NFI related work and ensure the accurate and timely preparation and submission of data for matching purposes. Upon receipt of data matches and results from the Audit Commission internal audit will manage the process for dissemination of results to relevant persons and ensure these are investigated and reported within pre defined timescales. If these checks reveal instances of fraud internal audit will be available for any subsequent fraud investigation.

IT Controls

Government Connect is a government programme providing an accredited and secure network between central government and local authorities in England and Wales. RBC achieved Code of Connection (CoCo) authorisation and approval in September 2009. RBC achieved accreditation with the standard applicable at the time (CoCo 3.2) however this has now been further developed and from November 2009 councils will need to ensure compliance with an updated standard (CoCo 4.1) which is likely to form part of RBC's annual audit assessment to be performed in September 2010. Possible internal audit coverage of this area could involve an assessment, prior to the external assessment in September 2010, of compliance with the up to date standard.

We are currently undertaking a review of the council's IT service management arrangements which will include an assessment of arrangements around service delivery, configuration and change management, release management etc. Our work in this area may highlight additional or specific areas for further review which we will look to perform in 2010/11 following agreement with relevant council management.

The review of the Payment Card Industry Data Security Standard (PCI DSS) forming part of the 2008/09 audit plan was previously deferred and subsequently superseded by the IT service management review. Internal audit work in this area could involve checking to ensure compliance with the requirements of standard.

We will maintain liaison with the RBC Senior Management Team with a view to agreeing internal audit work relating to ICT for 2010/11.

Data Quality

In the past the Audit Commission have undertaken a separate review of data quality and subsequently incorporated this into the overall Use of Resources assessment. From 2009/10 the data quality assessment has been performed as part of the Use of Resources review.

The Internal Audit review of data quality has therefore historically been as a precursor to the work of the Audit Commission in allowing them to rely on the work of internal audit.

Internal audit work during 2010/11 will revolve around checking that processes and procedures in place around data quality and performance management are in accordance with the related strategies and policies.

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 council:

- Liaison with senior management and the Audit Commission;
- Attendance at meetings;
- Central reporting (annual and periodic progress);
- Involvement in the risk assessment and annual planning processes; and
- Provision of advice and support to the council.

Audit resources

An outline of planned resource input is provided as follows:

	% input	Days
Head of Internal Audit	1	3
Principal Auditor	8-16	23-46
Senior Auditors (including ICT)	30-40	85-112
Audit team members (including ICT)	60-70	169-196
Total	100	280