

INTERNAL AUDIT PLAN 2011/12

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Corporate Director, Resources & Transformation

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Summary: This report sets out the Audit Plan for 2011/12, based on the anticipated resources available under the proposed internal audit shared service arrangement.

Recommendation:	That Members approve the draft Internal Audit Plan and note the intention to update the Audit Plan once the shared service structure is implemented and all posts are filled.
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Resource Implications: The proposed Audit Plan is within the agreed audit budget.

Key Decision Status: None

1.0 INTRODUCTION

1.1 The Accounts and Audit Regulations require that the Council maintains an adequate and effective system of internal audit of its accounting records and of its system of internal control, conducted in accordance with the proper internal audit practices. This audit plan will form the basis of internal audit's annual report on the system of internal control.

1.2 The principal role of Internal Audit is to assist the statutory s.151 officer in carrying out his/her duties and to provide a service to Members and all levels of management in ensuring that arrangements are in place to carry out the Council's business securely and efficiently. The audit plan is also designed to meet the requirements of the external auditor, as set out in the Audit Commission's Internal Audit Protocol. Internal Audit will review the financial and business systems, in order to evaluate and report upon the adequacy of internal control, as a contribution to the proper, economic, efficient and effective use of resources. The Audit Strategy is outlined at Appendix A.

2.0 AUDIT RESOURCES

- 2.1 2011/12 will see the establishment of a shared internal audit service with Cumbria County Council and Carlisle City Council. Each Council will still prepare a separate audit plan, approved by its own Audit Committee. This Audit Plan focuses on the provision of internal audit for Copeland Borough Council and is based on staffing resources which will include an Audit Manager (50%), 1 Principal Auditor, 1 Senior Auditor and 1 Auditor. The legal agreement provides for 633 direct audit days. The plan has been resourced on this assumption.
- 2.2 Based on the estimated audit resources available, the draft audit plan for 2011/12 indicates that all the main financial systems will be covered, plus 52% of the total risk score of the other auditable areas, which are audited on a cyclical basis. This is in keeping with acceptable practice and complies with the Audit Commission Internal Audit Protocol.
- 2.3 The IT Audit Strategy, detailed at Appendix F, estimates that 2 days specialist computer audit would be needed. If this cannot be provided through the Audit Shared Service, then it would need to be bought in.

3.0 RISK BASED APPROACH TO AUDIT

- 3.1 The Audit Plan, attached as Appendix B, is revised on an annual basis following a risk assessment exercise and takes into account progress made in the previous year and any comments from the Leadership and Management Group.
- 3.2 Whilst management is focused on managing the key strategic and operational risks to achieving objectives, Internal Audit seeks to give assurance on other risks arising over:-
- the reliability and integrity of operational and financial information;
 - the safe-keeping of financial and non-financial assets;
 - projects, systems development and change; and
 - compliance with relevant legislation.
- 3.3 A risk assessment sheet is completed for each Service Unit's activities, taking into account the type of risk involved in that kind of activity, what we know about it from previous audits and if management have indicated any changes to systems in the coming year. [Example at Appendix C]. This risk score is then transferred to a summary worksheet, which sorts the scores in order of the highest risk. Audit days needed are estimated in the light of previous audit experience. Allowance is made for the main financial systems audits and other audit activities which must be carried out every year because the expenditure or income involved is of a material nature. The remaining days available are then allocated to audits with the highest risk scores. If there are insufficient audit days available, the lowest risk activities will

be deferred. A copy of the risk assessment summary is shown at Appendix D. Any new information is built into the risk assessment exercise by the end of every year.

- 3.4 We undertake annual audits of the 12 main financial systems in order to give an assurance as to the controls and integrity of the data which feed into the annual budget and the Statement of Accounts:-

Loans & Investments	Payroll
Benefits	Capital Accounting
Sundry Debtors	Council Tax
Creditors	Cash Receipting
Main Accounting System	National Non Domestic Rates
Budgetary Process	Final Accounts Process

- 3.5 Annual provision for the following is also included in the audit plan:-

- IT audit
- Capital Programme / Contract Management
- Systems for grant claims
- Compliance with the Code of Corporate Governance
- Implementation of new software systems / changes
- Risk Management arrangements

- 3.6 The Council is highly dependent upon information technology (IT) to deliver services effectively. Internal Audit, therefore, needs to reflect this within its audit plan and have a defined strategy to give assurance that there is a secure IT environment. The IT Audit Strategy is designed to achieve audit coverage of IT activity to comply with CIPFA computer audit guidelines, with particular emphasis on information security. Details are shown at Appendix F. Computer audit is also included as part of the systems audits, as well as the specific IT audits included in the audit plan. Computer audit tests will also be undertaken using IDEA audit software. Most of the computer audit work can be undertaken by the Council's own audit staff. Where the audit tests are of a specialist technical nature, a specialised computer auditor will be required.

- 3.9 Proactive counter-fraud work is detailed in the Counter-Fraud Audit Plan at Appendix E. Systems work will include a review of controls relating to the prevention and detection of fraud and corruption. Investigations will be undertaken as the need arises, in line with the Anti-Fraud and Corruption Strategy (revised November 2009).

- 3.10 An estimated 30 days has been set aside for specific value for money reviews and to support the work on transformation projects or to gather benchmarking data. Value for money work will be developed in the longer term, as part of the shared service arrangement.

- 3.11 2011/12 will be a challenging year for Copeland Borough Council, as it reviews the organizational structure and carries out a series of detailed

service reviews. Reviewing the Audit Plan in the second half of the year will provide an opportunity to update the risk assessment, as appropriate to the management arrangements emerging at that time.

4.0 MONITORING AND REPORTING

4.1 Progress against the plan will be monitored and reported on a quarterly basis to the Audit Committee.

List of Appendices:

Appendix A – Audit Strategy

Appendix B - Internal Audit Plan

Appendix C - Example of Risk Assessment Sheet

Appendix D - Risk Assessment Summary

Appendix E - Counter-Fraud Audit Plan

Appendix F - IT Audit Strategy

List of Background Documents: None

Consultees: Portfolio Holder,
Corporate Leadership Team,
Leadership & Management Group (Appendices B & D)
Head of Audit Shared Service

Circulated for information to: Audit Committee Chairman,
External Auditor.

AUDIT STRATEGY – KEY OBJECTIVES

GENERAL
<ul style="list-style-type: none"> • Provide an effective internal audit service consistent with the CIPFA Code of Practice for Internal Audit in Local Government and the Accounts and Audit Regulations, including the requirement for an annual review of the Effectiveness of Internal Audit. • Prepare an audit plan based on risk assessment. • Promote best practice through advice and guidance.
AUDIT COMMITTEE
<ul style="list-style-type: none"> • Agree an audit plan and report on progress against the plan, including highlighting the key findings and progress on key recommendations. • Produce an annual report, providing an opinion on the Council's internal control and governance systems. • Support the Audit Committee to provide an effective challenge across the Council and independent assurance on risk management arrangements and the internal control environment, through preparation of reports and learning and development activities.
CORPORATE LEVEL
<ul style="list-style-type: none"> • Ensure internal audit work takes into account the Council's corporate objectives and strategic risks • Audit key financial systems annually and provide assurance on the level of internal controls • Review information security arrangements • Review risk management and business continuity arrangements • Review procurement arrangements • Review the systems for collection and reporting of National Indicators, in consultation with the Performance team. • Review partnership arrangements for significant partnerships • Carry out an annual review of compliance with the Code of Corporate Governance, identifying any actions for improvement • Contribute to / review the process of the preparation of the Annual Governance Statement • Lead on the anti-fraud and corruption strategy: raising awareness, providing advice and undertaking investigations where appropriate. • Carry out ad hoc reviews requested by Members / Management, where resources permit.
SERVICE LEVEL
<ul style="list-style-type: none"> • Audit operational systems on a risk-based, cyclical basis to check compliance with regulations / best practice • Review arrangements for contract management • Review the implementation / development of new IT systems • Provide audit guidance on an ad hoc basis.

Audit Area	Why is this important? Frequency of audit	Brief Scope
CORPORATE		
Corporate Governance	Underpins the delivery of the Council's key objectives – includes risk management, financial management, performance management and standards for Members and employees. Contributes to the corporate Annual Governance Statement – a statutory requirement. Annual	Review compliance with Code of Corporate Governance, noting implementation of previous recommendations and identifying any further areas for action. Includes an update on previously established arrangements / revisions to Constitution.
Partnership arrangements	Given the pressures on capacity, partnership working is becoming increasingly important to delivering key corporate objectives to our customers. Risk of financial and reputational loss. Cyclical – dependent upon risk	Review of partnership register, protocols / governance arrangements for a sample of significant partnerships as identified by partnership evaluation framework, in line with best practice.
Risk Management arrangements	Link to good governance and performance. Covers strategic and operational risks. Annual	Review risk management framework. Appropriateness of risk registers given Corporate Improvement Plan and departmental service plans. Adequacy of monitoring / reporting arrangements. [Included in annual Corporate Governance audit, if not performed as a separate audit].

Audit Area	Why is this important? Frequency of audit	Brief Scope
Web-site developments	Introduction of customer self-service applications on the Council's web-site will contribute to transformation of services / increased efficiency. Cyclical – dependent upon risk	Review change-control procedures, implementation controls, adequate testing of functionality, publicity/awareness raising, integration with back office & CRM systems. Brief post-implementation review.
Network controls/ IT & Information Security	High risk to security of corporate / departmental data and essential to business continuity. Cyclical – dependent upon risk	External review by specialist computer auditor to Security Standard and Government Connect requirements carried out in 2010. Comprehensive action plan, with phased target dates. Follow up audit to establish progress made.
Pre-Contract Audit	High risk due to value of transactions and to devolved nature of procurement. Risk of non-performance and potential financial and reputational loss if pre-contract checks are not carried out. Cyclical – dependent upon risk	Select a sample of recent contracts awarded and check that pre-contract arrangements were in line with CIPFA best practice and the Council's own Contract Procedure Rules.
Project /Contract Management	High risk due to high volume and value of transactions and to devolved nature of project management. Revised Project Management Procedures introduced in February 2011. Risk of failure to deliver planned outcomes on time and within budget. Cyclical – dependent upon risk	Review key controls re project management and how these feed into centralised management of capital programme. Check compliance with Project Management Procedures / best practice for a sample of key projects.

Audit Area	Why is this important? Frequency of audit	Brief Scope
Grants Protocol / Procedures	<p>High risk due to value of transactions and devolved nature of project management. Risk that external grant funding could be clawed back if terms and conditions of offer not complied with.</p> <p>Cyclical – dependent upon risk</p>	Review of controls in place to ensure compliance with external grant offers' terms and conditions.
Health & Safety arrangements	<p>Statutory requirements to be met. New Health & Safety Officer appointed 2009/10. Procedures being reviewed.</p> <p>Risk to life and limb and financial and reputational loss.</p> <p>Cyclical – dependent upon risk</p>	Review Health & Safety arrangements in line with best practice guidance.
Asset Management	<p>High risk due to value of assets and increasing pressures on budgets. Previously identified as an area for improvement by the Audit Commission.</p> <p>Revised Asset Management Plan due 2011/12.</p> <p>Cyclical – dependent upon risk</p>	Review of Asset Management Plan in line with CIPFA best practice guidelines. Assess data consistency with Fixed Asset Register.

Audit Area	Why is this important? Frequency of audit	Brief Scope
Data Quality Arrangements	<p>Accuracy of data held underpins the Council's business and statutory returns.</p> <p>Risk of financial and reputational loss if decisions are taken based on inaccurate management information.</p> <p>Annual</p>	<p>Compliance with corporate data quality management arrangements is incorporated within the main systems audits.</p> <p>Annual check on the calculation and supporting evidence for Performance Indicators.</p>
Record of Interests, Gifts and Hospitality	<p>Statutory requirement of Members to declare interests. Members Code of Conduct also requires declaration of gifts and hospitality. Staff Code of Conduct requires staff to declare interests, gifts and hospitality.</p> <p>Need to demonstrate transparency and integrity.</p> <p>Risk that new Members / Officers are unaware of the requirements.</p> <p>Cyclical – dependent upon risk</p>	<p>Review arrangements in place to ensure declarations are made, including date of last reminder circulated and induction training.</p> <p>Check, if Members Code of Conduct is to be withdrawn, how this will be addressed.</p>
Value For Money	<p>Increasing pressure on financial resources. Need to continuously deliver savings / efficiencies whilst maintaining standard of service to the customer.</p> <p>Annual</p>	<p>Review areas to be agreed with Director of Resources & Transformation.</p> <p>Audit staff could contribute to transformation projects.</p>

Audit Area	Why is this important? Frequency of audit	Brief Scope
ACCOUNTANCY		
Loans & Investments	<p>Treasury management - a high risk area - movement of funds and the need to secure the best rate of interest. Has performed well but will face increased pressure with reduced government funding available and reduced reserves available for investment.</p> <p>Annual</p>	<p>Review policies & procedures / staffing. Key controls re risk management, management of cash flow. Fraud prevention / detection controls. Anti-Money Laundering arrangements. Reconciliation to financial ledger. Reporting to Members.</p>
Main Accounting System	<p>Underpins the production of the statutory accounts. Need to ensure integrity of the data.</p> <p>Annual</p>	<p>Review security of system and key controls over feeder systems, journals, reconciliation of control accounts, clearance of suspense accounts.</p>
Budget Process/ Budgetary Control	<p>Fundamental to delivery of services with good financial control. Increasing difficulty in establishing a balanced budget.</p> <p>Annual</p>	<p>Review corporate process and ensure it is in line with constitutional arrangements and with the financial management guidelines provided by the S.151 officer. Confirm robust process, based upon realistic assumptions. Ensure approved budget reconciled to budget as per financial ledger. Confirm robust budget monitoring process in place throughout the year to deliver corporate objectives, control significant over/underspends.</p>

Audit Area	Why is this important? Frequency of audit	Brief Scope
Final Accounts Process	<p>Adherence to a clear timetable, including detailed tasks and responsibilities is essential to meeting the statutory deadline for the production of the Statement of Accounts.</p> <p>Robust process needed to meet IFRS requirements and to achieve an unqualified Statement of Accounts.</p> <p>Annual</p>	<p>High level review of timetable, how progress is monitored against timetable, adequacy of working papers, quality checks undertaken. Reporting to Audit Committee.</p>
Capital Accounting / Fixed Asset Register	<p>High risk area due to value of assets and to complexity of accounting requirements. Contributes to compilation of statutory Accounts. 2009/10 Accounts had material error in respect of PFI valuation.</p> <p>Potential introduction of new property register / asset register.</p> <p>Annual</p>	<p>Review key controls governing maintenance of Asset Register, including verification of opening balance entries to 31st March 2010 position. Sample check - classification of assets / asset life / depreciation / impairment/revaluation / accounting entries on financial ledger.</p> <p>Check basis of valuation for PFI has been agreed with the external auditor.</p> <p>Check implementation controls if a new fixed asset register is introduced.</p>
Creditors	<p>High risk due to high volume and value of transactions. Need to control purchasing with pressure on budgets. Potential fraud area.</p> <p>Annual</p>	<p>Review key controls re corporate purchasing/payment of creditor invoices/credit notes, fraud prevention/detection controls. Controls re monitoring aggregation/compliance with Contract Standing Orders. Reconciliation with financial ledger. Compliance with Sub-Contractors Tax Deduction Scheme.</p>

Audit Area	Why is this important? Frequency of audit	Brief Scope
Sundry Debtors	<p>High risk due to high volume and value of transactions. Pressure on budgets if debts have to be written off.</p> <p>Annual</p>	<p>Review key controls re corporate debtors system, raising of invoices/credit notes, debt collection, recovery arrangements, write-offs, reconciliation with financial ledger, clearance of suspense accounts.</p>
Insurance	<p>Pressures on budgets mean that premiums and excesses paid need to be kept to a minimum, whilst still transferring the risk of loss.</p> <p>Cyclical</p>	<p>Review adequacy of insurance arrangements, including data supplied to insurers to establish premiums paid.</p> <p>Review level of excesses actually paid and arrangements in place to minimise this.</p>

Audit Area	Why is this important? Frequency of audit	Brief Scope
REVENUES & BENEFITS		
Council Tax	<p>High risk due to high volume and value of transactions and susceptibility to fraud re discounts. Material to the Statement of Accounts. Obligation to efficiently manage customers' accounts.</p> <p>Annual</p>	<p>Review key controls re registration and maintenance of accounts, raising of bills, posting of payments, debt collection / recovery arrangements, transfers / write-offs, reconciliation with financial ledger, clearance of suspense accounts.</p>
National Non Domestic Rates	<p>High risk due to high volume and value of transactions and susceptibility to fraud re discounts. Material to the Statement of Accounts. Obligation to efficiently manage customers' accounts.</p> <p>Annual</p>	<p>Review key controls re registration and maintenance of accounts, raising of bills, posting of payments, debt collection / recovery arrangements, transfers / write-offs, reconciliation with financial ledger, clearance of suspense accounts.</p>
Benefits	<p>High risk due to high volume and value of transactions and susceptibility to fraud. Material to the Statement of Accounts. Obligation to efficiently manage customers' accounts.</p> <p>Annual</p>	<p>Review key controls re applications, maintenance of accounts, calculation of benefit, management of overpayments / recovery arrangements, write-offs, appeals, reconciliation with financial ledger, clearance of suspense accounts, counter-fraud arrangements.</p>

Audit Area	Why is this important? Frequency of audit	Brief Scope
Revenues & Benefits new document image processing (DIP) system	<p>High risk. Underpins the administration of 3 key financial systems - Benefits, Council Tax, NNDR systems. To be introduced in April 2011.</p> <p>Upon implementation [Thereafter will be incorporated in testing during the annual Benefits, Council Tax and NNDR systems].</p>	<p>Review of implementation controls, including any data conversion from previous system, adequate testing of functionality, staff training, integration with the Benefits, Council Tax and NNDR systems.</p> <p>Brief post-implementation review.</p>
CUSTOMER SERVICES		
Cash Receipting / Banking	<p>High risk due to high volume and value of transactions and susceptibility of cash to fraud/theft – although limited cash now taken.</p> <p>Importance of customer accounts being credited promptly with correct payments, to avoid issue of reminders / recovery action.</p> <p>Annual</p>	<p>Review procedures re corporate cash receipting system, interface with financial ledger, clearance of suspense accounts, reconciliation to bank statements.</p>

Audit Area	Why is this important? Frequency of audit	Brief Scope
HUMAN RESOURCES		
Payroll	<p>High risk due to high volume and value of transactions and susceptibility to fraud. Increased risk with turnover of staff.</p> <p>Potential redundancy payments in 2011.</p> <p>Annual</p>	Key processing controls, including system security, authorisation of changes to base data, output controls, reconciliation to HR independent records, reconciliation to financial ledger, fraud prevention/detection controls.
Human Resource Management / Workforce Strategy	<p>Previously highlighted as an area for improvement by the Audit Commission. Framework for Workforce Strategy approved March 2010. Detailed Workforce Strategy to be implemented in 2011/12.</p> <p>Cyclical – dependent upon risk</p>	Review Workforce Strategy and arrangements to ensure compliance. Sample test compliance.
General tax issues	<p>Need to meet statutory obligations for payroll deductions / reporting.</p> <p>Cyclical – dependent upon risk</p>	Review procedures for payroll statutory deductions / reporting. Test on sample basis.
Travel & Subsistence	<p>Responsive audit in 2010/11 highlighted process weaknesses. Risk of fraud / error.</p> <p>Updated Regulations / Guidance issued in February 2011.</p> <p>Cyclical – dependent upon risk</p>	Review compliance with updated Regulations / Guidance. Test a sample of staff and Members' claims for compliance.

Audit Area	Why is this important? Frequency of audit	Brief Scope
ICT		
Acquisition of Hardware / Software	<p>IT hardware / software underpin the provision of Council services. Increasing pressure on financial resources means best value must be achieved in this area, to support process efficiencies.</p> <p>Cyclical – dependent upon risk</p>	<p>Review compliance with IT Strategy and best CIPFA best practice for acquisition of hardware / software. Review a sample of recent acquisitions to ensure vfm and benefits delivered in line with approved business case, if appropriate.</p>
LEGAL SERVICES		
Elections Administration	<p>Statutory function and claim deadlines for reimbursement of expenditure. Complex arrangements in 2011.</p> <p>Cyclical</p>	<p>Review compliance with statutory requirements re eligible expenditure. Review payments made and ensure that there is evidence of eligibility of spend, correct deduction of tax where applicable and that payments are in line with approved rates. Ensure government returns / claims and HMRC returns are submitted by the deadlines set.</p>
Electoral Registration	<p>Statutory requirement. New system being introduced in 2011.</p> <p>Cyclical</p>	<p>Review compliance with statutory requirements, particularly in respect of any changes introduced in 2011. Review payments made and ensure that these are in line with approved rates.</p>

Audit Area	Why is this important? Frequency of audit	Brief Scope
Production of Contract Documents	<p>The risk is that contractual obligations are not met. Reliance has to be placed on contracts being promptly and adequately prepared.</p> <p>Default may result in material financial loss to the Council.</p> <p>Cyclical – dependent upon risk</p>	<p>Review arrangements in place for the production of contract documents.</p> <p>Take a sample of recent successful tenders and ensure that contracts have been promptly signed by all parties and have been approved by Legal Services.</p> <p>Check compliance with the Council's Contract Procedure Rules.</p>
Members Allowances	<p>Legislation stipulates that there should be a Members Allowances Scheme.</p> <p>The Scheme is determined by an independent Remuneration Panel.</p> <p>Risk that payments have not been made in line with the approved Scheme.</p> <p>Cyclical – dependent upon risk</p>	<p>Review a sample of Members' Allowances payments for compliance with the Members Allowances Scheme. Check the calculation for any uplift in line with RPI, if appropriate.</p>
Licensing	<p>Statutory function.</p> <p>Significant volume and value of transactions.</p> <p>Updated Licensing Policy approved in 2010/11.</p> <p>Risk that licences have not been granted in line with the legal requirements and the Council's own Policy and/or that fees have not been properly collected and accounted for.</p> <p>Cyclical – dependent upon risk</p>	<p>Review the system for issuing licences in line with statutory requirements and the Council's own Licensing Policy.</p> <p>Select a sample of licences issued e.g. taxis, liquor licences and review checks made, fees due and accounted for.</p>

Audit Area	Why is this important? Frequency of audit	Brief Scope
REGENERATION & COMMUNITY		
Local Development Framework	<p>Statutory duty to produce the Local Development Framework, in line with a prescribed process.</p> <p>Key project in 2011/12 Corporate Plan.</p> <p>Pre-submission review</p>	Review the process and evidence base, in line with statutory requirements.
Beacon & TIC	<p>Significant source of income. Devolved collection and banking of income.</p> <p>Increasing pressures on budgets.</p> <p>Cyclical – dependent upon risk</p>	<p>Routine establishment audit – review of systems for purchasing, stock control, income collection and banking and recording of income.</p> <p>Trace a sample of income from source to bank account.</p>
Leisure – client side	<p>Material expenditure. Leisure Trust has been outsourced since 2006. Since then have relied on Internal Control Assurance Statement provided by their auditors. No audit undertaken re performance management.</p> <p>Cyclical – dependent upon risk</p>	Review of client-side contract management arrangements.

Audit Area	Why is this important? Frequency of audit	Brief Scope
NEIGHBOURHOODS		
Parks & Open Spaces / Landscape management	Material area of expenditure. Some external contracts undertaken. Risk that these could be uneconomic. Not previously audited. Cyclical – dependent upon risk	Review of contract management arrangements.
Cemeteries & Crematorium	Significant source of income. Devolved collection and banking of income. Increasing pressures on budgets. Cyclical – dependent upon risk	Routine establishment audit – review of systems for purchasing, stock control, income collection and banking and recording of income. Trace a sample of income from source to bank account.

**COPELAND BOROUGH COUNCIL - AUDIT SERVICES
SYSTEMS AUDIT RISK ANALYSIS**

SHEET NR.

12

SYSTEM: National Non Domestic Rates

0 = VERY LOW RISK
3 = VERY HIGH RISK

DATE February 2011

	SCORE	WEIGHTING	TOTAL	NOTES
1 INHERENT RISK				
Is the system...				
-high value/material	3	3	9	
- identified on risk register	2	3	6	Implemented Shared Service June 10. Partnerships in general rated B2* (a priority) on Strategic Risk Register
-susceptible to *fraud/corruption/theft/error	2	2	4	
-complex, including high value transaction volumes	3	1	3	
-relates to service plan priority/business critical	3	1	3	Business critical
TOTAL INHERENT RISK SCORE			25	
TOTAL MAXIMUM SCORE			30	
2 CONTROL RISK				
At the last audit...				
-internal control level	2	3	6	
-Grade 1/Grade2 recommendations implemented	0	1	0	
-established or new/changed system/staffing	2	1	2	Shared service staff inputting from 0 April 2011.
-Any other inspection outcome	0	1	0	
TOTAL CONTROL RISK SCORE		6	8	
TOTAL MAXIMUM SCORE			18	
TOTAL RISK			33.000	
Add here a brief description of what this audit will include (mini scope/overview)				
Review key controls re registration and maintenance of accounts, raising of bills, posting of payments, debt collection / recovery arrangements, transfers / write-offs, reconciliation with financial ledger, clearance of suspense accounts.				

Enter scores 0-3 in column F
Maximum assessed risk is 48
Minimum assessed risk is 0

INTERNAL AUDIT PLAN 2011/12

RISK ASSESSMENT SUMMARY

APPENDIX D

Sheet Nr.	System	Weighted Score	Audit Days	Notes
	Main Financial Systems [Audited annually]			
3	Housing Benefits/Council Tax Benefits	38.00	30	Material audit - annual
9	Final Accounts Process	35.00	6	Material audit - annual
2	Council Tax	34.00	20	Material audit - annual
12	NNDR	34.00	17	Material audit - annual
10	Budget Process/Budgetary Control	32.00	10	Material audit - annual
1	Main Accounting	32.00	20	Material audit - annual
14	Capital Accounting / Fixed Asset Register	32.00	34	Material audit - annual 14 days allowed for potential new system
11	Sundry Debtors	31.00	19	Material audit - annual
4	Creditors	28.00	25	Material audit - annual
5	Payroll	28.00	25	Material audit - annual
7	Loans & Investments	27.00	11	Material audit - annual
13	Cash Receipting	25.00	14	Material audit - annual
83	Corporate Governance	23.00	10	Contributes to AGS - annual
80	Data Quality Arrangements	15.00	5	Audited as part of main system audits + sample PI's
		414.00	246	
	<u>Other Systems:</u>			
87	Partnerships	41.00	25	Audited 2009/10 & due March 2010/11
53	Grants Protocol / Procedures	37.00	10	Audited 2009/10 Due March 2011
32	Asset Management	36.00	15	NEVER AUDITED - AMP revision due March
69	Project / Contract Management	35.00	15	Audited 2009/10 & 2010/11
33	Human Resource Management including Workforce Strategy & Recruitment	34.00	12	Recruitment Audited 2010/11. New Workforce Strategy 11/12
47	Leisure - Client-side	31.00	8	NEVER AUDITED
45	Systems Development/Implementation Controls	30.00	30	Revs & Bens DIP, CRM, website devts
35	Health & Safety	29.00	10	NEVER AUDITED
79	Procurement Arrangements	29.00	0	Revised Strategy - February 2010 - Audited 2010/11
78	General Tax Issues	27.00	10	NOT AUDITED SINCE 2000 - work started March 2011
39	IT Network Controls / IT Security	26.00	10	Audited 2009/10 Plus COCO audit 2010/11 - Follow up

63	Acquisition of Hardware/Software	25.00	10	Audited 04/05
28	Cem & Crem	25.00	10	Audited 2006/07 - Bereavement Services- need Estab. Audit
31	Parks & Open Spaces/Landscape Mgt/Contracts	24.00	15	NEVER AUDITED
49	Car Parks Income	24.00	0	Audited 2010/11
59	Travel & Subsistence	23.00	10	Audited Members claims only 2010/11 [responsive work]
57	Beacon Establishment Audit	23.00	12	Cash, Banking,stock control [Cash/Bank 08/09]
52	Production of Contract Documents	23.00	8	Audit & follow up 2003.
58	Members Allowances & Expenses	23.00	10	Audited Travel Claims 2010/11 - responsive audit.
40	Local Development Framework	23.00	13	Key Project for 2011/12
36	VAT	22.00	0	Audited 02/03 HMRC undertook review March 2010
46	Pre-Contract Audit	22.00	12	Audited 2009/10
56	Licensing	22.00	15	Audited 06/07. Review of Policy due 2010/11
70	Record of Interests, Gifts and Hospitality	21.00	8	Audited 03/04
41	Election Administration	21.00	10	European audited 09/10. District/Parishes 2011/12
42	Electoral Registration	20.00	9	NOT AUDITED SINCE 2000
62	Insurance	20.00	5	NOT AUDITED SINCE 2001
17	Commerical / Bulky Waste Collection Income	20.00		NEVER AUDITED
72	Improvement Grants / Home Repair Assistance /Disabled Facilities Grants	19.00		Audited 2010/11. Disabled Facilities Grants only for 11/12
16	Building Control	19.00		Audited in 2009/10 [new software system]
66	Street Scene	19.00		NEVER AUDITED
25	Homelessness /Housing Options	18.00		NEVER AUDITED. Included in Housing Inspection
22	Private Finance Initiative	18.00		Audited 05/06
37	Climate Change Strategy	18.00		New for 2010/11 - Not yet audited
86	Leased Transport	18.00		Audited 2009/10
84	Communications	18.00		NEVER AUDITED
68	Beacon Museum Collection	17.00		Audited 2008/09
24	Development Control	17.00		Audited 2010/11
65	Grants to Voluntary Organisations	17.00		NOT AUDITED SINCE 2000
44	Organisational & Admin Controls - IT	16.00		Included in Information Security audit 2010/11
92	IT Strategy / Financial Management of IT	16.00		Audited 2007/08
82	Audit of PC's	14.00		Audited 03/04
29	Enforcement	14.00		New software - audited 07/08

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COUNTER-FRAUD AUDIT PLAN

FRAUD RISK AREA	PLANNED AUDIT ACTIVITY
Benefits	Annual audit – includes evaluation of management arrangements for fraud prevention/detection/investigation. Review of system security / access controls. Sample check of eligibility for benefit and payments made. Review of write-offs.
Home Renewal Grants / Disabled Facilities Grant	Annual audit of compliance with policy & procedures. Includes evaluation of management arrangements for fraud prevention/detection. Review of system security / access controls. Sample check of eligibility, contractor quotes, inspections & payments. Frequency depends upon materiality of expenditure. 2011/12 – no audit planned, as budget only provides for DFG's.
Cash Collection	Annual audit - includes evaluation of management arrangements for fraud prevention/detection. Review of system security / access controls. Sample check of refunds, banking, correct posting to accounts. Review of overs/shorts. Review of bank reconciliation.
Credit income [where an invoice or bill is raised to demand payment] <ul style="list-style-type: none"> • Council Tax • National Non Domestic Rates (NNDR) • Sundry Debtors • Planning/Building Control Fees • Fees/Charges 	Annual audits of Council Tax, NNDR and Sundry Debtors include evaluation of management arrangements for fraud prevention/detection. Review of system security / access controls. Sample check of calculation of charges, eligibility for discount, transfers of cash posted, refunds, recovery arrangements, suppression of recovery, write-offs. Cyclical audits of Fees & Charges – raised in line with approved or statutory rates. 2011/12 – Licensing

FRAUD RISK AREA	PLANNED AUDIT ACTIVITY
Purchasing	Annual audit of Creditor payments includes evaluation of management arrangements for fraud prevention/ detection. Review of system security / access controls. Sample check of supporting documentation/authorisation, check that purchase is appropriate to the service area.
Issuing of Cheques	Annual audit of Creditor payments and Benefits payments include evaluation of management arrangements for fraud prevention/ detection. Review of system security / access controls. Sample check of supporting documentation/authorisation, reason for return of cheque to officer initiating the transaction, security of cheques (including security features of cheques, custody of returned/cancelled cheques), reconciliation of cheques issued.
Contracts – letting of contracts and management of contracts	Annual audit of sample of pre-contract arrangements for compliance with Contract Standing Orders. Annual audit of a sample of capital contracts to review management arrangements for contract management and the fraud prevention/detection controls. Sample of capital contract payments checked for supporting documentation / authorisation as part of the annual Creditors audit. Cyclical audits of revenue contract management: 2011/12: Leisure client-side management of provision of leisure services by North Country Leisure Trust.
Loans & Investments	Annual audit – includes evaluation of management arrangements for fraud prevention/detection. Review of system security / access controls. Sample check of transfers of funds for supporting documentation / authorisation / compliance with the Treasury Management Strategy. Check reconciliation of treasury management records to bank statements and the financial ledger.

FRAUD RISK AREA	PLANNED AUDIT ACTIVITY
Recruitment / Payroll	<p>Annual audit – includes evaluation of management arrangements for fraud prevention/detection. Review of system security / access controls.</p> <p>Sample check of new starters for proof of ID/qualifications/eligibility to work in UK/ references re previous employment.</p> <p>Sample check of employee payments for supporting documentation / authorisation / check to HR independent records.</p>
Establishment audits – Beacon & TIC Cemeteries & Crematorium	<p>Cyclical check on devolved arrangements for purchasing, payments, collection & banking of income, stock control.</p> <p>2011/12 - Beacon & TIC & Cemeteries & Crematorium</p>
IT Network	<p>Review compliance with the Security Standard / Government Connect requirements.</p> <p>2011/12 - Follow up of progress on implementing 2010/11 action plan.</p>
Grant Claims	<p>Cyclical review of grant claims protocol /procedures.</p> <p>Ad hoc audit of grant claims, in line with grant claim deadlines.</p>
Travel & Subsistence Claims	<p>Cyclical review of claims to ensure these are in line with the Regulations & Guidelines, are appropriate and properly authorised.</p>

INFORMATION TECHNOLOGY (IT) AUDIT STRATEGY**1.0 BACKGROUND - DEFINING IT AUDIT**

1.1 CIPFA guidelines define IT audit as the application of auditing skills to the technological aspects of an organisation's business processes. It embraces the independent reviewing and testing of the organisation's practices and procedures relating to:

- The secure provision of business processing
- The processes for developing and acquiring new systems and facilities
- The economy, efficiency and effectiveness of the use and exploitation of IT facilities.

1.2 It includes the reviewing of:

- The risks of accidental and deliberate threats; the parts of the organisation most vulnerable to such threats; and the impact upon the delivery of services if such threats occurred
- The effectiveness of controls and safeguards and recommending improvements where necessary
- Procedures to determine the extent to which they ensure compliance with relevant standards and legislative requirements for security, health and safety aspects relating to IT facilities used within the organisation
- Procedures for safeguarding access to and use of all computerised data
- the effectiveness, integrity and completeness of controls within computerised applications
- the effectiveness of the procedures for managing and controlling the development of bespoke systems and the adaptation of packaged software
- the arrangements for procuring IT facilities by:
 - verifying the conformance with relevant standards and EC directives
 - assessing whether value for money has been sought in the procurement process
 - ensuring that high standards of contracting and tendering are adhered to
- the arrangements for the provision of the IT service and the procedures for defining and measuring the IT service delivered.

1.3 It also includes using software and specific computerised audit techniques to provide an effective and efficient audit service.

INFORMATION TECHNOLOGY (IT) AUDIT STRATEGY**IT AUDIT STRATEGY FOR COPELAND BOROUGH COUNCIL**

The IT Audit Strategy focuses on identifying the audit coverage needed, the skills required to carry out the audits and the timing of the audits, based on a risk assessment.

The systems-based approach is used to identify, and test compliance with, the key control objectives of the particular computer environment – whether this is a corporately networked system, a stand-alone PC based system or if it involves internet access.

1.0 IT Audit Coverage

1.1 IT coverage has been identified in line with the CIPFA Computer Audit Guidelines. There are 3 broad areas to consider:

- the management of IT
- the security of the IT facilities
- the controls relating to each application / software programme which makes use of those facilities.

1.2 In reviewing the overall controls over IT throughout the organisation, internal audit need to consider:

- The standards, controls and procedures which ensure the safe and efficient day-to-day operation of the facilities
- The procedures which the organisation adopts when determining the need for and procurement of IT facilities
- The arrangements made by management to ensure that the facilities are used effectively and efficiently.

All these aspects relate to the administrative and organisational controls that provide the framework for controls governing specific applications e.g. the Council Tax system.

1.3 As far as the specific applications are concerned, internal audit will review:

- The standards and procedures for managing the development / implementation of computerised systems
- The controls which govern the day-to-day processing of each system
- The procedures for changing the application after its initial development or implementation
- The effectiveness of the procedures and of the application itself after it has been implemented.

INFORMATION TECHNOLOGY (IT) AUDIT STRATEGY

2.0 Risk Assessment

2.1 The risk assessment gives a score for the impact of each IT area –

High = 3 [Significant financial loss, inability to meet legislative Requirements or serious embarrassment to the Council]

Medium = 2 [Failure will seriously affect the Service but have limited impact on the overall performance of the Council]

Low = 1 [Localised or minor impact on the Council's services And performance]

and for the level of existing Control -

Not previously audited = 3

Poor = 3

Satisfactory = 2

Good = 1

Excellent = 0

Impact multiplied by Control = Risk score

Risk Score: 1 to 2 = low risk

3 to 4 = medium risk

6 to 9 = high risk

2.2 The table below shows the detailed audit coverage needed, the risk assessment scores and when the particular IT areas were last audited. It also indicates where a specialist computer auditor may be needed.

INFORMATION TECHNOLOGY (IT) AUDIT STRATEGY

Risk Area	Audit Area	Impact Score	Control Score	Total Risk Score	Last audited	2011/12 Audit Days	In-house audit days	Specialist computer auditor needed - audit days [estimate]
Security and Control								
	Organisational & Admin Controls / File Controls / Physical & Environmental Controls	3	2	6	2010/11	Follow up 1	1	-
	PC controls	2	2	4	2003/04			-
	Network controls	3	2	6	2010/11	Follow up 4	2	2
	Internet controls	3	1	3	2003/04 Follow up 2004/05			-
	E-commerce controls [Marketplace Purchasing system]	3	2	6	2009/10			[3]
	Business Continuity Planning [IT systems]	3	2	6	2010/11			-
	Information Security / Data Protection	3	2	6	2010/11 [linked with network controls]	Follow up 5 Data Protection audited annually as part of main systems	5 Included in main systems audits	-

INFORMATION TECHNOLOGY (IT) AUDIT STRATEGY

Risk Area	Audit Area	Impact Score	Control Score	Total Risk Score	Last audited	2011/12 Audit Days	In-house audit days	Specialist computer auditor needed - audit days [estimate]
Project Management Controls								
	Implementation/ Change Controls : - Revenues & Benefits DIP system - Web site / CRM developments	3 2	3 3	9 6	- -	10 10	10 10	- -
	Post implementation review [Following implementation of above]	3	3	9	-	10	10	-
Applications Systems Audits								
	Main financial systems audied on an annual basis.							-
	Other systems audied on a cyclical basis – see Risk Assessment Appendix D.							-
Management Issues								
	IS / IT Strategy	3	2	6	Checked as part of Corporate Governance			-
	Financial management of IT / Performance monitoring of IT service / recharging for IT	2	2	4	2007/08			-
	Acquisition of Hardware / software	3	2	6	2004/05 Follow up 2005/06	10	10	-

Note: Procurement of IT Services has not been included as the IT Service is currently delivered in-house.