

**Rossendale Borough Council
Internal Audit Plan 2009/10**

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 2009/10.

This reflects the approach agreed when Lancashire Audit Service was appointed as the Authority's internal auditors. 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. 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 will:

- Meet the Authority's Senior Management Team to discuss their assessment of risk and their control environments;
- Make its own assessment of the risks facing the Authority; and
- Meet 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 2008 - 2011, which was finalised in June 2007 by members.

Our approach for 2009/10

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	108
Response to fraud / impropriety	10
Section 151 officer assurance	118
Focussed reviews:	
Project Management	15
Partnerships	20
Fraud Risks	20
National Fraud Initiative	15
IT Controls	20
Data Quality (bvpi's, kpi's etc)	15
Contingency	8
Additional assurance to meet the requirements of the Statement on Internal Control	113
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 during 2005/06 and 2006/07 towards documenting the recently implemented systems to the standards now followed by the Audit Commission under the 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.

Focussed reviews

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

Project Management

Project management is an area which has not previously been subject to audit review at RBC. The effective management of projects requires these to be appropriately defined and subsequently identified to undergo pre-defined procedures. We propose to review project management and provide assurance in respect of project planning, governance and monitoring and review arrangements in place at RBC.

Partnerships

Partnerships appear to be a key theme arising out of RBC's corporate risk register particularly with respect to arrangements with the Leisure Trust, Lancashire Strategic Partnership and the Local Area Agreement. The Council's Comprehensive Performance Assessment highlighted risk management in partnerships as an area which requires further improvement.

We would propose performing a review of partnership arrangements to provide assurance that the systems in place to set up and manage partnerships are robust. Particular intention would be paid to arrangements in place around structures, governance, risk management and reporting.

Fraud Risks

Anti fraud and corruption is currently receiving a high profile particularly with the economic downturn. Fraud related requirements also appear within the use of resources assessment.

Previous internal audit work in this area has involved obtaining an overview of counter fraud and whistleblowing arrangements within the Council and assessing the Council's compliance against section 1 of the CIPFA Red Book. We would like to further develop work in this area and provide assurance that the Council is achieving compliance against best practice guidance contained within Sections 2 - 5 of the CIPFA Red Book and other public sector guidance.

The CIPFA Red Book includes an assessment of the systems around:

- Identification of fraud risks and measuring losses;
- Creating and maintaining a strong structure;
- Action taken to tackle the problem including deterrence, prevention, detection, investigation, sanctions and redress; and
- Defining success in the form of outcomes.

As RBC has not experienced any frauds and therefore many of the above arrangements may not necessarily have been operated in practice we would like to propose that the above review is undertaken and that from this review a Counter Fraud Action Plan is devised. The action plan can be subsequently provided to the senior management team to facilitate further action.

National Fraud Initiative

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. 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

The review of the Payment Card Industry Data Security Standard (PCI DSS) forming part of the 2008/09 audit plan has been deferred, at the request of RBC management, and it has been proposed that this will be undertaken in June 2009.

Other IT related risks facing the Council include information security and governance, network management and the recent termination of the SunGard Vivista contract which means that various activities will be brought in house including ICT management, development and support.

The senior management team needs to consider the area it considers to be of most significant risk and where it would like assurance to be provided.

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 will be 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 on internal audit.

Whilst there is no specific requirement for Internal Audit to undertake this review, it would be considered good practice for this piece of work to remain in the audit plan.

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

An outline of planned resource input is provided 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