Stevenage Borough Council
Audit Committee

Internal Audit Plan 2012-13 Report

28 March 2012

Recommendation

Members are recommended to:
- accept the SIAS Audit Strategy 2012-13 as part of compliance with the CIPFA Code of Practice for Internal Audit in Local Government 2006; and
- approve the proposed Stevenage Borough Council (SBC) Internal Audit Plan 2012-13

Contents

1. Introduction and Background

<u>Purpose of Report</u>

1.1   To provide Members with:

    a)   The Shared Internal Audit Service (SIAS) Audit Strategy 2012-13
    b)   The Proposed SBC Internal Audit Plan 2012-13

<u>Background</u>

1.2   The SBC Internal Audit Plan sets out the programme of internal audit work for the year ahead, and is designed to implement the SIAS Audit Strategy which accompanies this report.

2. SIAS Audit Strategy 2012-13

2.1   The SIAS Audit Strategy is drafted in order to fully comply with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. The Strategy aims to set out the future direction for the provision of modern and effective Internal Audit Services for the SIAS partner authorities, providing the appropriate level of support and challenge to assist them in meeting their aims and objectives. A copy of the Strategy is attached at Appendix A.

2.2   The planning principles set out in the Audit Strategy are to:

- Focus assurance effort on the most important issues, the key obligations, outcomes and objectives, critical business processes and projects, and principal risks; pitching coverage, therefore, at both the strategic and key operational aspects of the business;

- Maintain up-to-date awareness of the impact of the external and internal environment on the organisation's control arrangements;

- Use a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk;

- Take account of dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, but recognising, in a resource constrained environment, that there will be situations when not all needs can be met;

- Identify responsibilities for auditing any services which are delivered in partnership;

- Ensure flexibility so that the plan evolves through the year in response to emerging risks and issues;

- Provide for the delivery of key commitments, such as work done in support of the External Auditor and to deliver governance and counter fraud responsibilities;

- Include provision for responding to management requests for assistance with special investigations, consultancy and other forms of advice.

3. Audit Planning Process

Approach to Planning

3.1 The approach to audit planning for 2012-13 has been characterised by:

- A comprehensive 'horizon scanning' exercise to identify processes, desired outcomes and risks;

- Detailed discussions with members of the senior management team, identified key officers within the Council to confirm and complement the results of the horizon scanning exercise, building up a 'universe' of auditable areas;

- Application of a risk assessment approach that reflects management's assessed view of risk as well as the view of Internal Audit;

- Cross-comparative work across the 2012-13 plans proposed for all partners of the SIAS;

- Preparation of draft plans and discussion of these with the Council's Audit Champion;

- The Strategic Management Board considered the 2012-13 audit plan provided by the Assistant Director of Finance and agreed carry forwards from the 2011-12 audit plan;

- Clarification of the requirements of External Audit.

The Planning Context

3.2 The following considerations have informed the planning process this year:

a) The challenging context for local government and the general governance, risk management, and internal control environment:

- Funding reductions taking effect;

- Efficiency and transformation programmes altering the nature and structure of Councils;

- Greater transparency and scrutiny of public expenditure, coupled with uncertainty about the future of public audit.

b) The challenge of giving value in this context, which means that Internal Audit needs to:

- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness

of governance, risk management and control arrangements in delivering the achievement of Council objectives;

- Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective;

- Give assurance which covers the control environment in relation to new developments, using a 'continuous assurance' approach where appropriate;

- Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

Internal Audit Plan 2012-13

3.3 The draft plan for 2012-13 is included at Appendix B and contains a high level proposed outline scope for each audit and a suggested quarter for delivery.

3.4 The table below shows the estimated allocation of the total annual number of purchased audit days for the year.

Purchased audit days	400
Key Financial Systems	128
Other financial and operational audits	96
Procurement	34
Counter Fraud	10
Risk Management and Governance	16
IT Audits	25
Follow up audits	11
Strategic Support*	41
Contingency	39
Total allocated days	**400**

* This covers: provision of the Head of Internal Audit Annual Report 2011-12, PKF Handover, servicing the Audit Committee, External Audit liaison, SIAS development, 2013-14 audit planning and monitoring delivery of the 2012-13 audit plan.

4. Performance Management

Update Reporting

4.1 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2012-13 and any

proposed changes will be reported to this Committee four times in the 2012-13 civic year.

4.2 The implementation of agreed high priority recommendations will be monitored by Internal Audit and progress will be reported as part of the update reporting process.

Performance Indicators

4.3 Annual performance indicators were approved at the SIAS Board meeting on the 7 September 2012. Details of the targets set for 2012-13 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target
1. **Planned Days** percentage of actual billable days against planned chargeable days completed	95%
2. **Planned Projects** percentage of actual completed projects to draft report stage against planned completed projects	95%
3. **Client Satisfaction** percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%
4. **Number of High Priority Audit Recommendations agreed**	95%
5. **External Auditor Satisfaction**	Annual Audit Letter formally records that the External Auditors are able to rely upon the range and quality of SIAS work
6. **Annual Plan**	Presented to the March meeting of each Audit Committee. Or if there is no March meeting then presented to the first meeting of the new financial year
7. **Head of Assurance's Annual Report**	Presented to the first meeting of each Audit Committee in the new financial year

Shared Internal Audit Service

Audit Strategy 2012-13

1.   INTRODUCTION AND STRATEGIC CONTEXT

1.1   As funding reductions take effect the context for local government and for the overall governance, risk and control environment with which it operates is increasingly challenging. Efficiency and transformation programmes are fundamentally altering the nature and structure of the Authorities. Organisations are becoming increasingly sophisticated in their understanding of risk management and prepared to accept greater levels of controlled risk in order to achieve their aims. There is greater transparency and scrutiny of public expenditure, coupled with uncertainty about the future of public audit. These changes affect the overall governance, risk and control environment.

1.2   To give value in this context, internal audit functions need to meet core responsibilities well, which are to provide appropriate assurance to members and senior management on the effectiveness of governance, risk and control arrangements in delivering the achievement of Authority objectives. Internal Audit must identify and focus its effort on what is significant, risky and important and have the right skills and resources to deliver. It also needs to ensure it complies with appropriate regulations and best practice in so doing.

1.3   Recognising this challenge, a number of Hertfordshire Chief Financial Officers established a Shared Internal Audit Service (SIAS) to ensure that the Internal Audit function is well placed to respond. SIAS aims to bring enhanced resilience, access to skills and efficient ways of working. The vision is for a service which:

Focuses on what is important	SIAS needs to deploy its resources where there is most value; this is towards the corporate objectives and priorities, the key risks which may prevent organisations achieving objectives and delivering responsibilities, and the important processes which facilitate this
Is outward looking and forward focussed	Being aware of national and local developments and of their potential impact on organisations' governance, risk management and control arrangements
Gives value by providing assurance	There is innate value in providing assurance to senior managers and members that the arrangements they put in place are working effectively, and in helping managers to improve the systems and processes for which they are responsible

Gets the right balance of independent support and challenge	Avoiding a tone which blames, but being resolute in challenging for the wider benefit of the Authorities and people of Hertfordshire
Has impact	Delivering work which has buy-in and which leads to sustained change
Is welcomed at the top table	Identifying and sharing organisational issues and themes, and for these to be recognised and taken on board in the interests of the Authorities and people of Hertfordshire
Strengthens the governance of the organisation	Being ambassadors for and encouraging the organisation towards best practice in order to maximise the chances of achieving its objectives and avoiding surprises

1.4   Each of the Authorities recognises the absolute importance of a strong and successful internal audit function and its key role as a cornerstone of corporate governance.   Each Authority retains responsibility and accountability for Internal Audit provision whilst making a commitment to supporting the development of a strong and sustainable Shared Internal Audit Service.

1.5   This SIAS Strategy document contains detailed information on:

   • The purpose, aims, ethos and objectives of SIAS
   • The roles and responsibilities of key stakeholders
   • The functions delivered by SIAS
   • The quality assurance arrangements that ensure robust assurance is provided
   • The arrangements for ensuring that sufficient skills and resources are available to SIAS
   • How SIAS complies with regulation and best practice.

1.6   This document is supported by:

   • Detailed specification documents which set out the working arrangements between SIAS and the partners in terms of the individual relationship between SIAS and each of the Authorities separately.   It is at this level that all audit matters relating to the individual Authority are dealt with.

   • An overall partnership agreement which sets out the relationship between SIAS and the Authorities as a whole and the matters

(which in the main relate to ensuring the overall effectiveness of SIAS) that are dealt with at whole-partnership level.

2.   PURPOSE, AIM, ETHOS AND OBJECTIVES OF SIAS

2.1   The purpose of SIAS is to provide independent evidence-based assurance on the whole range of controls over delivery of Authority objectives, as a core element of the Authorities' respective governance frameworks.

2.2   The overall aim of SIAS is to combine the closeness offered by an in-house service with the opportunity for resilience, efficiency and career development enabled through a larger grouping of employees.

2.3   SIAS aims to operate in accordance with the ethos for internal audit set out by CIPFA in its Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. This states that an effective internal audit service should aspire to:

- understand the whole organisation, its needs and objectives
- understand its position with respect to the organisation's other sources of assurance and plan its work accordingly
- be seen as a catalyst for change at the heart of the organisation
- add value and assist the organisation in achieving its objectives
- be forward looking: knowing where the organisation wishes to be and aware of the national agenda and its impact
- be innovative and challenging
- help to shape the ethics and standards of the organisation
- ensure the right resources are available, recognising that the skills mix, capacity, specialisms, qualifications and experience requirements all change constantly
- share best practice with other auditors
- seek opportunities for joint working with other organisations' auditors.

2.4   In addition, the ethos recognises that SIAS is a partnership formed of several organisations; ways of working which are based on appropriate partnership behaviours such as ensuring good dialogue, building trust and rapport, and thinking across boundaries are therefore important. The partners also wish to see the maintenance of a level of audit presence in each partner authority.

2.5   The objectives of SIAS are:

- To deliver a programme of assurance on all key governance, risk and control systems, in accordance with best practice
- To deliver high standards of customer service and be responsive and flexible in its approach, offering the benefits of a 'close' in-house team

- To offer a wider base of experience, resilience, specialisms and skills, taking advantage of the economy of scale available to larger audit teams
- To deliver efficiencies through joined up working, common methodology and service standards, sharing knowledge, skills and expertise
- To provide a supportive and stimulating working environment with opportunities for career development
- To take opportunities to expand SIAS if and when appropriate.

3.   ORGANISATIONAL ROLES AND RESPONSIBILITIES

3.1   Internal audit is most effective when conducted with in a clear framework of roles and expectations. This table sets out the key roles and expectations in order to ensure effectiveness:

Organisational Arrangements	
Element	*Expectation*
Authority	• Maintain an adequate and effective system of internal audit
Executive	• Have overall responsibility for ensuring that managers operate robust systems of control • Will be advised of significant issues arising from internal audit work and oversee implementation of responses to recommendations
Audit Committee	• Responsible for overseeing the effectiveness of the Internal Audit function, and holding the Head of Assurance to account for delivery • Responsible for the effectiveness of the governance, risk and control environment, holding managers to account for delivery • Receive regular progress updates, consider key themes and issues and take forward as necessary
Section 151 officer	• Support internal audit arrangements • Receive sufficient assurance to deliver Section151 responsibilities
Local audit champion	• Help SIAS deliver its work as seamlessly, easily and efficiently as possible • Represent the Council's interests in the provision of internal audit locally • Fulfil the other roles and responsibilities of the local champion in accordance with the Local Champion Roles and Responsibilities outline

Senior Management Team	• Support the internal audit process • Help to shape the programme of assurance work, giving a view about the key risks and objectives to be reviewed • Ensure robust risk management and internal control arrangements • Collectively receive updates on key themes and issues arising from reports • Individually oversee progress actions arising from audit work in discussions with respective management teams • Act as a point of escalation where there are barriers to the effective conduct of the audit process • Seek views from Internal Audit about the management of significant emerging issues and risks • Support the organisation's wider risk management arrangements
Heads of Service and Corporate Managers	• Help to shape the programme of assurance work, giving a view about the key risks and objectives to be reviewed • Be competent in recognising and handling risks using the recognised risk management arrangements in place • Support the audit process by setting the tone for engagement in and acting as a point of escalation for individual pieces of work • Consider and respond to audit reports, agreeing action as necessary in accordance with agreed timescales • Ensure that agreed action is taken • Are responsible and accountable for establishing and using control systems and ensuring that they function • Seek views from Internal Audit about the management of significant emerging issues and risks

4.   SIAS ROLES AND RESPONSIBILITIES

4.1   SIAS is responsible for providing the full range of core and additional assurance services that the Authorities require. There is a presence in each Authority and a commitment to quality and equality of service throughout.

4.2   The partners are able to opt in and opt out of the services on offer, subject to adequate local arrangements for meeting opted-out requirements as necessary and the provisions in the partnership agreement concerning the sustainability of the service.

4.3   The aim, as far as is possible, is to adopt a common approach in all Authorities so that efficiencies can be derived.   However SIAS recognises that this will not necessarily always be the best approach and is flexible when it is more appropriate to be so.

4.4   The key roles in SIAS are:

4.4.1   Head of Assurance

The Head of Assurance is the most senior auditor for each of the Authorities.   The Head of Assurance therefore carries out any constitutional or procedural duty that the Authority previously delegated to its Head of Internal Audit (HIA).

The Head of Assurance ensures compliance with the requirements set out in the 2010 CIPFA guidance on the 'Role of the Head of Internal Audit in Public Service Organisations'. The requirements are to:

- Champion best practice in governance and risk management, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments;
- Give an objective and evidence based opinion on all aspects of governance, risk management and control
- Be a senior manager with regular and open engagement across the organisation, particularly with the Leadership team and with the Audit Committee
- Lead and direct an internal audit service that is resourced to be fit for purpose
- Be professionally qualified and suitably experienced.

Among other duties the Head of Assurance ensures:

- Regular monitoring of the performance against the approved plan subject to agreed amendments
- Performance reporting to key stakeholders
- Presentation of an Annual Report which includes the Head of Assurance (Head of SIAS) overall opinion on internal control
- Preparation of an annual or rolling risk based audit plan
- Support for and attendance at Audit Committees
- Resource for managing investigations where necessary
- Quality Assurance
- Liaison with External Audit.

4.4.2 Audit Manager

SIAS nominates an Audit Manager to take the lead on relationships at the Authority at senior level. The Audit Manager is responsible for ensuring positive working relations with clients, being highly visible within the partner organisations at officer and member level, offering guidance and advice to these officers and members and delivering excellent audit services to them which have impact.

The Audit Managers determine audit need for individual clients, including in respect of IT and contract / procurement audit work. They ensure the appropriate focus of coverage for each client and the delivery of the programme of work. They monitor the time, cost and quality of output to ensure optimum effectiveness.

The Audit Managers are accountable and responsible for the performance of SIAS at the partner to which they are assigned, working within the overall quality assurance framework of SIAS.
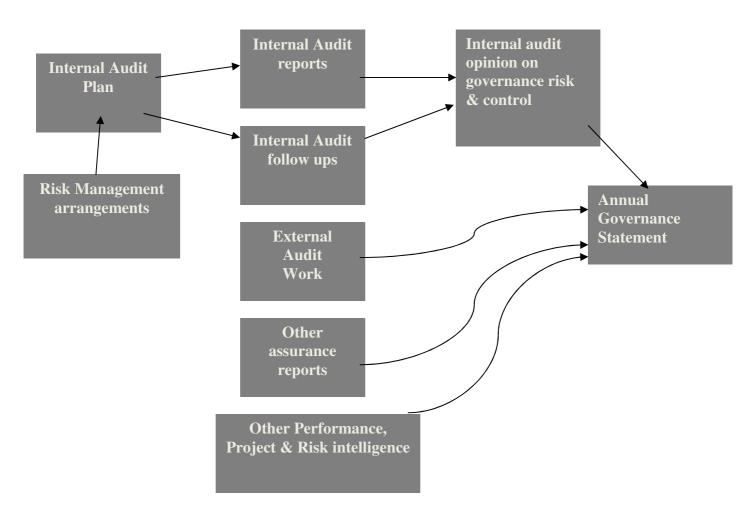
4.4.3 Local Champion

The Authorities nominate local 'champions' to help SIAS deliver its work as seamlessly, easily and efficiently as possible and represent the partners' interests in the service locally. The key activities are to:

•   Support SIAS and its ways of working
•   Assist in planning and scheduling work
•   Act as an escalation point
•   Maintain an overview of the performance from the service
•   Agree changes to planned work.

5.   GIVING ASSURANCE ON GOVERNANCE, RISK AND CONTROL

5.1   This section of the Strategy sets out how the principles SIAS adopts in fulfilling its core responsibilities. These principles underpin SIAS ways of working helping deliver work in alignment with the SIAS vision.

5.2   The Internal Audit annual opinion is a report based in evidence that is given each year. This opinion is important because it is a publicly reported statement on the effectiveness of governance, risk and control at each Council and is intended to give confidence that the Council has sound arrangements in place. It summarises all the assurance that the Internal Audit team has provided in any one year.

5.3   The diagram below shows the cycle of audit planning, reporting and assurance gathering that delivers the Internal Audit opinion, which itself feeds into the production of the Council's Annual Governance Statement.

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┌─────────────────┐        ┌─────────────────┐        ┌─────────────────┐
│ Internal Audit  │──────▶ │ Internal Audit  │        │ Internal audit  │
│ Plan            │        │ reports         │──────▶ │ opinion on      │
│                 │        │                 │        │ governance risk │
└─────────────────┘        └─────────────────┘        │ & control       │
                                                       └─────────────────┘
      ┌──────────────────────┐
      │ Internal Audit       │
      │ follow ups           │
      └──────────────────────┘
┌─────────────────┐
│ Risk Management │        ┌─────────────────┐
│ arrangements    │        │ External        │
│                 │        │ Audit           │──────▶ ┌─────────────────┐
└─────────────────┘        │ Work            │        │ Annual          │
                           └─────────────────┘        │ Governance      │
                           ┌─────────────────┐        │ Statement       │
                           │ Other           │        └─────────────────┘
                           │ assurance       │
                           │ reports         │
                           └─────────────────┘
                    ┌─────────────────────────┐
                    │ Other Performance,      │
                    │ Project & Risk          │
                    │ intelligence            │
                    └─────────────────────────┘
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5.4   The work of SIAS is therefore key to this cycle, and the service must **plan, conduct and report** its work and maintain effective relationships with key stakeholders in this context.

5.5   Planning

The audit plan guides the work of the service during the year. The planning principles are:

- Focussing assurance effort on the most important issues, the key obligations outcomes and objectives, critical business processes and projects, and principal risks; pitching coverage therefore at both strategic and key operational aspects
- Maintaining up to date awareness of the impact of the external and internal environment on control arrangements
- Using a risk assessment methodology to determine priorities for audit coverage based as far as possible on management's view of risk
- Taking account of dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, but recognising in a resource constrained environment there will be situations when not all needs can be met

- Identifying responsibilities for auditing any services which are delivered in partnership
- Being flexible so that the plan evolves through the year in response to emerging risks and issues
- Providing for the delivery of key commitments, such as work done in support of the External Auditor and to deliver governance and anti-fraud responsibilities
- Including provision for responding to management requests for assistance with special investigations, consultancy and other forms of advice.

5.6 Conduct of work

SIAS conducts its work in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The principles of how we conduct our work are:

- Focussing on what is important and in the ultimate interests of the public of Hertfordshire
- Working continuously to foster buy-in and engagement with the audit process
- Working efficiently and in a lean manner
- Ensuring that risks identified in planning are followed through into audit work
- Ensure that the right skills and right approaches are in place for individual assignments, taking opportunities to work with experts in the field in order to do this
- Making recommendations that are proportion to risk and tailored for the best result given the context of the area under review
- Focus as a rule on driving out compliance with existing processes and systems rather than introducing new layers of control
- Being resolute in challenging even when this is difficult; taking account of views, escalating issues and holding our position when appropriate
- Driving the audit process by agreeing deadlines, meeting these on our part, and escalating non-response promptly in order to complete our work
- Having high standards of behaviour at all times.

5.7 Reporting

The different forms of report produced by the service are its key output. The reporting principles are:

- Providing balanced reports which recognise both good practice and areas of weakness
- Reporting in a timely, brief, clear and professional manner
- Ensuring that reports clearly set out assurance opinions on the risks identified in planning work

- Always seeking management's response to reports so that the final report includes a commitment to action
- Sharing reports with senior management and members, identifying key themes and potential future risks so that our work has impact at the highest levels
- Sharing learning with the wider organisation with a view to encouraging best practice across the Council.

5.8   Assurance Opinions

Each piece of audit work informs the overall opinion on risk, management and internal control to a greater or lesser extent. Constructing the overall annual opinion is facilitated by giving each individual piece of work an individual assurance opinion. The opinions of reports issued in the quarter are reported to Audit Committees on a regular basis as per the table below.

Opinion Level	What this means for the area being reviewed:
Full Assurance	There is a sound system of control designed to achieve objectives and manage risks to robust level.
Substantial Assurance	There is a basically sound system of control with some minor weaknesses, there is a low level of risk that objectives will not be achieved
Moderate Assurance	The system is basically sound but there are some significant weaknesses; there is a moderate level of risk that objectives will not be achieved
Limited Assurance	There are very significant weaknesses in key areas in the system of control; there is a high level of risk that objectives will not be achieved.
No Assurance	The control system is absent or has fundamental weaknesses. There is a very high level of risk that objectives will not be achieved.

5.9   Follow up

SIAS carries out follow up work on the most important areas to ensure that higher priority actions are being addressed in a timely manner. Increasingly SIAS will look to implement best practice risk and governance disciplines which emphasise the role of line managers and other functions to proactively track issue closure or any slippage. Such an approach emphasises the need for managers to deliver required improvements without prompting – reinforcing their accountabilities and also freeing up Internal Audit to focus on key risks and other value added work, rather than simply double-checking what should already have been delivered.

5.10   Requests for Unplanned Work

On occasions management may request that Internal Audit carry out an ad-hoc review of a specific area. When we receive such requests we will seek to understand how far management have already formed a view of what the issues in play are, and therefore whether we can agree that in order to short-cut a potentially time-consuming audit process, management can prepare an action plan which we can review for soundness prior to implementation.

We recognise that such an approach will not always be possible, and will undertake more detailed work where the risks under consideration are judged sufficient to warrant a departure from the planned work programme.

5.11   Fraud and Corruption

SIAS has a key operational role in working pro-actively to create a culture which deters fraud and corruption.
When reports of potential fraud and corruption are received we will investigate these to required standards of professional practice, looking for appropriate support from functions such as finance, procurement, HR and legal as appropriate.

6.   QUALITY ASSURANCE

6.1   The Head of Assurance (Head of SIAS) maintains an appropriate Quality Assurance Framework and reports on this annually.   The Quality Assurance Framework includes:

- An audit manual documenting methods of working
- Supervision and review arrangements
- Customer feedback arrangements
- Performance targets
- Quality standards
- Provision for periodic external review.

7.   SKILLS AND RESOURCES

7.1   It is the responsibility of the SIAS management team to ensure that the service has the appropriate skills and resources to deliver against the remit asked of it within the framework set by the SIAS Board.

7.2   A commitment to development of the team is an essential pre-requisite of an effective service. Development opportunities arise in many forms other than training courses, and all members of staff are encouraged to take ownership of their own development and be imaginative in identifying / creating and taking up opportunities.

7.3   All members of SIAS have an annual personal development plan, prepared as part of Hertfordshire County Council's annual performance management and development scheme. This is an important document which must be the focus of regular review and update in discussions with line managers.

7.4   SIAS has procured an arrangement with PriceWaterhouseCoopers (PWC) to provide audit services on a call-off arrangement as well as to support SIAS with achieving its training and development goals.

7.5   The breadth of coverage within the audit plan necessitates access to the high quality audit skills, both general and specialist which can be obtained through PWC when necessary as well as delivered in house. This comprises

•   Risk based audit
•   IT audit
•   Procurement and contract management audit
•   Control self assessment techniques
•   Fraud investigation techniques.

7.6   Equally important are the softer skills and attributes which enable a productive working relationship with audit clients to be formed:

•   Listening and questioning skills
•   Persuading, influencing and negotiating skills
•   Communication skills
•   Thinking creatively
•   Good levels of organisational knowledge
•   Professionalism and tangible confidence in the value of the product that we deliver.

7.7   We will seek to use guest advisors and auditors and build a reputation for the service as an effective training/development ground for those wishing to go on to develop careers within the Council.

8.   COMPLIANCE WITH REGULATION AND BEST PRACTICE

8.1   The requirement to provide an appropriate and effective audit service is set out in the Audit and Accounts Regulations 2011.

8.2   The Service must operate in accordance with best practice as specified by CIPFA in its Code of Practice for Internal Audit in Local Government 2006, and an annual review of the effectiveness of the service must be undertaken.

8.3   The Head of Assurance (Head of SIAS) operates in accordance with CIPFA guidance on the Role of the Head of Internal Audit in Public Service Organisations.

8.4   The Terms of Reference for the SIAS are reflected as necessary in individual partners' constitutions and associated documents.

Audit	Proposed Outline Scope / Reason for Inclusion	Target Quarter / Resource Allocation
KEY FINANCIAL SYSTEMS		
Key Financial Systems	To provide assurance over the following key financial systems as part of the managed audit approach with the Council's external auditors: Housing Benefits Council Tax NNDR Creditors Debtors Main Accounting System Payroll Treasury Management – Investments Housing Rents Cash and Banking Capital Accounting The above audits will provide an assurance opinion on whether the systems operate in a controlled environment such that outputs can be relied on to be accurate.	Quarters 3 and 4 12 day per audit review, except Treasury Management which has been allocated 8 days.
OTHER FINANCIAL AUDITS		
Financial Regulations	Looking across SIAS partner authorities to compare financial regulation thresholds and processes.	Quarter 2 5 days

Audit	Proposed Outline Scope / Reason for Inclusion	Target Quarter / Resource Allocation
	To ensure that delegation of authority to incur costs compares with peers and is adequately formalised to ensure clarity of accountability. That processes are proportionate with values and risks.	
OPERATIONAL AUDITS		
Single Status	This area is identified as a strategic risk (S11). This audit will check whether organisational procedures have been followed.	Quarter 2 8 days
Working Together Themed Audit	Four separate reviews will be undertaken on the following areas of the Revs and Bens Partnership with East Herts: Governance, Performance, IT and Anti Fraud.	Quarter 1 and 2 24 days
Members Locality Budgets/Local Community Grants	Seek assurance on the Members Locality Budgets system that has been introduced in 2011/12. There has been a significant change in the Council's approach to Local Community Grants, the coverage will need a check on the implementation status of prior year audit recommendations.	Quarter 1 15 days
Use of Contractors and Consultants	A value for money review will be undertaken, the audit will review data and analyse spend with the Council's top 20 suppliers. To gain assurance that contract standing orders are being adhered to.	Quarter 1 12 days

Audit	Proposed Outline Scope / Reason for Inclusion	Target Quarter / Resource Allocation
Car Parks Extended Follow Up	Gain assurance that the recommendations in the 2010/11 audit report have been implemented and are working effectively.	Quarter 1 12 days
Transfer Station	To gain assurance on the data quality of the tonnage figures and the security arrangements at the transfer station. This area has not been subject to any recent Internal Audit coverage.	Quarter 1 8 days
Safeguarding	This area is identified as a strategic risk (S16). The audit will benchmark the service against other District Councils.	Quarter 1 12 days
COUNTER FRAUD		
Counter Fraud Baseline assessment	Looking across SIAS partner authorities to benchmark Counter Fraud arrangements. The review will also compare the Council against best practice in particular guidance issued by CIPFA and the Audit Commission publication 'Protecting the Public Purse'.	Quarter 1 10 days
IT AUDITS		
IT Needs and Baseline	To provide an assessment of the IT risks and an assurance opinion on the baseline controls in operation.	Quarter 1 10 days

Audit	Proposed Outline Scope / Reason for Inclusion	Target Quarter / Resource Allocation
assessment		
IT Security	This is a high risk area. Audit coverage to include mobile devices.	Quarter 2 15 days
PROCUREMENT		
Procurement Baseline assessment	Looking across SIAS partner authorities to benchmark procurement arrangements against best practice and support SIAS's move towards a risk based approach to the audit of procurement	Quarter 1 10 days
Buildbase Contract	The Council has entered into a new stores contract. To gain assurance that tendering process was robust and that the contract is being effectively managed.	Quarter 2 12 days
Decent Homes Contract	The Council has entered into a new decent homes contract and this area has been identified as a strategic risk (S1). To gain assurance that the contract is being effectively managed e.g. effective inspection regime, projected savings have materialised. Note the contract letting has been scrutinised by jointly by the Resources and Housing Policy and Scrutiny Committees.	Quarter 2 12 days

Audit	Proposed Outline Scope / Reason for Inclusion	Target Quarter / Resource Allocation
RISK MANAGEMENT AND GOVERNANCE		
Risk Management	Extended follow up for HIAO (Head of Internal Audit Opinion) purposes.	Quarter 4 8 days
Corporate Governance	Extended follow up for HIAO purposes.	Quarter 4 8 days

APPENDIX C   GLOSSARY OF TERMS

Abbreviations	Definition
SBC	Stevenage Borough Council
SIAS	Shared Internal Audit Service
CIPFA	Charted Institute of Public Finance
PKF	Pannell Kerr Foster (they provided the internal audit services for Stevenage Homes)
HR	Human Resources
PwC	PriceWaterhouseCoppers
IT	Information Technology
HIAO	Head of Internal Audit Opinion