

Internal Audit Plans

Strategic Plan 2010/2013, Annual Plan 2010/2011

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1 Audit Committee Overview

- 1.1 Internal Audit's function is to report on the adequacy of the Council's control environment in achieving its objectives. It does this ***by working in partnership with management, but from an independent and objective standpoint.***
- 1.2 The Head of Internal Audit and Risk Management (HoIARM) presents the following to the Audit Committee on a quarterly basis:
- A summary of all finalised audit reports, recommendations made and agreed and an up date on recommendations implemented. Where significant recommendations are not agreed these are also brought to the attention of the committee
 - A summary of irregularity reviews and other significant audit reviews
 - An update on governance within the organisation
 - An update on Risk Management issues within the organisation
 - An update on the Annual Governance Statement and significant issues arising.
- 1.3 The Accounts and Audit Regulations 2006 amended the Accounts and Audit Regulations 2003. The amended legislation required changes to some aspects of Internal Audit Practice. The application of these changes in Slough BC is discussed in Appendix 3

2 Internal Audit Strategy

- 2.1 The overall Strategy of Internal Audit at Slough Borough Council is:
- “to deliver a risk based audit plan in a professional, independent manner, to provide Slough Borough Council with an opinion on the level of assurance it can place on the internal control environment, and to make recommendations to improve it.”
- 2.2 The Internal Audit strategy comprises two parts. The first part deals with how the service is delivered and includes:
- an indication of the service provision arrangements; (see section 3.1)
 - an indication of the resources and skills required to deliver the strategy; (see section 3.2)
 - a description of how Internal Audit provides assurance for the Annual Governance Statement; (see section 4) and
 - an indication of the mix of work to be undertaken, analysed by assurance work and other consultancy and/or fraud-related work and in accordance with a risk-based approach to planning. (see section 5)
- 2.3 The second part of the strategy deals with the more detailed plan of the assignments to be carried out during the period of the plan. (see Appendices 1 and 3)

3 Service delivery

3.1 Internal Audit service provision arrangements

- 3.1.1 This has to be considered against the backdrop of legislation that impacts upon Internal Audit in local authorities.
- 3.1.2 Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs. This officer is the Strategic Director of Resources.
- 3.1.3 The Accounts and Audit Regulations 2003 (as amended – 2006) state that an English Local Authority must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.”
- 3.1.4 The Head of Internal Audit and Risk Management is accountable to the Audit Committee, and the Council, for the Internal Audit function of the Authority.
- 3.1.5 The Head of Internal Audit and Risk Management is also responsible for Risk Management within the Authority which feeds into the corporate governance arrangements of the organisation.

3.2 Resources and skills

- 3.2.1 The Internal Audit strategy is delivered by the in-house team of 7 staff. 2 auditor posts and one audit manager post are currently vacant.
- 3.2.2 The use of partnering arrangements has been negotiated through existing tendered contracts undertaken by neighbouring authorities. The skills mix of a partnership arrangement, which assures the availability of the latest IT audit skills, is considered to be the best arrangement to deliver the audit strategy at this time.
- 3.2.3 The Internal Audit unit is staffed by a mix of, part qualified accountants, auditors holding the Diploma in Public Audit, a Certified Information Systems Auditor (CISA), a qualified accountant and those qualified by experience. The training profile for each auditor is kept under review, and all efforts are made to provide identified training needs, thereby keeping each auditor’s skills set current.

4 How Internal Audit provides assurance for the Annual Governance Statement.

- 4.1 Regulation 4 of the Accounts and Audit Regulations, 2003, as amended by Regulation 4 of the Accounts and Audit (Amendment)(England) Regulations, 2006 requires the “relevant body” to publish a statement on internal control (SIC), annually with its accounts. It says that the responsibility for maintaining and reviewing the system of internal control rests with the relevant body.
- 4.2 The statement on internal control has been replaced by the Annual Governance Statement from 01/04/07. The statement will be produced for the financial year to 31/03/09.

- 4.3 The Annual Governance Statement working group is chaired by the Strategic Director of Resources. The group is comprised of a variety of representatives from across the organisation at Assistant Director level.
- 4.4 The Terms of Reference of the AGS working group are outlined below:
- Challenge and evaluate sources of assurance provided by officers
 - Challenge and evaluate evidence provided to support assurances
 - Ensure that areas of development in relation to Slough BC are clearly identified for inclusion in the AGS
 - Monitor the production of action plans to address development needs in Slough BC
 - Consider partnerships and highlight any control issues specifically if this has
 - seriously prejudiced or prevented achievement of a principal objective
 - resulted in a need to seek additional funding to allow the issue to be resolved or has resulted in a significant diversion of resources from another aspect of the business
 - had a material impact on the accounts
 - been considered significant by the Audit Panel
 - been reported by the Head of Internal Audit as significant in the annual opinion on the internal control environment
 - attracted significant public interest or has seriously damaged the reputation of the organisation
 - resulted in formal action being taken by the Strategic Director of Resources and/or the Monitoring Officer
- 4.5 Through its programme of work, (which is detailed in the rolling Strategic Plan and is updated annually) determined by means of risk assessment and by application of the standards as prescribed in the CIPFA code of Internal Audit practice, Internal Audit is in a position to provide independent and objective assurance across the whole range of the authority's activities. Internal Audit can also provide details of any weaknesses that qualify this assurance, and bring to the attention of the authority any issues particularly relevant to the preparation of the AGS.
- 4.6 Internal Audit alone cannot provide complete assurance over all aspects of internal control. Other sources of assurances for the AGS include the Risk Management framework in the organisation, departmental assurances, external audit and other review bodies and inspectorates.

5 Determining the Programme

5.1 Determining the mix of work

- 5.1.1 The programme and mix of work of Internal Audit is laid out in the Strategic Internal Audit plan at Appendix 1. The preparation of the plan is detailed in Appendix 3.
- 5.1.2 The Strategic Internal Audit Plan covers a rolling 3-year cycle — currently 2010/2013. The Plan assumes that resources available to Internal Audit will remain the same, and is based on the current structure of the Council, although recognising that change is inevitable.
- 5.1.3 Where possible Internal Audit take into account the risk register / business plans for each department. The main source of new / current concerns and risks are the pre-audit plan discussions with each Assistant Director and Director in each department.

5.1.4 The Strategic Audit Plan for 2010/2013 is attached at Appendix 1.

5.2 The Internal Audit strategic and annual plans (risk based)

5.2.1 The detailed preparation of the plan is outlined in Appendix 3. This section gives a brief summary about the plan.

5.2.2 Audits are either planned or non-planned (i.e. contingency). Planned audits are divided into core and non-core audits. Core audits are normally carried out annually and cover the core/fundamental systems of the authority. Non-core systems are carried out less frequently. The audits are prioritised by a risk weighting system, by means of which the number of days allocated to each audit and the frequency of the audit reflect the risk within the system. Sufficient provision is made for contingency audits and whistleblowing investigations

5.2.3 Four categories of risk factors are used in the weighting / allocation of resources — Corporate Importance, Corporate Sensitivity, Inherent Risk and Control Risk.

5.2.4 All Directors and assistant directors are consulted in the preparation of the plan. The external auditor is also consulted and the plan is then finalised after taking the views of the Strategic Director of Resources and the Audit Committee.

5.3 Fraud, Contingency and Whistleblowing.

5.3.1 A major part of the audit plan is devoted to contingency audits. Contingency Audits include mainly special (reactive) investigations and occasionally high-priority ad-hoc reviews.

5.3.2 Whistleblowing is formalised in Governance arrangements and a new policy was agreed by the Council in late 2007.

5.4 Responsibility for Fraud

5.4.1 The responsibilities and duties of Internal Audit and management tend to become blurred in fraud investigation. It is pertinent to quote from the Code of Practice for Internal Audit in Local Government in the UK (published by CIPFA in 2006):

“Managing the risk of fraud and corruption is the responsibility of management.

The Head of Internal Audit should make arrangements, within the organisation’s anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety, to inform their opinion on the internal control environment and Internal Audit’s work programme.

At the request of management, Internal Audit may go beyond the work needed to meet its assurance responsibilities and assist with, for example, the investigation of suspected fraud or corruption.

Internal Audit does not have responsibility for the prevention or detection of fraud and corruption. Internal Auditors should, however, be alert in all their work to risks and exposures that could allow fraud and corruption and to any indications that fraud or corruption may have been occurring. Audit procedures alone, even when performed with due

professional care, cannot guarantee that fraud or corruption will be detected.”

- 5.4.2 It is Internal Audit's role, once fraud is suspected, to investigate fraud and report to management. However, management's important role should not be underrated. In most cases, during the investigation, Internal Audit will work in partnership with management. Before commencing the investigation, however, Internal Audit need to ensure that management has carried out its initial checks to ascertain whether the incident or event concerned is suspected to be fraudulent. By ensuring this, Internal Audit time will be spent more productively. This approach will also ensure that management accepts its responsibility with regard to fraud investigations.

6 Delivering the audit plan

- 6.1 The second part of the strategy deals with the more detailed plan of the assignments to be carried out during the period of the plan.
- 6.2 The first year of the plan is the annual operational plan. The plan is subject to change as the local authority environment is not static, and is subject to changing risks and priorities. Also sometimes areas that were planned to be audited are not yet in an auditable 'state' e.g. new systems are still being implemented. The plan needs to be kept current to reflect changing risk profiles/topicality. The plan is therefore kept under review and where changes are necessary, the plan is changed with the agreement of the Strategic Director of Resources, the External Auditor and the Audit Panel.
- 6.3 A rigorous quality control procedure is in place and is reviewed on a regular basis to ensure a high quality audit product is delivered. At the start of each audit the auditor researches the audit area and obtains an "understanding of the business". The auditee is interviewed and an initial risk assessment undertaken from which a terms of reference for the audit is agreed with the auditee. The risk assessment also informs the audit testing schedule which is applied during the audit fieldwork stage. The auditee is kept informed of findings during the course of the audit and an exit meeting held to confirm accuracy of findings and to inform the client of areas which may be reported on. A draft report is issued to the auditee and upon receiving a response to the discussed report a final report is issued.
- 6.4 Each stage of the audit process is reviewed by the Audit Managers and the HOIARM and auditors address and action any points raised.

7 People 1st Slough

- 7.1 People 1st Slough, an Arms Length Management Company, was created on 01 January 2006. The Council is the sole owner of this company. The functions that transferred to People 1st Slough were
- Rent collection
 - Tenant information, consultancy and tenant participation
 - Enforcement of tenancy conditions and similar for leaseholds
 - Administration of Right to Buy
 - Stock investment decisions and repairs orders
 - Managing tenancies, voids and under occupation
 - Estate management

- Quality and performance monitoring

The remaining housing activities like Homelessness, Rehousing, Improvement Grants etc. and Strategic and Client functions remain with the Council.

- 7.2 The application for the “delegation of management functions” and the “management agreement” define the relationships, systems and controls under which People 1st Slough operates.
- 7.3 Internal Audit also provides the Internal Audit Service to People 1st Slough. A more detailed Internal Audit plan for the organisation is published separately. Internal Audit has the right of access to all personnel, documents, and computer systems etc of the Company. In addition a separate SLA has been agreed between Slough BC and People 1st Slough specifically for Internal Audit.
- 7.4 On 18th January 2010 Commissioners supported the proposal not to renew the People 1st Slough contract and provide services in-house. It was agreed that a two month consultation with tenants on bringing the service back in house should be undertaken and the results brought back to Cabinet before the end of March 2010.
- 7.5 The audit plan has not been amended to reflect any changes in the status of People 1st Slough. The plan will be updated once Cabinet has made a final decision on the options for the Provision of Housing Management Services.

8 Performance Indicators for audit

- 8.1 At a time when all are being urged to deliver better services, it is right that audit can itself demonstrate improvements in service. For this purpose a number of performance indicators as stated below are used. These are reported quarterly to the Audit Committee.
- 8.2 It should however be stated at the outset that interpretation of these indicators must be undertaken carefully, and a balanced view taken. Performance indicators cannot be used in isolation as reliable measures of performance since other factors may also need to be taken into account. They may highlight areas that may merit closer attention.
- 8.3 The indicators used are
- percentage of planned work completed in period (target 95% for 2010/11)
 - percentage of recommendations accepted (90%)
 - percentage of recommendations implemented after agreed period (no target)
 - results of client satisfaction survey (no target)

9 Contacts in Internal Audit

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Appendix 1

Strategic Internal Audit Plan 2010/13				
Auditable area	Audit 2010/11	Audit 2011/12	Audit 2012/13	3 years total
Central financial systems				
Treasury	10	10	10	30
Capital Finance	10	10	10	30
VAT	10	10	10	30
Financial Planning	10	10	10	30
Budgetary Control	10	10	10	30
Creditors	15	15	15	45
Payroll	15	15	15	45
Debtors	15	15	15	45
Cashiers	10	10	10	30
Pensions	6	6	6	18
General Ledger	15	15	15	45
Petty cash and imprest systems	10	10	10	30
Procurement	15	15	15	45
Revenues and Benefits				
NNDR	12	12	12	36
Council Tax billing & collection	10	10	10	30
Benefits systems (Control & systems teams)				
Council Tax & Housing Benefits	10	10	10	30
Discretionary Housing Payments	10			10
Central financial systems Total	193	183	183	559
Corporate Issues				
Significant Projects (to be agreed with CMT)	35	35	35	105
Workforce Planning	15	15	15	45
Partnership working (cross cutting)	15	15	15	45
Performance Management	15	15	15	45
Service Planning	15	15	15	45
Data Quality	10	10	10	30
CRC Energy Efficiency Scheme	15	15	15	45
Achievement of efficiency and savings targets		15	15	30
Risk Management	10	10	10	30
Insurance	10	10	10	30
Health & Safety including Occupational Health	10	10	10	30
Grants reviews	15	15	15	45
Proactive anti-fraud work	20	20	20	60
NFI	30	30	30	90
Corporate Issues	215	230	230	675
Resources Directorate				
Law & Corporate Governance				
Annual Governance Statement	15	15	15	45
Corporate Governance ⁷⁵	15	15	15	45
Committee Services	10			10
Member Allowances and expenses			8	8
Mayoralty & Civic Expenses (Including car)	10			10
Electoral Registration		10		10
Elections		10	10	20
Local Land Charges			10	10
Law & Corporate Governance totals	50	50	58	158

Strategic Internal Audit Plan 2010/13

Auditable area	Audit 2010/11	Audit 2011/12	Audit 2012/13	3 years total
Human Resources				
Recruitment (process)		10		10
Pertemps			10	10
Absence management	10			10
Pay and Remuneration	15	15	15	45
Human Resources totals	25	25	25	75
Facilities				
Corporate Landlord	10	10	10	30
Property and Asset Management	10	10	10	30
Postal & DIP			10	10
Facilities Totals	20	20	30	70
Resources Directorate Totals	95	95	113	303
Improvement and Development				
LAA/PSA	20	20	20	60
Investigations Unit			10	10
Britwell Talk Shop			7	7
Concessionary Fares Administration	10			10
Customer Services Centre – CRM		10		10
Customer Services Centre – Telephones	10			10
Customer Services Centre – Training		10		10
Cippenham & Langley Library			10	10
Staff training & development			10	10
Improvement and Development Totals	40	40	57	137
Chief Executive				
Data Protection and Fol		10		10
Communications News			10	10
Events Administration Including Festival & Bonfire		10		10
Printing		15		15
Chief Executive Totals	0	35	10	45

Strategic Internal Audit Plan 2010/13

Auditable area	Audit 2010/11	Audit 2011/12	Audit 2012/13	3 years total
Education & Children's Services				
Primary schools				
Castleview	6			6
Cippenham Infants		6		6
Cippenham Junior			6	6
Claycotts		6		6
Colnbrook		6		6
Foxborough		6	6	12
Godolphin Infants		6		6
Godolphin Juniors		6		6
Holy family		6		6
James Elliman	6			6
Khalsa Primary			10	10
Iqra			10	10
Lynch Hill		6		6
Marish Primary	6			6
Montem Primary			6	6
Our Lady of Peace Infant	6			6
Our Lady of Peace Junior			6	6
Parlaunt Park Primary		6		6
Pippins			6	6
Priory		6		6
Ryvvers	6			6
St Anthonys	6			6
Saint Ethlbert	6			6
Saint Marys CE	6			6
Western house	6			6
Wexham Court	6			6
William Penn	6			6
FMiS certification of schools audited in 2006-07	20	20	20	60
Secondary Schools				
Baylis Court Secondary	10			10
Beechwood	10			10
Herschel	10			10
Langley Grammar	10			10
Langley Academy (Previously Langley Wood)	10			10
Saint Bernard's			10	10
Slough & Eton			10	10
Slough Grammar			10	10
St Joseph's Catholic High			10	10
The Westgate	10			10
Wexham			10	10
Special Schools				
Littledown		6		6
Arbour Vale	6			6
Haybrook college			10	10
Nursery Schools				
Slough Early Years	6			6
Baylis Court Nursery		6		6
Chalvey Early Years		6		6
Cippenham Nursery			6	6
Lea Nursery			6	6

Strategic Internal Audit Plan 2010/13

Auditable area	Audit 2010/11	Audit 2011/12	Audit 2012/13	3 years total
Other				
Nursery Grant & Payments	10			10
Redundancy/teachers pensions	6			6
Schools Finance Support		6		6
Mandatory and discretionary student awards	8			8
Home to school transport		10		10
School admissions			10	10
School catering - contract		10		10
School catering - own provision			10	10
Advisory Service		10		10
Early Years/childcare grant including Early years Funding		10		10
Music Service			10	10
Central EMAG/ Refugees		10		10
Governor Services & Training	6			6
Education Welfare Offices			10	10
Inclusion				
Education Psychology Service		10		10
Behaviour Support Team	7			7
SEN Including recoupment		10		10
Youth Service	10		10	20
Parent Partnership service		5		5
Breakaway	6			6
Youth Offending Team	15			15
Health Improvement Team		12		12
Children and Families				
Looked After Services	10			10
C W D Team	10			10
C&F Fieldwork Teams	8			8
C&F Assessment Team	10			10
Mallards	10			10
Placement budgets			10	10
Fostering			10	10
Children with Disabilities Register	8			8
Adoption Services		10		10
Services for children leaving care	8			8
Asylum Seekers -unaccompanied children		15		15
MALTS			12	12
Transition Planning (C&F and C&CS)			10	10
Contact Point		10		10
Petty Cash (Children and Families)	6			6
Building schools for the future			15	15
LSC Transfer		10		10
Cross Cutting Issues				
Youth Crime Action Plan		12		12
Commissioning		12		12
Prevent		12		12
Education & Children's Services totals	296	272	249	817

Strategic Internal Audit Plan 2010/13

Auditable area	Audit 2010/11	Audit 2011/12	Audit 2012/13	3 years total
Community and Well Being				
Safeguarding arrangements	15	15	15	45
Life Long Learning/Adult Education Service			10	10
Leisure Management (including the Centre)			10	10
Community Services Facilites Property Management	10			10
Haymill Community Hall		10		10
Central Library		8		8
Britwell Library			8	8
Libraries - IT		6		6
Creative Academy		10		10
West Wing			10	10
Lettings management	10			10
Social Care Debt Management		10		10
Appointeeship (Power of Attorney)	10			10
Joint Equipment			10	10
Hospital Care Teams		8		8
Community Social Work Teams		8		8
Nursing homes - commissioning & expenditure	10			10
Hanover Contract (Pines and Northampton)	10			10
Domiciliary Care - Block Contracts		10		10
Domiciliary Care service (in house)			10	10
Home Care-Community Laundry	6			6
Frail/Illness Grants to VO's (M50 & 51c & M80c)		6		6
Community Meals		6		6
Direct Payments		10		10
Physical Disability & Sensory Impairment Team				0
Sensory Needs Team	6			6
OT Team	10			10
Sloughability		8		8
Physical Disability-Other Care & support		8		8
Learning Disabilities				0
Learning Disability-Residential		10		10
Respond		6		6
Lavender Court			6	6
Lascelles House		6		6
Supported Living - Procedures	8			8
Priors Day Services	8			8
Eliman & Langley Resource Units		10		10
Mental Health Service				0
Slough Community Mental Health	10			10
Nursing Homes Placmts & Residential			10	10
Mental health - cash & kind assistance		6		6
DAAT		6		6
Other Adult Services				0
Speedwell Enterprises	10			10
Service Strategy, Regulation & Directors Off.				0
Commissioning Team & Supporting People	10			10
Respond			8	8
Quality Assurance/inspection		10		10
Personalisation	5			5
Community and Well Being Totals	138	177	97	412

Strategic Internal Audit Plan 2010/13				
Auditable area	Audit 2010/11	Audit 2011/12	Audit 2012/13	3 years total
Green & Built Environment				
Careline			10	10
CCTV		8		8
Trading Standards	8			8
Environmental Services		8		8
Environmental Quality		8		8
Licencing		10		10
Cemetery & Crematorium		10		10
Business Support (previously Consumer Protection Support)			10	10
Registrars (including Citizenship ceremonies)		7		7
Slough Enterprise Partnership Agreement			15	15
Wexham Nursery	15			15
Building Control			12	12
Planning Policy & Projects	10	10	10	30
Development Control	10			10
S.106 agreements	10			10
Transportation Planning	10			10
Car Parks - Contract monitoring and control			15	15
Traffic Management & Road Safety		10		10
Highways - (Highways Maintenance and dev, Street works, Asset Management and Drainage, Street lighting)	15			15
Public Transport (contracts & concessions)			10	10
Community Safety	10			10
Transportation capital programme	10			10
Drugs and Alcohol Action Team		10		10
Food and Safety			10	10
Emergency Planning	10			10
Neighbourhood enforcement		10		10
Housing Service				0
Improvement grants			8	8
Disabled Facilities Grant			10	10
Housing Advice & Homelessness			8	8
Temporary accommodation		6		6
Housing development/enabling	8			8
Enforcements - Housing Standards Enforcement	10			10
Family Intervention Project		10		10
Green & Built Environment totals	126	107	118	351
People 1st (ALMO) - internal audit contract				
Corporate Governance and Risk Management	10	10	10	30
Cash/Bank Control & Interface with Council Bank Reconciliation	10			10
Partnership (Interserve)		12		12
Rents including IT issues	20	15	15	50
Housing Management	10	10	10	30
Right to buy			10	10
Creditors	10	10	10	30
Leaseholder Charges			10	10
Supported Housing		10		10
VAT			7	7
Complaints	6			6
People 1st (ALMO) totals	66	67	72	205

Strategic Internal Audit Plan 2010/13

Auditable area	Audit 2010/11	Audit 2011/12	Audit 2012/13	3 years total
IT Audits				
Network Infrastructure	15	TBC	TBC	
Wireless and VPN	10	TBC	TBC	
Programme Management	8	TBC	TBC	
IT Strategy	8	TBC	TBC	
IAS application and operating system	16	TBC	TBC	
IT inventory (asset tagging)	10	TBC	TBC	
FLARE and Operating System	16	TBC	TBC	
IT Audits total	83	70	70	223
Total audit days	1252	1276	1199	3727
Available days	1407	1407	1407	4221
Contingency/follow ups/advice - days available	155	131	208	494
Contingency %	11	9	15	12

1 Introduction

- 1.1 Internal Audit at Slough Borough Council operates within a framework that allows:
 - unrestricted access to senior management, and Councillors
 - reporting in its own name;
 - segregation from line operations.
- 1.2 Every effort is made to preserve objectivity by ensuring that all members of audit staff are free from any conflicts of interest and do not undertake any non-audit duties, with the exception of security advice and other high-priority duties which are performed at the request of Senior Management because of the practical requirements at Slough Borough Council.
- 1.3 All Internal Audit activity is carried out in accordance with the Financial Procedure Rules.
- 1.4 The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

2 Financial Procedure Rules

Overall arrangements

- 2.1 Regulation 6 of the Accounts and Audit Regulations requires the Authority to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. These responsibilities are delegated by the Borough Council to the Strategic Director of Resources who is responsible for maintaining an adequate and effective system of internal audit of the Authority's accounting records and control systems as a contribution to the proper economic, efficient and effective use of resources.
- 2.2 To ensure independence and objectivity Internal Audit operates within a framework that allows the Head of Internal Audit and Risk Management unrestricted access to senior management and the Executive and the Head of Internal Audit and Risk Management to report in their own name without fear or favour to all officers or Members particularly those charged with governance. The Head of Audit has access to meet the Chair of the Audit Committee in private.
- 2.3 The Strategic Director of Resources is responsible, in conjunction with the Head of Internal Audit and Risk Management, for having procedures in place to ensure compliance with *CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom*. The guidance accompanying the Accounts and Audit Regulations state that proper internal auditing practices are those contained within the Cipfa Code. Cipfa brought out a revised edition of the code in December 2006; Section 4 below explains how Slough Borough Council meets the requirements of this code.
- 2.4 The Head of Internal Audit and Risk Management, in consultation with the Strategic Director of Resources, is responsible for ensuring the preparation of strategic and annual audit plans which take account of the characteristics and relative risks of the activities involved.

- 2.5 The Strategic Director of Resources is responsible for ensuring that effective procedures are in place to investigate promptly any fraud or irregularity.
- 2.6 The Strategic Director of Resources is responsible for ensuring there is adequate liaison between external and internal audit.

Access to information

- 2.7 The Authority's internal auditors have the authority to:
- a. access Authority premises at all times.
 - b. access all assets, records, documents, correspondence and control systems.
 - c. receive any information and explanation considered necessary concerning any matter under consideration.
 - d. require any employee of the authority to account for cash, stores or any other authority asset under his or her control.
 - e. access records belonging to third parties, such as contractors, when required.
 - f. directly access the Chief Executive, the Executive, Audit Committee and any other committees and those charged with governance.
- 2.8 Strategic Directors are responsible for ensuring that
- a. internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work
 - b. auditors are provided with any information and explanations that they seek in the course of their work
 - c. recommendations in audit reports are considered and responded to promptly
 - d. any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion
 - e. the Head of Internal Audit and Risk Management is notified immediately of any suspected or identified fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources. Pending investigation and reporting, the Strategic Directors should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration
 - f. new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Head of Internal Audit and Risk Management prior to implementation.
- 2.9 The Strategic Director of Resources is responsible for ensuring that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.

2.10 Chief Officers are responsible for ensuring that all records and systems are up to date and available for inspection.

Preventing fraud and corruption

2.11 Chief Officers are responsible for having systems of internal control in place that help to prevent and detect fraud and corruption.

2.12 The Strategic Director of Resources is responsible for having arrangements in place for the development and maintenance of an anti-fraud and anti-corruption policy.

2.13 All suspected and identified irregularities must be reported to the Head of Internal Audit.

2.14 The Strategic Director of Resources is responsible for having arrangements in place for the investigation of suspected irregularities and for liaison with the police.

2.15 Chief Officers should instigate the Authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.

2.16 Chief Officers are responsible for providing information required by the Audit Commission's National Fraud Initiative.

2.17 The Head of Internal Audit and Risk Management is the designated Council's money laundering officer and is responsible for ensuring that appropriate staff receive training in the application of money laundering legislation.

3 Objectives of Internal Audit

3.1 As an independent appraisal function within the authority, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- support the Strategic Director of Resources to discharge his duties as the Section 151 Officer
- contribute to and support the authority's objective of ensuring the provision of, and promoting the need for, sound financial and internal control systems. It objectively examines, evaluates and reports on the adequacy of the control environment (comprising risk management, control and governance) as a contribution to the proper, economic, efficient and effective use of resources.

4 Code of Practice for Internal Audit – CIPFA, 2006

4.1 A Code of Practice for Internal Audit in Local Government was approved by CIPFA in 2006. The internal audit functions in all Principal Local Authorities must comply with this code. Some aspects of this code are discussed below.

4.2 Standard 1 relates to the Scope of Internal Audit. The Terms of Reference are stated in Financial Procedure Rules to reflect the emphasis on review of the control environment and the results of the council's risk management process by Internal Audit and clarification of management responsibilities for Fraud and Corruption. The Standard also emphasises that the Terms of Reference for IA should be regularly reviewed by the organisation.

- 4.3 Standard 2 concerns Independence. One of the requirements is that “the position of the Head of Internal Audit in the management structure should reflect the influence he or she has on the control environment and he or she should not report or be managed at a lower organisational level than the corporate management team”. This requirement is met as the Strategic Director of Resources is the line manager for the Head of Internal Audit and Risk Management (HOIARM). The Standard emphasises that the support of the organisation is essential and recognition of the independence of internal audit is fundamental to its effectiveness. It clearly states that Internal Audit should not have any operational responsibilities.
- 4.4 Standard 3 places emphasis on ethics and the principles that must be observed by all internal auditors in carrying out their tasks — integrity, objectivity, competence, and confidentiality. Each auditor is required to act in an ethical manner and all auditors are required to sign a register of interests.
- 4.5 Standard 4 relates to Audit Committees and outlines the purposes of the Audit Committee and the relationship between the Committee and the IA function. Slough BC formed an Audit Committee in June 2008 after changing the constitution of the Council to accommodate the formation of the Audit Committee. The Terms of Reference are reviewed annually.
- 4.6 Standard 5 relates to relationships with management, members, other auditors and review bodies. This is in accordance with our existing methodology. The HOIARM maintains and builds relationships with various parties relevant to Slough BC and Internal Audit.
- 4.7 Standard 6 relates to Staffing, Training and Continuing Professional Development. It emphasises the appropriate staffing of Internal Audit by numbers and competence, and responsibility to undertake CPD. This is currently being developed further by the HOIARM and a partnership arrangement is in place to ensure adequate IT audit skills are available.
- 4.8 Standard 7 relates to Audit Strategy and Planning. This is a high level statement of how the Internal Audit service will be delivered and developed. — e.g. a mix of in-house and external staff, and the risk based development of audit plans, and how it links to the organisational objectives and priorities. It also states that the plan should differentiate between assurance and other work. Where there is perceived to be an imbalance between the planned work and the resource availability, the HOIARM should inform the Audit Panel along with proposed solutions.
- 4.9 Standard 8 refers to Management of Audit Assignments. All audit work is risk based, subjected to a review process and utilises standard documentation. Time retention periods for different types of audit documents have been discussed and an archive policy is in place.
- 4.10 Standard 9 concerns Due Professional Care. The HOIARM ensures that all internal audit staff regularly complete a declaration of interest and conflict of interest statement. Continuing professional development is also undertaken through formal courses or on the job training.
- 4.11 Standard 10 deals with Reporting. The standard prescribes principles to be observed in effective report writing, procedures for reporting and follow-ups; it also states the requirement for the HOIARM to provide the annual report on the control environment. Our current practices meet this standard, including the highlighting of residual risks where recommendations are not agreed. There is also a requirement for the HOIARM to make arrangements for interim reporting to the organisation in the course

of the year to address any emerging issues in respect of areas to be covered in the annual report. This is covered as part of the quarterly reporting process to the Audit Committee and also during regular one to one meetings with the Strategic Director of Resources.

- 4.12 Standard 11 deals with Performance, Quality and Effectiveness. It emphasises the keeping of an audit manual and reviewing work of staff. There is also a requirement for the Head of Internal Audit to have in place a performance management and quality assessment framework to demonstrate the effectiveness of Internal Audit. A review of Internal Audit was carried out by the Audit Commission in 2007. A number of recommendations were made and all of these have been implemented. In addition the Head of Internal Audit carries out a self assessment using the guidance provided in the Code of Internal Audit code of practice. A peer review arrangement has been agreed with a neighbouring London Borough to assess the effectiveness of Internal Audit. The results of this review will be reported in the annual audit report. The audit manual is maintained and kept updated by the HoIARM to reflect any changes in working practices. These changes are designed to focus scarce audit resources on high risk areas and enabled auditors to carry out efficient and relevant audit testing.

5 Location of Internal Audit

- 5.1 Internal Audit is located within the Resources Directorate under the direction of the Strategic Director of Resources.

6 Internal Control

- 6.1 Management has the responsibility to establish internal control so that its activities are conducted in an efficient and well-ordered manner. Internal control comprises the whole system of controls and methods, both financial and otherwise, which are established by management to
- safeguard its assets
 - ensure reliability of records
 - promote operational efficiency
 - monitor adherence to policies and directives
- 6.2 The Turnbull Guidance, as incorporated into the Combined Code on Corporate Governance, states, concerning internal control: “an internal control system encompasses the policies, processes, tasks, behaviours, and other aspects of a company that, taken together:
- Facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial compliance and other risks to achieving the company’s objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud and ensuring that liabilities are identified and managed;
 - Help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organisation;
 - Help ensure compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business.
- 6.3 An organisations system of internal control will reflect its control environment, which encompasses its organisational structure. The system will include

- Control activities
 - Information and communications processes
 - Processes for monitoring the continuing effectiveness of the system of internal control.
- 6.4 Management at all levels is primarily responsible for effective control systems including probity, financial and operational aspects. The role of the Internal Auditor is to provide expert advice and consultation – auditors are not themselves controllers.
- 6.5 It follows that Internal Audit can best serve management by working in partnership with each ‘control centre auditee’ when activities are reviewed. The approach will be supportive, but from an independent and objective perspective, and will not be compromised. The motive, or focus, for Internal Audit is not to find mistakes, but to solve problems in order to provide future benefits and achieve corporate goals, efficiently, economically and effectively. This also applies to fraud and corruption.

7 Audit Reporting

- 7.1 All audit assignments will be the subject of formal reports. Draft reports will be discussed with the managers responsible for the area under review for agreement to the factual accuracy of findings. After agreement, the reports will be issued in accordance with procedures agreed with each department.
- 7.2 Progress on audits is monitored weekly and monthly by the HoIARM using management information developed in house. The performance indicators examined are
- percentage of planned work completed in period
 - percentage of recommendations accepted
 - percentage of recommendations implemented after agreed period
 - results of client satisfaction survey

8 Relationship with External Audit

- 8.1 Internal and External Audit meet formally and otherwise regularly to co-ordinate their plans and maximise the use of audit resources. A formal Internal Audit/ External Audit protocol is being actively pursued by Internal Audit.
- 8.2 External Audit review the work of Internal Audit every year to assess the degree of reliance it can place on their work.
- 8.3 The External Auditor has a statutory responsibility to express an independent opinion on the financial statements and stewardship of the authority.

9 Related Documents

9.1 This document is one of a series that, together, constitute the policies of the authority in relation to anti-fraud and corruption. The other documents are

- Anti-fraud and anti-corruption policy
- Whistle-blowing policy
- Employment Handbook
- Code of Conduct for employees
- CIPFA: Code Of Practice for Internal Audit in the United Kingdom 2006
- Anti Money Laundering Policy

1 Introduction

The steps in the preparation of the audit plan are as follows:

- 1.1 The starting point is to determine the total days available for audit.
- 1.2 From these *gross productive days*, time for audit planning, management and training etc. are deducted to arrive at *total chargeable days*.
- 1.3 From the total chargeable days, time required for other finance (non-audit) work, e.g. Risk Management, Insurance, administration, is then deducted to leave *total chargeable audit days*.
- 1.4 The *chargeable audit days* are sub-divided into planned and contingency audits. Contingency audits are calculated as approximately 15% of planned audits.
- 1.5 Planned audits are further divided as shown below.

2 Planned audits

Planned audits are divided into Central Financial Systems, Governance work and other audits.

- 2.1 Central Financial Systems and Governance cover those areas which need to be audited (generally) annually so that the Director of Resources can discharge his responsibilities under section 151 of the Local Government Act 1972, and the Authority's statutory responsibilities (for Internal Audit) under the Accounts and Audit Regulations. They include audits of areas such as Corporate Governance, Risk Management, Treasury, Income, Payroll etc.
- 2.2 Audit time for systems are initially determined by applying risk prioritisation (to a calculation of ideal audit days) as below. However subsequently, judgement is used, along with observations from the Strategic Director of Resources and the External Auditor (District Audit) to arrive at actual final days for each audit.
- 2.3 The ideal audit days are determined by using a notional ideal days figure based on judgement by the Head of Audit.
- 2.4 The ideal days calculated above are weighted by use of risk indexing. This produces an absolute level of ideal audit days which would be available in an ideal world. The HoIARM will use the proportions in the Ideal days to apportion audit days to each audit area in order to come in line with existing resources of 4,221 audit days over a three year period.

2.5 Four categories are used in the risk assessment process

- **Corporate Importance** — this aspect considers the effect on the council of any inability to achieve management defined service objectives should the system or process fail. This aspect also takes into account the financial exposure or materiality of the area. The consequential impact, either directly or indirectly, on other systems and processes is also relevant to the process. Overall it is a measure of the extent to which the council depends on the correct running of the system to achieve its strategic objectives
- **Corporate Sensitivity** — this aspect takes into account the sensitivity/confidentiality of the information processed, or service delivered by the system, or decisions influenced by the output. It also assesses any legal and regulatory compliance requirements. The measure should also reflect any management concerns and sensitivities
- **Inherent Risk** — this aspect considers the inherent risk of the system, service, process or related assets to error, loss, irregularity, inefficiency, illegality or failure. The particular service sector, nature of operations and the pace of change will also affect the level of inherent risk. Similarly the relative complexity of the system will influence the inherent risk of error. The inherent vulnerability of a system, service or process cannot be altered, only mitigated by the quality of controls considered under 'control' risk below
- **Control Risk** — this aspect assesses the level of control risk based upon the results of past audits of the control environment under review. This aspect also takes account of the operating history and condition of systems and processes and knowledge of management controls to minimise exposure to risk

2.6 Total audit risk for each audit area is then determined, and these risk weightings are used in the initial allocation of resources.

2.7 The days thus determined are then considered and if necessary, revised to allow for the auditor's judgement and the views of Strategic Directors, the Strategic Director of Resources and External Auditor's views.

3 Audit recharge to departments

3.1 Audit costs are recharged on the basis of the three -year average chargeable days planned for each department.

3.2 The cost per day is calculated by dividing the cost of the Audit Section by the total of planned audit days, contingency days, and days for other finance work.

3.3 The cost to People 1st is based on the planned audit days for each year together with an allocation for contingency.