

**Financial Scrutiny and Audit
Committee**

12 February 2013

Agenda Item No 11

**Internal Audit's Terms of Reference, Code of Ethics,
Audit Strategy, Strategic and Annual Audit Plans,
and a Summary of Internal Audit Coverage for 2013/14**

Report by Head of Internal Audit

Summary: This report provides an overview of the stages followed prior to the formulation of the Strategic Audit Plan for 2013/14 to 2015/16 and the Annual Audit Plan for 2013/14. The Annual Audit Plan will then serve as the work programme and initial terms of reference for the Authority's Internal Audit Services Contractor, Deloitte Public Sector Internal Audit Ltd, and provide the basis upon which the Internal Audit Consortium Manager will subsequently give Audit Opinion on the Broads Authority's system of risk management and corporate governance arrangements for 2012/13 and systems of internal control for 2013/14.

The report additionally aims to clarify the links between Internal Audit's Terms of Reference, Performance Indicators, Strategy, and its Strategic and Annual Audit Plans, as well as detailing the way in which Internal Audit will operate at the Authority in the year ahead.

In reviewing and approving the audit documentation, the Financial Scrutiny and Audit Committee is making appropriate provisions to ensure that the Internal Audit requirements as stated in Section 17 of the Norfolk and Suffolk Broads Act 1988, section 12(2) of the Local Government Finance Act 1982, c.32 and the Accounts and Audit Regulations 2011 are being properly met, and due support is being given to securing an Internal Audit Service, which is compliant with the appropriate professional internal auditing standards.

Recommendation:

That the Committee is requested to approve:

- (i) Internal Audit's Terms of Reference and Performance Indicators for 2013/14;
- (ii) Internal Audit's revised Code of Ethics for 2013/14;
- (iii) Internal Audit's Strategy for 2013/14;
- (iv) the Strategic Audit Plan for 2013/14 and 2015/16;
- (v) the Annual Audit Plan for 2013/14; and
- (vi) the Summary of Internal Audit Coverage for 2013/14.

1 Introduction/Background

- 1.1 In accordance with legislative, regulatory and best practice requirements, the Broads Authority has made arrangements for a continuous internal audit to examine the accounting, financial and other operations of the organisation. This is effectively achieved through contractual and group agreement arrangements, which exist between the Broads Authority and South Norfolk Council, whereby the Internal Audit Consortium Manager, based at South Norfolk Council, has developed on behalf of the Broads Authority, an Internal Audit Strategy to determine future audit coverage of the organisation's business operations, and alongside this, Terms of Reference and Performance Indicators, together with an updated Code of Ethics, a three Year Strategic Audit Plan, an Annual Audit Plan for 2013/14 and a Summary of Internal Audit Coverage for 2013/14.
- 1.2 In previous years, CIPFA's Code of Practice for Internal Audit in Local Government and CIPFA's Statement on the Role of the Head of Internal Audit have determined the way in which Internal Audit Services are provided, but from 1 April 2013, the service must conform with Public Sector Internal Audit Standards (which will be replacing the Code of Practice). It is not possible at this point in time to fully revise our Terms of Reference and supporting documentation to mirror the requirements of the new Standards, as we are still waiting for further guidance from CIPFA concerning their adoption and roll-out. However, we have already begun evaluating our working practices against the recently published Standards and started to adapt them in readiness for meeting 2013/14 obligations and will submit updated information to the Committee in due course, once we have completed the realignment exercise, drawing upon more detailed guidelines from CIPFA about how we should be demonstrating compliance.

2 Terms of Reference for Internal Audit

- 2.1 The Terms of Reference for Internal Audit are reviewed and updated annually, and form the basis by which Internal Audit Services will be provided to the Broads Authority. Operational arrangements for 2013/14 are essentially confirmed in **Appendices 1 and 1a**.
- 2.2 The Terms of Reference were last examined by the Committee in February 2012, and have since been amended to reflect the final stage of the Broads Authority's management restructure and the establishment of two Directorates – Operations and Planning and Resources. The Terms of Reference further acknowledge the new Public Sector Internal Audit Standards requiring adoption from 1 April 2013 as well as some organisational changes applicable to South Norfolk Council – the provider of the Internal Audit Service.
- 2.3 In addition, it has been necessary to update the Performance Indicators which we use to review our achievements in year, in relation to service delivery and general effectiveness, so that they too reflect that we will be

pursuing full compliance with the Public Sector Internal Audit Standards in the new financial year.

3 Code of Ethics

- 3.1 The Code of Ethics sets out the expected behaviours of Internal Audit staff and can be found at **Appendix 2**. We have completely rewritten the Code of Ethics, so that it now emulates the new regime that needs to be operating from 2013/14 onwards in accordance with Public Sector Internal Audit Standards, whilst also continuing to comply with requirements laid down in CIPFA's Statement on the Role of the Head of Internal Audit. The reworked Code of Ethics is more explicit about the four main principles and the rules of conduct that must be observed going forward.

4 Internal Audit Strategy

- 4.1 The Internal Audit Strategy (see **Appendix 3**) establishes how the annual programme of audit assignments has been developed, in terms of the process followed when undertaking the Annual Audit Needs Assessment, the risk factors applied and how this information is then used to populate the Strategic and Annual Audit Plans.
- 4.2 Following a review of the Strategy and discussions with Corporate Management Team, it has been agreed that in future, two-yearly rather than annual audit opinions will be provided with regard to the Authority's system of risk management and corporate governance arrangements and the relevant audit work will be performed within the year to which it relates, e.g. Quarter 4, whereas previously we have performed this work in Quarter 1 of the following year. It has been possible to change the frequency of this audit as positive opinions have been forthcoming for three successive years, culminating in a good assurance level for 2011/12. We will continue to deliver the 2012/13 audit in April 2013 but thereafter, a two-yearly cycle of review will apply.
- 4.3 We are also now seeking to re-prioritise computer audit input such that work in this area is carried out on a two-yearly basis only. Our future delivery of projects of this nature has also been influenced by the fact that we were requested by management to defer a planned assignment in 2012/13. In order to ensure that specialist IT audit resources are appropriately targeted going forward, we propose to reassess previously recommended coverage via an abbreviated computer audit needs assessment process, to determine whether the projects we had identified formerly are still valid areas for audit scrutiny or if a change of focus/emphasis is required which will add more value as far as the organisation is concerned.

5 The Strategic Audit Plan for April 2013 to March 2016

- 5.1 The overarching objective of the Strategic Audit Plan is to provide a comprehensive programme of review work over the next three years, with each year providing sufficient audit coverage to give annual opinions, which can be used to inform the organisation's Annual Governance Statement.
- 5.2 The Strategic Audit Plan is somewhat different to that approved last February. In part, this is due to the new Audit Strategy and its influence on future deliverables. Other factors affecting the Plan's compilation have included the new Management Structure which comes into force from the beginning of April 2013 (the Plan reflects changes to responsible officers), and ensuring audit coverage is responsive to the latest version of the Authority's Corporate Risk Register and recent member/officer debate concerning Procurement related matters.
- 5.3 The Strategic Audit Plan for 2012/13 had advocated that a Partnership audit be performed in 2013/14 examining the STEP and PRISMA projects. However, some aspects of this will now be absorbed into the Procurement audit timetabled to take place in 2013/14.
- 5.4 It has additionally been noted that substantial changes are envisaged by the Authority in 2013/14 regarding its Asset Management arrangements, ranging from the migration of land and property data into an asset database, to linking the database to a map based system using GIS, and refining processes for ongoing inspection and assessment of assets to identify and cost future repair and maintenance liabilities. The new Strategic Audit Plan will analyse progress made in this direction in 2014/15 via Key Controls and Assurance work.
- 5.5 There is also a new audit scheduled in 2014/15 encompassing Marketing, Tourism and General Consultation, plus aspects of Partnership working. Corporate Management Team was supportive of receiving an independent assessment of arrangements followed by the Broads Authority, and we note that since our presentation of draft planning proposals to officers, the Director of Planning and Strategy has provided members with an update on the 'Review of Consultative Arrangements and Community/Stakeholder Engagement', highlighting next steps.

6 The Annual Audit Plan for April 2013 to March 2014

- 6.1 Having developed the Strategic Audit Plan, the Annual Audit Plan can then be extracted from it, as can be seen in **Appendix 5** to the report. The new Annual Audit Plan totals 45 days, an increase of 10.5 days (47.5%) on the 2012/13 Annual Audit Plan. The reasons for the expansion of audit coverage have been analysed in the Audit Strategy at paragraph 4.2 and the Summary of Audit Coverage for 2013/14.

7 Summary of Internal Audit Coverage for 2013/14

7.1 The Summary information, attached at **Appendix 6** is designed to give management and members alike an overview of audit work planned for 2013/14. The information also acts as a useful document for both External Audit and the Internal Audit Services contractor. In the case of External Audit, it supplies information on the general direction that individual audits will take in the coming year, and with regard to the Internal Audit Services contractor, it is a starting point for audit planning meetings with management. However, there also needs to be an element of flexibility, as the scope and subsequent parameters for some audits will not become clear until discussions have been held with management and service risks have been fully explored, as well as key aspects of service delivery where added value might be sought in the course of audit scrutiny of operational arrangements.

Background papers: None

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Date of report: 28 January 2013

Broads Plan Objectives: None

Appendices: APPENDIX 1: Terms of Reference for Internal Audit for 2013/14
APPENDIX 1a: Performance Indicators for Internal Audit
APPENDIX 2: Internal Audit – Code of Ethics for 2013/14
APPENDIX 3: Internal Audit Strategy for 2013/14
APPENDIX 4: Strategic Audit Plan – April 2013 to March 2016
APPENDIX 5: Annual Audit Plan – April 2013 to March 2014
APPENDIX 6: Summary of Internal Audit Coverage for 2013/14

**THE BROADS AUTHORITY
TERMS OF REFERENCE FOR INTERNAL AUDIT FOR 2013/14**

1. THE STATUTORY BASIS FOR INTERNAL AUDIT

- 1.1 The requirement for an Internal Audit Service is outlined within the Accounts and Audit Regulations 2011, which state that “A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.”
- 1.2 The Broads Authority is charged with making appropriate accounting and audit arrangements in accordance with Section 17 of the Norfolk and Suffolk Broads Act 1988 and section 12(2) of the Local Government Finance Act 1982, c.32. This position has been confirmed in the Authority’s “Scheme of Powers Delegated to Officers”.

The Treasurer and Financial Adviser (Section 17 Officer) to the Authority is responsible for the proper administration of the Authority’s financial affairs including:

- (i) The regulation and control of finance, and the making of safe and efficient arrangements for the receipt of monies;
- (ii) External and **Internal Audit matters**;
- (iii) Pension fund matters;
- (iv) Insurances;
- (v) Investment; and,
- (vi) The operation of the Authority’s bank accounts.

In addition, the Head of Finance is charged with the day-to-day management of the Authority’s financial affairs, as well as ensuring that internal systems and controls are maintained accurately and efficiently, in accordance with statutory requirements and nationally and locally agreed standards of practice.

- 1.3 With reference to the role of Internal Audit at the Broads Authority, this is examined within Section 36 of the Authority’s Financial Regulations, which recognises that ‘the Authority is required to maintain an adequate and effective internal audit function in accordance with the Accounts and Audit Regulations 2003 (as amended) and to comply with significant aspects of the CIPFA Code of Practice for Internal Audit in Local Government. Overall control of the internal audit function is the responsibility of the Internal Audit Consortium Manager, in consultation with the Treasurer and Financial Adviser, plus the Head of Finance and other officers as appropriate’.
- 1.4 It is to be noted that from 1 April 2013 onwards, CIPFA’S Code of Practice for Internal Audit will be replaced by Public Sector Internal Audit Standards. The new, incoming standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector. The Internal Audit Consortium Manager will therefore be reviewing working practices in due course to ensure appropriate compliance with these newly published professional standards and will

update the Terms of Reference, where applicable, resubmitting them to officers and members upon completion of this task.

- 1.5 Auditing arrangements at the Authority are further strengthened by the establishment and operation of the Financial Scrutiny and Audit Committee, which has been in place since 2009 and is charged with reviewing the outputs of the Internal Audit Service at the Broads Authority, including such items as its proposed Audit Plans and the Annual Audit Report and Opinion.
- 1.6 When delivering an Internal Audit Service to the Authority, the quality of the service has been aligned to that provided to other members of the Norfolk Internal Audit Consortium. Consequently, these Terms of Reference seek to ensure the Authority satisfies the Accounts and Audit Regulations 2011, Code of Practice obligations in place previously and the soon to be introduced Public Sector Internal Audit Standards.
- 1.7 A further requirement of the regulations stipulates that Councils and other public sector organisations conduct a review of the effectiveness of their Internal Audit function at least once a year, and that review should be undertaken by the same body that considers the Annual Governance Statement. At the Broads Authority, the body charged with this responsibility is the Financial Scrutiny and Audit Committee.
- 1.8 When performing a review of systems of Internal Audit, practices to date have involved scrutiny of the way in which the function operates and the extent of compliance it has achieved in relation to the CIPFA Code of Practice for Internal Audit in Local Government and CIPFA's Statement on the Role of the Head of Internal Audit in Public Service Organisations. In 2013/14, it will be necessary to amend these provisions, to ascertain the level of compliance with the new Public Sector Internal Audit Standards rather than the CIPFA Code of Practice.

2. THE RESPONSIBILITIES AND OBJECTIVES OF INTERNAL AUDIT

- 2.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance, by evaluating its effectiveness in achieving the organisation's objectives.
- 2.2 As specified in the Authority's Financial Regulations, at paragraph 36.4, Internal Audit's primary roles are:
 - o To objectively examine, evaluate and report on the adequacy of the control environment within the Authority; and,
 - o To assist managers in preventing and detecting fraud and abuse.

3. THE STATUS OF INTERNAL AUDIT, REPORTING LINES AND WORKING RELATIONSHIPS

- 3.1 The Internal Audit Service at the Broads Authority is delivered by means of a Consortium arrangement between the Broads Authority, Broadland, Breckland, North Norfolk and South Norfolk District Councils and Great Yarmouth Borough Council, collectively known as the Norfolk Internal Audit Consortium. All six authorities have signed an agreement under which South Norfolk Council procures the services from an external contractor on behalf of all Consortium members. The contract for providing the service was awarded to Deloitte Public Sector Internal Audit Ltd (the external contractor) with effect from 1 October 2007 and is due to expire on 30 September 2014.

- 3.2 The Internal Audit Consortium Manager based at South Norfolk Council is responsible for managing the delivery of the Internal Audit Service; acts in the capacity of Contract Manager and is the main point of contact with the external contractor.
- 3.3 At South Norfolk Council, Internal Audit is situated within the Corporate Resources Directorate. The Internal Audit Consortium Manager reports directly to the Deputy Chief Executive for administrative purposes. In addition, the Internal Audit Consortium Manager has direct reporting access to the Chief Executive, Deputy Chief Executive and Corporate Management Team, and elected members through the Finance, Resources, Audit and Governance Committee, Cabinet and Full Council, and has the right to report unedited in her own name, as she considers necessary.
- 3.4 At the Broads Authority, the Internal Audit Consortium Manager and/or Deputy Audit Manager will have periodic progress meetings with the Head of Finance and the Treasurer and Financial Adviser. The frequency of these meetings will vary according to the timing of audit assignments and Committee reporting requirements to ensure that delivery of the audit programme for the year is regularly discussed; appropriate assistance is given to the Treasurer and Financial Adviser in the discharge of her statutory responsibilities and there is adequate consultation with management generally prior to the presentation of Audit Plans and Annual Audit Reports to the Financial Scrutiny and Audit Committee.
- 3.5 Essentially, the Internal Audit Consortium Manager will report directly to the Treasurer and Financial Adviser and individual members of the Management Team, as appropriate, upon completion of internal audit reviews, and will then advise the Financial Scrutiny and Audit Committee of the outcomes of work performed by the Internal Audit Service in her Annual Report.
- 3.6 Provision exists for the Internal Audit Consortium Manager to report to the Financial Scrutiny and Audit Committee on a regular basis with regards to a range of matters including:
- Annually updated Terms of Reference, Performance Indicators and Code of Ethics for Internal Audit;
 - The Internal Audit Strategy and accompanying Strategic and Annual Audit Plans, together with a summary of Internal Audit Coverage for the forthcoming year.
 - Progress achieved against the agreed Annual Audit Plan together with management summaries from final audit reports.
 - Progress achieved against Agreed Action Plans arising from completed reviews subject to final audit reporting.
 - The findings and conclusions of planned audit work and any Special/Ad-hoc investigations commissioned by the Treasurer and Financial Adviser, the Head of Finance or the Financial Scrutiny and Audit Committee.
 - The outcomes of annual Audit Committee Self Assessment exercises.
 - The outcomes of the Annual Review of the Effectiveness of the Internal Audit Service.
- 3.7 The Internal Audit Consortium Manager is required to produce an Annual Report within three months of the end of the Annual Plan period, which will contain an opinion on the effectiveness of the systems of internal control operating at the Authority, as well as an opinion on the adequacy of

arrangements in relation to corporate governance and risk management where this forms part of programmed work. These opinions will be based on work undertaken by Internal Audit throughout the financial year and will effectively inform the Annual Governance Statement for the Authority.

- 3.8 In order to provide adequate internal audit coverage as specified in the Annual Audit Plan, the Authority's Financial Regulations at paragraph 36.5 permit the Internal Audit Consortium Manager or her authorised representatives to:
- Enter, at all reasonable times, any premises or land and have access to all property in the keeping or ownership of the Authority;
 - Have access at all times to all records, documents and correspondence relating to all financial and other transactions of the Authority or non-official funds operated by staff of the Authority;
 - Require and must receive any explanations as are necessary;
 - Require any employee of the Authority to produce cash, stores or any other property of the Authority or that of an unofficial fund under his/her control; and,
 - Remove records, documents or assets required for further investigation.
- 3.9 Internal Audit will also interact with External Audit in accordance with an agreed Joint Audit Working Protocol, which has been developed to ensure that the services of Internal and External Audit are as integrated as possible, in order to maximise the effectiveness of the overall approach to audit operated with the Broads Authority.
- 3.10 Furthermore, Internal Audit will develop a dialogue with other regulatory and inspection agencies that interact with the organisation, in order to avoid any potential duplication of work, to share the outcomes of internal audit work as required and to place reliance on the work of the other bodies, as and when appropriate.

4. THE ROLE OF MANAGEMENT IN RELATION TO THE INTERNAL CONTROL ENVIRONMENT AND INTERNAL AUDIT

- 4.1 The Chief Executive, Directors and Heads of Service are responsible to the Treasurer and Financial Adviser and the Head of Finance for the achievement of appropriate levels of internal financial controls within their directorates.
- 4.2 A duty of care also rests with the Chief Executive, Directors, Treasurer and Financial Adviser and Heads of Service, where appropriate, to respond promptly to all internal audit reports, providing a response to all audit recommendations and if the relevant officer is not prepared to accept an audit recommendation then that should be discussed with the Treasurer and Financial Adviser and the Head of Finance. In addition, where audit recommendations have been accepted, management should be overseeing the implementation of agreed action plans within pre-agreed timescales and provide evidence to Internal Audit that the systems of internal control have been duly strengthened.
- 4.3 The Head of Finance will provide a status update on the implementation of agreed audit recommendations to each meeting of the Financial Scrutiny and Audit Committee, whilst the Internal Audit Consortium Manager will provide a year end position statement on management's delivery of audit recommendations, following completion of an audit follow-up/verification exercise at the Authority.

5. INTERNAL AUDIT'S INDEPENDENCE AND ACCOUNTABILITY

- 5.1 Internal Audit is sufficiently independent of the activities that it audits to enable its Auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements being reached when formulating audit recommendations and opinions on the internal control environment.
- 5.2 Internal Auditors have no operational responsibilities and thus, are not required to deliver or manage non-audit services.

6. THE SCOPE OF WORK CARRIED OUT BY INTERNAL AUDIT

- 6.1 The scope for Internal Audit is essentially 'the control environment comprising risk management, control and governance'. As a consequence, Internal Audit will review and evaluate all aspects of the Authority' operations, resources, services and responsibilities in relation to other bodies.
- 6.2 Currently, the Internal Audit Consortium Manager or the Deputy Audit Manager will perform an audit needs assessment to determine a minimum acceptable level of audit coverage, which needs to be delivered on an annual basis. This entails carrying out a risk assessment of all potential auditable areas to discern those systems that should be subject to audit scrutiny. When determining where audit input should be concentrated, best practice will be followed, i.e. the organisation's assurance and monitoring mechanisms, including risk management arrangements, will be taken into account prior to the completion of the audit planning process. It is not uncommon for core financial systems to feature in terms of high-risk subject areas meriting audit review. However, other non-financial systems and functions are usually also identified, which include corporate governance, disaster recovery and planning/development control, etc.
- 6.3 The scope of Internal Audit work will also extend to services provided through partnership arrangements. With reference to paragraphs 3.9 and 3.10 of this document, the Internal Audit Consortium Manager will decide, in consultation with all the relevant parties, whether Internal Audit should conduct the work to obtain the required assurance themselves or rely on the assurances provided by other auditors and/or regulatory/inspection agencies.
- 6.4 Internal Audit, where sufficient expertise exists, will provide additional services, encompassing computer audits, contract audits, fraud related and consultancy work. Moreover, the outcomes of this work, where forthcoming, will contribute to the opinion, which Internal Audit provides on the control environment.
- 6.5 With reference to computer audit requirements, these are determined by the Internal Audit Services contractor, who performs a computer audit needs assessment on a 3-yearly cycle. The assessment is undertaken in consultation with key IT personnel and the Head of Finance. A total of 40 discrete auditable areas, which together are considered to comprise the key aspects of the IT environment within the Broads Authority are evaluated. A separate analysis is also carried out to complement these areas to determine the organisation's key applications and upcoming projects, with the results of this work additionally feeding into the Needs Assessment. Having analysed

this information, risk priority ratings are next extracted and used to generate both strategic and annual audit plans.

7. DEALING WITH FRAUD AND CORRUPTION MATTERS

- 7.1 It is the responsibility of the Authority's Management Team to manage the risk of fraud and corruption, making adequate provisions for the prevention and detection of fraud and corruption. It is further acknowledged that audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be prevented or detected. Nevertheless, Internal Auditors will be alert in all their work to risks and exposures that could allow fraud or corruption to occur, in order to assist management in preventing and detecting fraud and abuse.
- 7.2 In line with Section 35 of the Authority's Financial Regulations, which focuses on Irregularities, all officers and members are responsible for giving immediate notification to the Monitoring Officer or the Head of Finance, where there are grounds to suggest any financial impropriety or irregularity concerning income, expenditure, cash, stores, or other property of the Authority or held by the Authority.

8. INTERNAL AUDIT RESOURCES

- 8.1 As alluded to previously in paragraph 3.1, the Internal Audit Service is delivered by means of a Consortium arrangement between the Broads Authority, Broadland, Breckland, North Norfolk and South Norfolk District Councils and Great Yarmouth Borough Council. All six authorities have signed an agreement under which South Norfolk Council procures the services from an external contractor on behalf of all six. In turn, the Internal Audit Consortium Manager at South Norfolk Council is responsible for managing the delivery of the Internal Audit Service; acts in the capacity of Contract Manager and is in regular contact with the external contractor.
- 8.2 The service is delivered according to a Strategic Audit Plan and an Annual Plan developed by the Internal Audit Consortium Manager or Deputy Audit Manager. The Audit Plans are developed in consultation with the Treasurer and Financial Adviser, the Head of Finance and other members of the Authority's Management Team, and are based upon an audit needs assessment, which is primarily a risk assessment of the various systems and processes within the Authority, covering all the organisation's objectives and activities and their associated risks. Once the relevant systems have been defined, their relative importance for audit purposes is established and the frequency of audit coverage is identified and incorporated into the Strategic Audit Plan. Annually, the Strategic Audit Plan will be rolled forward taking into account both existing and newly emerging risks. The latter can be linked to new developments (e.g. new systems, revisions to existing systems and/or working practices, new legislation, any organisational restructuring, changing priorities/business objectives, expansion of partnerships, etc).
- 8.3 The Strategic Audit Plan sets out the number of audit days required to adequately review the areas identified and indicates an order of priority for audit assignments, in terms of the frequency with which each auditable area should be examined.
- 8.4 Once planned work requirements have been determined, these will be compared to resource availability. The Internal Audit Consortium Manager is responsible for ensuring that Internal Audit resources are sufficient to meet its

responsibilities and achieve its objectives. Where there is an imbalance between planned audit coverage and Internal Audit resources to discharge these duties, and it has been concluded that resources are inadequate for the purpose, the Internal Audit Consortium Manager will raise her concerns with the Treasurer and Financial Adviser and the Head of Finance, and proposed solutions will be discussed before Audit Plans are taken forward to the Financial Scrutiny and Audit Committee for formal approval.

- 8.5 In the event of special investigations arising, or ad hoc reviews being requested, agreement for these variations to original Audit Plans will be discussed and agreed with the Treasurer and Financial Adviser and the Head of Finance, and Variation Orders will be raised and issued to the external contractor. The same arrangements will apply to audits subsequently needing to be deleted from Audit Plans. All revisions to the Audit Plans will be brought to the attention of the Financial Scrutiny and Audit Committee through Internal Audit's Activity and Annual Reports.
- 8.6 As specified in the Internal Audit Services contract, the external contractor will provide appropriate staff in terms of grades, qualifications, skills and experience, in order to ensure satisfactory delivery of Audit Plan requirements. These staff must comply with a stated level of competence (as outlined in the Internal Audit Services specification) and will maintain and develop their competence through targeted training and continuing professional development.

9. REPORTING UPON AUDIT ASSIGNMENTS

- 9.1 As audit fieldwork is drawing to an end, a debrief meeting will be arranged with client officers to discuss audit outcomes. The debrief meeting should take place five days before the fieldwork is completed, to enable the factual correctness of audit findings to be confirmed and to allow an opportunity for client side to respond to internal control weaknesses identified and put forward any additional information not previously submitted to the auditors.
- 9.2 Upon completion of each audit assignment, an Internal Audit report will be prepared that:
- Provides an opinion on the risks and controls of the area reviewed, and this will contribute to the annual opinion on the control environment.
 - Provides a formal record of points arising from the audit and management responses to issues raised, to include acceptance of audit recommendations with implementation timescales, as well as reasons for rejecting recommendations.
 - Prompts management to implement agreed actions within targeted dates.
- 9.3 The Internal Audit Consortium Manager or Deputy Audit Manager approves a draft version of all reports before their issue to the relevant officer. A full copy of the authorised draft report will then be circulated to the relevant Director, Head of Service, Head of Finance and the Treasurer and Financial Adviser.
- 9.4 In addition to debrief meetings at the end of audit fieldwork, there will also be the opportunity to have an Exit Meeting involving the Internal Audit Consortium Manager or the Deputy Audit Manager, the Treasurer and Financial Adviser and the relevant officer(s) attached to the service area

being audited, to discuss detailed aspects of draft audit reports and agree action plans.

- 9.5 Accountability for management's response to Internal Audit advice and recommendations lies with the Chief Executive, Directors, Treasurer and Financial Adviser and/or Heads of Service, as appropriate, who can either, accept and implement guidance given or formally reject it. However, if audit proposals to strengthen the internal control environment are disregarded and there are no compensating controls justifying this course of action, an audit comment will be made in the final audit report, reiterating the nature of the risk that remains and recognising that management has chosen to accept this risk. Furthermore, depending on the severity of the risk, the matter may be escalated upwards and drawn to the attention of the Financial Scrutiny and Audit Committee.
- 9.6 Final audit reports (full copy and/or management summaries, as appropriate) will be issued in line with agreed working protocols to the relevant nominated officers, e.g. Chief Executive, Director, Treasurer and Financial Adviser and Head of Service and Head of Finance. The Financial Scrutiny and Audit Committee will also receive copies of management summaries via Annual Audit Reports.
- 9.7 Each audit report is subject to follow up by Internal Audit, whereby evidence of action taken will be sought. As mentioned previously at paragraph 4.3, the outcomes of follow up work will subsequently be brought to the attention of the Financial Scrutiny and Audit Committee.

10. MONITORING THE OVERALL PERFORMANCE OF INTERNAL AUDIT

- 10.1 Internal Audit monitors its performance in a number of ways, which are set out in the Service Specification within the Internal Audit Services Contract. Aspects of the service subject to scrutiny include:
- The extent to which the Annual Audit Plan is achieved.
 - Completion of audit projects in accordance with agreed timetables for delivery of audit fieldwork, draft and final reports.
 - Providing an acceptable lead-in time between the finalisation of audit briefs and the commencement of audit fieldwork.
 - Demonstrating that audit coverage has been undertaken in line with original audit brief requirements.
 - Ensuring conclusions and recommendations in audit reports are reasonable, appropriate and practical, and supported by the evidence collected.
 - Comparing proposed audit recommendations to agreed audit recommendations, to verify that recommendations are justifiable and practical; and,
 - Satisfactory post audit feedback is obtained from auditees upon completion of audit projects.
- 10.2 Performance is measured against contractual targets as well as local performance indicators, which evaluate the quality of the service being provided to the Broads Authority, and these are itemised in **Appendix 1a**.

Appendix 1a

Performance Indicators for the Internal Audit Service

Internal Audit performance is monitored as detailed below.

Indicator	Target	Purpose
% audit recommendations accepted by management	90%	Acceptance of audit recommendations by management ensures that where improvements are required to the internal control environment, appropriate action will be taken to secure these enhancements. However, there can be occasions where recommendations are disputed. In these cases, there may be justifiable reasons for management not supporting the recommendation, e.g. compensating controls have been put in place. Conversely, management can take the decision to accept the risks identified, particularly if insufficient resources preclude action being taken. However, this will mean that there are vulnerabilities in systems of internal control, which are not being addressed.
% high priority recommendations implemented	100%	Management's commitment in implementing high priority recommendations ensures that high profile risks/fundamental flaws in systems of internal control are suitably resolved.
Number of days between the issue of Internal audit briefs and commencement of audit fieldwork	10 working days	Management should have sufficient time to consider and shape audit objectives driving review work before the fieldwork starts. Hence, adequate consultation is permitted enabling management to make a contribution to terms of reference thereby ensuring the audit adds value to their service area.
Number of days between the expected completion of audit fieldwork (as per the audit brief) and actual completion of audit fieldwork	0 working days	This indicator seeks to check that audit fieldwork finishes in a timely manner and thus audits progress as expected, and there are no unnecessary delays.
Number of days between the completion of audit fieldwork and issue of draft report	10 working days	The draft report is the first stage after which management will have written confirmation of the audit outcomes. Issue on a timely basis provides better opportunity for management to be able to comment, and also ensures that the audit plan is delivered as expected.
Number of days between the issue of the draft and final report	15 working days	Delivery of a timely final report ensures that management can commence the process of addressing internal control weaknesses.
Number of days between the completion of the fieldwork and issue of a final report	25 working days	This is a combination of the two performance indicators above and reflects the total time incurred in completion of the audit process.

Indicator	Target	Purpose
Average score given to audit feedback	Adequate	This is the main indicator of audit quality and is based upon the feedback received by management for individual audit assignments, which range on a 6-point basis, namely poor, weak, less than adequate, adequate, good and excellent.
Compliance with the new Professional Internal Audit Standards coming into effect from 1 April 2013	Full	<p>These new standards encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework.</p> <p>At each site, we aim to work towards full compliance with the self-assessment checklist (to be published shortly) and use this to inform our annual review of the effectiveness of internal audit.</p>
Compliance with the CIPFA Statement on the Role of the Head of Internal Audit	Full	This Statement sets out what CIPFA considers being best practice for Heads of Internal Audit in terms of providing a summary of the core responsibilities entailed in the role to support the Authority in achieving its objectives, by giving assurance on its internal control arrangements and playing a key part in promoting good corporate governance. A checklist has been developed from the guidance, which is completed annually and feeds into our review of the effectiveness of internal audit.

**BROADS AUTHORITY
INTERNAL AUDIT – CODE OF ETHICS FOR 2013/14**

1. Introduction

- 1.1 This Code of Ethics sets the minimum standards for the performance and conduct of the Broads Authority's Internal Auditors. It is intended to clarify the standards of conduct expected from the Internal Auditors when carrying out their duties and promote an ethical, professional culture at all times when undertaking audit duties. This Code applies to all staff responsible for delivering Internal Audit within the Broads Authority, Great Yarmouth Borough Council and South Norfolk, North Norfolk, Breckland and Broadland District Councils, but does not supersede or replace the requirement on individual auditors to comply with their own professional bodies' Codes of Ethics, as qualified members or student members, as well as any organisational Codes of Ethics or Conduct relating to their employer or the client authorities they serve.

There are four main principles, which must be observed in addition to having due regard to the Committee on Standards of Public Life's 'Seven Principles of Public Life'. The principles involved are as follows:

- Integrity;
- Objectivity;
- Confidentiality; and,
- Competency.

2. Integrity

2.1 Principle

- 2.1.1 The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgement.

2.2 Rules of Conduct

The Broads Authority's Internal Auditors shall:

- 2.2.1 Perform their work with honesty, diligence and responsibility.
- 2.2.2 Observe the law and make disclosures expected by the law and the profession.
- 2.2.3 Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- 2.2.4 Respect and contribute to the legitimate and ethical objectives of the organisation.

2.3 Summary

- 2.3.1 Thus the Broads Authority's Internal Auditors will demonstrate integrity in all aspects of their work. Their relationship with colleagues and external contacts should be one of honesty and propriety. Such conduct will both support and develop an environment of trust, which provides the basis for reliance on all activities carried out by the Internal Auditors.

3. Objectivity

3.1 Principle

- 3.1.1 Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.
- 3.1.2 Furthermore, Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

3.2 Rules of Conduct

The Broads Authority's Internal Auditors shall:

- 3.2.1 Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 3.2.2 Not accept anything that may impair or be presumed to impair their professional judgement.
- 3.2.3 Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3.3 Summary

- 3.3.1 Objectivity is a state of mind that has regard to all considerations relevant to the activity or process being examined without being unduly influenced by personal interest or the views of others. The Broads Authority's Internal Auditors will display professional objectivity at all times when providing opinions, assessments and recommendations.

4. Confidentiality

4.1 Principle

- 4.1.1 Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

4.2 Rules of Conduct

The Broads Authority's Internal Auditors shall:

- 4.2.1 Be prudent in the use and protection of information acquired in the course of their duties.
- 4.2.2 Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4.3 Summary

- 4.3.1 The Broads Authority's Internal Auditors will therefore utilise information received in the appropriate manner and for the purpose it was originally requested and provided, as prescribed by the requirements of the above Rules of Conduct, and will additionally take suitable steps to safeguard all information made available.

5. Competency

5.1 Principle

- 5.1.1 Internal Auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

5.2 Rules of Conduct

The Broads Authority's Internal Auditors shall:

- 5.2.1 Engage only in those services for which they have the necessary knowledge, skills and experience.
- 5.2.2 Perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 5.2.3 Continually improve their proficiency and effectiveness and quality of their services.

5.3 Summary

- 5.3.1 The Broads Authority's Internal Auditors will not accept or perform work that they are not competent to undertake, unless they have received adequate training and support to carry out the work to an appropriate standard.
- 5.3.2 It is also essential that the Head of Internal Audit operates in accordance with the best practice guidance recommended in CIPFA's Statement on 'The Role of the Head of Internal Audit' and undertakes an annual compliance check against the core principles stated therein.

6. Operational Arrangements

6.1 Achieving Compliance with the Code of Ethics

6.1.1 On an annual basis, the Internal Audit Consortium Manager, the Deputy Audit Manager and the Deloitte Auditors will revisit the Code of Ethics to reinforce their understanding of and confirm their on-going commitment to the obligations placed upon them as specified in this document, and ensure that they continue to fully comply with these when discharging their day-to-day duties in relation to the Broads Authority.

6.2 Securing Integrity

6.2.1 In order to be assured that the Internal Auditors demonstrate integrity in all aspects of their work, quality control processes have been developed to protect the Broads Authority's position in this matter.

6.3 Maintaining Audit Objectivity

6.3.1 In addition, it is essential that Internal Audit personnel are able to demonstrate independence and hence, objectivity. To this end, Internal Audit staff are obligated to declare potential conflicts of interest as they arise, so as to enable other staff to be assigned to specific reviews, thereby avoiding any compromising of independence. Audit objectivity will also be upheld, in so far as Internal Auditors will not be able to carry out audits in an area where they have had previous operational roles within the last 12 months.

6.4 Observing Confidentiality

6.4.1 A breach of confidentiality by an Internal Auditor will not be tolerated and will result in the expulsion of the individual from the Internal Audit Services contract.

6.5 Demonstrating Competency

6.5.1 It is a pre-requisite that all Internal Audit staff are aware of and understand:

- The organisation's aims, objectives, risk and governance arrangements;
- The purpose, risks and issues affecting the service area to be audited;
- The terms of reference for the audit assignment so that there is a proper appreciation of the parameters within which the review will be conducted; and,
- The relevant legislation and other regulatory arrangements that relate to the service areas to be audited, e.g. Statutes, the Authority's Scheme of Powers delegated to Officers, the Authority's Financial Regulations and Standing Orders relating to Contracts, Partnership/Service Level Agreements, Internal Strategies/Policies/Procedural Notes.

**THE BROADS AUTHORITY
INTERNAL AUDIT STRATEGY FOR 2013/14**

1. INTRODUCTION AND OVERVIEW

- 1.1 The objectives of the Broads Authority's Internal Audit Strategy are set out in Internal Audit's Terms of Reference, although they can essentially be summarised as follows:

'To deliver a risk-based audit plan in a professional, independent manner, to provide the organisation with an opinion on the level of assurance it can place upon the internal control environment, systems of risk management and corporate governance arrangements, and to make recommendations to improve these provisions, where further development would be beneficial'.

- 1.2 In accordance with contractual arrangements, each year, an Audit Needs Assessment is undertaken by the Internal Audit Consortium Manager or the Deputy Audit Manager as part of the audit planning process, culminating in the development of a 3-year Strategic Audit Plan, with an Annual Audit Plan being extracted from the latter for adopting in the succeeding financial year.
- 1.3 A Computer Audit Needs Assessment is also performed on a 3-yearly basis by the Internal Audit Services contractor, and the outcomes of this exercise additionally feed into the Strategic Audit Plan and the Annual Audit Plan for the new financial year.

2. WHAT THE INTERNAL AUDIT STRATEGY SETS OUT TO ACHIEVE

- 2.1 The purpose of the Internal Audit Strategy is to establish the nature of the methodology to be adopted by Internal Audit to facilitate:
- How the service will be delivered to the Authority.
 - The provision to the Treasurer and Financial Adviser, the Head of Finance and the Authority as a whole of an annual audit opinion on the Authority's systems of internal control and an audit opinion on the organisation's system of risk management and corporate governance arrangements on a 2-yearly cycle.
 - Ensuring that appropriate evidence has been collected in support of the opinions expressed, after which the latter should be used to inform the Authority's Annual Governance Statement.
 - The audit of the Authority's systems of internal control, risk management and governance through Strategic and Annual Audit Plans is undertaken in a way that affords suitable priority to the organisation's objectives and risks.
 - Audit resources have been appropriately identified to deliver an Internal Audit Service, which meets required professional standards, provides acceptable minimum levels of audit coverage and optimises the use of audit time available.
 - Providing annual scrutiny of fundamental financial systems to generate assurance that the proper arrangements for financial control are in place, work which External Audit can place maximum reliance upon.
 - Supporting senior management at the Authority as much as possible and adding value to the organisation by providing objective and relevant assurance, and contributing to the effectiveness and efficiency of governance, risk management and control processes.

3. DEVELOPMENT OF THE CURRENT INTERNAL AUDIT STRATEGY

3.1 The strategy is risk driven in so far as it relies on an Audit Needs Assessment, which analyses the Broads Authority's operations, resources, services and responsibilities in relation to other bodies, to identify where future audit input needs to be focused. In the course of undertaking the Audit Needs Assessment, due regard has been given to the following information:

Corporate Documentation

- Statement of Accounts 2011/12;
- Annual Governance Statement 2011/12;
- National Park Authorities Performance Assessment – Update Report, presented to the Broads Authority on 23 November 2012;
- National Park Authority Performance Assessment – Peer Review Group Report and Improvement Action Plan Report, presented to the Broads Authority on 20 January 2012;
- A Way Forward following the Spending Review – Report by the Chief Executive, presented to the Broads Authority on 19 November 2010;
- Business Plan 2012/13 to 2014/15, presented to the Financial Scrutiny and Audit Committee on 14 February 2012;
- Strategic Priorities 2012/13, presented to the Broads Authority on 20 January 2012;
- Consultation on Draft Strategic Priorities 2013/14, presented to the Broads Authority on 23 November 2012;
- Annual Review of Strategic Risk Register, presented to the Financial Scrutiny and Audit Committee on 4 December 2012;
- Report on Financial Budgeting and Monitoring, presented to the Financial Scrutiny and Audit Committee on 4 December 2012;
- Broads Authority Standing Orders, presented to the Broads Authority on 18 January 2013;
- Consolidated Budget 2012/13 (Forecast Outturn) to 2013/14, presented to the Broads Authority on 18 January 2013;
- Asset Management Strategy, presented to the Broads Authority on 23 November 2012;
- Counter Fraud, Corruption and Bribery Strategy, presented to the Financial Scrutiny and Audit Committee on 10 July 2012; and,
- Review of Consultative Arrangements and Community/Stakeholder Engagement: Update, presented to the Broads Authority on 18 January 2013.

Audit Commission Documentation

- Audit Commission Annual Governance Report 2011/12, presented to the Financial Scrutiny and Audit Committee on 21 September 2012;
- Audit Commission Audit Plan 2011/12, presented to the Financial Scrutiny and Audit Committee on 10 July 2012.

3.2 Six key risk factors were then applied to potential auditable areas and their impact on the organisation was evaluated in terms of:

- Materiality - monetary value and volume of transactions;
- Significance – with reference to the objectives and activities of the Broads Authority;
- Complexity of the organisation's systems/activities in terms of their operation and auditability;

- Modifications to the organisation's systems/activities or the likelihood of changes (i.e. new arrangements) being introduced within the duration of Audit Plans being put forward;
 - Inherent risk, i.e. the existence of threats relevant to the organisation, because of the nature of its business activity, the regulatory framework, its size, its growth, its history, etc; and
 - Profile of auditable areas, reflecting on the political sensitivity of the systems/activities.
- 3.3 With reference to inherent risk, the Audit Needs Assessment is cognisant of those areas where historically, there has been the potential for fraud and corruption, e.g.
- Manipulation of Financial Records
 - Cash Collection
 - Credit Income
 - Creditor Payments
 - Stocks and Stores (where applicable)
 - Contracts and Procurement
 - Loans and Investments
 - Payroll and Expense Claims
 - Disposal of Assets
 - Awarding of Planning Consents
 - Awarding of Grant Funds
 - Awarding of Licences
 - Gifts and Hospitality.
- 3.4 Having carried out a risk assessment, closely aligned to the Strategic Risk Register, frequencies have next been assigned to the planned audit coverage, ranging from annual scrutiny to reviews performed on a 3 or 4-yearly cycle.
- 3.5 When undertaking the Annual Audit Needs Assessment, it is acknowledged that resource constraints currently experienced by the Authority will inherently restrict the number of audit days that may be available to review operational arrangements. It is not feasible, for example, to undertake an extensive list of systems and computer audits throughout the Authority year-on-year; but the Strategic and Annual Audit Plans developed as a consequence of the annual audit needs assessment process, are devised to provide an affordable and acceptable minimum level of audit coverage which is beneficial for the Authority, and allows sufficient scope for the Internal Audit Consortium Manager to produce the requisite annual assurances.
- 3.6 As mentioned previously in paragraph 1.3, a Computer Audit Needs Assessment is also performed by the Internal Audit Services contractor in parallel to the Audit Needs Assessment work carried out by the Internal Audit Consortium Manager or the Deputy Audit Manager. The Computer Audit Needs Assessment effectively evaluates the key risks affecting the IT environment within the Council and having identified risk priority ratings, it is then possible to use this information to populate a Strategic Computer Audit Priority Analysis and Annual Computer Audit Plans. This exercise was last completed in April 2012 and its outcomes are due to be revisited in May 2013. For the purposes of the newly formulated Strategic Audit Plan's completeness and hence, to cover the period 2013/14 to 2015/16, a provision of seven days

has been allocated on a 2-yearly cycle to undertake computer audit assignments.

- 3.7 The Annual Plan for the Broads Authority is benchmarked against other similar organisations (National Parks and equivalent). Figures extracted are compared to the draft Strategic Audit Plan to check whether an acceptable number of audit days are being put forward on an annual basis.

4. FORMULATION OF THE STRATEGIC AND ANNUAL AUDIT PLANS

- 4.1 Having completed the Annual Audit Needs Assessment and prepared a draft Strategic Audit Plan, the latter was subsequently discussed with the Director of Change Management and Resources, the Head of Finance and the Treasurer and Financial Adviser on 11 December 2012, and Corporate Management Team on 17 December 2012. On the basis of feedback received to draft proposals, it has been possible to further refine the Strategic Audit Plan, consider changing priorities and confirm the final composition of the Annual Audit Plan for 2012/13 with appropriate dates for carrying out the relevant reviews. The new Strategic and Annual Audit Plans have additionally been shared with External Audit to canvass its views on internal audit coverage being put forward and ensure maximum reliance can be placed on the work scheduled for the new financial year.

- 4.2 It is further recognised that the new Strategic Audit Plan contains a marked increase in planned days for 2013/14 onwards, compared with provisions currently available for 2012/13. The approved Annual Audit Plan for 2012/13 had involved more days than is noted in the new Strategic Audit Plan, but work pressures facing the organisation's IT infrastructure and staffing resources made it necessary to defer computer audit input to 2013/14 and this subsequently led to a noticeable reduction in the size of the Annual Audit Plan for 2012/13.

- 4.3 Following consideration and approval of the new Audit Plans by the Financial Scrutiny and Audit Committee, the Internal Audit Consortium Manager or Deputy Audit Manager will instruct the Internal Audit Service contractor (Deloitte Public Sector Internal Audit Ltd) to adopt the Annual Audit Plan as their work programme for 2013/14.

5. REVIEWING PLANNED AUDIT COVERAGE TO ENSURE ITS ON-GOING ADEQUACY

- 5.1 Audit Planning is a dynamic process and the environment in which the Broads Authority operates is frequently subject to change, whether through the introduction of new systems, the enhancement/modification of existing systems, revised statutory requirements applying to the organisation or other developments affecting the way in which the Authority conducts its business. As a consequence, Internal Audit Plans are continually monitored by the Internal Audit Consortium Manager and/or Deputy Audit Manager to ensure that they remain timely and comprehensive in their proposed coverage. Throughout the coming year therefore, the Plans may have to be amended to reflect new priorities that might surface and possibly, have to react to existing risks that may subsequently escalate, diminish, disappear or be superseded by new risks, as they affect the Authority. For this reason, flexibility will be shown towards planned audit coverage, to ensure that it is constantly responsive to changing needs and new requirements.

Broads Authority
3-Year Strategic Audit Plan for 2013/14 to 2015/16

		Strategic risk register		
Responsible Officer	Audit Focus	Description in Strategic Risk Register	Rating	Risk Profile
Head of Governance and Executive Assistant	Corporate governance and risk management	Failure to comply with Legal Requirements	3	Low Probability & Critical Severity
Head of Governance and Executive Assistant	Work to review the Annual Governance statement	Financial overspend/Significant Loss of income	3	Low Probability & Critical Severity
Head of Finance	Key controls & assurance work - Accountancy Services, Sundry Debtors, Creditors, Treasury Mngt, Budgetary Control, Payroll and HR, Asset Mngt and Toll Income arrangements, plus audit follow up work. Increased focus to be given to Asset Management in 2014/15.	Financial overspend/Significant Loss of income	3	Low Probability & Critical Severity
		Loss/Non Availability of Key Staff Capability	4	Significant Probability & Medium Severity
		Ineffective management of Assets	2	Significant Probability & Low Severity
		Death or Serious Injury to Member of Staff or the Public	3	Low Probability & Critical Severity
Head of Finance	Procurement	Financial overspend	3	Low Probability & Critical Severity
Head of Finance	Asset management - subsumed into key controls and assurance work, as detailed above	Ineffective management of Assets	2	Significant Probability & Low Severity
		Death or Serious Injury to Member of Staff or the Public	3	Low Probability & Critical Severity
Head of Finance	Toll Income - subsumed into key controls and assurance work, as detailed above and linked to Application review below	Financial overspend/Significant Loss of income	3	Low Probability & Critical Severity
		Loss of IT / Communications Systems	3	Low Probability & Critical Severity
Head of Human Resources	Payroll/Human Resources - subsumed into key controls and assurance work, as detailed above	Loss/Non Availability of Key Staff Capability	4	Significant Probability & Medium Severity
Head of Finance/ Head of Strategy and Projects	Fens Ecological Project (although HLF Bursary Fund was identified in the original Annual Audit Plan for 2009/10)	Denial of Public Access to the Broads	3	Low Probability & Critical Severity
Head of Strategy and Projects	Project Management	Ineffective Project Management	2	Low Probability & Medium Severity
Head of Governance and Executive Assistant	Partnership working	Ineffective Engagement with Key Partners / Stakeholders	4	Significant Probability & Medium Severity
		Ineffective Project Management	2	Low Probability & Medium Severity
Head of Communications & Head of Governance and Executive Assistant	Marketing, Tourism and General Consultation, plus aspects of Partnership working	Ineffective Engagement with Key Partners / Stakeholders	4	Significant Probability & Medium Severity
		Significant Loss of Income	3	Low Probability & Critical Severity
		Ineffective Project Management	2	Low Probability & Medium Severity

	Actual Days 2008/09	Actual Days 2009/10	Actual Days 2010/11	Actual Days 2011/12	Actual Days 2012/13	Proposed Days 2013/14	Proposed Days 2014/15	Proposed Days 2015/16
Frequency	3	5	5	5	5	5	5	5
Annually	3							
At request of management	3							
Annually	5	12	14	13	15	15	18	15
To address member concerns (noted in Dec. 2012 meeting of FSAC) and respond to way forward subsequently agreed with CMT						7		
	3							
	3							
	5							
At request of mngt		5						
Initially agreed a 3-yearly cycle of audit coverage with mngt		7						
							10	

Broads Authority
3-Year Strategic Audit Plan for 2013/14 to 2015/16

		Strategic risk register			Frequency	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Responsible Officer	Audit Focus	Description in Strategic Risk Register	Rating	Risk Profile									
Director of Planning and Resources	Partnership working with a focus on how the STEP and PRISMA projects have been delivered, with attention given to lessons learned and how they should be influencing the handling of future projects	Ineffective Engagement with Key Partners / Stakeholders	4	Significant Probability & Medium Severity	Mngt originally requested this coverage in Audit Plan for 2013/14. Then superseded by External Audit review of PRISMA (in 2012/13) and recognition that STEP due to finish in June 2013, so potential to examine arrangements via Internal Audit review of Procurement (see above).								
		Ineffective Project Management	2	Low Probability & Medium Severity									
Director of Planning and Resources	Planning	Denial of Public Access to the Broads	3	Low Probability & Critical Severity	4-yearly				7				7
		Failure to comply with Legal Requirements	3	Low Probability & Critical Severity									
		Planning Decisions not made in accordance with Development Plan or Regulations and Procedures	2	Low Probability & Medium Severity									
Head of Finance	Audit follow up - from 2012/13 onwards, job budget to be added to Key Controls and Assurance audit				Annually	1	2	2	2				
Head of ICT/Collector of Tolls	IT overview / Computer Audit Needs Assessment.	Loss of IT / Communications Systems	3	Low Probability & Critical Severity	3-yearly	3					1		
Head of ICT/Collector of Tolls	IT overview / Computer Audit Needs Assessment to include some revisiting of Disaster Recovery arrangements.	Loss of Offices including Field Bases	3	Low Probability & Critical Severity				3					
Head of ICT/Collector of Tolls	Disaster recovery - deferred from 2007/8	Loss of Offices including Field Bases	3	Low Probability & Critical Severity		5							
Head of ICT/Collector of Tolls	Toll Income Application review	Financial overspend/Significant Loss of income	3	Low Probability & Critical Severity			1	7					
Head of ICT/Collector of Tolls	IT Governance and Strategy	Loss of IT / Communications Systems	3	Low Probability & Critical Severity				9					
Head of ICT/Collector of Tolls	To be confirmed	Loss of IT / Communications Systems	3	Low Probability & Critical Severity							7		
Head of ICT/Collector of Tolls	To be confirmed	Loss of IT / Communications Systems	3	Low Probability & Critical Severity									7
	Audit Management				Annually	13.4	11	10	10.6	10.5	10	10	10
	Total					44.4	43	40	47.6	30.5	45	43	39

Key

FSAC - Financial Scrutiny and Audit Committee
 CMT - Corporate Management Team
 mngt - management

Broads Authority
Annual Audit Plan for 2013/14

Directorate	Audit Focus	Strategic risk register			Frequency	Days planned 2013/14	Planned Days												
		Description in Strategic Risk Register	Rating	Risk Profile			Q1			Q2			Q3			Q4			
							Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Head of Governance and Executive Assistant	Corporate governance and risk management	Failure to comply with Legal Requirements	3	Low Probability & Critical Severity	Annually	5	5												
Head of Finance	Key controls & assurance work - Accountancy Services, Sundry Debtors, Creditors, Treasury Mngt, Budgetary Control, Payroll and HR, Asset Mngt and Toll Income arrangements, plus audit follow up work.	Financial overspend/Significant Loss of income	3	Low Probability & Critical Severity	Annually	15										15			
		Loss/Non Availability of Key Staff Capability	4	Significant Probability & Medium Severity															
		Ineffective management of Assets	2	Significant Probability & Low Severity															
		Death or Serious Injury to Member of Staff or the Public	3	Low Probability & Critical Severity															
Head of Finance	Procurement	Financial overspend	3	Low Probability & Critical Severity	Ad-hoc	7					7								
Head of Strategy and Projects	Project Management	Ineffective Project Management	2	Low Probability & Medium Severity															
Head of ICT/Collector of Tolls	IT overview / Computer Audit Needs Assessment	Loss of IT / Communications Systems	3	Low Probability & Critical Severity	Ad-hoc	1		1											
Head of ICT/Collector of Tolls	IT Audit to be allocated based on revisit of Computer Audit Needs Assessment in Quarter 1 of 2013/14	Loss of IT / Communications Systems	3	Low Probability & Critical Severity	Determined by Computer Audit Needs Assessment	7							7						
	Audit Management																		
	Total					45	6	3	1	0	0	8	1	7	1	17	1	0	

Summary of Internal Audit Coverage for 2013/14

The following table sets out the proposed coverage of each audit identified in the Annual Audit Plan for 2013/14. The more detailed scoping of reviews will be determined at the planning stage for each audit, with terms of reference being confirmed in audit briefs, drawn up in consultation with client officers.

Title	Description
Corporate Governance and Risk Management	<p>This year, the audit will examine the final migration from three to two Directorates, i.e. the Operations Directorate and the Planning and Resources Directorate. Our review work will look back over 2012/13 to assess the adequacy of processes followed to achieve the last stage of the organisational restructuring which initially began in May 2011. Hence, there will be attention given to change control/governance arrangements at the Authority, including some scrutiny of the scheme of delegation to ascertain how it has been reworked to support the reduced management provisions now in place. Attention will also be given to the Authority's approach to the declaration of pecuniary interests, following the introduction of new standards brought in by the Localism Act 2011 and the subsequent adoption of the Authority's new Code of Conduct on 13/07/12. It is further noted that a new Code of Conduct for Planning Committee members and officers was also put in place in July 2012, and compliance with this will likewise be inspected. We will additionally examine the Authority's monitoring of corporate risks, how they are escalated to the Strategic Risk Register, managed and reported upon, together with some focus on the training of officers and members in this important area.</p>
Key Controls and Assurance Work	<p>This audit remains wide in scope, and is designed to gain assurance over the financial processes feeding into the Authority's overall internal control framework. This is achieved through sample testing of key controls in the following areas:</p> <ul style="list-style-type: none"> • Accountancy Services • Sundry Debtors • Creditors • Treasury Management • Budgetary Control • Payroll and Human Resources • Asset Management • Tolls Income. <p>In the course of being on-site, we will additionally carry out verification work in relation to implemented and</p>

Summary of Internal Audit Coverage for 2013/14

	<p>outstanding agreed audit recommendations.</p> <p>We will work closely with the new External Auditors, Ernst and Young to ensure that our sample sizes/testing is sufficient for their purposes, and hence they are able to place reliance on our work.</p>
Procurement	<p>The audit will essentially review how the Council obtains economy, efficiency and effectiveness in the way that it procures goods and services, through assessing compliance with relevant procurement strategies and contract standing orders. The audit will focus on four key aspects:</p> <ul style="list-style-type: none"> ○ Established policies, procedures, laws and regulations; ○ Resources, Roles and Responsibilities; ○ Recording of Suppliers; and, ○ Compliance with Tender and Quotation Rules. <p>It is recognised that some major projects are drawing to a close, i.e. PRISMA and STEP projects and it may be timely to afford some scrutiny of arrangements followed in respect of these.</p>
Computer Audit Needs Assessment and single Computer Audit Project – details of which are to be confirmed	<p>We completed our last Computer Audit Needs Assessment in April 2012 and had identified two projects for delivery thereafter. However, we were then asked by management to delay this work until 2013/14 onwards. In the course of now formulating auditing proposals for the new financial year, management has asked us to revisit findings from our previous assessment and undertake an updating exercise at the start of 2013/14 to confirm that the programme of computer audit assignments put forward remains relevant and if not, depending on risks identified, a revised schedule of works be developed to target where audit input would now be more beneficial. Thus, we are not able to specify what work is required at present.</p> <p>Our previous Computer Audit Needs Assessment had suggested reviews of Network Security and End User Controls should be performed, whereas a change of emphasis may now be more constructive, encompassing such areas as Disaster Recovery, Website Management or the Document Management System.</p>

Summary of Internal Audit Coverage for 2013/14

Audit Management	<p>The Head of Internal Audit and Deputy Audit Manager provide audit management input to the Internal Audit Service for the Broads Authority.</p> <p>Work will involve regular liaison with the Treasurer and Financial Adviser, as well as the Head of Finance and the Head of Governance regarding development of new strategic and annual audit plans, progress made in relation to the delivery of the currently approved Annual Audit Plan, monitoring the extent to which agreed audit recommendations have been implemented and preparing the Head of Internal Audit's Annual Report and Opinion. The audit management time is also used to review the work of the Internal Audit Services contractor, maintain regular dialogue with External Audit, and to attend meetings of the Financial Scrutiny and Audit Committee.</p>
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