

REPORT OF THE CHIEF EXECUTIVE (HEAD OF CORPORATE SERVICES)

CABINET – 11 JUNE 2001

SCRUTINY (AUDIT AND PERFORMANCE) COMMITTEE - 28 JUNE 2001

POLICY AND SERVICES COMMITTEE - 17 JULY 2001

**BEST VALUE SERVICE REVIEW - INTERNAL AUDIT**

**Summary**

The Best Value Service Review of Internal Audit is approaching completion. The report updates members on progress and includes the production of a 5-year Business Plan and completion of the toolkit to stage 19.

**Recommendation**

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| Stages 15 to 19 of the toolkit and the 5-year Business Plan are approved |
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Contact Officer: David Randall, Audit Manager Ext. 2141

- 1 Members will be aware that the preferred service delivery model for Internal Audit was approved earlier this year. The approved model involves a step change towards joint purchasing of specialist skills, moving towards partnership working with neighbouring authorities, with long term aim of an internal audit consortium later this decade. This approval took the Best Value service review process to stage 14.
- 2 Following member approval of stage 14, a 5-year business plan for the delivery of the approved service model has been developed and the remaining stages of the toolkit, stages 15 to 19 have been completed. The business objectives address all elements of the service and identify key tasks over the 5-year period, which seek to address the review findings and demonstrate step change improvements. In particular the business plan addresses:
  - 2.1 **The delivery of an effective risk based internal audit service.** This is the fundamental requirement of any internal audit team. The delivery of a meaningful audit programme will be supported by the ongoing development of the audit risk assessment, which when linked to the Council's Corporate Objectives will provide a corporate risk profile. In addition the skills base of the audit team will continue to be developed and the effectiveness of the audit programme will be carefully monitored via local performance measures.
  - 2.2 **Corporate Governance and risk management.** A meaningful audit assurance on the adequacy of the systems of internal control is an important part of the Corporate Governance arrangements. Internal audit will continue to develop its audit assurance model, which will become more robust as the assurance draws on year on year comparisons. Internal audit will also work with management to firstly continue to raise awareness of Corporate Governance and risk management issues, and then to develop a process to incorporate risk management and reporting requirements into operational management responsibilities.

- 2.3 **Development of a partnership approach to Internal Audit with neighbouring East Kent authorities.** Internal audit will start a dialogue with the internal audit teams at Canterbury City Council and Thanet District Council. Over the 5 year period the business plan aims to converge audit practices, develop the skills base across the three authorities, deliver an increasing number of joint audit reviews and continue to improve the quality of the audit service.
- 2.4 **Where appropriate, continue to support the delivery of Corporate Objectives through special projects.** This will include involvement in the continued development of the Best Value process, key roles in a number of special projects and the co-ordination of internal audit with other performance review activities.
- 3 The service has now completed the service review process and been fully subjected to the 4Cs of challenge, compare, consult and compete. Attached are the toolkit from stage 14 to 19 and the 5-year business plan.

Background Papers

Audit trail for the Best Value Service Review of Internal Audit

Resource Implications

5. Based around a neutral budget effect the Internal Audit team has been restructured and a business plan developed that moves internal audit towards joint purchasing of specialist skills, with the ultimate aim of moving towards a partnership approach.

|                               |              |                   |
|-------------------------------|--------------|-------------------|
| Additional budget requirement | Current Year | Full Year (01/02) |
|                               | Nil          | Nil               |

Impact on Corporate Objectives

The work of Internal Audit impacts on all Corporate Objectives.

Attachments

None

J.P. MOIR

Chief Executive

The officer to whom reference should be made concerning inspection of the background papers is the Audit Manager, Finance and Central Support Department, White Cliffs Business Park, Dover, Kent CT16 3PJ. Telephone: (01304) 821199, Extension 2141.

## **BEST VALUE SERVICE REVIEW – INTERNAL AUDIT**

**Toolkit – Stages 15 - 20**  
**Business Plan - Stages 1 to 12**

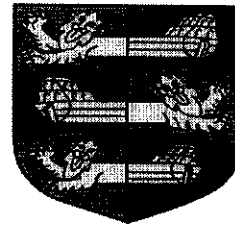
**Members are requested to bring these documents to the appropriate meetings of the:**

|   |                     |
|---|---------------------|
| <b>Cabinet:</b>   | <b>13 June 2001</b> |
| <b>Scrutiny (Audit and Performance Review) Committee:</b> | <b>28 June 2001</b> |
| <b>Policy and Services Committee:</b>                     | <b>17 July 2001</b> |
| <b>Council:</b>   | <b>25 July 2001</b> |

# **DOVER**

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## **DISTRICT COUNCIL**



**BEST VALUE SERVICE REVIEW**

**INTERNAL AUDIT**

**BUSINESS PLAN 2001 TO 2006**

**May 2001**

### Stage 1 – Structure

**TASK:** Copy the preferred service delivery model approved at Stage 14 of the Best Value Toolkit. Bullet Point how the service delivery model will deliver key customer requirements.

|   |  |
|---|--|
| <p><b>Approved Model</b></p>            | <p><b>Year 1: Revised in house Team plus joint purchasing of specialist skills</b></p> <p>An in-house service linked to joint purchasing of specialist skills with our East Kent neighbours (Canterbury and Thanet) is the natural starting point towards a longer-term partnership provision to constantly improve the audit service. In year 1, the Council would benefit from a period of stability and increased specialist resources, providing greater audit coverage and improved audit skills and techniques, initially in the area of computer audit. The cost of buying in additional specialist skills will be contained within existing budget provisions by the restructuring of the audit team, to a linear structure of Audit Manager, Assistant Audit Manager, Senior Auditor, Auditor and Audit Technician.</p> <p><b>Years 2 to 5: Partnership Joint working (with Canterbury and Thanet)</b></p> <p>Developing from the joint purchasing option, during years 2 to 5, Internal Audit will carefully seek to develop a partnership approach to Internal Audit across East Kent. Ideally, the first areas for convergence will be audit planning, co-ordination of future BV Service Reviews of IA, the identification of common practices, expertise and skills that could be shared.</p> <p><b>Year 6 onwards: East Kent Consortium</b></p> <p>Developing from a successful partnership approach, this model could be appropriate from year 6 in readiness for the next round of Best Value Service Reviews. It would continue the drive for increased audit coverage, resources and skills. It could offer a career structure for internal auditors, offer the opportunity for an increased level of audit assurance to the Council and enable risk management techniques and awareness training to be provided to management.</p> |
| <p><b>Key Customer Requirements</b></p> | <p><b>Year 1: The in house Team jointly purchasing specialist skills</b></p> <p>In the short term, the new structure will continue to meet the audit responsibilities and scope as detailed in the Audit Charter. However as internal audit coverage and activities expand, this new structure will soon be at risk of having insufficient resources to satisfy all of its customers and activities. The future for Internal Audit includes meeting the increasing requests for audit involvement in new initiatives, delivering audit responsibilities under Corporate Governance, providing support to the Scrutiny (A&amp;P) Committee, including undertaking special assignments, management consultancy support and advice to management in developing risk management techniques. Internal Audit will therefore review its audit resources and priorities during year 1, as it carefully moves towards a partnership agreement.</p> <p><b>Years 2 to 5: Partnership Joint working (with Canterbury and Thanet)</b></p> <p>This medium term strategy offers opportunities for improved productivity, efficiency and resource opportunities through the sharing of resources, economies of scale, convergence of risk assessment and audit programmes. The increased skills and knowledge base should lead to increased audit coverage and level of audit assurance. Management, reporting and audit committee arrangements will need to be carefully developed. This approach is obviously reliant on the willingness of neighbouring authorities to join such a partnership. Early indications are that top management support is being obtained and this could be successfully introduced over a number of years.</p>   |

## Stage 2 – Competition

**TASK:** Using the information at Stage 1 to Stage 15 of the Best Value Toolkit, undertake a careful service delivery option appraisal. Who could best deliver this service: in-house, partnership, market testing or outsourcing?

*(Consider factors such as impact on the community, existing services, cost and market availability. You must be able to clearly demonstrate that the selected approach will deliver Best Value to the public)*

### Rationale for preferred delivery approach

The in-house team has a good reputation at Dover District Council, providing an effective audit service that supports management. However, a broadening of the audit role into risk management, corporate governance, management consultancy and special projects will put increasing pressure onto Internal Audit, which may impact on the long term service delivery.

A joint purchasing partnership approach offers an opportunity for extra skills to be bought in, which will be managed by the in-house team. This is a good starting point in developing a partnership arrangement with neighbouring authorities. The Council would benefit from greater audit coverage and improved audit skills and techniques, whilst the neighbouring authorities will begin to start to work together.

During 2002 to 2006, a partnership approach will be developed, which through step changes will be able to deliver both an effective audit service and increased skills and knowledge base. This will also offer improved productivity, efficiency and resource opportunities through the sharing of skills, economies of scale, and the convergence of risk assessment and audit programmes. In the longer term, the larger joint IA team will enable IA to provide an improved skill and knowledge base leading in the longer term to increased audit coverage, greater specialist skills and levels of audit assurance and enable risk management techniques and awareness training to be provided to management. In the longer term, this approach will also offer an improved career structure for internal auditors, which in turn will improve stability and continuity within the Internal Audit service.

The alternative to an in-house partnership arrangement could be to fully outsource the Internal Audit service. This offers economies of scale, high productivity levels and continuity of service. A formal contract would bring the benefits of access to a much larger pool from which to supply the IA service. The audit service would also benefit from a potentially larger skill base and specialist auditors although in reality contractors often provide relatively junior staff to undertake the Internal Audit work. However, through contracted auditors, this Council would remove the risk and impact of staff losses. However, a total outsource would in the short term result in a reduction in the quality of service, local audit knowledge and availability of "on tap" auditors. In the longer term management would lose the flexibility provided by an in-house team and could suffer service variations that can often prove expensive.

A better outsourcing option for this Council would be to buy in specialist audit skills not available within the partnership from the private sector. Alternatively the private sector could provide part of the audit service to the partnership via a contract. These options could be explored and if considered beneficial developed as part of the careful move to an East Kent partnership.

**The service can be best delivered by an in-house team working towards a partnership arrangement with East Kent neighbours, possibly including the private sector to provide specialist skills.**

### Stage 3 – Viability

**TASK:** Assess the competitiveness and readiness of the preferred service delivery approach and its ability to deliver the proposed model and, if appropriate, to competitively tender.

If the preferred service delivery approach is not ready to deliver the proposed model, assess the scale and impact (viability test).

|  |  |
|--|--|
| <p><b>Assessment</b><br/><i>(competitiveness and readiness)</i></p>  | <p>An in-house service linked to joint purchasing of specialist skills is the natural starting point towards a longer-term partnership provision. Following on in years 2 to 5, a partnership approach will be carefully developed across East Kent. The in-house team is ready to embark on this careful transition and has the necessary skills, experience and commitment to balance this development with providing an effective day to day audit service.</p> |
| <p><b>Viability</b><br/><i>(This may impact on the service delivery approach, and result in a move to the preferred option during the life of the business plan)</i></p> | <p>A careful stepped change approach meets Best Value requirements and is the sensible way to progress, as commitment and action will also be required from Canterbury and Thanet Councils.</p>  |

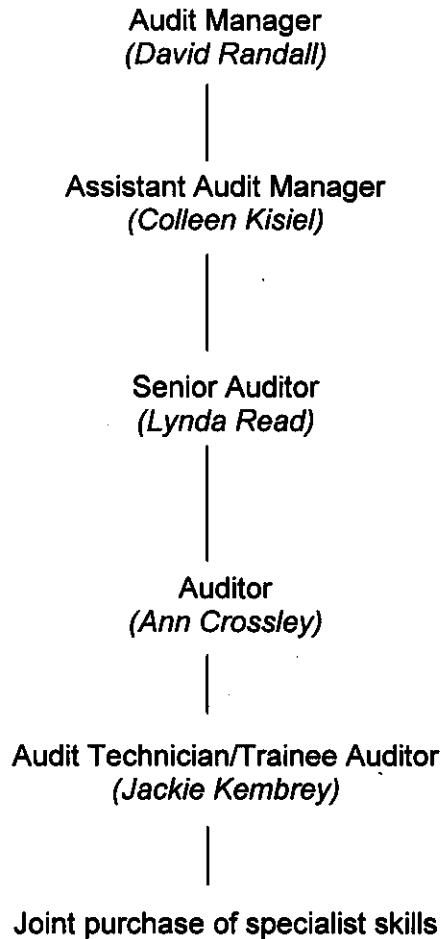
**NOTE:** If the option is market testing, partnership or outsourcing, a 5-year business plan will still be required. The information contained will help inform any tender or contract documentation and future measurement.

Stage 4 – Structure

**TASK:** Outline the structure and reporting lines for the organisation/team/partnership delivering the preferred service delivery model and highlight any changes and resource implications.

**Organisation Chart**

*(Structure and reporting lines)*



This represents the Internal Audit Organisation Chart for 2001/2 onwards during the development of the East Kent partnership arrangement. Grades for the Senior Auditor, Auditor and Audit Technician/Trainee are subject to job evaluation

**Changes and resource implications**

*(Any staffing issues should be discussed with the Head of Corporate Services).*

1. Re-designate the Senior Auditor as Assistant Audit Manager (remaining as DG6).

**Proposals subject to a job evaluation exercise**

2. Re-grade a Senior Auditor vacancy at DG7B (unqualified) and DG7A (recognised audit qualification) .
3. Re-designate one of the auditor posts as a Trainee Auditor/Audit Technician post graded between DG 12 (Audit Technician and/or unqualified trainee auditor) to DG10 (recognised audit qualification).



## Stage 5 – Aim, Themes and Objectives

**TASK** Document the relationship between the aim and objectives of the Council and the new service

|   |   |
|---|---|
| <p><b>Aims</b></p> <p><i>(Consider the relationship between the aim and themes of the Council and aims of the individual service)</i></p>   | <p>To provide an efficient and effective Internal Audit service, supporting Management in achieving the goals and objectives of this Council.</p>   |
| <p><b>Objective</b></p> <p><i>(Determine the primary objective for the service)</i></p>   | <p>Provide an independent and meaningful assurance on the adequacy, reliability and effectiveness of the internal control systems</p> <p>Promote risk management, risk awareness and the need for effective internal controls</p> <p>Identify opportunities to add value to the organisation as a whole</p>   |
| <p><b>Business Objectives</b></p> <p><i>(Determine the business objectives that support the primary objective)</i></p> <p><i>NB. Use of 6 objectives is <u>only</u> a suggestion.</i></p> | <p><u>Business Objective 1:</u> Deliver an effective risk based IA programme</p> <p><u>Business Objective 2:</u> Provide a meaningful audit assurance on the system of Internal control</p> <p><u>Business Objective 3:</u> Support management in the delivery of an effective system of Corporate Governance and Risk Management</p> <p><u>Business Objective 4:</u> Develop a partnership approach to Internal Audit with neighbouring East Kent Authorities</p> <p><u>Business Objective 5:</u> Support management in the delivery of the authorities corporate objectives through special projects</p> <p><u>Business Objective 6:</u> Continuously improve the Internal Audit methodology</p> <p><u>Business Objective 7:</u> Through IA work promote the prevention, deterrent and detection of fraud</p> |

### Stage 6 – Current Service Performance

**TASK:** Appraise current service delivery performance against the new business objectives.

*(Assess performance in last 12 month period against the new business objectives to highlight areas where performance is already good and areas in need of improvement)*

#### Business Objective No 1: Deliver an effective risk based IA programme

| Key Tasks   | Progress/Outcome  | Action required in future years   |
|---|---|---|
| Deliver the IA programme for 2000/2001  | As days, 92% of the planned 2000/2001 programme was delivered, with a productivity level of nearly 74%. Only 47% of the productive time was spent on audit or key control reviews, but IA supported corporate priorities such as Best Value and special projects (cabling, catering and procurement strategy) | Continue to strive for improved productivity and focus on the delivery of audit reviews and support management in the achievement of the Council's key objectives |
| Provide advice and guidance to management on control, risk, and related matters | Timely audit advice and guidance was provided on a range of issues during 2000  | Provision is included in the 2000/2001 audit plan   |
| Monitor via Local PIs   | Benchmarking of local PIs with Exeter Benchmarking Club (EBC)- poorer performance than 1999/2000 due to vacancies and long term sickness  | Continue to benchmark with EBC and the Kent Audit Group and develop PIs which challenge performance and seek further improvements                                 |
| Review the audit risk assessment  | Completed during 2000   | Once new Corporate Objectives are in place work with Management to revise and enhance the risk assessment to provide a corporate risk profile                     |
| Increase skills base to deliver the IA programme                                | Difficult year due to vacancies and long term sickness  | Full complement now in place, to develop the skills of existing staff, and consider the buy in of specialist skills.  |
| Deliver meaningful and relevant recommendations to management                   | 48 recommendations accepted by management. Continuous aim to deliver cost effective and sensible recommendations that support Management's aim to deliver the Council's key aims and objectives   | Continue to deliver effective and meaningful recommendations  |

### Stage 6 – Current Service Performance (continued)

**Business Objective No 2:** Provide a meaningful audit assurance on the system of Internal control

| Key Tasks   | Progress/Outcome   | Action required in future years   |
|---|--|---|
| Continue to operate the audit assurance model.                                      | Audit assurance statement provided for all audit reviews and reported to members   | To continue gradually building a clearer picture through a database of audit assurances   |
| Introduce the concept of audit assurance to the new Scrutiny (A&P) Committee        | Report included as part of the first committee cycle. Audit Committee members are now aware of audit assurance reporting | Continue to reinforce assurance messages and work with managers and members to address systems and processes with a low audit assurance |
| Follow up and report on limited or below audit assurances                           | Provided as an appendix to each quarterly progress report to Scrutiny (A&P)  | To continue   |
| Produce an annual audit assurance report and individual audit reports for directors | First issued in 2000. Auditors have specific responsibility for areas of the business.                                   | Continue to develop the reporting mechanism, including year on year comparisons by drawing on earlier year assurances                   |

**Business Objective No 3:** Support management in the delivery of an effective system of Corporate Governance and Risk Management

| Key Tasks   | Progress/Outcome   | Action required in future years  |
|---|--|--|
| Start to raise awareness of Corporate Governance and Risk Management concepts in Local Government         | Limited progress achieved.   | Internal Audit and Director of Finance to raise profile and promote the concepts during 2001                                 |
| Start to develop a process for incorporating Risk Management into operational management responsibilities | No progress during 2001. Research by IA but not widely shared during 2000/2001 | Corporate Governance/Risk Management audit programmed for 2000/2001 to establish the current position of DDC and way forward |
| Develop a process for Directors to report on the effectiveness of their systems of internal control       | To be developed during 2001  | During 2001 develop an effective process   |

**Stage 6 – Current Service Performance (continued)**

**Business Objective No 4: Develop a partnership approach to Internal Audit with neighbouring East Kent Authorities**

| <b>Key Tasks</b>                                     | <b>Progress/Outcome</b>   | <b>Action required in future years</b>   |
|--|---|--|
| Best Value Service Review of Internal Audit          | The service review has identified a partnership/consortium approach as the way forward in the medium to long term | Careful development of the preferred option including an early review of audit resources, skills mix and methodology |
| Reorganisation of the IA team                        | New structure proposed as part of the service review  | Obtain the necessary approval and carefully introduce  |
| Use local PIs to measure performance                 | Benchmarking has continued with the Exeter Benchmarking Group   | Review, develop and use as a tool to set and monitor improvement targets   |
| Start a dialogue with Canterbury and Thanet Councils | Chief Executive's have supported the proposed approach and dialogue is developing between Audit Management        | Introduce carefully, ensuring no adverse effect on current work  |

**Business Objective No 5: Support management in the delivery of the authorities corporate objectives through special projects**

| <b>Key Tasks</b>  | <b>Progress/Outcome</b>  | <b>Action required in future years</b>  |
|---|--|---|
| Involvement in the introduction and development of the Best Value process at this Council | IA worked closely with the Corporate Support Team to successfully introduce Best Value at this Council. Audit Manager acted as Best Value Officer to the District Cleanliness Review     | Within resource constraints, provide strategic support to the Best Value Team and in the longer term develop an overall performance review approach which maximises the use of finite resources |
| Key role in a number of special projects  | Used IA skills to lead a number of key projects: structured re-cabling, catering and the Euro  | Within resource constraints continue to support management in the delivery of key strategic projects  |
| Management Consultancy  | Following IA reports that highlighted weaknesses in debt management, IA lead small task forces which is currently examining and revising current practices and developing new procedures | Complete the review of Debt Management and within resource restraints continue to provide effective management consultancy  |

### Stage 6 – Current Service Performance (continued)

#### Business Objective No 6: Continuously improve the Internal Audit methodology

| Key Tasks                                   | Progress/Outcome   | Action required in future years   |
|---|--|---|
| Continue to challenge and refine procedures | Revised Audit Manual introduced during 2000.   | Continue to review and revise the internal audit manual in line with IIA/CIPFA requirements |
| Respond to the District Audit report on IA  | A new control evaluation process was introduced during 2000. Audit working papers are now cross referenced improving retrieval | Review and revise the audit filing system   |
| Continue to develop monitoring tools        | Simple but effective time recording system was operated throughout 2000/2001   | Continue to operate system  |

#### Business Objective No 7: Through IA work promote the prevention, deterrent and detection of fraud

| Key Tasks  | Progress/Outcome  | Action required in future years  |
|--|---|--|
| Regularly review the Fraud and Other Irregularities Policy document to ensure that it is relevant and up to date | Overview undertaken during 2000   | To be fully reviewed and updated as appropriate  |
| Provide the whistleblowing service   | IA provides confidential whistleblowing line. Technical failure during 2000 caused the service to fail. This was quickly rectified. | Continue to provide the service and review its effectiveness as part of the review of the Fraud Policy |
| Undertake or co-ordinate any special investigations required by the Council                                      | No special investigations in 2000   | Provision included within the 200/2001 audit plan  |
| Provide advice and guidance to management on control, risk, potential fraud and related matters                  | Timely audit advice and guidance was provided on a range of issues during 2000  | Provision included within the 200/2001 audit plan  |

## Stage 7 – Forward Look

**TASK.** Prioritise the key tasks for each new business objective and produce an action plan for the 5-year business plan period.

*(Actions should ensure year on year improvements and/or ensure stability for well-performing operations. Before commencing this stage it is recommended that budget requirements and parameters are discussed with Steve Bennett (Chief Finance Officer) since if funding is not immediately available it may be necessary to phase performance improvement.)*

**Business Objective 1: Deliver an effective risk based IA programme**

| Key Tasks   | Action Year 1   | Action Year 2   | Action Year 3   | Action Year 4   | Action Year 5  |
|---|---|---|---|---|--|
| Develop an IA programme that meet the needs of the Council  | Continue to deliver an audit programme that focuses on key risks and supports management in the achievement of the Council's key objectives   | Continue to deliver an audit programme that focuses on key risks and supports management in the achievement of the Council's key objectives | Continue to deliver an audit programme that focuses on key risks and supports management in the achievement of the Council's objectives | Continue to deliver an audit programme that focuses on key risks and supports management in the achievement of the Council's key objectives | Develop a joint audit programme that still focuses on key risks and supports management in the achievement of the Council's key objectives |
| Develop an audit risk assessment that meets the needs of the Council and in the longer term the needs of all East Kent Councils | Once new Corporate Objectives are in place work with Management to revise and enhance the risk assessment to provide a corporate risk profile | Identify and review the approach being operated by Canterbury and Thanet<br>Converge with Corporate Governance requirements                 | Review the risk assessment and scoring and move towards a co-ordinated approach with Canterbury and Thanet                              | Seek to operate a consistent risk assessment process across East Kent   | Prepare a joint Risk Assessment across East Kent and a from that identify risks that are relevant to this Council                          |
| Provide advice and guidance to management on control, risk, and related matters   | Provision is included in the 2000/2001 audit plan   | Provision to be included in the audit plan  | Provision to be included in the audit plan  | Provision to be included in the audit plan  | Provision to be included in the audit plan   |

## Stage 7 – Forward Look

**Business Objective 1:** Deliver an effective risk based IA programme

| <b>Key Tasks</b>  | <b>Action Year 1</b>  | <b>Action Year 2</b>   | <b>Action Year 3</b>  | <b>Action Year 4</b>   | <b>Action Year 5</b>  |
|---|---|--|---|--|---|
| Monitor via measurable and relevant Local PIs                 | Continue to benchmark with EBC and the Kent Audit Group and develop meaningful and measurable PIs which challenge performance and seek further improvements                               | Review local PIs targets & continue benchmarking against EBC and the KAG<br><br>Start to develop specific PIs for the partnering authorities that measure changes and improvements | Continue to benchmark against EBC and the KAG<br><br>Review output from specific PIs for the partnering authorities & continue to measure performance   | Continue to benchmark against EBC, KAG and with our partnering authorities   | Continue to benchmark against EBC and the KAG and review and agree local PI targets that seek further improvements for the partnering authority   |
| Develop the skills base available within and outside IA       | Develop the skills of existing staff, and consider the buy in of specialist skills.   | Start to identify the IA skills available across East Kent authorities<br><br>Identify training requirements and skill gaps  | Provide training to bridge skills gaps and with East Kent partners look to joint purchasing of required specialist skills   | Start to share skills available and promote the concept of a skills pool<br><br>Continue to develop skills and identify future requirements                    | Continue to develop concept of shared resources and achieve efficiency improvements by drawing on specialist skills of experts within the partnership                                     |
| Deliver meaningful and relevant recommendations to management | Continue to deliver effective and meaningful recommendations<br><br>Use Quality Assurance reviews and Post Audit Questionnaires to monitor process and take any necessary remedial action | Continue to deliver effective and meaningful recommendations<br><br>Strive to improve feedback on recommendations to front line staff subject to review                            | Continue to deliver effective and meaningful recommendations<br><br>Review the reporting of recommendations to ensure that they are placed in context so that they continue to be understood by members | Continue to deliver effective and meaningful recommendations<br><br>Use Quality Assurance reviews and Post Audit Questionnaires to continue to monitor process | Continue to deliver effective and meaningful recommendations<br><br>Use Quality Assurance reviews and Post Audit Questionnaires to monitor process and take any necessary remedial action |

## Stage 7 – Forward Look (continued)

**Business Objective No 2:** Provide a meaningful audit assurance on the system of Internal control

| Key Tasks  | Action Year 1   | Action Year 2   | Action Year 3   | Action Year 4   | Action Year 5   |
|--|---|---|---|---|---|
| Continue to operate the audit assurance model for individual audit reviews         | To continue gradually building a clearer picture through a database of audit assurances   | Working with Management, develop different approaches to delivering the audit assurance statements e.g. Control Self Assessment, facilitated workshops, etc | Continue to review the process to ensure consistency and robustness   |   |   |
| Report to management and Members on individual audit reviews                       | Continue to reinforce assurance messages and work with managers and members to address systems and processes with a low audit assurance | Continue to reinforce assurance messages and work with managers and members to address systems and processes with a low audit assurance                     | Continue to reinforce assurance messages and work with managers and members to address systems and processes with a low audit assurance | Continue to reinforce assurance messages and work with managers and members to address systems and processes with a low audit assurance | Continue to reinforce assurance messages and work with managers and members to address systems and processes with a low audit assurance |
| Continue to promote the concept of audit assurance to the Scrutiny (A&P) Committee | Ongoing   | Ongoing   | Ongoing   | Ongoing   | Ongoing   |
| Follow up and report on limited or below audit assurances                          | Provision to be included in the audit plan  | Provision to be included in the audit plan  | Provision to be included in the audit plan  | Provision to be included in the audit plan  | Provision to be included in the audit plan  |



Stage 7 – Forward Look (continued)

Business Objective No.2: Provide a meaningful audit assurance on the system of Internal control

|  |  |  |  |  |  |
|--|--|--|--|--|--|
| <p>Produce an annual audit assurance report and individual audit reports for directors</p> | <p>Continue to develop the reporting mechanism, including year on year comparisons by drawing on earlier year assurances<br/>Develop a constructive working arrangement with the IA Portfolio Holder</p> | <p>Improved report drawing on increasing year on year comparative data</p>                       | <p>Improved report drawing on increasing year on year comparative data</p>   | <p>Improved report drawing on increasing year on year comparative data</p>   | <p>Improved report drawing on increasing year on year comparative data</p>   |
| <p>Link audit assurance to the wider Corporate Governance requirements</p>                 | <p>Provide awareness training to management and Members</p>  | <p>Assist management in developing mechanisms to report on their systems of internal control</p> | <p>Provide audit assurances to support management in reporting on the effectiveness of their systems of internal control</p> | <p>Provide audit assurances to support management in reporting on the effectiveness of their systems of internal control</p> | <p>Provide audit assurances to support management in reporting on the effectiveness of their systems of internal control</p> |

Stage 7 – Forward Look (continued)

**Business Objective No 3: Support management in the delivery of an effective system of Corporate Governance and Risk Management**

| Key Tasks  | Action Year 1  | Action Year 2  | Action Year 3   | Action Year 4   | Action Year 5   |
|--|--|--|---|---|---|
| Continue to raise awareness of Corporate Governance and Risk Management concepts in Local Government | Audit Manager, Director of Finance & CS and Monitoring Officer to raise profile & promote the concepts                       | Corporate Governance/Risk Management guidance and procedures developed with Management to be adopted | Audit the Corporate Governance arrangements   |   |   |
| Develop a process for incorporating Risk Management into operational management responsibilities     | A Corporate Governance/ Risk Management audit will establish the current position of DDC and then to establish a way forward | Corporate Governance/Risk Management guidance and procedures developed with Management to be adopted | Ensure that risks that threaten the successful achievement of the Council's strategic objectives are being properly addressed |   |   |
| Develop a process for Directors to report on the effectiveness of their systems of internal control  | During 2001 develop an effective process jointly with management<br>Profile key risks  | Corporate Governance/Risk Management guidance and procedures developed with Management to be adopted | Audit the effectiveness of the process and reporting arrangements   | Assist management in the continued enhancement of the process | Assist management in the continued enhancement of the process |
| Monitor Corporate Governance arrangements in new political structures                                | Provide appropriate advice and training to members   |  | Audit the openness, accountability and integrity of decision making   |   |   |

## Stage 7 – Forward Look (continued)

**Business Objective No 4:** Develop a partnership approach to Internal Audit with neighbouring East Kent Authorities

| Key Tasks  | Action Year 1   | Action Year 2   | Action Year 3  | Action Year 4   | Action Year 5   |
|--|---|---|--|---|---|
| Building on the Best Value Service Review of Internal Audit start to develop a partnership approach. | Start a dialogue with Canterbury and Thanet<br>Agree responsibilities and project timetable | Market the benefits and attributes of an IA service<br>Look to deliver one joint audit review | Develop a quality control approach<br>Identify economies of scale and efficiency opportunities             | Deliver at least 3 joint projects to confirm/examine the joint working approach | Develop a joint audit programme   |
| Reorganisation of the IA team  | Revise structure and review the IA Charter  |   | Determine lead authority for IA in East Kent   | Review DDC structure against partnership needs                                  |   |
| Convergence of audit practices   | Keep Management and Members informed of developments  | Alignment of administrative arrangements<br>Identify common practices                         | Develop uniform audit documentation<br>Align future salaries   | Convergence of Audit Plans and Risk Assessment Methodology                      | Prepare a joint risk assessment   |
| Recruit, retain and develop a professional IA team   | Consider any immediate training needs   | Consider secondments to IA as part of wider Management development                            | Ensure no fall off in service provision as partnership is developed  | Start to formulate structure for a joint team                                   | Finalise joint team structure and responsibilities                      |
| Identification and development of a skills base  | Develop the skills of existing staff, and consider the buy in of specialist skills.         | Identify the IA skills, training requirements and skill gaps                                  | Provide required training with East Kent partners & look to joint purchasing of required specialist skills | Start skills and knowledge transfer & promote the concept of a skills pool      | Deliver an audit programme developed on the concept of shared resources |

## Stage 7 – Forward Look (continued)

**Business Objective No 5:** Support management in the delivery of the authorities corporate objectives through special projects

| Key Tasks  | Action Year 1  | Action Year 2  | Action Year 3   | Action Year 4   | Action Year 5  |
|--|--|--|---|---|--|
| Involvement in the continued development of the Best Value process at this Council | Within resource constraints, provide strategic support to the Best Value Team                                  | Within resource constraints, assist in the delivery of a Best Value service review programme which supports the delivery of the corporate plan | Within resource constraints, assist in the delivery of a Best Value programme which supports the delivery of the corporate plan | Within resource constraints, assist in the delivery of a Best Value programme which supports the delivery of the corporate plan | Within resource constraints, assist in the delivery of a Best Value service review programme which supports the delivery of the corporate plan |
| Key role in a number of special projects   | Within resource constraints continue to support management in the delivery of key strategic projects           | Within resource constraints continue to support management in the delivery of key strategic projects   | Within resource constraints continue to support management in the delivery of key strategic projects                            | Within resource constraints continue to support management in the delivery of key strategic projects                            | Within resource constraints continue to support management in the delivery of key strategic projects   |
| Management Consultancy   | Complete the review of Debt Management and within resource restraints provide effective management consultancy | Within skill and resource restraints provide effective management consultancy  | Within skill and resource restraints provide effective management consultancy   | Within skill and resource restraints provide effective management consultancy   | Within skill and resource restraints provide effective management consultancy  |
| Co-ordination of IA with all other Performance Review activities                   |  | With colleagues start to develop an overall performance review approach which maximises the use of finite resources                            | Co-ordinate risk management and performance monitoring  |   |  |

Stage 7 – Forward Look (continued)

Business Objective No 6: Continuously improve the Internal Audit methodology

| Key Tasks  | Action Year 1   | Action Year 2   | Action Year 3   | Action Year 4  | Action Year 5 |
|--|---|---|---|--|---------------|
| Continue to challenge and refine procedures                                    | Review the internal audit manual and other relevant documentation<br>Review and revise the audit filing system<br>Review and revise audit documentation |   | Start to align methodology with neighbouring authorities            | Convergence of Audit Plans and Risk Assessment Methodology |               |
| Continue to develop monitoring tools to measure performance and ensure quality | Operate a simple time recording system<br>Continue to use local PIs and benchmarking comparisons to monitor performance                                 | With East Kent neighbours start to develop a consistent quality assurance process                     |   |  |               |
| Develop tools to monitor the effectiveness of the systems of internal control  |   | Develop an audit approach that examines the openness, accountability and integrity of decision making | Audit the openness, accountability and integrity of decision making |  |               |

## Stage 7 – Forward Look (continued)

**Business Objective 7:** Through IA work promote the prevention, deterrent and detection of fraud

| <b>Key Tasks</b>   | <b>Action Year 1</b>   | <b>Action Year 2</b>  | <b>Action Year 3</b>  | <b>Action Year 4</b>  | <b>Action Year 5</b>  |
|--|--|---|---|---|---|
| Regularly review the Fraud and Other Irregularities Policy document to ensure that it is relevant and up to date | To be fully reviewed and updated as appropriate  |   | To be fully reviewed and updated as appropriate                           |   | To be fully reviewed and updated as appropriate                           |
| Provide the whistleblowing service   | Continue to provide the service and review its effectiveness as part of the review of the Fraud Policy | Continue to provide the service and periodically review its effectiveness | Continue to provide the service and periodically review its effectiveness | Continue to provide the service and periodically review its effectiveness | Continue to provide the service and periodically review its effectiveness |
| Undertake or co-ordinate any special investigations required by the Council                                      | Provision included within the 200/2001 audit plan  | Provision included within the audit plan                                  | Provision included within the audit plan                                  | Provision included within the audit plan                                  | Provision included within the audit plan                                  |
| Provide advice and guidance to management on control, risk, potential fraud and related matters                  | Provision included within the 200/2001 audit plan  | Provision included within the audit plan                                  | Provision included within the audit plan                                  | Provision included within the audit plan                                  | Provision included within the audit plan                                  |

## Stage 8 – Financial Information

**TASK:** Using the information at Stage 7, detail the estimated budgetary requirements of the preferred service delivery model for the 5-year period of the business plan.

*(Examples of the common expenditure headings are provided. If Capital or Special Works Funding over £5,000 is required, complete the document at Chapter 5 in place of this page.)*

| Type    | Activity                              | BO No(s) | Detail | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|---------|---------------------------------------|----------|--------|--------|--------|--------|--------|--------|-------|
| Capital | Buildings renovation or construction  |          |        | 0      | 0      | 0      | 0      | 0      | 0     |
|         | Upgrade replacement of software > £5K |          |        | 0      | 0      | 0      | 0      | 0      | 0     |
|         | New/replacement equipment costs >£5K  |          |        | 0      | 0      | 0      | 0      | 0      | 0     |

## Service: Internal Audit

Period: 2001 to 2006

## Stage 8 – Financial Information (continued)

| Type    | Activity                                       | BO No(s)    | Detail  | Year 1  | Year 2  | Year 3  | Year 4  | Year 5  | Total   |
|---------|--|-------------|---|---------|---------|---------|---------|---------|---------|
| Revenue | Staffing                                       | All         | Audit Manager<br>Assistant Audit Manager<br>Senior Auditor<br>Auditor<br>Audit Technician/Trainee<br>Specialist support<br>Includes all on costs.<br><i>Increase calculated at 3% per annum but assumes trainee in year 3</i> | 176,000 | 181,300 | 186,700 | 192,300 | 198,000 | 934,300 |
|         | New/<br>replacement<br>equipment costs<br><£5K |             |   | 0       | 0       | 0       | 0       | 0       | 0       |
|         | Upgrade<br>replacement of<br>software < £5K    | 1, 2 &<br>6 | As aim is to move towards a partnership/consortium small provision included for an upgrade to audit planning, risk management software  | 1,000   | 1,000   | 1,000   | 2,000   | 2,000   | 7,000   |



| Stage 8 – Financial Information (continued)                |                                     |          |   |                |                |                |                |                |                  |
|--|-------------------------------------|----------|---|----------------|----------------|----------------|----------------|----------------|------------------|
| Type   | Activity                            | BO No(s) | Detail  | Year 1         | Year 2         | Year 3         | Year 4         | Year 5         | Total            |
| Revenue  | Training (information for Stage 11) | 1 & 4    | Professional & specialist training required to remain up to date and provide an effective IA service<br><i>No inflationary increase</i> | 5,500          | 5,500          | 5,500          | 5,500          | 5,500          | 27,500           |
|  | Stationery etc                      | 6        | Including stationery, telephones, photocopying, printing, books and publications  | 3,500          | 3,500          | 3,600          | 3,600          | 3,800          | 18,000           |
|  | Rent/lease costs                    | All      | Office accommodation, computer services and administration support charges<br><i>Increase calculated at 3% per annum</i>                | 40,600         | 41,800         | 43,000         | 43,700         | 44,300         | 213,400          |
|  | Opportunity cost of capital @ 6%    |          |   | 0              | 0              | 0              | 0              | 0              | 0                |
| <b>Total annual capital and revenue budget requirement</b> |                                     |          |   | <b>226,600</b> | <b>233,100</b> | <b>239,800</b> | <b>247,100</b> | <b>253,600</b> | <b>1,200,200</b> |
| Current/projected annual budget requirement                |                                     |          |   | <b>226,600</b> | <b>233,100</b> | <b>239,800</b> | <b>247,100</b> | <b>253,600</b> | <b>1,200,200</b> |
| Projected budget saving (-) or increase (+)                |                                     |          |   | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>0</b>         |

### Stage 9 – Financial Constraints

**TASK:** Document any funding restrictions and the impact they will have on service delivery improvements. In particular highlight key business objectives and tasks that are impeded or delayed and also prioritise actions if future funding can be made available.

*(This information will assist medium term financial planning)*

| Business Objective/Task | Impact on Service Improvement  | Priority<br>(H/M/L) |
|-------------------------|--|---------------------|
| 1, 2, 3 and 5           | Any further significant increases in the scope and level of internal audit coverage would require an increase in the level of internal audit resources | L                   |

### Stage 10 – Performance Targets

**TASK:** Using the information at Stage 7, document national and identify local indicators and their targets that will assist in the achievement of effective service delivery, promote the continuous improvement and assist in the effective measurement of service delivery and improvement.

*(The local indicators introduced should support the monitoring and measurement of the delivery of the business objectives and/or giving greater depth and analysis to national indicators/targets)*

| Performance Indicator<br>(BVPI/ACPI No and/or detail) |   | Targets |        |  |        |        |
|---|---|---------|--------|--|--------|--------|
|   |   | Year 1  | Year 2 | Year 3                                   | Year 4 | Year 5 |
| <b>National</b>                                       | None  | -       | -      | -  | -      | -      |
| <b>Local</b><br>B.O. 1 & 5                            | <b>1. Analysis of audit time</b><br>Available audit days as a % of total days   | 63%     | 64%    | 60%<br>If a Trainee auditor was employed | 65%    | 66%    |
| B.O.1 & 5   | <b>2. Analysis of audit time</b><br>Available audit days as a % of total available days   | 74%     | 75%    | 70%<br>If a Trainee auditor was employed | 75%    | 76%    |
| B.O.1, 2 & 5  | <b>3. Achievement of the Annual Audit Plan</b><br>Percentage of available audit days spent on audit reviews and key control reviews | 55%     | 57%    | 56%<br>If a Trainee auditor was employed | 60%    | 62%    |
| B.O.1, 2 & 5  | <b>4. Achievement of the Annual Audit Plan</b><br>Percentage of available audit days spent on financial audit work                  | 30%     | 32%    | 35%                                      | 35%    | 35%    |
| B.O.1 & 6   | <b>5. Efficiency of the audit service</b><br>Draft audit reports issued within 10 working days of completion of the audit fieldwork | 100%    | 100%   | 100%                                     | 100%   | 100%   |

## Stage 10 – Performance Targets

| Performance Indicator<br>(BVPI/ACPI No and/or detail) |   | Targets |        |        |        |        |
|---|---|---------|--------|--------|--------|--------|
|   |   | Year 1  | Year 2 | Year 3 | Year 4 | Year 5 |
| B.O.1 & 6   | <b>6. Efficiency of the audit service</b><br><br>Final audit reports issued within 10 working days of agreement of the draft audit report by management | 100%    | 100%   | 100%   | 100%   | 100%   |
| B.O. 2, 3 & 7   | <b>7. Relevance of the audit findings</b><br><br>Percentage of high or medium level recommendations that are accepted                                   | 90%     | 91%    | 92%    | 94%    | 95%    |
| B.O.2 & 3   | <b>8. Value of audit input</b><br><br>Percentage of accepted high or medium level recommendations implemented in the agreed timescale                   | 95%     | 95%    | 95%    | 95%    | 95%    |
| B.O. 1, 2 & 5   | <b>9. Variance of actual audit coverage against planned coverage:</b><br><br>Accuracy of audit planning - Available Days                                | 85%     | 88%    | 90%    | 92%    | 95%    |
| B.O. 4  | <b>10. Convergence</b><br><br>Number of joint projects undertaken with East Kent partners   | 0       | 2      | 4      | 5      | 7      |

## Stage 11 – Training Needs

**TASK:** Identify any training required to deliver the preferred service delivery model.

| Priority<br>H/M/L | Training Need  | Number of<br>Staff | Cost   | Critical Date |
|-------------------|--|--------------------|--------|---------------|
| H                 | Corporate Governance and Risk Management<br><i>(to support the introduction of Corporate Governance - business objective no.3)</i>   | 2                  | £2,000 | Spring 2001   |
| M                 | Specialist audit training in new or developing areas - development of the skills base<br><i>(required to deliver an effective IA service - business objectives nos. 1, 2, and 5)</i> | All                | £2,000 | ongoing       |
| H                 | Internet abuse, misuse and fraud<br><i>(important new area of audit activity - business objectives nos. 1, 2 and 7)</i>  | 1                  | £1,000 | Summer 2001   |
| M                 | Team building/ partnership working<br><i>(important not to underestimate the need for careful introduction of joint working - business objective no. 1)</i>                          | All                | £1,000 | 2003 onwards  |

## Stage 12 – Action Plan

**TASK:** Using the information in the previous Stages, prepare an Action Plan for delivery of the key tasks of the preferred service delivery model. Identify, as high priority, areas in need of urgent attention and high impact areas that should be addressed quickly.

| Priority | Action  | Responsibility  | Start Date  | End Date    |
|----------|---|---|-------------|-------------|
| H        | Continue to deliver an audit programme that focuses on key risks and supports management in the achievement of the Council's key objectives   | Audit Team  | Ongoing     | Ongoing     |
| H        | In consultation with Senior Management revise and enhance the audit risk assessment to provide a corporate risk profile   | Audit manager and Assistant Audit Manager             | Autumn 2001 | Spring 2002 |
| H        | Report to management and members the results of individual audit reviews and continue to reinforce assurance messages and work with management to address systems and processes with a low audit assurance            | Audit Manager and Audit Team                          | Ongoing     | Ongoing     |
| H        | Produce an annual and directorate audit assurance reports   | Audit Manager   | April 2001  | June 2001   |
| M        | Continue to raise awareness of Corporate Governance and Risk Management concepts in Local Government and support management in developing a process to report on the effectiveness of the systems of internal control | Audit Manager & Director of Finance & Central Support | July 2001   | March 2002  |
| M        | Building on the preferred service delivery model, start a dialogue with Canterbury and Thanet regarding joint purchasing and the development in the longer term of an audit partnership                               | Audit Manager & Director of Finance & Central Support | July 2001   | March 2002  |

**NOTE:** Each year the service manager will be required to review this plan, identify and document changes and update actions as appropriate.

# **DOVER**

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## **DISTRICT COUNCIL**



### **BEST VALUE SERVICE REVIEW**

### **INTERNAL AUDIT**

### **TOOLKIT - STAGES 15 to 20**

**May 2001**

| <b>Service Review or Cross-Cutting Theme: Internal Audit</b> |                   |                        |
|--|-------------------|------------------------|
| <b>Service Review Completion Date: July 2001</b>             |                   |                        |
| <b>Timetable</b>   | <b>Start Date</b> | <b>Completion Date</b> |
| <b>Stage 1 – Initiation (Draft)</b>                          | 13 October 2000   | 18 October 2000        |
| <b>Stage 2 – Initiation</b>                                  | 13 October 2000   | 29 November 2000       |
| <b>Stage 3 – Challenge</b>                                   | 13 October 2000   | 29 November 2000       |
| <b>Stage 4 – Challenge</b>                                   | 13 October 2000   | 6 December 2000        |
| <b>Stage 5 – Challenge</b>                                   | 13 October 2000   | 6 December 2000        |
| <b>Stage 6 – Challenge and Consult</b>                       | 13 October 2000   | 6 December 2000        |
| <b>Stage 7 – Challenge and Compare</b>                       | 13 October 2000   | 6 December 2000        |
| <b>Stage 8 – Challenge and Baseline</b>                      | 13 October 2000   | 6 December 2000        |
| <b>Stage 9 – Challenge and Consult</b>                       | 29 November 2000  | 4 January 2001         |
| <b>Stage 10 – Challenge</b>                                  | 29 November 2000  | 4 January 2001         |
| <b>Stage 11 – Challenge</b>                                  | 11 December 2000  | 30 January 2001        |
| <b>Stage 12 – Consult</b>                                    | 15 January 2001   | 14 February 2001       |
| <b>Stage 13 – Challenge</b>                                  | 05 February 2001  | 14 February 2001       |
| <b>Stage 14 – Challenge and Compare</b>                      | 05 February 2001  | 21 February 2001       |
| <b>Stage 15 – Challenge and Competition</b>                  | 22 January 2001   | 28 February 2001       |
| <b>Stage 16 – Business Plan</b>                              | 01 March 2001     | 29 May 2001            |
| <b>Stage 17 – Action Plan</b>                                | 01 March 2001     | 29 May 2001            |
| <b>Stage 18 – Review and Summary Report</b>                  | 01 March 2001     | 29 May 2001            |
| <b>Stage 19 – Director's Comments/Sign Off</b>               | 04 April 2001     | 29 May 2001            |
| <b>Stage 20 – Follow Up Action</b>                           | July 2001 onwards |                        |



**Stage 15 – Challenge and Competition**

**TASK: Research the current and potential market provision for delivering the service models at Stage 14.**

|  |  |
|--|--|
| <p><b>Private Sector</b></p> <ul style="list-style-type: none"> <li>- <b>Service delivery</b></li> <li>- <b>Partnership</b></li> <li>- <b>PFI</b></li> </ul>       | <p>Partial outsourcing via a long-term partnership with the private sector is now accepted as beneficial to both parties (Council and Private Sector). Differing skills and experience can be brought together, but contract terms need to be carefully agreed to ensure control over quality, presence and coverage.</p>  |
| <p><b>Public Sector</b></p> <ul style="list-style-type: none"> <li>- <b>Service delivery</b></li> <li>- <b>Partnership</b></li> <li>- <b>Consortium</b></li> </ul> | <p>The delivery of a partnership leading to a consortium is obviously reliant on the willingness of neighbouring authorities to join such an approach. Early indications are that this could be successfully introduced across East Kent. There will also be some buying in of specialist skills from the private sector.</p> <p>This offers improved productivity and efficiency in the longer term through the sharing of resources, economies of scale and convergence of methodologies. The increased skills and knowledge base could lead to increased audit coverage and level of audit assurance.</p> |
| <p><b>Voluntary Bodies</b></p> <ul style="list-style-type: none"> <li>- <b>Service delivery</b></li> <li>- <b>Partnership</b></li> </ul>                           | <p>Service delivery is not applicable for Internal Audit services. However, the voluntary sector could be a useful source of specialist support for internal auditors</p>  |

## Stage 16 – Business Plan

**TASK: Identify the service delivery model to be taken forward.**

**Business Plan for model number:**

**TASK: Complete the business plan at Chapter 4**

Provide a five-year **business plan** justifying how this option will achieve the service's strategic objectives, promote continuous improvement and meets customer requirements while providing a Best Value service  
*(File the business plan and related working papers, clearly marked as Stage 16. Any emerging staffing issues should be immediately discussed with the Head of Corporate Services).*

Business Plan prepared - see separate document

### Stage 17 – Action Plan

**TASK:** From the business plan, copy the Project Action Plan

| Priority<br>H/M/L | Action  | Person<br>Responsible  | Start<br>Date  | End<br>Date    |
|-------------------|---|--|----------------|----------------|
| H                 | Continue to deliver an audit programme that focuses on key risks and supports management in the achievement of the Council's key objectives   | Audit Team   | Ongoing        | Ongoing        |
| H                 | In consultation with Senior Management revise and enhance the audit risk assessment to provide a corporate risk profile   | Audit Manager<br>& Assistant<br>Audit Manager                  | Autumn<br>2001 | Spring<br>2002 |
| H                 | Report to management and members the results of individual audit reviews and continue to reinforce assurance messages and work with management to address systems and processes with a low audit assurance            | Audit Manager  | Ongoing        | Ongoing        |
| H                 | Produce an annual and directorate audit assurance reports   | Audit Manager  | April<br>2001  | June<br>2001   |
| M                 | Continue to raise awareness of Corporate Governance and Risk Management concepts in Local Government and support management in developing a process to report on the effectiveness of the systems of internal control | Audit Manager<br>& Director of<br>Finance &<br>Central Support | July<br>2001   | March<br>2002  |
| M                 | Building on the preferred service delivery model, start a dialogue with Canterbury and Thanet regarding joint purchasing and the development in the longer term of an audit partnership                               | Audit Manager<br>& Director of<br>Finance &<br>Central Support | July<br>2001   | March<br>2002  |

## Stage 18 – Review and Summary Report

**TASK:** Explain how the service is going to be improved, developed or changed as a result of this Best Value service review

An in-house service linked to joint purchasing of specialist skills leading to a medium-term partnership provision offers the opportunity for improvement and development of the audit service. In the short term, the aim is to increase the scope of audit coverage and to provide increased audit skills and techniques.

During 2001/2, the new structure will aim to meet the audit responsibilities and scope as detailed in the Audit Charter. During 2000/2001 the audit coverage and activities continued to expand beyond the audit role and scope as detailed within the Audit Charter. In the future, Internal Audit will continue to receive increasing requests for audit involvement in new initiatives, it will take a leading role in developing the authority's response to Corporate Governance, whilst undertaking special assignments, consultancy support and advice to management in developing risk management techniques.

However, even with a new more linear structure and improved skills and productivity, Internal Audit is at risk of having insufficient resources to satisfy all of its current customers and activities. Therefore it is proposed that a partnership approach to Internal Audit is carefully developed across East Kent. This offers opportunities for further improved productivity and efficiency through the sharing of resources and economies of scale. The increased skills and knowledge base could lead to increased audit coverage and level of audit assurance. However, management, reporting and audit committee arrangements would need to be carefully developed.

Developing from a partnership approach, in the longer term it is proposed that Internal Audit move towards an audit consortium. This is likely to be around 2006. An East Kent consortium would be large enough to offer a career structure for internal auditors attracting good quality candidates to the discipline and in turn improving the skills base. The consortium also offers the opportunity to provide an increased level of audit coverage and audit assurance to the Councils within the consortium.

**TASK:** Project Manager to produce a concise Committee paper (including Action Plan) summarising the findings, recommendations, preferred service option and any cost implications or savings.

*(Please file the committee paper, clearly marked as Stage 18)*

### Stage 19 – Director’s Comments and Sign Off

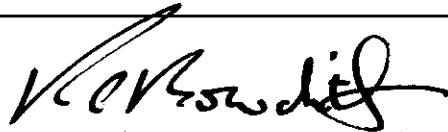
**TASK:** Director to comment upon the review process, service delivery model and Action Plan.

This was a useful exercise in that Internal Audit compared and evaluated itself. However this Best Value exercise was carried out against a back drop of major budget reductions.

In an ideal world, the Council would look for total coverage and full strategic integration from its internal audit service but this could not be accommodated when evaluating risk against financial constraints.

**Director –  
Approval /  
Sign Off**

Signature:



Date: 1<sup>st</sup> June 2001

**TASK:** On completion of this Stage, please submit Stages 15 to 19 to Management Team via the Best Value Team Leader – Management Review 5.

*(After Management Team these stages will be considered by Cabinet and Scrutiny (Audit and Performance) Committee)*

Amendment 2

## Management Review 5

**TASK:** Best Value Team Leader to review Stages 15 to 19.

**Stages 15 to 19  
approved**

Signed: PW

Date: 1<sup>st</sup> June 2001

Comments:

**TASK:** Management Team to review Stages 15 to 19.

**Stages 15 to 19  
approved**

Signed:

Date:

Comments:

**TASK:** Cabinet and Scrutiny to consider Stages 15 to 19.

**Stages 15 to 19  
approved**

*(Attach Cabinet and/or  
Scrutiny Report clearly  
marked as Stage 19)*

Signed:

Date:

Comments:

Amendment 2

### Stage 20– Follow Up Action

**TASK:** Using the Action Plan at Stage 17, agree dates between the Project Manager and the Best Value officer to formally follow up the implementation of actions.

*(Project Manager and Best Value officer to monitor the implementation and report any exceptions to the agreed Action Plan)*

| Summary of Action   | Completion Date | Follow Up Date | Comments |
|---|-----------------|----------------|----------|
| Continue to deliver an audit programme that focuses on key risks and supports management in the achievement of the Council's key objectives   | Ongoing         |                |          |
| In consultation with Senior Management revise and enhance the audit risk assessment to provide a corporate risk profile   | Autumn 2001     |                |          |
| Report to management and members the results of individual audit reviews and continue to reinforce assurance messages and work with management to address systems and processes with a low audit assurance            | Ongoing         |                |          |
| Produce an annual and directorate audit assurance reports   | April 2001      |                |          |
| Continue to raise awareness of Corporate Governance and Risk Management concepts in Local Government and support management in developing a process to report on the effectiveness of the systems of internal control | July 2001       |                |          |
| Start a dialogue with Canterbury and Thanet regarding joint purchasing and the development in the longer term of an audit partnership   | July 2001       |                |          |

**TASK:** Ensure that the agreed actions from the Business Plan are incorporated into the appropriate section(s)/department(s) action plans. Discuss the completed review with the Communications Team for publicity purposes.

## **BEST VALUE SERVICE REVIEW – INTERNAL AUDIT**

**Toolkit – Stages 15 - 20**  
**Business Plan - Stages 1 to 12**

**Members are requested to bring these documents to the appropriate meetings of the:**

|   |                     |
|---|---------------------|
| <b>Cabinet:</b>   | <b>13 June 2001</b> |
| <b>Scrutiny (Audit and Performance Review) Committee:</b> | <b>28 June 2001</b> |
| <b>Policy and Services Committee:</b>                     | <b>17 July 2001</b> |
| <b>Council:</b>   | <b>25 July 2001</b> |