

Hertfordshire County Council

**INTERNAL AUDIT
PLAN**

2001/02

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Internal Audit
March 2001*



INVESTOR IN PEOPLE

Hertfordshire County Council

***INTERNAL AUDIT
PLAN***

2001/02

Contents

	<u>Page</u>
<u>Introduction</u>	3
Developing the Plan	4
Key elements	5
Glossary	8
<u>Work in departments</u>	
Adult Care Services	10
Children, Schools and Families	12
Community Information	16
Corporate Services	19
<i>Best Value</i>	19
<i>Chief Executive's</i>	21
<i>Corporate Finance</i>	21
<i>County Secretary's</i>	25
<i>County Supplies & Contract Services</i>	26
<i>People and Property</i>	27
Environment	30
External clients	31
Fire and Rescue	31
Magistrates Courts	32

INTRODUCTION

This Plan sets out Internal Audit's projected work for 2001/02. It is aimed at:

- the Audit Committee
- Chief Officers
- other senior officers and managers throughout HCC
- the District Auditor
- Internal Audit staff.

I am particularly grateful for the input from all of the above to our planning process.

For each Department, the Plan now groups our work into two categories, namely:

- **regular audits** – those reviews which we carry out on a predetermined frequency, derived from our annual risk assessment exercise; and
- **developments and audit issues** – our input to new developments, or work resulting from concerns about possible control weaknesses or other audit matters.

A *Glossary* on page 8 provides definitions of some of the audit jargon used in this plan. The relevant Group Auditor or I will be glad to provide any further explanations, or further copies of this document.

Chris Kay
Chief Internal Auditor
March 2001

DEVELOPING THE PLAN

In planning our work for the coming year, we have taken into account a number of influences and processes, including:

- ⇒ ***contacts in services*** *discussions with managers and others in order to assess the impact of change on services*

- ⇒ ***risk assessment*** *our annual detailed analysis of risk factors applying to all auditable activities of the authority, to derive our audit priorities*

- ⇒ ***District Auditor*** *close co-ordination of our plans with those of District Audit, and incorporation of their priorities and recommendations*

- ⇒ ***Finance Board*** *incorporation of issues identified by the Finance Board*

- ⇒ ***Chief Officers*** *presentations to each Chief Officer of our draft Plan for their service, and adjustments to accommodate their priorities and concerns*

- ⇒ ***Audit Committee*** *presentation of the draft Plan to the Committee, and incorporation of their concerns.*

KEY ELEMENTS

As ever, significant change will continue to be the dominant feature of much of the Council's activity. Our aim is to:

- contribute constructively to key developments, ensuring that financial and data controls are robust - and, wherever possible, are improved
- apply objective risk assessment when determining the nature and extent of our coverage
- ensure that basic financial and asset management systems continue to operate reliably, effectively and with minimum risk of irregularity
- continue to improve our own efficiency, and to respond positively to the needs of those we audit, subject to the requirements placed on us by our remit.

Some of the main elements of our Plan are set out below.

Service re-organisations

Education and Social Services are being radical restructured into the client-focused Departments of Children, Schools & Families and Adult Care Services. These changes bring significant audit implications, involving a combination of audit reviews and participation in developments, particularly concerning:

- new rules, delegations and financial procedures
- new or upgraded financial systems
- new partnership arrangements, particularly with the Health Service
- pressures on the day-to-day financial control and management of services.

Partnerships

We will both contribute to and audit the growing of range of partnerships with other public sector bodies and with voluntary organisations, including:

- development of controls for managing pooled budgets with the Health Service, potentially including joint audit arrangements
- controls covering grants to voluntary bodies
- the possible adoption of Public Service Agreements
- the continued development of Highways agencies and partnerships.

New Government funding

We will pay attention to a number of services where new or significantly increased Government funding is becoming available – in particular:

- Nursery and Childcare Grants (CSF)
- New Opportunities Funding (CSF)
- new capital funding to support people with housing needs (ACS)
- increased funding for sustainable projects and highway maintenance (Environment).

Key financial systems and rules

The continuing dependence of the Council on the effective and properly controlled operation of its core financial systems and arrangements means that we will, as before, give a high priority to in-depth audits of these, covering:

- cyclical audits of the controls within and around the computerised corporate systems
- testing for fraud and corruption, including the use of computer-aided audit techniques
- participation in the development of a new Financial Systems Strategy
- input to the ongoing development of financial control arrangements
- audits of the overall financial management operated by each service
- reviews of the implementation of revised regulations.

Risk assessment

The pace of change, the dependence on new technology, and increasing complexity in the Council's vital relationships with contractors, partner organisations and other external bodies, make it essential that the authority has sound procedures for managing risk. For Internal Audit, this means in particular:

- further refinement of our risk-based approach to audit coverage
- working with Safety, Emergency and Risk Management colleagues on a joint approach to risk
- liaison with District Audit, particularly given the emphasis on risk in the new Code of External Audit
- for school audits, increased differentiation in our risk assessments, and hence in the intervals between our visits
- follow-ups of audits in the higher risk areas.

Information and Communications Technology (ICT)

The Council's dependence on ICT continues to grow, and system developments and technological advances increasingly require our involvement. We will pay particular attention to:

- the modernising of key services' databases in CSF and ACS Departments
- the strategies for radical replacements for the corporate financial and human resources systems
- e-transfer, e-commerce, internet and related applications
- security audits of the corporate network and of services' local networks

- Computer Audit input to other key development projects
- reviewing progress on applying project management standards.

Contract issues

It is increasingly vital that major contracts are properly let and effectively monitored, given the wide range of contractors on whom the Council is now dependent for key projects and services. With this in mind, we will:

- audit the operation of the revised Contract Regulations, procedures for Best Practice in Procurement and other rules
- review the monitoring of key contracts
- undertake post-implementation audits of selected outsourcing contracts
- feed into the new project management arrangements
- provide consultancy input to the development of the Property Services and Next Generation Highways Services contract areas.

Best Value

Our input to Best Value will primarily involve:

- targeted input to key BV reviews
- testing of compliance with statutory guidance
- audit of systems for the collation of Performance Indicators, and validation of the PI's themselves
- follow-through of the recommendations from key previous BV reviews.

Other audit work

We will also continue to fulfil a broader role within the authority, including:

- support for the Audit Committee, and related Member functions
- participation in corporate management, for example through chairing the Finance Board
- liaison with District Audit and continued operation of the "managed audit", to help reduce the level of external audit
- review for the Chief Executive of the Social Services Inspection Unit
- provision of consultancy on, and participation in development of, new financial rules, procedures and systems
- audits of a number of external clients, ranging from the Police Authority to local charities.

GLOSSARY

The following definitions cover some of the audit terms used most frequently in this Plan.

<i>Access control</i>	<i>A procedure designed to prevent or detect unauthorised access, or amendments, to computer-held data and/or programs</i>
<i>Best Value</i>	<i>A framework required by legislation, designed to secure continuous improvement through an annual BV Performance Plan, including a five-year review programme covering all services</i>
<i>Compliance test</i>	<i>An audit check of a small number of transactions or records, to test whether controls are operating as intended by management</i>
<i>Computer-aided audit techniques (CAATs)</i>	<i>A variety of computer programs and other techniques designed to extract, analyse or test data held on computer files, or to test the working of computer processes and controls</i>
<i>Contract audit</i>	<i>An audit methodology for the examination of all types of contract, covering the whole process from initial planning to post-completion assessment</i>
<i>Core financial system</i>	<i>A computerised or other process fundamental to the operation of the authority's financial affairs</i>
<i>Corruption</i>	<i>The offering, giving, soliciting or acceptance of an inducement or reward which may influence the actions of the Council, its Members or its officers</i>
<i>Data matching</i>	<i>Comparison using computer techniques of different sets of information, from within the Council or from other bodies, designed to detect possible fraud</i>
<i>E-commerce</i>	<i>Electronic processing and authorisation of a wide range of transactions previously carried out manually, often involving the Internet</i>
<i>Fraud</i>	<i>The intentional distortion of financial records, carried out to conceal the misappropriation of assets or otherwise for gain</i>
<i>General auditor</i>	<i>A term used to distinguish other auditors from specialists such as computer or contract auditors</i>

<i>Internal control</i>	<i>A procedure which ensures that management objectives are properly and efficiently carried out</i>
<i>Irregularity</i>	<i>An improper or erroneous use of the Council's resources</i>
<i>Key controls</i>	<i>Those processes most likely to prevent or detect material errors or other irregularities</i>
<i>Pre-implementation review</i>	<i>An audit of a computerised or other system shortly before its live operation</i>
<i>Regularity audit</i>	<i>The cyclical review and testing of a system or establishment, aimed at providing an opinion of the reliability and propriety of the financial arrangements</i>
<i>Risk assessment</i>	<i>A systematic process, preceding or following detailed audit, to assess the probability of material error, loss or irregularity in an activity</i>
<i>Substantive test</i>	<i>An audit check of sufficient numbers of transactions or records to give a good level of confidence in their completeness, accuracy and validity</i>
<i>Systems audit</i>	<i>An audit approach involving the documentation, evaluation and testing of controls within a financial process</i>
<i>Value for money audit</i>	<i>Examination of the arrangements for securing economy, efficiency and effectiveness in the use of resources</i>

Work planned in Departments

ADULT CARE SERVICES

We will support the new department in its new financial management arrangements, contract and financial rules. In particular we will support on a consultancy basis the development and operation of **contract regulations and financial procedures**. Towards the end of 2001 we will evaluate the adequacy of overall **financial management** within the new department. We will also maintain close involvement in systems development, specifically the **Oracle system** which is due to replace SSIS by April 2002.

Regular audits

We will carry out **Regularity Reviews** i.e. the cyclical testing of an establishment in order to provide an opinion on the financial arrangements, at the following in-house units and Area Elderly Physically Disabled (EPD) or Mental Health/Learning Disability (MH/LD) Teams:

Elderly

- Day Centres
- Area EPD Teams

Adults

- Hostels (Learning Disability)
- Group homes (Learning Disability)
- Day Centres (Learning Disability)
- Hostels (Physically Disability)
- Hostels (Mental Health Problems)
- Multi purpose Day Centres
- MH/LD Area Teams
- Community Support Teams (Mental Health)

In addition we will carry out the following routine **Systems Reviews**, evaluating the arrangements for minimising loss and as appropriate, testing for irregularities in high risk areas:

- Authorisation procedures
- Travel expenses
- Imprest Accounts/ Amenity and Recoverable codes
- Quantum Care/ Runwood EPH payments, including a post implementation review of the client side arrangements for the Runwood contract
- Asylum Seekers Grant
- Resettlement Grants
- Transfer funding

- Training expenditure
- Agency staff
- Community Care Direct Payments
- Residential and Nursing contracts
- Learning Disability Homes contracts, for less than 10 adults.

Developments and audit issues

Our Computer Audit Group plan to undertake our involvement with systems developments, arising from the formation of CSF and ACS. This will include our continued input to the **Oracle system development**, under phase 3. The precise project plan will not be drawn up until April 2001 although we understand that by April 2002 it is anticipated that replacement of SSIS will be achieved. They will also continue to input to the **Homecare/Daycare project**, through to implementation which is anticipated for mid-2001. This is an income-related system that will feed invoice details to the corporate Accounts Receivable system.

In addition, Computer Audit will carry out a standard security review of the Adult Care Services **Novell Network**, using a network analysing tool to automate, and thereby quicken, some of our work. They will also review server controls and management, and backups.

We will follow up in the usual way work completed last year on **Residential and Nursing and Home Care Purchasing** contracts and will carry out a post implementation audit of the **Leonard Cheshire contract for Homecare**.

The changes to policy, procedures and funding of the property related elements of the re-organised **Gypsy section** will be reviewed including the use of the DETR grant for site upgrading.

Time will be made available to input on a consultancy basis to the new **partnership arrangements** with the Health Sector. In particular, we will contribute to, the development of controls within the systems for managing pooled budgets and the joint audit arrangements with Health. We will ensure that adequate arrangements are formalised within the Herts Partnership Health Trust agreement.

We will also review the arrangements for the governments new capital funding provided for **Supporting People with housing needs**.

The operation of **Grants to Voluntary Daycare Centres** will be reviewed.

The development and operation of **Contract Regulations and Best Practice in Procurement in ACS** will be reviewed.

CHILDREN, SCHOOLS AND FAMILIES

Regular audits

School Audits

In agreement with the Head of the School Funding Unit, we have increased the degree to which differential risk assessment of schools' financial administration determines the frequency of their audit. For several years, we have reduced the normal interval between audits for a small number of schools that we judge to be in the highest risk category, because of shortcomings in their financial administration. The schools in this category tend to change over time as some schools improve their financial administration, and events cause others to fall into it. Where we subsequently find improvements in the financial procedures within these schools, we reassess their risk rating and, in turn, the interval we judge appropriate between audits. Most school audits will continue to be carried out at the standard interval we judge appropriate for that category of school.

In 2001/02 we will also reduce the audit interval for those schools in our second highest risk category. Inevitably this will result in an extension of the interval for other schools: Nursery, Primary, Middle and Special schools not judged to be in the highest risk categories will ordinarily be visited every 36 months rather than every 30 months as at present.

In addition we also carry out audits of schools closing or merging, and in most cases where a change of Head occurs.

Type of Audit Work	<u>Frequency of visit (months)</u>	<u>Number of schools</u>	<u>Number of Auditor Days</u>
Nursery	36	4	8
Primary	36	127	328
Middle	36	0	0
Special	36	5	15
Secondary	24	38	232
Education Support Centres	36	2	4
Non Secondary – risk category 2	18	11	27
Secondary – risk category 2	15	9	54
Non Secondary - risk category 1	6	8	22
Secondary – risk category 1	6	7	42
			732
Head Changes			55
Mergers and Closures			10
Specific school consultancy and unplanned work			20
General School Queries			40

Review of audit files, reports and school responses	40
	165
Total Contact Time (note 1)	897
School Audit Development	55
School Audit Scheduling and admin.	15
Private/Fund Account Returns and Audit Certificates	20
School Risk Assessment	5
Total Non Contact Time (note 2)	95
Total Audit Days	992

Notes:

1. **Contact time** is spent directly on the audit of schools or dealing with matters arising from school audits.
2. **Non contact time** is spent on tasks essential to the overall delivery of school audits.
3. **Risk category 1** represents those schools where we judge that follow up audit within 12 months of our previous audit is warranted. Apart from our assessment of the control risks present the size of the school's budget is the other principal determinant of a school's risk rating.
4. **Risk category 2** includes those secondary schools where we judge that a follow-up audit in 15 months is appropriate and in 18 months for all other types of school.

In 2001/02 we intend to extend our coverage of schools' financial administration to include the completion of the returns used in the **annual pupil census** (to confirm that these are consistent with attendance registers) and schools' production of financial plans beyond the current budget year. We will liaise with the Head of the School Funding Unit regarding the use schools make of the **self assessment tools** produced by the **Audit Commission** to enable them to assess their financial administration, and how we might adjust our audit strategy accordingly in future.

In April we will be hosting a meeting of local authority school auditors from across the South East of England to discuss the latest issues affecting **schools' financial administration** and the audit of this. The Audit Commission self assessment tools will be on this agenda.

Alongside our audits of schools we seek to contribute to the **dissemination of best practice** through the issue of occasional bulletins to schools and in 2001/02 we will attend some of the 'finance user groups' facilitated by colleagues in the School Funding Unit.

School related audits

At the request of the School Funding Unit we have set aside time to assist with the resolution of potential problems with schools' completion of the **Annual Accounting Return**.

We have a small contingency to deal with any cases referred to us where shortfalls in **school meal income** cannot be satisfactorily explained.

We will carry out our annual checks on the transfer of **school budget shares** into school bank accounts, working with Computer Audit

Other audits

Service financial management arrangements – we will review how these have been established and are operating in the new CSF department.

Youth Service teams – we will carry out audits of each of these.

Music Service – following a general audit of financial controls within the School Standards and Curriculum Support Division in 2000/01 we intend a follow-up of this particular service.

Community Homes, Family placement centres, and Hostels for those with learning difficulties – these will each be visited.

We plan to visit the **Under 8's inspection teams**, in their last year of operation before the transfer of this function to Ofsted.

We will review '**Section 17 payments**' procedures (i.e. payment made to assist families in financial difficulty and thereby avoid the need to take their children into care).

Developments and audit issues

Nursery Grant, Childcare Grant and New Opportunities Funding – the LEA is handling increasing amounts of funding from these sources. Our audits will examine the procedures and controls in place to ensure that the LEA can properly account for these funds, particularly the elements passed on to external providers of the services these Government initiatives finance, including audits of a sample of those external providers as necessary.

We will follow up our 2000/01 work on the **Borehamwood Schools Reorganisation** and **Wilbury Road Children's Home** projects.

We will review the operation of the **Planning Unit** for needs analysis, commissioning and outsourcing with a specific audit of **CSF Financial Procedures for Contracts** for property and the new project sponsor role.

The implementation of the revised **Contract Regulations** and **Best Practice in Procurement** will be reviewed.

We will again offer advice and consultancy as required to the **School Meals client**.

Our **Computer Audit** team plan involvement with systems developments, arising from the formation of CSF and ACS. This will include our continued input to the Oracle system development, under phase 3. The precise project plan will not be drawn up until April although we understand that by April 2002 it is anticipated that replacement of SSIS will be achieved and also the majority of education systems including Special Education Needs, Children Out Of School, Pupil Achievement Database, but probably not Admissions.

‘Moveman’ electronic data exchange with schools - we have planned for continuing input to this ITnet project, which was commenced in 2000/01. The system objective is to improve the **payroll** service to schools by use of electronic transmission and authorisation of timesheets and reports (only transmission) via the Internet. We have already reported-on our view of the ITnet software to be supplied to schools, but issues of admissibility of electronically authorised timesheets will also need to be addressed.

The School Funding Unit is piloting the submission of **financial returns** by schools on diskette rather than paper forms. Ultimately this may lead to universal ‘down-the-wire’ exchange of financial data between schools and the LEA. We will continue to monitor these developments and raise any concerns we have regarding the proposed controls for these processes.

Student Awards Administration software (FEAST) – this is currently undergoing a hardware and software upgrade, in particular moving from DEC VAX to a Dell NT server. We will continue input to the project team until live running and have agreed to audit in live mode in January 2002. The system is of continuing financial importance, processing some old scheme grants of £9m pa, and feeding some £50m fees and payments to Student Loan Company. We understand that it is also possible that it could administer and pay Education Maintenance Awards in the future.

Education Communications Network - this is a standard security review of the Novell network, using a network analysing tool to automate, and thereby quicken, some of our work. We will also review server controls, and management and backups.

Beyond this **Home Office & Education** Group will hold back a block of audit days to agree priorities with senior management for audit coverage that emerge once the new CSF department becomes operational.

COMMUNITY INFORMATION

Regular audits

Departmental Financial Management Controls

We will continue our annual review of the key controls within the Department to confirm that these continue to operate effectively. The scope of this audit will need to be extended to cover the ISU and CISG, now that they are part of the Department

Libraries

We will review the award and monitoring of the **Library Book Contract**, let via the Central Buying Consortium.

Library Districts

We will continue our rolling programme of audits of the 10 Districts and the libraries within them. In this year we will cover the North Herts and Welwyn Garden City Districts. The scope of our audits will cover the procedures for the receipt and accounting for income, local budgetary and expenditure controls, and inventory/asset controls.

Stock management

We have carried out audits of the controls around the purchase of stock in recent years, but less so the controls over books and other items (such as CD's, video cassettes and DVD's) once they have been added to the stock. Accordingly we intend to review the controls over stock, e.g. that the stock records are matched to the physical stock, that there are appropriate controls over the write-off of stock, etc.

We intend to carry out this audit ahead of that of the Districts so that we can follow up any issues 'in the field' as necessary.

Developments and audit issues

Information and Communications Technology (ICT)

We will input to a number of key service development projects during the year. Most of our work will be linked to Community Information as a result of its assumption of wide ICT responsibilities. Our involvement usually commences through input to initial project group meetings, or one-to-one with developers, and continues to pre-implementation reports just before the live running stage. Further detail on this work is under the relevant Department heads.

Within Community Information, we will undertake a standard security review of the Department's communications network, using a network analysing tool to automate, and thereby quicken, some of our work. We will also review server controls, management and backups.

In addition, we will review the following corporate ICT areas:

ICT Organisation and Infrastructure

As suggested by the Director of Community Information, we will review the implementation of the recommendations of the ICT Best Value Review and Senior Management Board decisions. This will particularly include the restructuring and re-purposing of ICT within departments, corporate IT investment planning and guidelines.

Corporate ICT Strategies and Standards

We cancelled our planned review of these areas for 2000/01 as they were being considered extensively by the ICT Best Value review, in particular Hypothesis 2. For this year, we have agreed to undertake our review later in the year to allow achievement of actions planned under Best Value.

Project Management Guidelines

Project Management is generally viewed within HCC as essential to deliver projects on time, to budget etc, but is not always encountered in practice. The ICT Best Value report included roles adapted from the Asset Management review, and also is tasked with providing training which will be mandatory for all project managers. We will review progress on these and report on our findings on the existence/standard of project management encountered in other audits.

Electronic Document Management

We have maintained a watching brief over this technology for several years and have provided input to the HCC and ITnet implementations that have embraced it so far. We will now provide input to the current corporate project via the Project Board and will also undertake a pre-implementation review of whatever arrangements are installed.

Internet

Use of the Internet by an increasingly large number of HCC users and connection of HCC systems to the Internet World (via protective firewalls) creates a range of critical security issues. We plan to review the standards applied to users, management of Internet-related systems and protection and monitoring measures and their detailed configurations.

Virus protection

Viruses are a continuing threat to all HCC services. We will consider the threats and consequences, experiences, and review reporting arrangements and protective measures across all departments. We will also review corporate advice and standards available to users and the effectiveness of their communication.

Hertsline/Gateway

We plan to review this key and developing service area, concentrating on:

- provision, maintenance and acquisition of data
- security over sensitive information
- security measures to control all remote access sessions entering the website
- system maintenance, support, resilience and BCP measures
- site and data management
- development plans and departmental user support.

We will combine this work with a review of the client-side monitoring and payment checks relating to the Customer Service Centre and the web contract.

Electronic mail

This now represents a critical resource for communications within HCC and outwards to other organisations. We plan to review this from a number of viewpoints, including the following:

- security of information
- certainty of source (there have been some moves towards treating Email on a trusted source basis as part of workflows)
- data control and retention
- Human Rights Act issues
- Notes 5 roll out
- Server controls and security
- Costs
- Protection of HCC from legal liabilities.

Intranet (Connex)

Connex is an increasingly important source of information within HCC. We plan to review the arrangements for managing and developing the site; controls over data security and currency; support for users and information providers, server management and control, and costs.

CORPORATE SERVICES

The following audit work will cover all of the Corporate Services.

Regular audits

Annual reviews to ensure adequate control systems exist and are adhered to:-

- Overall **financial management arrangements**
- Corporate Services **financial procedures**

Our plans for the individual departments and functions of Corporate Services are set out below.

BEST VALUE

Our approach and coverage envisages that we will:

- Advise on strategic issues and the corporate review process;
- Ensure controls are adequate to secure compliance with statutory guidance and that the corporate framework is being followed;
- Advise on development of and review the BV Review (BVR) process, in particular arrangements for self assessment;
- Assess a sample of BVRs, testing for adherence to the 4Cs, ensuring robustness and the adequacy of management planning: this includes 2 BVRs for 2001/02;
- Participate in BVR's in the 5 core areas (People, Property, Finance, IT and Procurement,) and where we have specific knowledge of the area to contribute;
- Include awareness of pilot and previous BVRs' recommendations when auditing relevant areas for proper implementation of Action Plans;
- Check key controls over implementation of BVR recommendations;
- Participate in the BVPP group ensuring completeness and robustness;
- Review systems for PI production to ensure robustness, validate PIs, review reliability of targets and benchmarking.

Integrating internal audit work with best value

The timing of BVRs and likely outcomes are taken into account in our risk-based audit planning, in terms of its effect on the internal control environment. In addition, we ensure the timing of our systems audit work complements and feeds into BVRs, providing assurance on the adequacy of internal controls and business processes. Our main criterion for participation is audit knowledge of the area and our ability to make a useful contribution.

Liaison with external audit and inspection

To optimise the use of resources and avoid duplication, best value work of Internal and External Audit is co-ordinated.

Planned best value review audit work

Technical and Commercial (T & C) Group will check on the key control processes for ensuring that BVRs are on track, and that the implementation of recommendations is properly monitored and reported.

The four internal audit groups involve themselves in BVRs on a basis of specialist knowledge. In other important review areas, where the audit focus means that our knowledge of the area is limited and thus they are not chosen for our sample, the BVR team may contact us if they specifically feel that audit input is needed.

T & C Group will *assess* two sample BVRs for evidence of compliance with the statutory requirements by carrying out a very short desk exercise.

On the criterion of audit knowledge T & C will also *contribute to* the BVRs of:

- **Fire Service Procurement**
- **Economic Development Unit**
- **Environmental Management.**

Corporate & Social Services Group will contribute to:

- **Personnel and Employment.**

They will also allow some time for involvement, on a consultancy basis, in the important reviews of:

- **Physical and Sensory Disabilities**
- **Elderly with Mental Health Problems.**

Home Office and Education Group will allow some time for involvement, on the same basis, in the review of:

- **Education - Schools Information and Advisory Service (SIAS).**

Best Value Performance Indicators

Corporate and Social Services Group will:

- Research, disseminate and help interpret PI definitions
- Co-ordinate HCC response to consultation on new PIs

- Review information systems supporting PI production
- Co-ordinate data collection and validate results
- Advise DA on potential problem PIs
- Participate in inter-authority comparisons and liaise with Corporate Communications
- Ensure statutory PI information is included in the draft BVPP and highlight any discrepancies.

CHIEF EXECUTIVE'S

Regular audits

Corporate and Social Services group will carry out a review of the **Adult Care Services Inspection Unit** on behalf of the Chief Executive. In addition to assessing its independence and effectiveness, we will also review its preparations for transfer, by April 2002, to one of eight independent regional bodies (Commissions for Care Standards) proposed by the Department of Health.

In addition to our Best Value work outlined above, we will undertake a number of cross-cutting audits, as follows:

- the processes and controls over **Grants to voluntary bodies**
- co-ordinating the collation of authority's **Performance Indicators**, and auditing their reliability
- the evaluation and planning processes for **Public Service Agreements**, if any are adopted.

CORPORATE FINANCE

Regular audits

Corporate and Social Services Group plan to carry out the following frequency-based audits:

- Annual review of compliance with **Corporate Financial Guidance**
- **Authorised signature** procedures
- **Financial Ledger**
- **Budgetary Control**
- **Capital Accounting/** Asset Register, Specific Reserves and Capital Receipts
- **Payroll - analytical review** to detect significant pay cost variations
- **Pensions** - transfer values
- **Pension Fund**
- **Recoverable Charges**
- **Taxation - Income Tax**

- **Taxation - Value Added Tax**
- **Taxation Client Consultancy**
- **Bank Accounts and Charges**
- **Bank Accounts - Ed Endowment & Crouchfields Trust**
- **Transferred Services**
- **Leasing - Equipment etc.**

The following core financial systems managed on our behalf by ITnet will also be reviewed (in this context, “Compliance” refers to audit testing against the Key controls in the ITnet contract, and “Regularity” covers our in-depth transaction testing). In addition to the compliance and regularity checks we review a number of aspects within the core systems on a cyclical basis. Within payroll and creditors we undertake matching to detect indications of irregular transactions under our duties to test for fraud and corruption e.g. multiple employments, duplicate invoice payments, etc.:

- **Debtors**
 - Compliance and Regularity incl. Debt Collection
 - Education Billing System
 - Periodic Income records
 - Home Care - new system for invoice calculation and production
 - Car Loans
 - Client consultancy
- **Creditors**
 - Compliance and Regularity
 - Recoupment of utilities contract expenditure on behalf of External Customers
 - Relocation and lodging allowances
 - Client consultancy
- **Cashier’s (Imprest Account) regularity**
- **Cash Processing**
 - Compliance and Regularity
 - Income Monitoring
- **Bank Reconciliations**
- **Payroll**
 - Compliance and regularity
 - Control Accounts
 - National Insurance Contributions
 - Probation – regularity
 - Client consultancy
- **Pensions**
 - Compliance and regularity
 - Client consultancy
- **Travel and Subsistence Allowances**
- **Car leasing**
- **Imprest Accounts** reconciliation processes and balance monitoring

Developments and audit issues

We will continue to **develop the key controls** to reflect changes in procedures, working with Contract Management, ITnet and service Department colleagues.

Corporate and Social Services will give attention to the following systems undergoing developments in their financial control arrangements:

- **Debtors** Home Care invoicing
- **Payroll**
 - Manual workers transfer from weekly to monthly pay
 - Aggregation of all multi pay records
 - application of child tax credits.

Audit work will also be undertaken in response to management information needs on **mileage and expenses monitoring**, including providing analysis to assist decision making in respect of rate changes.

We will continue with our targeted **anti-fraud work**, including:

- **National Fraud Initiative 2001** data-matching
- Suspected **cheque frauds** and irregularities.

Computer Audit will undertake cyclical audits in the following areas.

Regular audits

Mainframe Security Software

This review will cover all logical security controls operating in the MVS and VSE mainframe environments. This is a key area of control, which is responsible for protecting all current core financial systems. It will be the first review of RACF as a stable system and will also be timed to coincide with other mainframe infrastructure audits.

Mainframe – CICS

This communications software will be reviewed at the same time as the mainframe security software, due to the links between them. This audit will be in support of the online security and availability of core financial systems.

Mainframe – physical environment

In support of the mainframe-based core financial systems, we will review ITnet's installations at Birmingham. This will include the environment, buildings, management, processing, UPS etc. This will obviously entail a visit to Birmingham.

Mainframe - Birmingham Link

This communications link is critical to all HCC links to mainframe services. We will review controls over this link, particularly over resilience, in support of the core financial systems.

Mainframe - Data Storage

In support of the mainframe-based core financial systems, we will review Intent's arrangements for storing and retaining HCC data. This will cover all core systems and will include all data, at Birmingham and elsewhere. This will be undertaken in conjunction with the ITnet installation review at Birmingham.

BACS - Bureau Transactions

Very significant transaction values are passes through BACS in both internal trading and external payments. Due to the recent discontinuance of support for BACSWAY software, processes will be changed, and we plan to ensure that tight control and security are maintained.

Planned work for continuing audit cover of the following core financial systems:

- General Ledger
- Walker - Accounts Payable
- Payroll.
- Debtors - Accounts Receivable

Developments and audit issues

E-Commerce Developments

Since our planned coverage under this heading last year, a number of projects have firmed or are nearing completion. We have included it again as more are anticipated during the year 2001/2 but are not firm projects. We do, however, anticipate inputs into controls and systems required for electronic matching of Manpower invoices, CSCS E-Tendering and schools-related developments involving financial and other data.

Financial Systems Strategy

This project will probably result in the replacement of core financial systems (and some local systems) and also the update/standardisation of many associated financial and business processes. As such this will be a critical area of our work. We are already attending the user requirement workshops and providing input as appropriate. Our involvement with this project will continue into the pre and post implementation stages and we will represent all audit teams as a single point of contact.

NETBANX – Website income

We will continue our input to this web-based income collection system until it goes live, and will undertake a review of the system after several months in operation.

MOVEMAN - EDI Schools Pay Inputs & Reports

We have planned for continuing input to this ITnet project, which was commenced in 2000/01. The system objective is to improve the payroll service to schools by use of electronic transmission and authorisation of timesheets and reports (only transmission) via the Internet. We have already reported on our view of the ITnet software to be supplied to schools, but issues of admissibility of electronically authorised timesheets will also need to be addressed.

COUNTY SECRETARY'S

Regular audits

Corporate and Social Services Group will carry out a systems review of the **Coroners Service**. We will particularly consider any procedure changes following the transfer of police civilian staff to the service.

We will carry out a short systems review of **Land Charges**. In addition we will also review the financial arrangements for the May **County Elections**, particularly examining the evidence supporting expenditure made by the ten local district authorities.

Technical and Commercial Group will carry out a brief review of implementation of the **Contract Regulations** and **Best Practice in Procurement**.

Computer Audit will carry out a standard security review of the **Novell network**, using a network analysing tool to automate, and thereby quicken, some of our work. We will also review server controls and management and backups.

COUNTY SUPPLIES & CONTRACT SERVICES

Regular audits

Contract Management

A cyclical audit of the monitoring of Intent's **Managed Financial Services** is scheduled, and we will review the re-letting of the **PC Support Contract**.

Purchasing and Supply

The operation and monitoring of the **PC Disposal** contract will be audited.

Business Support

The annual **High level review of overall financial control** is again scheduled.

A standard security review of the **County Supplies Novell network**, using a network analysing tool to automate, and thereby quicken, some of our work will be done. We will also review server controls and management and backups.

Our planned review of **Compass** will include the following areas:

- Operating system configuration
- System management
- Application controls, reporting, support, licensing
- Alignment of application to CSCS business processes and achievement of objectives.

Developments and audit issues

Contract Management

Across all audits planned for 2001/2 there will be an awareness of the recommendations of the **PACMAN** (Procurement and Contract Management) **Best Value Review (BVR)** and time will be set aside to consider its implementation.

The cyclical audit of the newly relocated **Impressions** will be done.

We will briefly assess the process for the county-wide **Reprographics BVR**.

Developments arising from the introduction of the SCAM system and changes in payment for food will be included in follow-up of last year's audit work on **Catering**.

Purchasing and Supply

CSCS are considering the use of **purchase cards in support of sales** to, in particular, schools. Precise system details are not yet available, but we will input to the project as it develops to ensure that appropriate standards of control are maintained.

There will be a routine follow up of last year's **Action Point** audit at **Wheathampstead**.

The operation of the newly introduced **Provisioning** system following the **PACMAN BVR** will be reviewed. There will also be an exercise to gain assurance regarding the new **Stock check system** operating at the Welham Green Warehouse.

Depending on the extent of implementation of the **CSCS Web Catalogue** at the beginning of the year, we will continue our input to this project, which will place the CSCS catalogue on the Internet for receipt of orders. We will also briefly review the system in operation towards the end of the year.

PEOPLE AND PROPERTY

Personnel

Regular audits

The **employment assistance contract** monitoring and payment arrangements will be audited.

C&SS group will carry out a short systems review of **Training expenditure and charges**, which was deferred from last year.

Developments and audit issues

For some time, the need to replace Charisma and the variety of departmental Personnel systems with a suitable **Corporate Human Resources System Replacement** has been recognised. The project to put this into effect has commenced and is running in parallel with that for replacement of the core financial systems, as both sets of requirements may be satisfied by one system. Computer Audit are already attending the System Requirements Group and providing input as appropriate. Our involvement with this project will continue as a technical audit into the pre and post implementation stages and Computer Audit will represent all audit teams as a single point of contact.

We will carry out a post implementation audit of the **Recruitment Centre contract**.

We will continue to monitor implementation of and compliance with **Contract Regulations** and Best Practice in Purchasing.

We will input to the **Best Value review of Personnel and Employment** as required.

Hertfordshire Property

Regular audits

Corporate Estate

The arrangements for control of the **County Art Collection** will be reviewed and also revenue budget arrangements for **Corporately Managed Property**.

We will follow up earlier work on **Rent Collection**.

The validity of information concerning **Capital Payment and Budgetary Control** will be audited.

Support Services

We will continue to review **Contract Regulations** and the development of **ISO 14001**.

Projects and Facilities

We will audit a **large capital project**, incorporating an evaluation of the effectiveness of the budget monitoring process and other client-side controls.

Tendering of contracts by Amey Property services (APS), and the post-tender negotiation process, will be sampled in the course of our audit of **APS Property Trading Systems**.

We will continue attendance at the monthly meetings with APS in respect of **Property Services Contract Client monitoring**.

We will follow up earlier work on **Energy Strategy** and **Asbestos**.

The previous **Rates** system audit will be followed up covering all aspects of payment checking.

Developments and audit issues

We will audit project management of **Contemporaneous contracts** for new builds and land sales.

Systems to operate and develop the **Corporate Asset Management Plan (CAMP)** will be reviewed. **The Corporate Property Database/Genesis** systems will be reviewed under this

heading; we will review all developments on the Corporate property Database and Terrier, in particular the move to Genesis. We had planned this work for 2000/01 but implementation had not been achieved as anticipated.

We will involve ourselves in the new **project management** arrangements on a consultancy basis, and in particular we will contribute to the developing arrangements for **strategic contracting** and carry out a specific audit of project management of **Minor Works**.

The new **Facilities Management** client role will be reviewed.

Time has been set aside for involvement on a consultancy basis in the **Property Services contract and tendering** and arrangements to prepare for possible changes in the operation and of **Property Services**. A number of IT related issues have arisen over the duration of the APS project. We plan a cyclical review of **Amey Hosted Systems** namely the ORAC and Responsive Maintenance Bureau systems, or any replacements planned by APS and accepted by HCC. The review will particularly concentrate on financial control requirements rising from the direct feeds of payments and ledger to HCC corporate systems, and the requirement for effective service provision and accurate management information. We will also consider what systems-related arrangements and contingencies are planned for re-tendering of the contract in October 2002.

Our review of **Workwise - IT Applications** will concentrate on the ICT aspects of Workwise, but will also consider current corporate initiatives and the degree to which ICT helps these to be achieved. Our audit will cover functionality of equipment, security controls, user training and guidance and resilience of services.

Safety Emergency and Risk Management

We will attend the **SERM** board as and when appropriate in order to integrate risk management with audit risk analysis. We will continue our ongoing input to the County Hall Business Continuity Planning project which is led by SERMU. In addition to this we will carry out a high level review of the project's achievements to date, and what planning individual departments have undertaken to ensure the continuity of their services.

ENVIRONMENT

Regular audits

Resources

The standard **high level financial review** of Environment Department arrangements will be delivered and we will continue to monitor the implementation of the **Contract Regulations** and Best Practice in procurement.

We will review the **ISO 14001** internal auditing arrangements in the Resources Group.

Strategy Group

Time has again been included to review the **ISO 14001** internal auditing arrangements in the Strategy Group.

We will follow up earlier work on **Waste Management** (trade waste) and the **Hatfield Aerodrome** site.

Transport Management

Intalink Travel Guide partnerships will be reviewed.

Project management of the **Baldock by-pass** capital design and build contract will be audited.

Watford Agency and **North Herts** partnership and **StAlbans** partnership will be audited as part of our ongoing programme. We will also follow up earlier work on **Broxbourne** and **Welwyn and Hatfield Agency** arrangements.

Work on **Cross Boundary Services** and the **Transportation Consultancy Services** contract will be followed up.

Environmental Management

We will review the **ISO 14001** arrangements.

Developments and audit issues

The **next generation highways services** procurement will incorporate the key concepts reported to Executive Committee on 29 January 2001. We have scheduled in audit time to cover the development and introduction of this partnership style of working arising from the PACMAN BVR and the Highways Maintenance BVR.

The substantial increase in the budget for sustainable projects and highways maintenance and the introduction of partnering schemes for **Bridge Strengthening** and **Structural Maintenance** contracts means that we will audit the operation of this new framework approach. The learning points from this should be useful in implementing the recommendations arising from the Highways Maintenance and PACMAN Best Value Reviews.

Time has been made available for involvement on a consultancy basis, if required on **detrunking** issues.

We will keep abreast of developments, including SLA's and budgets, arising from the Best Value review of transport operations in the **Passenger Transport Unit** transport operations area. Time has been included in the plan for involvement on a consultancy basis in the implementation of other aspects of the **Transport Best Value Review** such as service delivery and cost reduction/increased income.

The increased proposed expenditure in **Safety Engineering** will be audited for increased value and budget management including that for accident remedial works.

Audit of **Recreation Sites** and the **Biological Records Centre** will be linked with time set aside for involvement with the **Best Value Review of Environmental Management**

EXTERNAL CLIENTS

Coverage of our largest external client, the **Hertfordshire Police Authority**, is set out in a separate plan agreed by the Authority (via its Audit Panel), following consultation with its Treasurer, the Chief Constable and his senior managers.

Our audit of the **Probation Service** is also on a contractual basis, and is separately agreed with the Probation Committee (and the new Probation Board) and Chief Probation Officer.

Beyond this, we continue to provide audit services to a number of **charities and voluntary organisations** in the County which have links with the County Council.

FIRE AND RESCUE

Regular audits

We will continue our annual review of the key **Service Financial Management Arrangements** to confirm that these continue to operate effectively.

We will follow up our work in 2000/01 on **Repairs & Maintenance** and **Capital**.

As part of an HCC wide audit of Services' compliance with, and operation of, **Contract Regulations** and **Best Practice in Purchasing**, we will include the Fire & Rescue Service.

No specialist IT audits are planned this year.

Developments and audit issues

We will set aside a period of time to make a value added contribution to the **Fire and Rescue Procurement Best Value Review**.

The post-implementation monitoring of the new **Personal Protective Clothing** arrangements will be audited. Given that this is a new type of 'total supply' contract, we expect learning points to arise that will inform the approach to such contracts in future.

We will carry out an audit of the **Community Fire Safety Division** since this division has seen a significant increase in its budget to reflect its role in the national strategy of fire prevention, rather than tackling fires. The scope of this audit will include budgetary and expenditure controls, and controls over income receivable and Divisional assets.

MAGISTRATES COURTS

We have agreed with the Magistrates Courts Committee a strategy for the audit of the service, and will agree a detailed Audit Plan with the relevant officers.