

Hertfordshire County Council

**DRAFT
INTERNAL AUDIT
PLAN**

2004/05

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Internal Audit
March 2004***



INVESTOR IN PEOPLE

Hertfordshire County Council

**INTERNAL AUDIT
PLAN**

2004/05

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INTRODUCTION

This Plan sets out Internal Audit's projected work for 2004/05. It is aimed at:

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

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

For each Department, the Plan once again 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
February 2004

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 the control environment*

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

- **Audit Commission** *close co-ordination of our plans with those of the external auditor (the Audit Commission's local audit team), and incorporation of their priorities and recommendations*

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

- **Audit Committee** *presentation of the draft Plan to the Committee for their endorsement, and incorporation where possible of their concerns.*

KEY ELEMENTS

SAP

Implementation of all the key modules of SAP, the new system for managing finance and other resources, is scheduled for 5 April 2004. SAP will replace almost all the Council's core financial systems. Together with the broader SHARP programme for simplifying the Council's accounting and resource processes, it brings a radical re-design of procurement, human resource management, contractual, and other arrangements. The impact on the control environment will be complex and significant. Our heavy involvement in the project will continue into 2004/05, and is summarised under Corporate Finance below.

Internal Control Review

Under the Accounts and Audit Regulations 2003, the Council is required, for the first time, to undertake an annual review of the effectiveness of its system of internal control. The authority must also include a statement on internal control with its financial statements at the year-end. The Regulations define the system of internal control as one which "facilitates the effective exercise of [the Council's] functions and which includes arrangements for the management of risk".

Early in 2004/05, we will complete the major part of the review covering 2003/04, and will follow CIPFA Guidance expected to be issued in March 2004. We anticipate a particular focus of the review to be the adequacy of risk management arrangements. The Government's 2003/04 update of its Comprehensive Performance Assessment (CPA) of the Council should provide a helpful background to this work.

We also expect to prepare for the 2004/05 review towards the end of 2004/05.

Financial management

We will undertake our annual audits of each department's overall financial management arrangements, with a particular focus on effective budget monitoring. For other organisations that have implemented SAP, this can be a vulnerable area during the early operation of the system.

Our extensive work on SAP will not detract from our giving due attention to other key system developments, ranging from the AXIS pensions payment process to the pooled Health/ACS budget arrangements.

We will develop a new approach to our cyclical audit work, particularly in schools, where we aim to consult with school' representatives and others on a self-assessment approach to financial controls. This should enable us to re-focus our schools audits on key issues such as financial planning and longer-term resource management.

We aim to provide continuing assurances as to the robustness of performance indicators, whether forming part of statutory requirements, or of key internal management information. Where possible, we will provide audit input to managers on the impact of Government agendas and other developments.

Anti-fraud and corruption work

As part of our provision of anti-fraud and corruption training, we will continue our close involvement in the SAP training programme, as this provides an ideal opportunity for integrating the anti-fraud and corruption message with the change in working practices and the new 'trust' culture.

All our core financial system audits will continue to include testing of the controls aimed at preventing fraud. We also plan to focus on a number of areas which have previously been susceptible to fraud or other irregularity, such as school meals income, residence allowances and imprest accounts.

The Audit Commission are due to undertake the National Fraud Initiative data matching exercise in October 2004. We will provide data and investigate any resultant matches which suggest irregular payments.

We will continue, with the Monitoring Officer and Personnel staff, to help publicise the Whistleblowing procedure, and will act to investigate any financial matters that are brought to our attention through this or other means.

Contracts and partnerships

An important issue will be the renewal and re-tendering of existing partnership arrangements in such a way as to ensure that lessons have been learned. Our audit work will be directed towards the continued process of embedding effective partnerships and supplier relationships, for both contract renewals and innovative arrangements. Those for Hertfordshire Highways, Hertfordshire Property and the Recruitment Centre are particularly high profile examples.

The proposed introduction of a purchasing gateway within the council reflects the fact that procurement is a strategic priority, and we will contribute to this process.

The Council's close relationship with service providers means that it is very dependent upon contractors and partner organisations for the provision of contract monitoring and management information. We will be concerned with identifying ways in which the county can guarantee the accuracy of such information, or obtain independent verification.

Other issues to which we will give particular attention include:

- effective risk assessment for every partnership and contract (particularly where PFI is involved)
- projects with funding from more than one source
- training in procurement
- awareness of EU and HCC contract regulations
- contracts involving linkages such as between property contracts and those for social care, or cross-departmental relationships.

Information and Communication Technology

In addition to our coverage of the new SAP system, and the key electronic processes re-engineered as a result of its implementation, Computer Audit will carry out audits of a number of corporate and local ICT systems. Our work on IRAS (the core information system supporting CSF and ACS) will continue, concentrating on both its continued development as well as its implemented components.

We plan to review the corporate data & voice networks. We will also audit the internal provision of email and internet services, with a particular focus on the risks to the security and integrity of the Council's systems that these can pose. Our coverage will also include reviews of the project management guidelines relating to ICT projects, and the strategies and standards which govern the use of ICT within the Authority.

The broader Internal Audit role

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

- special investigations, projects and consultancy work at the request of senior managers
- support for the Audit Committee, and related Member functions
- participation in corporate management, for example through chairing the Finance Board
- liaison with the Audit Commission's external audit team
- audits of external clients ranging from the Police Authority to Connexions.

GLOSSARY

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

<i>Application</i>	<i>A computer system which exists to directly support a user activity</i>
<i>Best Value (BV)</i>	<i>A framework required by legislation, designed to secure continuous improvement through an annual BV Performance Plan</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>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>Fraud</i>	<i>The intentional distortion of financial records, carried out to conceal the misappropriation of assets or otherwise for gain</i>
<i>Information and Communications Technology (ICT)</i>	<i>A term covering all computer, telephone, network and related technology</i>
<i>Internal control</i>	<i>A procedure which ensures that an organisation's objectives are properly and efficiently achieved</i>
<i>Irregularity</i>	<i>An improper or erroneous use of resources</i>
<i>Key controls</i>	<i>Those processes most likely to prevent or detect material errors or other irregularities</i>

Regularity audit	<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>
Risk assessment	<i>A systematic process, preceding or following detailed audit, to assess the probability of material error, loss or irregularity in an activity</i>
SAP	<i>A comprehensive computer system, known as an enterprise resource planning package, for managing finance and other key resources. (In 1972 five former IBM employees founded a German company called SAP, standing for Systemanalyse und Programmentwicklung, which produces the SAP system)</i>
SHARP	<i>A major HCC project aimed at Simplifying Hertfordshire's Accounting and Resource Processes</i>
Substantive test	<i>An audit test of a sufficient number of transactions to provide evidence as to the completeness, accuracy and validity of information in the accounts</i>

Work in Departments

ADULT CARE SERVICES

Regular audits

Towards the end of the year we will again evaluate the adequacy of **overall financial management** within the department, focusing particularly on budget monitoring.

We will continue to conduct **regularity reviews**, i.e. the cyclical testing of an establishment in order to provide an opinion on the financial arrangements, at the in-house units and Area teams listed below. We have earmarked time to revise our audit methodology following SAP process mapping against our 'expected key controls', and will carry forward areas identified as high risk for further review.

Elderly

- **Area EPD (Elderly/Physical Disability) Teams**

Adults

- **Hostels and Group homes (Learning Disabilities)**
- **Multi-Purpose Day Centres**
- **Community Learning Disability Teams.**

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:

- **Quantum Care/Runwood/Nursing Block Contracts** - income and expenditure monitoring
- **asylum seekers payments**
- **charging /financial assessments**
- **ACS Strategic Centre** - financial procedures.

Developments and audit issues

Resources

We will continue to support the department in its financial management arrangements, contract and financial rules.

Our Computer Audit coverage will focus on a number of areas that are in the development or pilot stage. We will review the roll out of **IRAS**, (Integrated Recording & Assessment System, formerly the CSFA/Oracle system, the core information system supporting CSF and ACS) into the department, and the development and implementation of a system to support the **Single Assessment Process**. We will also audit the controls around the use of **Tablet PCs** (small portable computers, which will hold confidential data), an initiative that is being piloted by ACS staff.

Property

We will continue our involvement in the following projects:

- the proposed property developments by **Quantum Care**, which includes joint projects and property exchanges.
- the proposed property developments and preparations for the future re-letting of the Care Contract currently provided by **Runwood Homes**.
- the relocation of provision of care for the elderly previously delivered on the **Western House** site.

Supporting People

We will audit the new system controls in place for managing funds for the care element in supported housing under **Supporting People**, and our Computer Audit group will continue to monitor and review the IT aspects of the initiative.

Health

We will continue to monitor the **Partnership** arrangements with the Health Sector; in particular, **Pooled Budget** arrangements with the PCTs (Primary Care Trusts) for Mental Health and Learning Disabilities will be audited. Our Computer Audit group will also continue to monitor the controls over the **communications links** with the Health Service.

There are new criteria for eligibility under the **Continuing Care** Budget held by the Health Service. These changes are impacting on ACS budgets and we will look at the proper application of the criteria and estimate the HCC budget impact.

We will review the following areas:

- contract monitoring arrangements with **Harlow PCT for Intermediate Care**
- contract letting arrangements (including provision of land and financing) for **Community Hospitals**
- the **Mental Health, Drugs and Alcohol contract** with the Hertfordshire Partnership Trust, to ensure proper control and implementation of improvements.

We will also feed into, and keep abreast of, developments in the consortium arrangements for provision under the **Transport project**. This involves the Council working in a consortium of some 25 organisations, with all PCTs contributing funding.

Other commissioning issues

A project is in place to implement spending under a new budget called **Home Support**; this money is to provide resources in an innovative way, to enable clients to remain and manage at home. The audit will evaluate the effectiveness of the monitoring of this service.

CHILDREN, SCHOOLS AND FAMILIES

Regular audits

Schools and other CSF establishments

We will continue to conduct audits of schools and other CSF establishments at intervals agreed with the Director of CSF as follows:

Type of establishment	Interval (months)	No. of establishments	Total auditor days	Days per average estab.
Schools				
Nursery	40	6	12	2
Primary	40	119	330	2.75
Middle	40	1	3	3
Special	40	6	19	3
Secondary	27	20	135	6.5
Education Support Centres	40	1	2	2
Secondary - above average risk	15	6	41	6.5
Secondary - high risk	6 -12	2	14	6.5
Other - above average risk	18	7	17	2.75 – 3
Other - high risk	6 - 12	0	0	2.75 – 3
Completion of 2003/04 audits			56	
Sub totals		168	629	
Other establishments				
Community Homes	18	7	25	3.5
TOTALS		175	654	

We plan to reprioritise our coverage of schools in order to include examination of school's financial planning and control of resources beyond the current financial year (and possibly other areas), by reducing our current coverage of other aspects of schools' financial administration. We have agreed with the Director of CSF, therefore, that during 2004/05 we shall develop 'control self assessment (CSA) tools' and consult with schools' representatives about the introduction of such tools. CSA tools should allow schools to conduct a self-evaluation of areas of their financial administration to determine the strength of control in any area, and to identify appropriate remedial action where necessary. Naturally we shall review the work of other authorities in developing such tools, in order to identify those which schools have found most user-friendly and effective.

We will continue to work with our colleagues in the School Funding Unit (SFU) to review and monitor the financial administration of:

- **schools scheduled for merger or closure** during the 'winding-up' period
- exceptionally, where a **change of Head occurs**, if we assess that the risk attached to a particular school and the interval since its last audit warrant this.

We shall also continue to tackle **queries and issues** thrown up by the audits of particular schools. These may be raised by schools, our colleagues in the SFU and CSF department generally, and occasionally other sources.

We will continue to require schools to submit summary details of any **private accounts** at the end of the current financial year, or confirmation that these have been independently audited, in order to derive an assurance that these accounts are being properly kept.

School related audits

Computer Audit will carry out reviews of the new processes within SAP for both the **recovery of school payroll costs** and the **financial transfers with schools**. In addition, they will be carrying out our annual review of the transfer of the **schools' budget share allocations**.

Once again, we will respond to any request from SFU to review any **annual returns from schools** where the return is incomplete or flawed.

We will continue to look into unexplained shortfalls in **primary school meal income** reported to us by Hertfordshire Business Services and, as far as time allows, review the system that analyses the meals and banking data from primary schools. We will also input to a review of the financial management information provided to secondary schools that have contracted with Hertfordshire Catering for the operation of their cash cafeterias.

As in previous years we will vet the proposed arrangements of any **schools that opt to leave the ITnet payroll contract** in favour of another payroll bureau, or operation of the payroll in house.

Other audits

We will undertake the annual audit of key service **financial management arrangements**, to confirm the implementation of previous recommendations, particularly concerning budget monitoring, and the effective operation of controls.

We will carry out audits of the following departmental systems, budgets, units, etc.:

- a sample of providers in the private, voluntary and independent sectors who receive funding from the Authority to provide **nursery education** for three and four year olds
- the financial administration of the four **area Youth Teams**
- controls over the payments of **adoption and residence allowances** and of the budget for these
- controls over the **additional teaching and welfare allocations** to pupils with Special Education Needs (and over this budget)
- **budgets within the Operations Division** of CSF (excluding those larger budgets selected for particular attention, such as the two referred to immediately above)
- **dual use** arrangements with District Councils for the use of swimming pools, sports halls and other facilities shared by Hertfordshire schools
- **imprest accounts**, concentrating on those not recently included in our periodic audits of establishments, operational units, etc.

Developments and audit issues

We will carry out further audit work on how the **corporate property contracts** are operating in the CSF context. This will involve particular reference to the role of the project sponsor, as defined in the new project workbooks. We will cover work over £100,000 (MACE) and under £100,000 (Mouchel) and the use of gateway documents. The feedback loops to the consultants will be evaluated.

We will audit the client monitoring and delivery of the **Jubilee House contract for children with disabilities**.

The **NCH Leaving Care contract** for providing looked-after children with housing, training and other support as they move towards independence will be audited and the lessons learned will be fed into the preparation for the re-letting of the contract in 2005/6. Areas for attention will include outcomes, provision of staff and contract monitoring.

We intend to audit the arrangements for using the **contracts for Advocacy** for parents, carers and minority ethnic children.

We will audit the tendering procedures for the **Department of Health PFI** (Private Finance Initiative), involving an accommodation services contract for children's homes and family support centres.

The government initiative for investing capital in schools, through new-style property related procurement called **Partnerships for Schools**, will require specific arrangements in Hertfordshire. We will review the way that these fit with the current arrangements between Herts Property and Mace, Mouchel, and Lambert, Smith, Hampton.

Computer Audit will review the continuing development and implemented components of the Integrated Recording & Assessment System **IRAS** (formerly the CSFA/Oracle system).

COMMUNITY INFORMATION

Regular audits

We will carry out the annual review of the key **service financial management** arrangements to confirm that recommendations made previously have been implemented as agreed, and that controls continue to operate effectively. We will also cover the financial administration of the **Schools Library Service**.

We will continue our five-year rolling programme of coverage of the ten **Library Districts** at the East Herts and Watford Districts.

Our infrastructure-related reviews include computer audits of both the **data and voice networks**, and our Technical and Commercial group will look at the controlling of expenditure on the contracts associated with these areas.

Beyond this we will also carry out reviews of the following:

- **HCC direct debit system**
- **Local Government on Line**
- **business continuity planning**
- **ICT - Project Management Guidelines**

- **Corporate ICT Strategies/Standards.**

Developments and audit issues

SAP

Our continuing audit coverage of the **SAP** system and processes are set out under Corporate Finance below.

Other

Our Computer Audit group will review **internet usage** and the use of **electronic mail** within the Authority, with particular attention given to the security vulnerabilities associated with these services.

CORPORATE SERVICES

CORPORATE FINANCE

Regular audits

We will undertake a review of the **Insurance** function.

The Best Value **Performance Indicators** data within the Best Value Performance Plan have assumed greater significance for Government Departments. The BVPP is now the only statutory plan that contains performance information that allows them to monitor the performance and progress of 'excellent' councils. We will continue to provide assurance that the PI data is based on adequate systems and accurate data collection.

Developments and audit issues

SAP

The SAP computer system is scheduled to replace almost all of the Council's core financial systems as from 5 April 2004. Our continuing audit coverage of the system and processes will be fluid and responsive, as we need to actively identify the risks whilst recognising that these will change through the year. The key stages will include:

- training
- IT provision.
- process and procedure documentation.

- parallel running and reconciliation
- data migration
- implementation - initial compliance testing
- post-implementation - substantive testing of controls.

Our work will focus on a number of key issues, in particular:

- security in respect of cheques and BACS payments
- risk of failure to pay, or to pay twice
- receipting of goods and services
- history retention
- budget monitoring
- reporting and management information.

We will closely monitor the early phase of the implementation of the modules of SAP, and apply appropriate audit techniques to the data and underlying controls. We will develop audit documentation of the system's controls following SAP process mapping, and revise our audit methodology against our 'expected key controls'. Any identified weaknesses or gaps in the control matrices will assist us in highlighting risk.

We will audit adherence to the agreed processes and procedures.

Our Computer Audit involvement in the SAP project will include a number of reviews covering the controls that govern various aspects of the system. This approach will be carried through implementation and then onward through the life of the system. The main areas to be covered are as follows:

- main communications link
- external communications links to facilities
- physical environment
- administration of the system
- storage of data
- system access permissions
- recharges to departments
- reporting / Business Warehouse
- BACS
- access to and storage of data from the superseded systems.

In addition to time set aside for post implementation review of procurement and capital matters, our Technical and Commercial Audit coverage will focus on monitoring of the contracts with:

- LOGICA for the FM service
- ITnet for the MFS service.

We will also audit the new **Supplier Gateway** arrangements (see under HBS below).

Pensions

The Pensions Team will use the **AXIS** system to process pensions payments from February 2004. We will closely monitor the early phase of the implementation of the payment process, changes and review the controls and system security. Any identified weaknesses or gaps in these will be tested.

We will also audit the **contract with ITnet** for the Pensions service.

During 2004, Hyams will undertake a **valuation** of the Pension Fund. We will review the processes for providing the data to check that it is complete and accurate. We will also undertake a full review of the controls in place during 2003/04 at **Capital International** Fund Manager, on behalf of the Society of County Treasurers.

Anti-fraud and corruption work

As part of our provision of anti-fraud and corruption training, we will continue our close involvement in the **SAP training** programme, as this provides an ideal opportunity for integrating the anti-fraud and corruption message with the change in working practices and the new 'trust' culture.

The Audit Commission are due to undertake the **National Fraud Initiative** in October 2004, and we will provide the data and lead on the investigation of any resultant matches.

Other Computer Audit work

Computer Audit will continue to monitor developments on the delivery of **Electronic Government, Local Government On-line** and **Community Portals**.

In addition we will review the following areas:

- **direct debit** System
- **external website hosting**.

COUNTY SECRETARY'S

Regular audits

We will carry out routine systems reviews of the **Registration Service** and the financial controls within the **Conveyancing Group**. Our Technical & Commercial

group will also evaluate the contract management and monitoring of **Legal Services Property Disposals** within Hertfordshire Property Services (HPS).

We will also continue to contribute audit issues to meetings of the **Contract Law group** and to provide an audit perspective.

HERTFORDSHIRE BUSINESS SERVICES (HBS)

Regular audits

We will carry out our annual audit of **high level financial management** in HBS, formerly County Supplies and Contract Services.

Developments and audit issues

Computer Audit will review the following:

- the **On Line Catalogue / Gateway**
- **SCAM II** - Shire Catering's administration system for meals
- the **Tender Assessment System**.

The compliance with and effectiveness of controls within the **Purchasing Gateway** (procurement centre) function at HBS will be audited, including electronic SAP requisitions and free text ordering.

We will also audit:

- the controls in the operation of the **Supplier Manager** function
- **network printing** arrangements concentrating on the contract management and monitoring
- the financial arrangements in **Hertfordshire Catering** following its amalgamation with HBS
- use of **purchasing key performance indicators**
- the monitoring and operation of the **County Hall Catering** contract with Eurest including the property issues
- operation of the new integrated **Hertfordshire Equipment Service**
- the re-organised **Impressions** printing function.

PEOPLE & PROPERTY

Personnel

Developments and audit issues

We will closely monitor the early phase of the implementation of the **Human Resources/Payroll Module of SAP**. We will apply appropriate audit techniques to the data and underlying controls. We will continue to work with the Personnel Manager (Strategy) and provide an audit perspective to the review of the future HR business processes.

Time will be made available to audit the monitoring of the **contract with ITnet** for delivery of human resources and payroll services.

We will provide control input as required to the preparation for later re-tendering of the **Recruitment Centre contract**.

Property

Regular audits

The way that Hertfordshire Property Service (HPS) and the contractors control **asbestos** within the county buildings will be reviewed.

Developments and audit issues

We will participate in the **Procurement** and **Partnership Boards** when appropriate, and will keep abreast of developments in the organisation of the property function.

Corporate Estate

Management and monitoring of the new **Legal Services property disposals** contract (for high value disposals) will be evaluated.

The Property Related **Planning Obligations** (imposed on developers under the Town and Country Planning Act and the Highways Act) processes will be reviewed to ensure that all learning points have been incorporated.

A short follow up audit of the tariff system (transfer of budgets from operational departments) for **Corporately Managed Property** will be performed now that it is in general usage.

We have included time in the CSF plan, as the sponsoring department, for involvement in the PFI for accommodation services.

Commissioning and Facilities

We will test the operation of the revised electronic format **Gateway process** for controlled project management of the council's property projects. This will include the impact on the bonus scheme of the shorter timespan.

We will further review the client side monitoring of the following contracts, which we audited last year:

- the **design and project management** contract with MACE for projects over £100,000, monitored by Hertfordshire Property Service's newly formed Quality Management Team. This contract is for carrying out professional property services, including letting of contracts.
- the six **framework** contracts for Strategic Contracting. The audit will include contracts in each of the five specified contract value ranges for (non Repairs and Maintenance) Capital Works.
- the **property care** contract with Mouchel Parkman for the asbestos database, property condition surveys and creation and implementation of property repairs and maintenance programmes. This will also include the responsive property repairs and maintenance system (Property Direct).
- the **minor works** contract with Mouchel Parkman for projects under £100,000. The operation of the Atrium system for financial and management reporting will be included in the review. We will also test the downloading of bills in respect of work done by contractors and consultants fees into the SAP system.
- planned and responsive repair and maintenance programmes work under the four **Measured Term** contracts, as these settle down following re-tendering. The audit will cover building maintenance and mechanical and electrical work in the east and west of the county.

Support Services

We will allow time for contributing to the development process for **ISO 14001** (the externally accredited Environmental Management and Audit System).

Safety emergency and risk management (SERM)

A particular focus of our work on the **annual internal control review** (see Corporate Services above) will be the adequacy of the council's risk management arrangements. We will continue to work closely with the Head of Risk Management on the ongoing development of these.

We will continue to take issues to the **SERM Board** as and when appropriate.

ENVIRONMENT

Regular audits

We will audit **Economic and Community Development** to ensure proper contractual arrangements and maximisation of funds available.

We will carry out our annual **high level financial management** review including SAP issues.

Developments and audit issues

Integrated Transport Services

We will allow time to keep abreast of the developments arising from the extensive management consultancy work scheduled on contracts, ticketing and promotions in the **Passenger Transport Unit**, including a follow up later in the year on the letting of taxi and bus contracts. (Hertfordshire Integrated Transport Partnership arrangements will also be audited from an Adult Care Services perspective.)

Hertfordshire Highways

We will:

- continue to audit the progress of the **Baldock By-Pass** project covering work done to date and the process for monitoring works and payment
- follow up the recommendations arising from our earlier audit of **Herts Highways** in respect of self certified routine maintenance – Category 1 and Category 2 work including street lighting

and will audit:

- **Herts Highways'** partnership arrangements covering areas not included in earlier audits, namely Large Category 2 Works and Small Schemes up to £100,000 in value, where normal supervision applies and Mouchel are involved in the design
- **Target Cost Schemes** over £100,000 which will all be ordered using SAP
- the **business continuity** Arrangements for Highways House

- the **highway inspection** process and its operation in relation to risk bearing in mind the code of practice and statutory obligations
- the data and its processing for the **key performance indicator system** in Herts Highways
- the systems surrounding **traffic signal control management**.

Resources

Computer Audit will review:

- the arrangements for the Council's hosting of the **Hertfordshire Observatory** web site of the Hertfordshire Prosperity Forum
- **HAPS** (the application developed for transport co-ordination)
- the adoption of **ARC** (a geographical information system developed by the Ordnance Survey).

Transportation Planning and Policy

We will carry out follow-up audits to keep abreast of the progress in implementing the Town and Country Planning Act **section 106 recommendations** contained in our previous audit report. This will include the introduction of the requirements of the new government guidance when issued in final format. We will also do a brief update on the progress of the **Hatfield Aerodrome** agreement.

Environmental Management

We will allow some time to involve ourselves with controls and best practice advice as the **Improvement Plan** for Rural Estates is implemented.

We will carry out a brief audit of the **Rights of Way** section, particularly the operation of the recovery of costs, e.g. for repairs to stiles etc., under the Statement of Policies and Good Practice Guide. This will be in support of management work being carried out in this area, under the Action Plan to meet the District Auditor's Report in the Public Interest (RPI) recommendations.

Waste Management

We intend to audit the monitoring of the recently let **landfill contracts** for landfill at Ugley (Essex) and Milton (Cambridgeshire).

The operation, management and control monitoring of the new **operators' contracts** for household waste disposal recycling centres will be audited, including the recycling incentive bonus scheme (RIBS) scheme to share savings made.

EXTERNAL CLIENTS AND VOLUNTARY BODIES

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

We are agreeing an Audit Plan with the **Magistrates Courts Service**.

We will provide an audit of **Connexions**, the consortium (of which HCC is a member) for the provision to young Hertfordshire people of access to information, advice, guidance and support.

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 & RESCUE

Regular audits

We will carry out the annual review of key **financial management arrangements**.

We will audit the monitoring of the contract for the supply of **road traffic accident equipment**.

Developments and audit issues

As far as possible we will respond to any request by the Chief Fire & Rescue Officer to input to any significant control issues that arise during the year. These may relate to the Council's SHARP programme, the national introduction of a regional organisation for Fire & Rescue Services, and the Modernisation Agenda set by the Government.

Following the restructuring of the **operational units** from three Divisions into six Areas, we will examine the financial administration within two of these **Areas**: Watford & Three Rivers Area (since it was the first to be established) and Dacorum.

We will audit the contract arrangements in respect of the **new fire stations** at St. Albans, Watford and Bovingdon. Our focus will be upon the project management, tendering and contract procedures.

We will allow some time in the plan for the evaluation of the arrangements for the transfer of procurement to Hertfordshire Business Services, and the development of a SAP based **procurement process** for Fire and Rescue.