

**TO: GOVERNANCE AND AUDIT COMMITTEE
28 MARCH 2018**

**INTERNAL AUDIT PLAN 2018/19
Head of Audit and Risk Management**

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to set out the underlying principles applied in the Internal Audit planning process and seek the Governance and Audit Committee's approval of the Internal Audit Plan for 2018/19. It should be noted that the planned IT audits are provisional as proposals will be discussed with the new Chief Officer: ICT once he is settled into post.

2 EXECUTIVE SUMMARY

- 2.1 To review and approve the Annual Internal Audit Plan.

3 RECOMMENDATION

- 3.1 **To approve the Internal Audit Plan for 2018/19 attached at Appendix 1.**

4 REASONS FOR RECOMMENDATION

- 4.1 To ensure that the Council meets its statutory responsibilities for internal audit.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 There is no alternative option.

6 SUPPORTING INFORMATION

INTERNAL AUDIT PLAN

Internal Audit Requirements

- 6.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities must "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." The Council delegates its statutory responsibilities for the provision of the internal audit service under the Accounts and Audit (England) Regulations 2015 to the Borough Treasurer.
- 6.2 More specifically, Internal Audit aims to: -
- satisfy the legal requirements of a Local Authority Internal Audit Service and provide an annual opinion on the adequacy of the Council's control environment risk management and governance processes;
 - comply with Public Sector Internal Audit Standards;

- examine, evaluate and report independently and objectively on the adequacy of management's arrangements to secure the proper use of resources (economy, efficiency and effectiveness);
- assist management in achieving its objectives, managing its risks and establishing and maintaining adequate systems of internal control;
- assist management, where appropriate, in the investigation of alleged fraud, theft, corruption or other irregularity; and
- ensure External Audit can place reliance on Internal Audit's work to inform their planning, avoid duplication and minimise audit fees.

6.3 Internal Audit provides independent assurance on the control environment but for Internal Audit to provide full assurance on all activities and transactions across the organisation, the Council would need to commit significantly more resources to internal audit services than is realistically available. Historically, the Council has taken the view that spend on internal audit should be limited to only what is necessary to undertake sufficient audit work to enable an annual evidence based opinion to be given. In the current financial climate that approach has and will be maintained. Full assurance could only ever be achieved by checking every transaction and this would not deliver value for money. Internal Audit's work is planned so that Members and Officers can rely on Internal Audit to detect significant control weaknesses for the areas audited and transactions sampled and is hence directed to areas of greatest risk.

6.4 Managing the risk of fraud and corruption is the responsibility of managers. Internal Audit will however be alert in all its work to the risk of fraud and corruption. In addition, a number of probity audits are included in the Plan to provide assurance over the proper administration of the Authority's activities. In drawing up the annual Internal Audit Plan, focus has been placed on ensuring there is coverage of areas where there is potential risk of internal or external abuse of processes for fraudulent purposes. In addition, a number of days have been targeted for proactive Counter Fraud work and training during 2018/19.

Development of the Annual Internal Audit Plan

6.5 Given the finite resources available to spend on internal audit, the Internal Audit Plan seeks to optimise the limited resources available to provide assurance on the control environment. It is largely risk driven to ensure optimum use of audit resources.

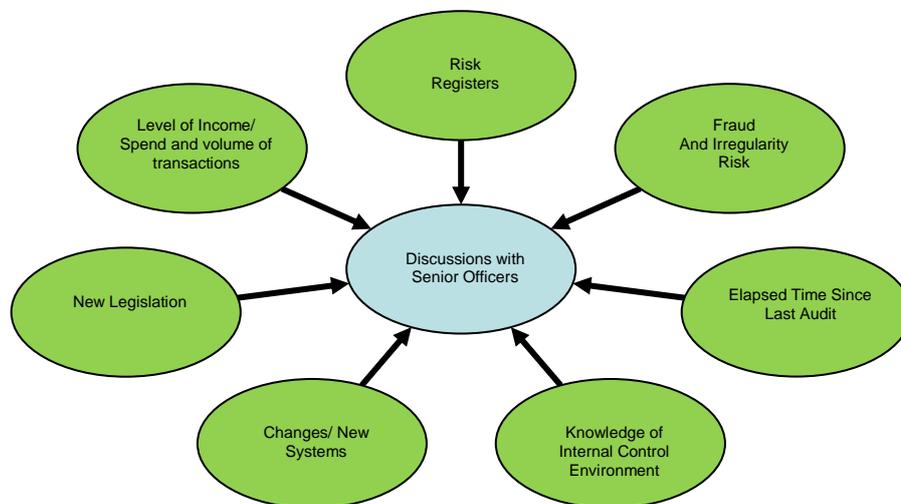
6.6 The process begins with listing audits that have been given a limited assurance opinion in the previous 12 months as our procedure is to re-visit these in the following year and grants requiring audit sign off as a condition of funding. Expenditure and income streams in each directorate are then reviewed to identify those areas of highest value. Directorate risk registers are used to identify significant risk areas. Key IT systems particularly those with direct financial and financial reporting impact are identified. Minutes are reviewed to identify potential changes such as upgrades or new IT systems.

6.7 Fraud and irregularity is a key risk for all local authorities. Whilst as noted above, the responsibility for managing this risk rests with managers, the potential risk of fraud and irregularity is taken into account when developing the audit plan thus ensuring there is adequate audit coverage of areas of greatest risk such as where there is cash income. In addition for 2018/19, to address potential fraud risks that are often

common to all local authorities, the Plan includes a number of days for proactive counter fraud work and for fraud awareness training following on from the training provided in Adult Social Care Health and Housing and Environment, Culture and Communities during 2016/17.

- 6.8 Heads of Internal Audit are required to give an opinion on the effectiveness of governance and risk management arrangements. This will be addressed through audits such as officers expenses, gifts and hospitality and social media.
- 6.9 Having identified these potential areas for audit focus these are then listed and plotted against audit coverage over the last few years to establish a preliminary view of where audit resources might be directed for the forthcoming year. This is then discussed at one to one meetings with officers. This is a vital element of the methodology for developing the plan. Discussions are held with the Chief Executive, Borough Treasurer, Directors, Chief Officers, Group Accountants and IT officers. These discussions provide the opportunity for the Head of Audit and Risk Management to confirm her knowledge of new legislation and systems and their potential impact, seek input officers on the areas that would benefit from audit review and ensure proposed audits cover all major risks and areas of concern that could impact on delivery of the Council's strategic themes.

Figure 1



- 6.10 The proposed plan of audits developed from the discussion meetings as at Appendix 1 is finally cross-checked against the Strategic Risk Register to ensure that there is adequate audit coverage against all key risks. A summary of the main audits against each strategic risk is attached at Appendix 2.
- 6.11 The plan at Appendix 1 of audits indicates where the audit relates to a key financial system or is included to provide assurance on governance, risk management or address the risk of fraud (probity).
- 6.12 The approach to school audits was changed in 2017/18 after senior management and Members queried the practice of each school being subject to an audit visit at least every 3 years and a robust audit of financial and governance controls undertaken. The necessity to do this was challenged and senior management were

also keen that Audit undertake more themed audits. It is in the interests of the Council for schools to be financially sustainable and therefore to have sound financial and governance controls and our audits over the past few years have highlighted some significant weaknesses which would not have been identified or addressed if the audits had not taken place. In the view of the Head of Audit and Risk Management it would not be appropriate to cease all individual school audits but a reduction in audits was achieved in 2017/18 and will again be achieved in 2018/19 by carrying out a risk assessment of each school due for audit on rotation to determine if an audit visit is not required. This approach is set out in the CYPL section of the audit plan in Appendix 1. It should be noted that as with any area, regular internal audit of schools is a fraud deterrent and the reduction in audit coverage increases fraud risk.

Resourcing Delivery of the Audit Plan

- 6.13 Delivery of the audits in the Council's internal audit plan is outsourced. Internal audit services are delivered via two main sources. Mazars LLP are expected to deliver approximately three quarters of the 2018/19 general internal audit reviews. Whilst a small proportion of general audits are carried out in-house, most of the remaining one third of the Annual Internal Audit Plan audits will be undertaken by the-house Internal Audit Team at Wokingham Borough Council, via an agreement under a S113 of the Local Government Act 1972 which permits local authorities to provide staffing resources to other authorities. IT audit will be delivered by TIAA Ltd.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 There are no specific legal implications arising from the recommendation in this report

Borough Treasurer

- 7.2 The work of Internal Audit is key to fulfilment of the section 151 responsibilities by identifying weaknesses in internal control arrangements that can then be rectified. The Internal Audit Plan will delivered within the financial budget allocated.

Equalities Impact Assessment

- 7.3 Not applicable.

Strategic Risk Management Issues

- 7.4 Robust internal audit arrangements are an important part of effective risk management. Audit plans should be targeted to areas of greatest risk to the Council and individual internal audit reviews should focus on controls in place to mitigate risk and highlight any gaps in assurance.

8 CONSULTATION

Principal Groups Consulted

- 8.1 The Chief Executive, Borough Treasurer, Directors and Chief Officers at the Council, the Council's external auditors and the Council's internal audit services contractors (Mazars and TIAA).

Method of Consultation

- 8.2 The development of the Annual Internal Audit Plan for 2018/19 has involved extensive consultation with a range of stakeholders, to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered. This was based on one to one discussion with the Borough Treasurer, Directors, chief officers and Group Accountants followed by discussions with the Corporate, Departmental Management and Operational IT Management teams. Feedback was also been sought from the Chief Executive and from Mazars and TIAA as our key internal audit service providers for general and IT audit . Feedback on the content of the draft Plan and timing of audits has been taken into account in the Plan attached at Appendix 1.

Representations Received

- 8.3 Not applicable.

Background Papers

Public Sector Internal Audit Standards
Contact for further information
Sally.hendrick@bracknell-forest.gov.uk
01344 352092

SUMMARY OF ANNUAL INTERNAL AUDIT PLAN 2018/19

AUDIT	DAYS BY QUARTER				TOTAL DAYS
	Q1	Q2	Q3	Q4	
COUNCIL WIDE AUDITS	16	32	8	2	58
RESOURCES	40	38	70	32	180
ENVIRONMENT CULTURE AND COMMUNITIES	15	31	3	25	74
ADULT SOCIAL CARE, HEALTH AND HOUSING	17	11	32	10	70
CHILDREN, YOUNG PEOPLE AND LEARNING	19	7	36	10	72
TOTAL	107	119	149	79	454

COUNCIL WIDE AUDITS

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Key System	Link to Strategic Risk	Probity	Governance
COUNCIL WIDE									
Officer Expenses	7	7	0	0	0			✓	✓
Apprenticeship Levy	4	4	0	0	0				✓
Absence Management	8	0	0	8	0			✓	✓
Budgeting	10	0	10	0	0	✓	✓	✓	✓
Delegations	6	0	6	0	0			✓	✓
Cleaning Contract	5	5	0	0	0			✓	✓
Bracknell Forest Lottery	2	0	0	0	2				✓
Gifts and Hospitality	4	0	4	0	0				
Counter Fraud Training	2	0	2	0	0			✓	✓
Proactive fraud work	10	0	10	0	0			✓	✓
TOTAL COUNCIL WIDE AUDITS	58	16	32	8	2				

RESOURCES

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Key System	Link to Strategic Risk	Probity	Governance
Creditors including Controcc transactions	15	0	0	0	15	✓	✓	✓	✓
Debtors including Controcc transactions	6	0	0	6	0	✓	✓	✓	✓
Main Accounting including reconciliations	10	0	10	0	0	✓	✓	✓	✓
Payroll and pre	15	0	0	15	0	✓	✓	✓	✓

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Key System	Link to Strategic Risk	Probity	Governance
employment checks									
Cash Management	7	0	0	7	0	✓	✓	✓	✓
Council Tax	8	0	0	8	0	✓	✓	✓	✓
Business Rates	9	0	0	9	0	✓	✓	✓	✓
Mayor's fund	2	2	0	0	0			✓	✓
Registrars	5	0	5	0	0			✓	✓
Home to School Transport Follow Up (P1 recommendation 2017/18)	3	3	0	0	0		✓	✓	✓
Minor capital works	5	0	5	0	0		✓	✓	✓
IT AUDIT (PROVISIONAL) Disaster Recovery Follow Up (P1 recommendation 2017/18)	3	3	0	0	0	✓	✓		✓
iTrent Follow Up (Ltd 2017/18)	3	0	0	3	0				✓
Cyber security/VOIP Follow Up (Ltd 2017/18)	3	0	3	0	0		✓	✓	✓
Enterprise Agreement programme management	7	7	0	0	0	✓	✓	✓	✓
IT asset management	7	7	0	0	0	✓	✓	✓	✓
Social Media	8	8	0	0	0		✓	✓	✓
Agresso	7	0	0	7	0	✓	✓	✓	✓
Helpdesk	7	0	0	0	7		✓		
IT AUDIT CONTINGENCY	10	0	5	5	0				
CONTINGENCY	40	10	10	10	10				
TOTAL RESOURCES	180	40	38	70	32				

ENVIRONMENT CULTURE AND COMMUNITIES

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Key System	Link to Strategic Risk	Probity	Governance
Reactive highways maintenance	7	0	7	0	0		✓	✓	✓
Continental-contract landscape and street cleansing	5	5	0	0	0		✓	✓	✓
Brown bins- management by contractor	3	3	0	0	0			✓	✓
Leisure Contract Management	10	0	10	0	0			✓	✓
Libraries including use of volunteers	6	0	0	0	6			✓	✓
Concessionary Fares	7	7	0	0	0			✓	✓
CIL/S106	7	0	7	0	0			✓	✓
Highways Adoptions	6	0	0	0	6			✓	✓
Development Controls	5	0	0	0	5			✓	✓

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Key System	Link to Strategic Risk	Probity	Governance
Land charges	3	0	0	3	0			✓	
IT AUDITS						✓			✓
Library self service and stock purchasing systems	8	0	0	0	8				
GRANTS								✓	✓
Bus Service Operators Grant	1	0	1	0	0				
Integrated Transport Block Allocation	3	0	3	0	0			✓	✓
COUNTER FRAUD								✓	✓
Cash Spot Checks	3	0	3	0	0				
ECC TOTAL	74	15	31	3	25				

ADULT SOCIAL CARE, HEALTH AND HOUSING

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Key System	Link to Strategic Risk	Probity	Governance
Domiciliary care including contract management and supplier resilience	10	0	0	0	10	✓	✓	✓	✓
Residential care contract management and supplier resilience	3	0	3	0	0		✓	✓	✓
Direct payments	10	0	0	10	0			✓	✓
Financial assessments	5	0	5	0	0			✓	✓
Forestcare Follow Up (Ltd 2017/18)	3	0	3	0	0			✓	✓
Housing Benefit and Council Tax Reduction	12	0	0	12	0	✓	✓	✓	✓
Housing Rents and Deposits including Downshire Homes	10	0	0	10	0			✓	✓
Public Health	7	7	0	0	0			✓	✓
IT AUDITS						✓			✓
GIS system	5	5	0	0	0				
My Benefits	5	5	0	0	0	✓		✓	✓
ASCHH TOTAL	70	17	11	32	10				

CHILDREN, YOUNG PEOPLE AND LEARNING

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Key System	Link to Strategic Risk	Probity	Governance
Adoption Services (shared services to be audited by Oxfordshire County Council Internal Auditors)	0	0	0	0	0		✓	✓	✓
Allowances for Fostering, Adoption and Special Guardianships	6	0	0	6	0		✓	✓	✓
Residential placements	5	0	0	0	5		✓	✓	✓

AUDIT	Days	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Key System	Link to Strategic Risk	Probity	Governance
Supervision including under the Family Safeguarding Model	6	0	0	6	0		✓	✓	✓
Margaret Wells-Furby House (Child Development Centre)	5	5	0	0	0		✓	✓	✓
SEN Resource Provision Follow up (Ltd 2017/18)	3	3	0	0	0			✓	✓
The Rise	4	4	0	0	0				
PEP Follow up (Ltd 2017/18)	3	3	0	0	0			✓	✓
Recruitment and retention incentives	4	0	0	4	0		✓	✓	✓
SCHOOLS School 1 (Follow up -Ltd 2017/18)	4	0	0	4	0	✓	✓	✓	✓
School 1 (Follow up Ltd 2016/17)	2	0	2	0	0	✓	✓	✓	✓
School 3	4	4	0	0	0	✓	✓	✓	✓
SCHOOL AUDIT CONTINGENCY FOR SCHOOLS ON ROTATION	16	0	0	16	0	✓	✓	✓	✓
GRANTS Troubled Families	10	0	5	0	5				✓
CYPL TOTAL	72	19	7	36	10				

* School due for audit on rotation will be risk assessed based on outcome of self assessment by the school, Statement for Financial Value in Schools assessment ,whether there are any concerns within the Education Authority and Ofsted inspection rating to determine if an audit visit is not required. Any visits will then be funded from the school audit contingency

APPENDIX 2

Strategic Risk	Risk Rating	Proposed Audit(s) to Address Risk
Significant pressures on the Council's ability to balance its finances whilst maintaining satisfactory service standards	Amber	<ul style="list-style-type: none"> ➤ Key financial system audits ➤ Budgeting ➤ Contract management audits
<p>Council unable to deliver the transformation programme due to:</p> <ul style="list-style-type: none"> • Difficulties in delivering individual projects • Difficulties in tracking transformation changes • Benefits/savings not being achieved <p>Linkages between individual transformation projects and knock on effects across transformation projects not adequately identified and taken into consideration.</p>	Amber	<ul style="list-style-type: none"> ➤ Budgeting ➤ Enterprise Agreement ➤ Library IT system audit and libraries audits
Council and its outsourced providers are unable to recruit and retain staff at all levels together with loss of key Council staff through redundancy, retirements, etc. and managing services with reduced capacity and with staff resources re-allocated to the transformation programme	Red	<ul style="list-style-type: none"> ➤ Domiciliary care ➤ Residential care ➤ Absence management
Impact of the national and global economy on economic activity in the Borough including potential for businesses to relocate following Brexit and other international business decisions	Amber	
The Council Policy of providing local school places for local children results in overprovision and a surplus of school places across the borough	Amber	<ul style="list-style-type: none"> ➤ Pupil places audited in 2016/17 ➤ SEN resource provision follow up
Council unable to predict and plan for or respond to future changes in demands for services arising from demographic changes and national policy initiatives.	Red	<ul style="list-style-type: none"> ➤ Budgeting ➤ Domiciliary Care ➤ Public Health ➤ Residential Placements
Council unable to sustain delivery of services to support adult social care needs due to external providers of adult social care withdrawing from the market for local authority funded care as a result of factors impacting on financial viability.	Red	<ul style="list-style-type: none"> ➤ Domiciliary care
Factors outside the control of the Council may result in the injury, death or sexual exploitation of a vulnerable child or adult in the community.	Amber	<ul style="list-style-type: none"> ➤ Supervision under family safeguarding model ➤ Domiciliary care ➤ Residential placements (CYPL) ➤ Residential care contract management (ASCHH)
IT Strategy and digital infrastructure fails to meet the needs of the organisation. Pressure on ICT resources to deliver substantial and complex changes introduced under the Enterprise Agreement (EA) and potential end user resistance to both disruption during implementation and the changes being introduced. IT controls or staff vulnerabilities fail to prevent a cyber attack and/or unable to respond effectively to an attack to enable IT services to be sustained	Amber	<ul style="list-style-type: none"> ➤ Enterprise Agreement ➤ Cyber security follow up ➤ Disaster recovery follow up
Council unable to comply with data protection/security requirements to secure data resulting in inappropriate disclosure, loss or theft of sensitive data. Uncertainty of impact of placing more responsibility on end users by changing IT controls to meet business needs (E.g. changes	Amber	<ul style="list-style-type: none"> ➤ GDPR gap analysis audited 2017/18. Action plan put in place with oversight of the Council's Information Management Group"

Strategic Risk	Risk Rating	Proposed Audit(s) to Address Risk
to protective marking, access to Windows 10 and removal of Endpoint).Failure to meet requirements of GDPR.		