

TO: GOVERNANCE AND AUDIT COMMITTEE
27TH MARCH 2019

PROVISIONAL INTERNAL AUDIT PLAN 2019/20
(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 2019/2020.

2 EXECUTIVE SUMMARY

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

3 RECOMMENDATION

- 3.1 To approve the Provisional Internal Audit Plan for 2019/20 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. Responsibility for the prevention and detection of fraud rests with management. However, in undertaking all audit assignments audits are mindful to the risk of fraud and fraud and look to ensure that managers have put adequate procedures in place to address the risk of fraud.
- 6.4 The Plan proposed is provisional. With the number of limited assurance reports being higher than in previous years, the Corporate Management Team is currently reviewing the audit reports with a limited assurance opinion and/ or priority 1 recommendations to identify any key, recurring themes arising from these audit reviews. This will enable a corporate focus on areas identified, in addition to the actions that will be taken by individual managers. The provisional audit plan for 2019/20 will be re-visited early in the financial year to ensure it addresses these key themes coming out of the audits.
- 6.5 A key theme already included across the 2019/20 Audit Plan is contract management. The effectiveness of contract management continues to be considered in individual audits where services are outsourced.
- 6.5 The approach to schools audits changed three years ago and schools are now risk assessed on a cyclical basis to identify in an audit visit is required. In addition a number of strategic themes for schools are included in the plan which will be based on sampling of schools.
- 6.6 Delivery of the audits in the Council's internal audit plan is outsourced. Internal audit services are delivered via two main sources. Mazars LLP and TIAA Ltd whilst a small proportion of general audits are carried out in-house, including all grant claims. Counter fraud training will be delivered by Reading Borough Council Fraud Investigation Team.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 Nothing to add.

Borough Treasurer

- 7.2 There are no financial implications arising from the report. However, a strong internal control environment helps ensure that the Council is not exposed to unexpected financial risks and ensure value for money. The Internal Audit programme is focused primarily on key financial controls as well as high risk areas identified by the Head of Internal Audit and senior managers across the organisation. As such, it is to be expected that some areas may receive limited assurance reports. Where weaknesses are identified it is important that they are addressed as quickly as possible.

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, Director of Finance, Borough Solicitor, Directors and Assistant Directors, ICT and 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 2019/20 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 senior officers noted above and from Mazars and TIAA as our key internal audit service providers for general and IT audit.

Representations Received

- 8.3 Not applicable.

Background Papers

Public Sector Internal Audit Standards

Contact for further information

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APPENDIX 1

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.		