

**BUCKINGHAMSHIRE COUNTY COUNCIL**  
**AUDIT & RISK MANAGEMENT SERVICES**  
**STRATEGY 2014/15**

Ian Dyson  
Chief Internal Auditor

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## **AUDIT & RISK MANAGEMENT SERVICES**

### **STRATEGY 2014/15**

#### **1. Introduction**

- 1.1 This paper details the Internal Audit Strategy, including the resources available and how we will be delivering our service in 2014/15. Detailed work plans will be prepared on a quarterly basis and will be presented to the Regulatory and Audit Committee for approval. The Quarter 1 work-plan for 2014/15 is attached as appendix 2 to this Strategy.

#### **2. Internal Audit Strategy**

- 2.1 The Accounts and Audit Regulations 2011 (S6) state that the Council needs to maintain an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with the proper internal audit practices; these are defined as the Public Sector Internal Auditing Standards 2013.
- 2.2 The Public Sector Internal Auditing Standards defines “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”
- 2.3 The Chief Internal Auditor is required to provide an annual report on the System of Internal Control which is used to inform the Council’s Annual Governance Statement. In providing this opinion we are required to review annually the financial management, risk management and governance processes operating within the Council. This includes reviewing internal control systems for key processes on a risk basis. The methodology for identifying areas for audit is detailed in section 3 of this report.
- 2.4 The assurance work that contributes to the Chief Internal Auditor's annual opinion on the system of internal control is performed by two teams within the Audit and Risk Management Service:
- The Risk Assurance team focus on the system of risk management, and the performance risks within the key services, including the development of new Delivery Units and major projects. In routinely monitoring the risk management system, it enables the Risk Manager to identify service risks that require an internal audit.
  - The Internal Audit team reviews the key control processes across the organisation, including those supporting critical service areas. The activity focusses on governance, and internal control, including financial management and fraud risk.

- 2.5 In March 2014 the Cabinet approved plans for a new operating framework, under the heading of Future Shape. The operating framework is due to go live from April 2015, but 2014/15 will see the transition to the Future Shape model. The new operating framework will see fundamental changes to the assurance framework, including governance, risk management and the system of internal control. To support the transition, and to develop the future governance and assurance mechanisms, the Risk Manager has been seconded into a new finance team focussed on supporting future shape. During the secondment, which is for 4 days a week, the Risk Manager will continue to have a dotted line reporting to the Chief Internal Auditor. The Regulatory and Audit Committee, as a key stakeholder, will be regularly consulted on throughout the development of the new governance and assurance framework.
- 2.6 The Internal Audit resource needs from 2015/16 will be determined by the outcome of the new governance and assurance framework, including the local systems of control applied within the Business Units. As there is uncertainty over the future needs, the resourcing of the service for 2014/14 will be a one year strategy.
- 2.7 The key resourcing matters for 2014/14 are; as stated above, the Risk and Insurance Manager is seconded to a dedicated finance team focussing on the Future Shape Programme; A Senior Auditor from the in house team is also taking up a year-long secondment as a development opportunity; IT audit resource will be sourced through the collaboration with Oxfordshire.
- 2.8 The impact of the secondments will be managed by increasing the Audit Manager resource provided through the collaboration, and sourcing internal audit resources through the existing call off contract we have in place for Audit Services.
- 2.8 The key priority for 2014/15 will be the development of the governance and assurance framework for the new Future Shape, including mapping the assurance process for the operations within the new Business Units. This will be used to determine the need and scope of future Internal Audit activity, and skills required. There will remain a significant emphasis for internal audit activity reviewing key financial systems and compliance with the governance framework; however, financial management across Directorates, including local financial systems, and financial management in schools will be a key priority for audit.
- 2.9 Following on from 2013/14, contract audit will continue, as commissioning and procurement remains core to the delivery of the Council's services. The Council's main source of assurance on contract management should be taken from the recently implemented Contract Management Application; Internal Audit will test that management control during 2014/15, to ensure that it is complete and providing accurate and effective management information.

- 2.10 An IT needs assessment was completed in 2013/14, and there is currently an assurance mapping exercise being completed by Internal Audit to help prioritise that work for 2014/15. The IT Audit activity will be resourced through the collaboration.
- 2.11 There will be no separate Counter-Fraud plan for 2014/15; however, with the emphasis of audit activity being on contract audit, financial management and financial systems, fraud risks will be reviewed through those audits. Internal Audit will continue to register and follow up on reported financial irregularity including suspected fraud, and will co-ordinate the response for the 2014/15 National Fraud Initiative (NFI) data matching exercise. The Chief Internal Auditor in conjunction with the Service Director, Finance and Commercial Services (S151 Officer) will undertake fraud awareness training when necessary.
- 2.12 Internal Audit will continue to lead on the preparation of the Annual Governance Statement including the coordination and review of the annual self-assessment and statement on control by the Service Directors. This is a key source of assurance for the Council; the quality of the assessments will be tested by Internal Audit through a programme of routine governance audits.

### **3. Audit Planning Methodology**

- 3.1 The quarterly internal audit and risk assurance plan will be produced, in consultation with the Risk and Insurance Manager and with consideration to the risk registers. This will be agreed with the Service and Strategic Directors during quarterly meetings.
- 3.2 The Quarterly plans will be presented to the Regulatory and Audit Committee for their consideration and comment.
- 3.3 The Audit Plans, once considered by the Regulatory and Audit Committee will be shared with the Select Committees, to ensure there is information sharing and co-ordination where similar areas are being reviewed.
- 3.4 Maintaining the risk management system is a key function of the Audit and Risk Management Team. The Risk and Insurance Officer works directly with COMT in the risk assessment, mitigation planning and monitoring of the strategic risk register; and the team work closely with the Service Managers in the development and monitoring of service based risk registers. The Risk and Insurance Manager is a member of the Risk Management Group and routinely reports on key risks and emerging issues to that Group.

#### 4. Resources

4.1 The Audit and Risk Management Service is resourced as follows:

	2014/15
Gross days – In house team	913
OCC/Contract Staff	568
<b>Total Gross days</b>	<b>1481</b>
Overheads	178
Non Chargeable Days	51
<b>Total Chargeable days available</b>	<b>1252</b>
Chargeable Days – non assignment (including Strategic Insurance / Strategic Risk Management) and secondment of Risk and Insurance Manager to Future Shape Programme	204
Chargeable days – External Clients	102
Chargeable days – assurance based	946

4.2 It is planned that Internal Audit Services will deliver a minimum of 946 days on Assurance Assignments that will be designed to provide reasonable assurance on the system of internal control. This is reduction of 88 days on the assurance based chargeable days in 2013/14, and is a consequence of the secondment arrangements that exist in 2014/15.

4.3 As outlined above the quarterly plans will be presented to the Regulatory and Audit Committee, with Q1 attached as appendix 2 to this report. The type of audit activity will be:

Key Financial Systems	We will test any changes to the existing systems, and will undertake walkthrough test to confirm the system. We will agree with
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	External Audit the key controls to be tested, and undertake the compliance/substantive testing.
Governance	We will undertake testing across Directorates of compliance against the governance and regulatory framework, including the key control processes covering HR, ICT, Financial Management, Risk Management, Project Management, Performance, and Procurement. This will provide evidence to the Directors for completion of their annual assurance statement.
Schools	We will seek assurance through analytical review and with targeted visits and thematic reviews as required.
IT Audit	We will undertake a programme of IT audits to provide assurance that the network and IT infrastructure is secure and managing our data and information needs effectively.
Contract Audit	Contract Management will continue to be the key focus of our audit activity. This area will include a review of the new Contract Management Application.
Operational Risk	Performance systems for key operational risks ascertained through the risk management process and in consultation with Strategic and Service Directors will be reviewed and tested.
Strategic Risk	Performance systems for the management of strategic risk, for example major procurement and projects will be reviewed and tested.
Counter Fraud	Fraud risks will be reviewed as part of the financial management and financial systems audits. In 2014/15 the biennial NFI data matching exercise will be undertaken
Follow Up	We will continue to monitor and report on the implementation of agreed management action.

## **5 Performance Monitoring / Reporting**

- 5.1 The proposed performance indicators for 2014/15 are attached as appendix 1 to this report.
- 5.2 The Regulatory and Audit Committee will receive a quarterly report, including the next quarters plan for approval, a status update on the approved work plans, and a summary of the outcomes of completed audits.

## **6. Recommendation**

The Committee are **RECOMMENDED** to approve the Internal Audit Strategy and Q1 Plan.

Ian Dyson

Chief Internal Auditor

April 2014

**APPENDIX 1 Proposed PERFORMANCE INDICATORS 2014/15**

	<b>Performance Measure</b>	<b>Target</b>	<b>Frequency reporting</b>	<b>of</b>	<b>Method</b>
1	Elapsed time between start of the audit (opening meeting) and Exit Meeting.	Target date agreed for each assignment by the Audit manager, stated on Terms of Reference, but should be no more than 3 X the total audit assignment days (excepting annual leave etc)	Quarterly report to R&A Committee.		Internal Audit Performance Monitoring System
2	Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 Days	Quarterly report to R&A Committee.		Internal Audit Performance Monitoring System
3	Elapsed Time between issue of Draft report and issue of Final Report	15 Days	Quarterly report to R&A Committee.		Internal Audit Performance Monitoring System
4	% of planned audit activity completed by 30 April 2014	100%	Quarterly report to R&A Committee.		Internal Audit Performance Monitoring System
5	% of management actions implemented	90% of all management actions	Quarterly report to R&A Committee.		Action Management Tracking System



**APPENDIX 2 – Audit and Risk Management Plan Quarter 1 2014/15**

<b>Governance</b>	
Annual Governance Statement	We will be analysing the self assessment Annual Governance Statement questionnaires returned from Service Directors. This will form key evidence for the production of the Annual Governance Statement. The Chief Internal Auditor will also be liaising with the Corporate Leads on the key control processes in compiling the AGS
<b>Financial Management / Financial Systems</b>	
AFW - Direct Payments	The audit will consider the results of the special investigation undertaken in 13/14, and will work with the Service Director and teams to review current systems and processes to ensure that the operations provide effective management assurance for both the S151 Officer in respect of the financial system, but also the Service Director in respect of duty of care to service users.
AFW - Payments to Providers	The audit will look at the systems and processes for the payments to providers of adult social care services, including residential and domiciliary care.
AFW - Debt Management	The audit will look at the systems and processes for the management of client debt, including the management of deferred debt charges.
<b>Strategic Risk</b>	
Future Shape	This will be an on-going activity looking at the development of the governance, risk management and assurance policies and procedures for the new operating framework. Regular updates on progress will be presented to the Committee and the Risk Management Group.
Bucks Law Plus	A review of the risk management in relation to the creation of Bucks Law Plus, a new delivery vehicle for the provision of legal services.

AFW - Care Bill	The new Care Bill will have major operation and financial implications for the Council. A project has been established to manage this. This review will look at the risk management of the Care Bill implementation
<b>Contract Audit</b>	
PLACE - Property Services	This audit will look at the contract management arrangements for two recently awarded contracts with regards to the Estates and Valuation Service, and Planned and Reactive Maintenance. The audit will also review the procurement process for works over £25K, and the management control over that process.
<b>Schools</b>	
Financial Management	This will be activity on-going throughout the year. The work on reviewing the S151 Officers assurance process on Schools Financial Management is progressing; internal audit will look at key areas being highlighted through that review. In Q1 this will include looking at the performance with regards to outturn for 13/14, and the budget setting process for 14/15. A small sample of schools will also be audited.
<b>IT Audit</b>	
IT Audit Assurance Mapping	An audit, started at the end of 13/14 will be concluded in Q1, mapping the management assurance processes for the key IT systems and controls. The output from this will help form a detailed plan of Internal Audit activity during 14/15.

#### Internal Audit - Forward Plan for Q2-Q4

Governance - annual audit of key control processes across Directorates

Governance - review of the Contract Management Application

Governance - S106 agreements

Governance - Business Continuity

Key Financial Systems - annual audit of the core financial systems

CYP - Financial Management - Placement Budgets

CYP - Safeguarding

CYP - SEN Follow Up

CYP - AMEY Contract - Follow Up

CYP Contract Management and Commissioning (Sample of Contracts)

AFW - Safeguarding

AFW - Adult Information System implementation

AFW - Contract Management and Commissioning (sample of contracts)

Financial Systems:

- Car Parking
- Payments to Foster Carers
- Client Charging

PLACE - TfB Contract

PLACE - Contract Management and Commissioning (Sample of contracts)

PLACE - Planning

Public Health - Financial Management

Public Health - Contract and Commissioning