# BUCKINGHAMSHIRE COUNTY COUNCIL

# BUSINESS ASSURANCE TEAM

# INTERNAL AUDIT STRATEGY 2015/16

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Chief Internal Auditor

April 2015

**INTERNAL AUDIT**

**STRATEGY 2015/16**

**1.      Introduction**

1.1     This paper details the Internal Audit Strategy, including the resources available and how we will be delivering our service in 2015/16.

1.2     The new operating framework for BCC commenced on 1 April 2015, including new structures and governance arrangements. Internal Audit is part of the Business Assurance Team, which also includes; Risk Management, Business Assurance and Strategic Insurance Services. The team operates under the Director of Assurance and is part of Headquarters.

1.3     The outline Internal Audit workplan for 2015/16 is attached as appendix 2. The work plan will evolve during the year as the new assurance framework matures.

**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.

2.4     Under its new Operating Framework, the Council is adopting a combined assurance model, with Internal Audit operating as the third line of assurance. The first line of assurance is achieved by the management controls and systems, and the second line of assurance from the professional leads monitoring the key governance systems.

2.5     The combined assurance model is an integral part of the Risk and Assurance Strategy. The model will become embedded into the

governance reporting process in 2015/16, which will include to the One Council Board and the Regulatory and Audit Committee.

2.6　During the final quarter of 2014/15, ongoing into 2015/16, the Chief Internal Auditor and the Business Assurance Manager have been mapping the first line assurance for the key business activities within TEE and Shared Services Business Units; and, have been working with the professional leads on the design of their assurance process for the key governance systems. During 2015/16 this work will extend to include CYP and AFW.

2.7　The Internal Audit Plan will evolve during the year as the combined assurance model matures; however a priority in the first quarter is to revise the "Audit Universe", that is all the auditable areas of risk across the Council's services, prioritising them according to the key services they support. The main focus of this will be the financial management systems that are now under the control of the Finance Directors within the Business Units.

2.8　To provide an opinion on the System of Internal Control, the Chief Internal Auditor will use the work undertaken by the Business Assurance Team:

- The Risk Manager and Business Assurance Officers 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. It is also the responsibility of this team to co-ordinate the combined assurance reporting which includes monitoring and reviewing the completeness of the management control, (first line of assurance) and the professional lead statements, (second line of assurance).
- 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. As the third line of assurance, it is the role of Internal Audit to consider the adequacy and effectiveness of the first two lines of assurance.

2.9　The Business Assurance Team will continue to support the professional leads and Managing Directors in developing their assurance frameworks, by providing advice and guidance.

2.10　The Chief Internal Auditor will be undertaking a review of the Counter-fraud arrangements in 2015/16, to consider whether the current methodology and resourcing is adequate and effective. In 2014/15 a countywide bid for fraud funding to support a "Fraud Hub" was unsuccessful; however the opportunity to work more closely with colleagues in the local councils across Buckinghamshire to see if efficiency can be gained on the BCC counter-fraud arrangements will be explored.

**3.     Audit Planning Methodology**

3.1     The Internal Audit Plan will be produced, in consultation with the Business Assurance Manager and with reference to the Strategic Risk Register. The plan is also informed through discussion with the Managing Directors, Finance Directors, Director of Assurance and the Chief Executive. Quarterly meetings with the Directors are scheduled to ensure the plan is kept under continuous review.

3.2     The plan will also be reviewed quarterly in conjunction with the combined assurance reports and strategic risk register, and presented to the Regulatory and Audit Committee for consideration and comment.

3.3     The Audit Plans will continue to be influenced by external organisations and statutory bodies we work with and provide assurance to.

3.4     Counter-fraud remains a responsibility for Internal Audit to lead on, and in 2015/16 this will continue to be focussed on overseeing the investigation of NFI data matches, and responding to referrals of suspected fraud and financial irregularity. The audit planning will include a review of the fraud risks with the Finance Directors.

3.5     The audit activity in relation to contracts will focus on the overall management control in particular the development of the Contract Management Application as a key assurance tool, and the key financial processes including procurement of goods and services and payments to providers.


**4.     Resources**

4.1     The Chief Internal Auditor operates as a shared resource with Oxfordshire County Council, and over that last three years that arrangements has extended to share internal audit resources. Under the restructuring resulting from the Future Shape Programme and the creation of the Assurance Service, that shared service has been scaled down for 15/16, to just the Chief Internal Auditor, although close working with the Oxfordshire Team and the opportunity to share resources and experience remains.

4.2     The Business Assurance Team, including Internal Audit is now resourced predominantly in-house, with two vacancies to be filled; the Risk Manager, and a Senior Auditor position. There is also a small budget available for procuring specialist Internal Audit Services should they be required.

4.3     The number of days available for the Business Assurance activity can be broken down as follows:

Chief Internal Auditor                                                      90 days

Risk Management and Assurance Framework                       625 days

- Business Assurance Manager          90 days

- Risk Manager             120 days
- Senior Business Assurance Officer   205 days
- Business Assurance Officer      210 days

Internal Audit                                845 days

- Business Assurance Manager     90 days
- Senior Auditor (x 4)           675 days
- Specialist/contingency        80 days

4.2   Overall the total days spent on Business Assurance activity is 1560 days, of which 845 days relate to the third line of assurance activity from Internal Audit.

4.3   As outlined above the audit plan will be developed during Q1 as the combined assurance mapping, and the "audit universe" matures. Attached as appendix 1 to this report are the priority areas currently identified for Internal Audit in 2015/16.

4.4   The 625 days Risk Management and Assurance activity will include the following:

- Business Intelligence Hub Project;
- Review of the Risk Management System;
- Development/embedding and reporting on the assurance framework;
- Risk Management Reporting;
- Review of risk registers for consistency, application, and effectiveness
- Project Risk Assurance - including development of new delivery vehicles.

## 5      Performance Monitoring / Reporting

5.1   The proposed Internal Audit performance indicators for 2015/16 are attached as appendix 1 to this report. The performance indicators for the Risk Management and Business Assurance activity are still to be determined.

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

Ian Dyson

Chief Internal Auditor

April 2015

**APPENDIX 1        Proposed PERFORMANCE INDICATORS 2015/16**

| | Performance Measure | Target | Frequency of reporting | Method |
|---|---|---|---|---|
| 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 2016 | 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 – Planned Internal Audit Activity 2015/16

| Area | Activity | Link to Strategic Risk |
|---|---|---|
| GENERAL | | |
| | Develop Audit Universe | |
| | Risk & Assurance 1/4ly Meetings (MDs and Directors) | |
| | Updates to Action Tracker | |
| | Reporting to RAC | |
| | Reporting to OCB | |
| | Reporting to DoA | |
| | Strategy & Reporting Developments | |
| | | |
| AUDIT ACTIVITY | | |
| HQ | 14/15 Annual Governance Statement | |
| | Counter Fraud/NFI | |
| | Follow Ups | |
| | Compliance with Operating Framework | |
| | Contract Management | |
| | Assurance Framework | |
| | IT Audits | |
| | | |
| Business Services Plus | Key Financial Systems | Governance Failure |
| | | |
| | | |
| TEE | Financial Management | Increased Financial Pressure |

| | | |
|---|---|---|
| | TfB Contract (incl. Financial Management) | Major contract and/or market failure |
| | LEP | Governance Failure/Unintentional consequences on partners |
| | | |
| CSC & L | BLT Governance | Governance Failure |
| | Financial Management in Schools | Governance Failure/Adverse Inspections |
| | DSG | Increased Financial Pressures |
| | Safeguarding Follow Up | Unintentional consequences on the vulnerable - children |
| | Safeguarding - Transport | Unintentional consequences on the vulnerable - children |
| | Financial Management | Increased Financial Pressures |
| | Families First - Grant Funding | Increased Financial Pressures/Unintentional consequences on the vulnerable - children |
| | | |
| CH & ASC | Public Health Contracts & Commissioning | Ability to operate as a commissioning authority/major contract and/or market failure |
| | Public Health Payments to Providers | Governance failure/Unintentional consequences on the vulnerable - adults/unintentional consequences on partners/increased financial pressures |
| | Financial Management | Increased financial pressures |
| | ASC Payments to Providers | Governance failure/Unintentional consequences on the vulnerable - adults/unintentional consequences on partners/increased financial pressures |

|  | Client Charging | Governance failure/Unintentional consequences on the vulnerable - adults/unintentional consequences on partners/increased financial pressures |
|---|---|---|
|  | Direct Payments | Governance failure/Unintentional consequences on the vulnerable - adults/increased financial pressures |
|  | Better Care Fund | Changes in national policy |
|  | Safeguarding | Unintentional consequences on the vulnerable - children/adverse inspections |
| Ad Hoc | Investigations |  |