

BUCKINGHAMSHIRE COUNTY COUNCIL

DRAFT BUSINESS ASSURANCE STRATEGY

**INTERNAL AUDIT AND RISK MANAGEMENT PLAN
2016/17**

Maggie Gibb
Business Assurance Manager (Interim Chief Internal Auditor)

April 2016

BUSINESS ASSURANCE STRATEGY 2016/17

1. Introduction

- 1.1 This paper details the Business Assurance Strategy, including Internal Audit and Risk Management Plans, the resources available and how we will be delivering our service in 2016/17.
- 1.2 The Business Assurance Team delivers the Council's Risk Management, Assurance and Internal Audit services. The team operates under the Director of Assurance and is part of Headquarters.
- 1.3 The outline Internal Audit and Risk Management work plan for 2016/17 is attached as appendix 2. The work plan will remain flexible and evolve during the year as the assurance framework matures and to meet the needs of unplanned demands.

2. Internal Audit Strategy

- 2.1 The Accounts and Audit Regulations 2015 (S5) state that the Council 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; 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 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 Assurance and Risk Strategy. The model will continue to become embedded into the governance reporting process during 2016/17, which will include to the One Council Board and the Regulatory and Audit Committee.
- 2.6 During 2015/16, the Chief Internal Auditor and the Business Assurance Manager have been mapping the first line assurances for the key business

activities within TEE and BSP Business Units; and, have been working with the professional leads on the design of their assurance processes for the key governance systems. This is an evolving process and has taken more capacity to embed than first planned, and as such the work continues into 2016/17. The assurance mapping work within CHASC and CSC&L (including the new Joint Commissioning Unit) will take place in Q1 of 2016/17 now that the revised structures have been confirmed. Initial discussions have taken place with the Managing Directors to start this exercise.

- 2.7 The Internal Audit Plan will evolve during the year as the combined assurance model matures; as the assurance mapping exercises in CHASC and CSC&L develop, and as new risks emerge. A priority in the first quarter is to complete the audit activity which has been “carried forward” from the 2015/16 Internal Audit Plan due to a number of unplanned investigations and urgent audit activity placing constraints on the Business Assurance Team. The number of days of Internal Audit activity carried forward from 2015/16 is approximately 80 days.
- 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 Business Assurance Officers focus on the system of risk management, and the performance risks within the key services, including the development of Alternative Delivery Vehicles 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 2016/17, to consider whether the current methodology and resourcing is adequate and effective, and will be developing a programme of proactive fraud activity to raise awareness across the Council.

3 Audit Planning Methodology

- 3.1 The Internal Audit and Risk Management Plan will be produced with reference to the Strategic and Business Unit Risk Registers. The plan is also informed through discussion with the Managing Directors, Finance Directors, Director of Assurance, Director of Strategy and Policy and the Chief Executive. Quarterly meetings with the Managing Directors and the Statutory Officers Group 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 key responsibility for the Business Assurance Team to lead on, and in 2016/17 this will continue to be focussed on overseeing the investigation of NFI data matches, and responding to referrals of suspected fraud and financial irregularity, as well as the proactive activity detailed above. 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 a sample of major contracts and the overall management control in particular the refresh 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

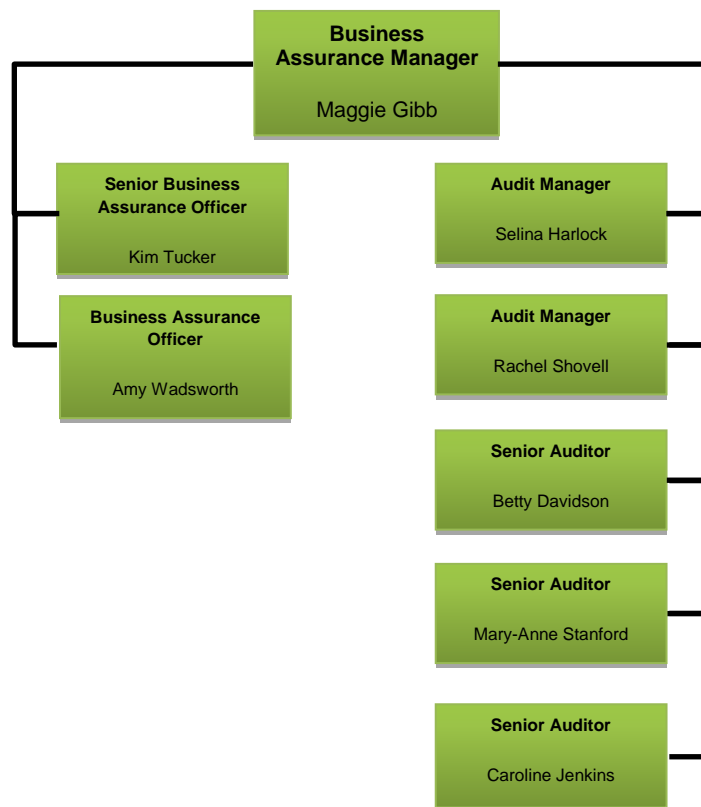
- 4.1 A change to the resourcing of the Business Assurance Team as of 1 April 2016 has occurred due to Oxfordshire County Council giving notice to end the audit collaboration that involves sharing the role of Chief Internal Auditor, with effect from 1 June 2016. In their letter, Oxfordshire emphasised that it was with regret they were ending what has been a mutually successful collaboration but the decision was necessary to support their transformation agenda.

The impact will be mitigated by the skills that exist within the Business Assurance Team, specifically within the Internal Audit function. The Business Assurance Manager will act as the Interim Chief Internal Auditor with effect from 1 April 2016.

4.2 The Business Assurance Team is currently resourced in-house, with no current vacancies. There will be an in year procurement of an outsourced provision to support delivery of the Internal Audit activity, including specialist areas such as computer audit and contract audit where the in-house team do not have the appropriate technical skills. There is also a small budget available for procuring specialist Internal Audit Services should they be required. This arrangement will also be used to provide cover for one of the Audit Managers who will be on maternity leave from August of this year.

We are currently exploring the possibility of recruiting an Apprentice to the Business Assurance Team to provide a valuable learning opportunity and strengthen capacity, and will also have a CIPFA Trainee placement in post for six months to assist with the Internal Audit activity.

Current Business Assurance Structure:



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

Resource	Available days
Business Assurance Manager (Interim Chief Auditor)	200
Internal Audit Managers	200
Senior Auditors	600
Senior Business Assurance Officer	200
Business Assurance Officer	140
CIPFA Trainee	85
Specialist/Outsourced	130
Contingency	60
Total	1615

Overall the total days spent on Business Assurance activity is 1615 days, of which 100 days is delivering an Internal Audit service to Buckinghamshire and Milton Keynes Fire Authority. Approximately 900 days relate to the third line of assurance activity from Internal Audit.

- 4.4 A small number of contingency days have been set aside for unplanned events / issues that inevitably arise.

5 Performance Monitoring / Reporting

- 5.1 The proposed Business Assurance performance indicators for 2016/17 are attached as appendix 1 to this report, and will form part of the HQ Assurance Business Plan monitoring.
- 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 Business Assurance Strategy

Maggie Gibb

Business Assurance Manager (Interim Chief Internal Auditor)

April 2016

APPENDIX 1 Proposed PERFORMANCE INDICATORS 2016/17

	Performance Measure	Target	Frequency reporting	of	Method
1	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
2	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
3	% of planned audit activity completed by 30 April 2017	100%	Quarterly report to R&A Committee.		Internal Audit Performance Monitoring System
4	% of management actions implemented	90% of all management actions	Quarterly report to R&A Committee.		Action Management Tracking System

APPENDIX 2 – Planned Risk Management and Internal Audit Activity 2016/17

Area	INTERNAL AUDIT ACTIVITY
GENERAL	Business Improvement
	Business Assurance Planning
	Business Assurance 1/4ly Meetings (MDs and Directors)
	Updates to Action Tracker
	Reporting to Regulatory and Audit Committee
	Reporting to One Council Board
	Reporting to Director of Assurance
	Assurance Framework
	Compliance with Operating Framework
	Annual Governance Statement

Area	Link to Strategic Risks	
Corporate / Cross Cutting	<i>Risk ID</i>	<i>Strategic Risk</i>
	322	Major contract/commissioning and/or market failure
	647	Increased capacity issues
	326	Technology breaches/failure
	317	Governance Failure
	648	Fraud and corruption
	Follow Ups	
	National Fraud Initiative	
	Pro-Active Anti-Fraud Activity	
	Reactive Anti-Fraud Activity/Investigations	
	Follow Ups	
	ICT Audits	
	Contract Management Audits	
	Data Quality	
	Workforce Planning/Resilience	
	Property (BSP, HQ & TEE)	
	Accounts Closing Process	
	Continuous Auditing	

Area	Link to Strategic Risks	
HQ	<i>Risk ID</i>	<i>Strategic Risk</i>
	646	Failure to deliver financial plans
	333	Ability to operate as a commissioning Authority
	328	Adverse media coverage
	Decision Making/Business Cases	
	Capital Programme	
	Income Generation	
	Complaints Process	
	HQ Management Audit	
BSP	<i>Risk ID</i>	<i>Strategic Risk</i>
	646	Failure to deliver financial plans
	322	Major contract/commissioning and/or market failure
	317	Governance failure
	Key Financial Systems	
	P Cards*	
	P2P	
	Contract Management – Bilfinger Contract	
	BU Management Audit	

Area	Link to Strategic Risks	
CHASC	<i>Risk ID</i>	<i>Strategic Risk</i>
	646	Failure to deliver financial plans
	321	Unintentional consequences on the vulnerable (Adults)
	328	Adverse media coverage
	323	Changes in national and local policy
	Public Health Contracts & Commissioning/Payment to Providers	
	Client Charging*	
	Better Care Fund	
	Safeguarding	
	Care Act	
	Market Resilience	
	Joint Commissioning Unit – Assurance Mapping	
	CHASC – Assurance Mapping	
	BU Management Audit	

Area	Link to Strategic Risks	
CSC&L	<i>Risk ID</i>	<i>Strategic Risk</i>
	646	Failure to deliver financial plans
	318	Failure to improve services to children
	328	Adverse media coverage
	323	Changes in national and local policy
	Schools	
	DSG*	
	Safeguarding	
	Safeguarding – Transport Follow Up	
	Financial Management*	
	Families First - Grant Funding	
	Market Resilience	
	CSC&L – Assurance Mapping	
	BU Management Audit	
TEE	<i>Risk ID</i>	<i>Strategic Risk</i>
	646	Failure to deliver financial plans
	323	Changes in national and local policy
	328	Adverse media coverage
	324	Failure to keep Bucks special
	Client Transport	
	TfB Contract (Quality of Information/Open Book Accounting)	
	Waste	
	Planning Development Management	
	BU Management Audit	

RISK MANAGEMENT ACTIVITY	
Corporate / Cross Cutting	Reporting to Risk Management Group/One Council Board
	Development/Implementation of Risk System
	One Council Board Risk Register
	Risk Monitoring
	Prevention Agenda
	Health and Safety
	Alternative Delivery Vehicles
	Key Financial Risks
	Business Planning
BSP	BCC - Harrow Legal Service
	BCC – Harrow Procurement
CHASC	Health and Social Care Integration
	Learning Disability Placements
CSC&L	Transformation to Academies Programme
	Regional Adoption Agency
TEE	Enterprise Zones
	Strategic Alliance
	LEP

The Business Assurance Team will present and discuss the planned Internal Audit and Risk Management activity with Business Unit and HQ Leadership Teams to confirm the draft scope and priority level of the audit during April 2017.