

BUCKINGHAMSHIRE COUNTY COUNCIL

BUSINESS ASSURANCE STRATEGY

INTERNAL AUDIT AND RISK MANAGEMENT PLAN 2019/20

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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 2019/20.
- 1.2 The Business Assurance Team delivers the Council's Risk Management, Assurance and Internal Audit services. The team operates under the Director of Finance and Procurement within the Resources Business Unit.
- 1.3 The outline Risk Management, Internal Audit and Assurance work plan for 2019/20 is attached as Appendix 2. The work plan will remain flexible and evolve during the year 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 2017.
- 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 The Council works towards 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 frameworks such as finance, HR and technology. The model will continue to become embedded into the governance reporting process during 2019/20, which will include to the Business Unit Boards, Corporate Management Team and the Regulatory and Audit Committee.
- 2.6 A priority in the first quarter is to complete the audit activity which has been "carried forward" from the 2018/19 Internal Audit Plan due to a number of unplanned investigations and urgent audit activity placing constraints on the Business Assurance Team.

- 2.7 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 Senior Business Assurance Officer focuses on the system of risk management, and the performance risks within the key services, including the major contracts and projects. It is also the responsibility of this team to coordinate 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). Quarterly updates and a year-end combined assurance report will be produced for each of the Business Units.
 - 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.
- 2.8 The Business Assurance Team will continue to support the Professional Leads and Executive Directors in developing their assurance frameworks, by providing advice and guidance.

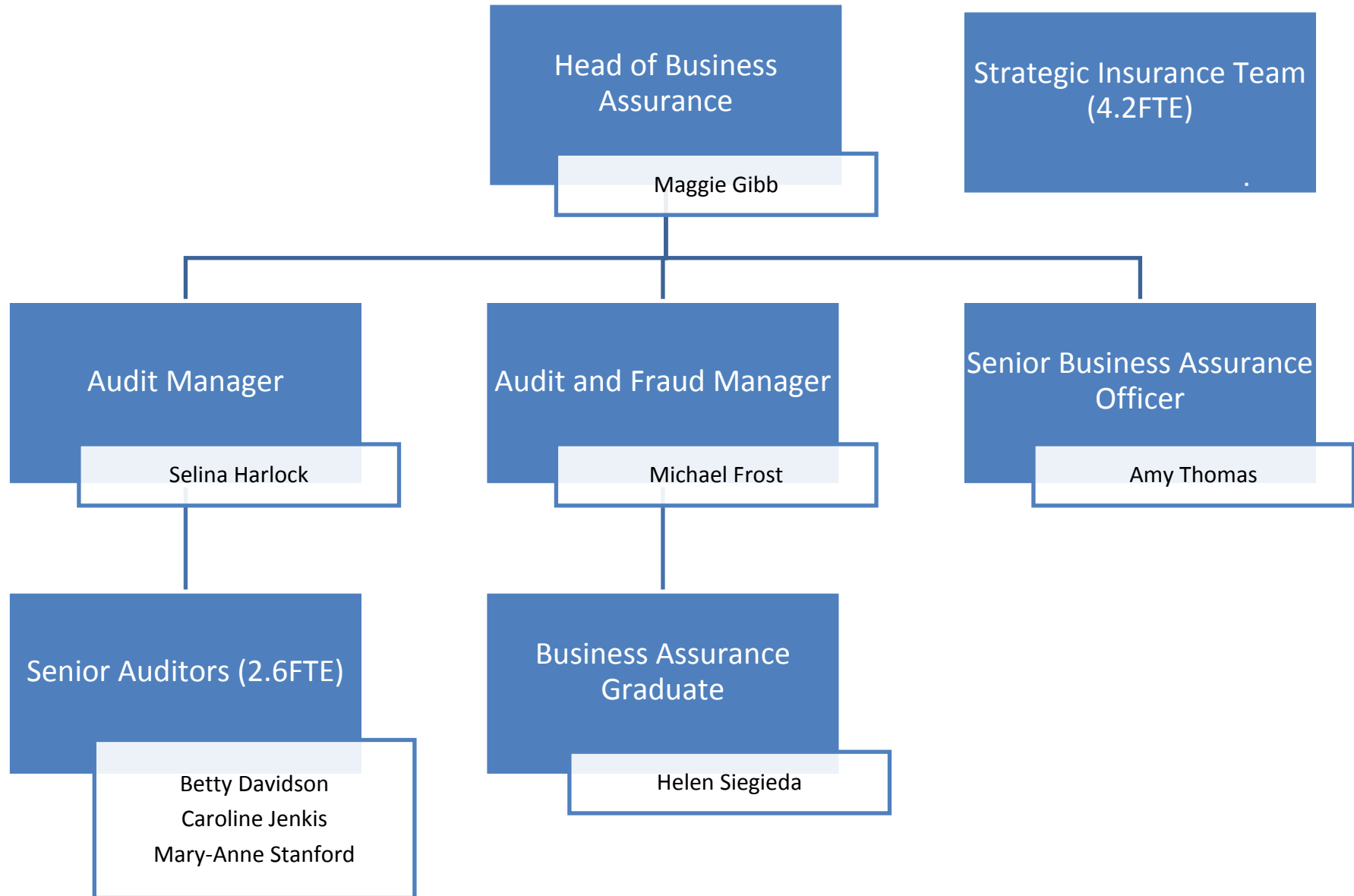
3 Audit Planning Methodology

- 3.1 The Internal Audit and Risk Management Plans are produced with reference to the Strategic and Business Unit Risk Registers. The plan is also informed through discussion with the Senior Leadership Teams for each Business Unit, Finance Directors, Director of Finance and Procurement and the Assistant Chief Executive. Quarterly meetings with the Executive 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 Audit Board and 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 2019/20 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 a programme of pro-active activity. The audit planning will include a review of the fraud risks with the Heads of Finance and contract risks with the Commissioning and Supplier Management Group..
- 3.5 Improving the robustness of contract management across the Council is a priority, and is being driven by the Commissioning and Supplier Management Group. The audit activity in relation to contracts will support this programme of improvement and 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 The Business Assurance Team is currently resourced with a mix of in-house staff and a partnership arrangement with the APEX London Audit Framework. The framework is hosted by the London Borough of Croydon and the audit service is currently provided by Mazars. This arrangement allows for a flexible approach, and enables us to respond swiftly to urgent requests for resource such as for investigations. The framework also enables us to request specialist resource such as IT auditors and contract auditors where the in-house team do not have the appropriate technical skills.

Business Assurance and Strategic Insurance Structure:



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

Resource	Available days*
Head of Business Assurance (& Chief Auditor)	150
Internal Audit Managers	400
Senior Auditors	390
Senior Business Assurance Officer	200
Graduate	100
Specialist/Outsourced	50
Total	1290

*including training and development, DSP, team meetings etc

Overall the total planned days on Business Assurance activity is 1238 days, of which 100 days is delivering an Internal Audit service to Buckinghamshire and Milton Keynes Fire Authority, and 20 days to Academies.

- 4.4 A number of contingency days have been set aside for unplanned events / issues that inevitably arise.
- 4.5 The plan includes a number of days to provide risk management, internal audit and assurance activity during the Unitary transition phase. The internal audit of the Unitary Programme itself will be outsourced as agreed by the Chief Executives Implementation Group.

5 Performance Monitoring / Reporting

- 5.1 The proposed Business Assurance performance indicators for 2019/20 are attached as appendix 1 to this report, and will form part of the Resources 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.

Appendix 1 – Business Assurance Team Key Performance Indicators

No.	Key Performance Indicator (KPI)	2019/20 Target
1	Draft internal audit reports issued within 15 working days of exit meeting (monthly)	90%
2	Final internal audit reports issued within 10 working days of management responses (monthly)	100%
3	Internal audits completed to the satisfaction of the client (quarterly)	95%
4	Audit actions in the draft internal audit report that are accepted by the client (monthly)	90%
5	Delivery of Internal Audit Plan (annual measure)	95%
6	Delivery of Risk Management plan (annual measure)	95%
7	Corporate Reporting Timelines being met (CMT/RMG/R&A) (monthly)	95%

KPI 1 Is monitored from the date of exit meeting.

KPI 2 is monitored from the date of which the last management response(s) is/are received

KPI 3 Is a Quality assessment of work done by internal audit.

KPI 4 Quality assessment which confirms the relevance and appropriateness of the work done by internal audit through the recommendations made.

KPI 4 Combined measure which requires collaboration to agree the importance of the work of internal audit and how it strengthens the whole control framework of the Council.

KPI 5 Is a performance control which confirms the annual audit plan is completed within year.

KPI 6 as per KPI 5 but for the risk management activity

KPI 7 is monitored through the forward plans/reporting deadlines as set corporately

Appendix 2 - Planned Risk Management and Internal Audit Activity 2019/20

Audit/ Activity	Objective/Risks/Concerns	Qtrs	Planned Days
General Risk/ Business Assurance Activities			
Business Improvement		N/A	20.0
Pentana Administration		N/A	12.0
Reporting to Regulatory and Audit Committee		N/A	12.0
Reporting to Risk Management Group		N/A	12.0
Reporting to Corporate Management Team		N/A	12.0
Reporting Audit Board		N/A	5.0
Reporting to Business Unit SLT's 1/4ly		N/A	8.0
Corporate Risk Management		N/A	20.0
BU Specific Risk Management		N/A	80.0
Contract Risk Training		N/A	10.0
Corporate Risk Management Training		N/A	20.0
Fraud Risk Training		N/A	10.0
Annual Governance Statement		N/A	10.0
Unitary Transition		N/A	50.0

Internal Audit Plan

Business Unit	Audit	Objective/Risks/Concerns	Qtr	Planned Days
Corporate	National Fraud Initiative	Review the data matches for the 18/19 NFI exercise.	Q1-4	20.0
Corporate	Counter Fraud	Proactive and probity activities	Q1-4	70.0
Corporate	Grant Validation (Over and above what is specified in the plan)	These reviews will verify that the amount claims are correct to expenditure. The review also involves taking a sample of transactions to ensure that the costs claimed are eligible under the grant conditions.	Q1-4	30.0
Corporate	Contracts Audit – Thematic Review	Review a sample of contract across the Authority based on a set theme – to be determined.	Q1-4	40.0
Corporate	Governance	Review of the decision making boards across all the Business Units to determine the quality and completeness of information to enable adequate scrutiny and for informed decisions to be made – these will be report separately per BU.	Q2-4	30.0
Corporate	Debt Management	Review of the corporate debt management arrangements to ensure that they are effective and implemented consistently across all BUs	Q2	20.0
Resources	K2	System audit - end to end process review of revenue and capital expenditure.	Q1	20.0
Resources	HR Income	Processing, monitoring and reporting of income received for the services delivered. We receive £2.8m of income (mainly from schools) and there is only one person who is responsible for processing the income received - single point of failure.	Q1/2	12.0
Resources	Property and Capital Programme Governance	Review of the decision making process to determine the quality and completeness of information to enable adequate scrutiny and for informed decisions to be made	Q1	15.0

Business Unit	Audit	Objective/Risks/Concerns	Qtr	Planned Days
Resources	Procurement	Due to the contract breaches reported, we need to ensure that there are mechanisms in place that enable proactive identification of contract/ commissioning activities that maybe breaching BCC policies and legislation. This audit was deferred from the 18/19 plan.	Q3	15.0
Resources	Key Financial System Audits	End to end testing of the AR/AP/Pensions/Payroll/ Treasury Management/ General Ledger. To ensure that key risks are being appropriately mitigated to provide a level of assurance that financial transactions are properly authorised, financial records are properly maintained, assets are safeguarded, and that applicable legislation and BCC policies and practices are complied with	Q2-Q4	80.0
Resources	Respond - System audit (go-live April 2018)	New system that logs all complaint, FOI and Data protection requests, SARS, Breaches. The audit will consider key controls, including system security access protocols	Q2	15.0
Resources	Information Management and Data Quality	Look at the information/ data register to ensure that the Business Units are aware of the information that they hold, retention period, purpose of the data and owners are identified for the data held. with GDPR activities and link to the data re	Q3	15.0
TEE	Transport For Buckinghamshire (TfB)	Annual revenue spend of £16.7m and gross capital of £39m. Delivering contracted level of improvements to time and to budget. A thematic review to be determined in agreement with SLT.	Q2	20.0
TEE	LEP Governance	Review the governance arrangements in place and ensure that BCC has adequate oversight as the accountable authority	Q2	15.0
TEE	Client Transport	Deep dive into the service following the 18/19 investigation to ensure findings have been address and improvements have been made.	Q2	15.0
TEE	Routewise	Client Transport key system that interfaces with SAP. Critical findings identified via Project Turnpike that require detailed review into the system controls.	Q1	15.0

Business Unit	Audit	Objective/Risks/Concerns	Qtr	Planned Days
Children's	Budget Management	Focus on the high spend areas, undertake a deep dive into the overspends within those areas and understand how they manage their budgets, what mechanisms they have in place to manage the costs/ manage budget pressures and to determine the adequacy of e forecasting.	Q2	15.0
Children's	Legal Spend	Review the process for commissioning legal services, look at the resource assigned to the referred cases - this also needs to include employment cases. CS spend the most on legal services due to complexity, however need to determine how this can be better managed.	Q2	15.0
Children's	Housing of Care Leavers	Approx. £2million spent in this area, we need to better understand the process for identifying housing for care leavers - is the process adequate to ensure that the associated cost is adequately managed, arrangements are identified/ considered and approved in a timely manner whilst still meeting the needs of the care leavers.	Q2	15.0
Children's	Early Years 3/4yr Entitlement	Significant amount of money given to a number of child care providers - and reliant on them providing accurate information to support the entitlement claims.	Q2	15.0
Children's	Safeguarding Board	Audit was deferred from the 18/19 plan. New chair coming in April 2019, new statutory guidance that is currently being introduced and will need evaluate the lessons learnt from the special case review.	Q3	10.0
Children's	Schools - Thematic Review	A sample of 5 schools will be identified based on a risk based methodology and will be reviewed.	Q1-Q4	50.0
CHASC	Implementation of Medications Policy	Monitoring of - appropriate Medications Policy in place with independent sector providers; consistent application of practice against policy; cyclic appropriate training of workforce; audit processes of recording of medication. There have been instances of concern with particular providers	Q2	15.0
CHASC	Quality Assurance Framework (QAF)	QAF is new. Quality of practice is a concern. Management seeks assurance that the QAF provides the assurance mechanism for practice and quality within adult social care. This will include a review of the robustness of the audit process.	Q4	20.0

Business Unit	Audit	Objective/Risks/Concerns	Qtr	Planned Days
CHASC	Integrated Commissioning	Governance of integrated commissioning that team is carrying out and documenting appropriately S75 agreement responsibilities. Integrated Commissioning has undergone changes in structure and personnel and would like to ensure a strong start for new arrangements.	Q2	15.0
CHASC	Income Processes	Potential income is accurately identified through assessments; financial assessments are undertaken effectively; due income is efficiently collected; recording, monitoring and forecasting of income is accurate. Assurance required that all potential income is identified and pursued. Lack of focus/urgency on securing income due.	Q2	15.0
CHASC	Virtual Wallet	A number of concerns have been raised regarding the process and the controls in place, link to direct payments which has had significant weaknesses	Q1/2	15.0
CHASC	Budget Management	Focus on the high spend areas, undertake a deep dive into the overspends within those areas and understand how they manage their budgets, what mechanisms they have in place to manage the costs/ manage budget pressures and to determine the adequacy of e forecasting.	Q2	15.0
CHASC	Deprivation of Liberty Safeguard - DoLS	This area has not been looked at for a long time and has been deferred from the 18/19 plan.	Q2/3	15.0
		TOTAL PLANNED BCC DAYS		958
		BMKFA/ACADEMY DAYS		120
		18/19 C/FWD DAYS		60
		CONTINGENCY DAYS		100
		TOTAL DAYS		1238

Approved Quarter 1 Audit Activity

The table below sets out the audit activity commenced during Quarter 1, as agreed by the Audit Board.

Directorate	Audit	Qtr	Planned Days
C/Fwd 18/19			
Children's	Commissioning Residential Placements	Q1	20.0
Children's	Children's Panels	Q1	10.0
Corporate	Contracts Audit	Q1	30.0
			60.0

Rolling List of Audit Activity 2019/20

We have adopted a fluid approach to the development of our Internal Audit activity which will be continuously reviewed and amended as required. The plan needs to remain flexible to react to emerging issues/risks and meet any urgent demands on the Internal Audit resource, such as investigations or ad-hoc assurance work. Internal audit activity will be subject to review by the Audit Board who has a responsibility to direct and oversee the activities and management of the Internal Audit function and to achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities.

The table below sets out a rolling list (which can be added to) of proposed audit activity which can be drawn upon during 2019/20 to utilise any contingency resources as and when required. This proposed list along with the agreed Annual Plan 2019/20 will be continuously reviewed and subject to changes agreed by the Audit Board and Regulatory and Committee.

Proposed Contingency Audit Activity 2019/20
Resources: Property Maintenance IT – Delivery of the Technology Strategy Consultation Strategy Partnerships, including Framework Review
TEE: Waste Management Energy and Resource Country Parks and Rights of Way Delivery Growth Strategy – Governance SALIX
Children’s: Recruitment