

Appendix A

Indicative Internal Audit Plan

(2016/2017)



www.reading.gov.uk



Reading
Borough Council
Working better with you

Internal Audit Strategy & Approach

1. Purpose

- 1.1 The overall purpose of the Internal Audit work plan is to provide the framework for the use of audit resources and a yardstick for measuring audit performance.

2. Audit Strategy

- 2.1 In the context of the Council's financial position, the vision of the Council is to continue to deliver frontline services to create a better Reading and getting the balance right between paying and providing these services is at the heart of the Council's new Corporate Plan.
- 2.2 To demonstrate this, there is a strong focus in the Council's Corporate Plan to ensure that the Council will live within its means, reducing costs wherever possible and invest resources wisely so that service pressures and priorities are recognised and can be funded accordingly.
- 2.3 To support this aim, Internal Audit will provide independent, objective assurance on the adequacy of internal control arrangements, including risk management and governance.
- 2.4 Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Our role is to help management improve risk management, governance and internal control, so reducing the effects of any significant risks facing the Council and its services.
- 2.5 Specifically, the Internal Audit strategy is to:
- Provide assurance that both strategic and key operational risks are being managed,
 - Review corporate and service arrangements for risk management.
 - Carry out auditing of significant core financial systems such as payroll and accounts payable and to verify sufficient financial controls are in place.
 - Carry out reviews of service systems and developments to provide the Audit and Governance Committee with assurance as to the adequacy of the control environment and the systems in place for ensuring proper economic, efficient and effective use of resources.
 - Have due regard to ensuring services are controlling expenditure and spending appropriately.
 - Carry out periodic visits to all schools throughout the borough to verify, by means of testing and review, that good financial control is practised.
 - To provide advice and support to managers as required.

- 2.6 The effectiveness of Internal Audit in delivering the strategy through the annual audit plan will be monitored by the Audit and Governance Committee. This Committee will receive reports from the Chief Auditor detailing key issues and a summary of the audit findings. The progress of audit recommendations implemented by each Directorate will be reviewed by Audit & Governance Committee as part of the annual audit report submitted by the Chief Auditor.

3. The Risk Assessment Process

- 3.1 The information which has been used to prepare our risk assessment and proposed internal audit plan has been collected and collated from a number of different sources. The starting point for a risk based audit approach is an understanding of the Council's objectives and risks. This has been achieved by reviewing the Councils Strategic risk register, Corporate Plan and minutes of officer and Council meetings. Directors and Heads of Service were consulted for areas to be included in the audit plan and our own knowledge and experience of Council services was also used to inform our subsequent risk assessment. This information is used to inform and design the audit plan.

4. The Internal Audit Plan

- 4.1 An annual plan is derived following a risk assessment, whereby audits will be selected based on the greatest perceived inherent risk. We will ensure that most effort is focused on inherently high risk areas while, at the same time, not totally ignoring the potential for problems to materialise in other areas.
- 4.2 Whilst Internal Audit will adopt a risk based approach to determine relative risk, there will remain areas where a purely cyclical approach will still be required, i.e. the audit of schools.
- 4.3 Our approach to the audit of financial systems will be a combination of in-year testing using a data analysis and file interrogation tool and system reviews. Such audits will be undertaken, largely to satisfy the requirements of the external auditors who seek to place reliance on the work of internal audit.
- 4.4 The Chief Auditor in liaison with the Head of Finance will keep progress against the audit plan, and the content of the plan itself under review. The Corporate Management Team and the Audit and Governance Committee will also be advised of performance against the Audit Pan and be kept informed of the audits undertaken.
- 4.5 The indicative Internal Audit programme for 2016-2017 is shown from page 7 to 10. We will keep the plan under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.
- 4.6 The plan is set within the context of a multi-year approach to internal audit planning such that all areas of key risk would be looked at over a three year audit cycle.

5. Resources

- 5.1 Resource requirements are reviewed each year as part of the audit planning process and are discussed with the Head of Finance. The impacts of the financial pressures with the requirements to generate efficiencies and hard savings have seen internal audit resources reduce over the last few years from ten to six staff (including the Chief Auditor) in addition we are providing a service to Bracknell Forest Council under a shared agreement, although the level of provision has reduced considerably.
- 5.2 Achievement of the audit plan is based on the assumption that the current internal audit structure will remain essentially unaltered and intact throughout the year.

6. Individual Audits

- 6.1 When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard. Where revisions are required we will obtain approval from the appropriate Corporate Director prior to commencing fieldwork.
- 6.2 In determining the timing of our individual audits we will seek to agree a date which is convenient and ensures the availability of key management and staff.
- 6.3 All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement. Any key (serious) issues arising during the course of the audit review will be promptly reported to the Chief Auditor to determine impact on the scope of the review. Key issues will also be promptly brought to management's attention during the course of the review to enable appropriate remedial action to be taken prior to being formally published in the audit report.
- 6.4 The auditor will draft a report and arrange to meet with management, to ensure factual accuracy of the audit observations and findings and to ensure a proper understanding of the risks to which any action plan relates. These meetings should take place in accordance with dates agreed in the terms of reference or within two weeks of completion of the audit fieldwork, whichever is the sooner.
- 6.5 Management will be required to provide a response to the action plans. Any areas of disagreement between the auditor and management, regarding audit's observations and/or the auditor's assessment of current risk exposure, which cannot be resolved by discussion, will be recorded in the action plans.

6.6 Following discussion of the draft report the auditor will draft a clear, concise and constructive report, following a standard format, outlining:

- the overall level of assurance opinion, based on the auditor's professional judgement of the effectiveness of the framework of internal control, risk management and governance;
- audit recommendations, along with management response and implementation date
- an executive summary of the key findings and conclusions
- Details of findings, to include an explanation of the risk and the identified control weaknesses.
- The final report will be issued in the name of the auditor conducting the review and the Chief Auditor.

7. Follow up Reviews

7.1 Whether or not an audit review is scheduled for a follow up is reliant on the assurance opinion given at the time of the audit. Where significant gaps in the control environment have been identified then the audit will be subject to a follow up. The timing of the follow up is very much dependent on available resources, but our aim to complete the follow up within six to twelve months of completion of the audit.

8. Reports to C.M.T. and the Audit & Governance Committee

8.1 A status report on internal audit work will be presented to CMT and the Audit and Governance Committee on a quarterly basis (approximately). The purpose of these reports is to provide an update on the progress made against the delivery of the Internal Audit Plan. The report will provide details of audits completed to date, the assurance opinions given and the number and type of recommendations made. The report will also provide a summary of internal audit performance, planning and resourcing issues.

9. Annual Assurance Report

9.1 A formal annual report to the Audit & Governance Committee and CMT, presenting the Chief Auditor's opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control, will be published to enable it to be taken into account within the annual review of the effectiveness of the system of internal audit and in preparing the Corporate Annual Governance Statement. The format of the Chief Auditor's report will follow that set out in the Public Sectors Standards for Internal Audit and will include:

- an opinion on the overall adequacy and effectiveness of the Council's framework of internal control, risk management and governance;
- disclose any qualifications to that opinion, together with the reasons for qualification;
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- any issues considered by the Chief Auditor to be particularly relevant to the Annual Governance Statement;
- A comparison of work undertaken with that planned, with a summary of internal audit performance for the year; and
- Comment on compliance with the Public Sector Standards on Internal Audit and internal audit's quality assurance programme.

INDICATIVE INTERNAL AUDIT PLAN 2016-2017

Safeguarding and protecting those that are most vulnerable

| | | Q1 | Q2 | Q3 | Q4 |
|--|---|----|----|----|----|
| Access to records (Adults & Children) | This audit will review how the Council manages and responds to data requests from individuals who have been in care. | | ● | | |
| Integrated discharge scheme | A review of arrangements to integrate hospital discharge processes and provide assurance that any key risks, pooled budgets and statutory requirements have been appropriately addressed. | | ● | | |
| Troubled Families Grant Sign Off | In accordance with the DCLG funding framework we will check and verify at least a representative sample (at least 10%) of results before each claim is made. Internal audit will verify the families' eligibility for the expanded Troubled Families Programme and whether the progress measures have been achieved, with supporting evidence. | ● | | ● | |
| Looked After Children (Access to Resources Panel) | Our audit will verify that processes are in place to ensure packages are representing best value for money; funding options are robustly costed and monitored and that all resources purchased are allocated to the correct budgets, enabling frequent and accurate budget monitoring. We will provide recommendations about managing whole contract and whole package costs. The audit will encompass a review of the Access to Resources Panel which oversees decision making about residential and foster placements for children and young people. The audit will assess whether there is robust challenge over the placement identification process and pricing and whether all information is required by and received by the Panels. | | | ● | |
| Financial Assessments for Adult Care (FAB) - follow up | This is a follow up of internal audit recommendations made in 2015/16 internal audit review. To review how fees and charges are set, and in particular how these take into account the cost of providing services or the requirement to make a specific contribution. Review whether processes are sufficiently robust and clear around Adult Social Care charging and income collection. | | ● | | |
| MASH (Multi-Agency Safeguarding Hub) | The intent of the MASH hub is to drive improved safeguarding approaches for children through better information sharing and high quality and timely safeguarding responses. The audit will review governance and accountability arrangements, including information sharing arrangements and the resulting impact on the uptake of early help assessments and early help pathway effectiveness. | | ● | | |
| Foster Care & Adoption Allowances - follow up | This is a follow up of internal audit recommendations made in 2015/16 internal audit review. | | | | ● |
| Extra Care Housing | This audit will review the progress to increase extra care provision to reduce residential placements and verify proposed savings are being delivered | | | ● | |

Keeping the town clean, safe, green and active

| | | Q1 | Q2 | Q3 | Q4 |
|---|---|----|----|----|----|
| Waste Operations | Review collection performance, arrangements in place for increasing levels of recycling, how we deal with customer complaints, as well as monitoring costs and collecting income (trade waste). The service has undergone a reshaping exercise and has a new service manager and there is a new fleet of refuse vehicles. Confirm progress/delivery of savings/income collection. | | | | ● |
| Health & Safety Review | Internal audit have been requested to review procedures in operation by the Council to ensure compliance with policies and procedures; Health & safety training and risk assessments being undertaken, records maintained and incidents reported. This audit will review the development and progress of the H&S annual plan. | ● | | | |
| Corporate Buildings H&S Statutory Compliance Regimes | Internal audit have been requested to review the progress of condition surveys including asbestos and legionella management schemes for each building and the program for fire risk assessments. | | | ● | |
| H&S Statutory Compliance Regimes (Housing & Communal areas) | Internal audit have been requested to review the progress of condition surveys including asbestos and legionella management schemes for each building and the program for fire risk assessments. Will be undertaken in conjunction with the review above, but findings reported separately | | | ● | |

Providing homes for those in most need

| | | Q1 | Q2 | Q3 | Q4 |
|------------------------------|--|----|----|----|----|
| Right to Buy (RTB) | RTB provides public sector tenants, who are eligible for the scheme, an opportunity to purchase their property at a discounted rate. RTB has continued to be highlighted as an emerging fraud risk. The audit will review the RTB process inc calculations, compliance with statutory timescales and counter fraud arrangements (including vetting and verification, mutual exchange arrangements, money laundering etc.). | ● | | | |
| Bed and Breakfast Placements | Our audit will review the monitoring and control of bed and breakfast placements including how these are paid for (procurement cards) Review strategy to mitigate the impact and how the service is sourcing cost effective solutions to meet the demand for emergency accommodation | | | ● | |

Remaining financially sustainable to deliver these service priorities

| | | Q1 | Q2 | Q3 | Q4 |
|---|---|----|----|----|----|
| Spending appropriately projects | We will review and assist in the preparation of procedure rules for areas identified and set out the consequences of not complying with the approved process. The purpose of these procedure rules is to ensure proper process is followed and the Council can demonstrate it is spending appropriately. | ● | ● | | |
| MOSAIC / Oracle Fusion end of year reconciliation | Internal Audit has been requested to review the year end reconciliation and accrual process and give assurance that all expenditure has been correctly recorded in the accounts. | ● | | | |
| General Ledger | Using a data analysis and file interrogation tool we will carry out checks during the year to test the appropriateness of journal entries recorded in the general ledger. This will include various fraud detection tests and trend analysis. We will provide a short synopsis of our findings with any unusual transactions subject to further analysis and investigation. | | ● | | ● |
| Creditors (Accounts Payable) | Using a data analysis and file interrogation tool we will undertake trend analysis, sampling, duplication detection and fraud detection tests on live Accounts Payable Data. We will provide a short synopsis of our findings with any unusual transactions subject to further analysis and investigation. | | ● | | ● |
| Key financial system reconciliations | This audit will look to map the reconciliation process between oracle fusion and key feeder systems, including cash/bank reconciliations, ensuring that all reconciliations are undertaken on a timely basis and are being kept up to date (agreed with E&Y) | | | ● | |
| Overtime | Review of occurrence of overtime and determine/test business need and highlight more economical ways of delivering the service. | ● | | | |
| Leisure (Income Collection) | Internal audit have been requested to review daily income procedures with specific attention to cashiering and banking controls (including reconciliation with Oracle Fusion). | ● | | | |
| Use of cash vouchers & cash accounts | The Council operates a cash voucher system for emergency cash payments and for Council services that require petty cash. The audit will review the adequacy of the processes and controls over the operation of cash vouchers and imprest (cash) accounts. | | ● | | |
| Nursing & Residential Care Packages (Adults) | This audit will review the reassessment/review process for care packages of clients in nursing and residential care to ensure that proposed savings are being delivered. | ● | | | |

Providing infrastructure to support the economy

| | | Q1 | Q2 | Q3 | Q4 |
|---------------------------|---|----|----|----|----|
| Transport Grants | Under the conditions of the specific grant determination, the Head of Audit (Chief Auditor) must certify that the conditions of the specific grant determination have been complied with. There are three specific grants within transport which require sign off. 1. Local Pinch Point Funding. 2. Local Transport Capital Settlement. 3. Bus Subsidy Grant. | | | ● | ● |
| Transport for Social Care | This audit will review transport arrangements for children (not home to school transport) & adults in receipt of social care. The audit will include a review of the following: The assessment process undertaken; how services are procured; how transport is allocated and whether the allocations are equitable. This review will also seek to provide assurance that the service is providing VFM and being delivered in an economical fashion. | | | | ● |

Providing the best life through education, early help and healthy living

| | | Q1 | Q2 | Q3 | Q4 |
|-----------------------|--|----|----|----|----|
| School Audits | Visit a small sample of maintained schools to give the Head of Finance adequate assurance over their standards of financial management and the regularity and propriety of their spending. | | | ● | ● |
| Pupil Premium Funding | Thematic audit review for a selection of schools in relation to the effective use of Pupil Premium Funding to support the attainment of disadvantaged pupils. | | | ● | |
| Early Years | A review of the policies and procedures for early-year's services. Early Years Education is provided by a number of different sorts of providers including registered childcare providers and a range of different sorts of nurseries (private, Voluntary, Independent or Maintained Nurseries. This review would look at a sample of these to understand how the Council monitors and oversees delivery of these services by the provider, how the Council ensuring that all are registered and subject to Disclosure Barring Service (DBS) checks and how Ofsted results are used. | | | | ● |

Governance Related reviews

| | | Q1 | Q2 | Q3 | Q4 |
|--|---|----|----|----|----|
| Electronic Document and Records Management | This review will look at the process for collating and transferring paper records from RBC to Anite to ensure that all documents are securely dispatched and accounted for. | ● | | | |
| MOSAIC (data quality) | This audit review will provide assurance on the quality and completeness of data held on Mosaic. This will be achieved by taking a snapshot of records and assess their quality and completeness. | | | ● | |
| eTendering | Undertake audit review of system controls within Intend (the new e-tendering system), review effectiveness of the system and the robustness of its governance. | | | | ● |
| Information Governance & Data Protection | There are substantial risks of losing personal data, leading to reputational loss as well as the risk of substantial fines by the ICO. Having good information governance in place helps prevent data breaches. This review will cover actions being taken to improve information security and also review the Council's arrangements relating to compliance with and implementation of the provisions contained in the Data Protection Act 1998 (the Act). | ● | | | |