



# Internal Audit Strategy and Plan 2019/20

## DRAFT

**Internal Audit (Draft) 8<sup>th</sup> February 2019**

**(Appendix A)**

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# 1. Introduction

Internal Audit provides independent and objective assurance to the Council through its Audit Sub-Committee to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

Internal Audit's objectives include supporting a positive culture of internal control improvement, effective risk management and good governance. The purpose, authority and responsibility of the internal audit activity are formally defined in the Internal Audit Charter, which will be periodically reviewed and presented to senior management and the Audit Sub-Committee for approval.

Internal Audit will provide the Council, through the Audit Sub-Committee, with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the organisation's agreed objectives. This opinion forms part of the framework of assurances that the Council receives and should be used to help inform the annual governance statement. Internal Audit also has an independent and objective advisory role to help line managers improve risk management, governance and control.

Internal Audit is a key component of corporate governance within the Council.

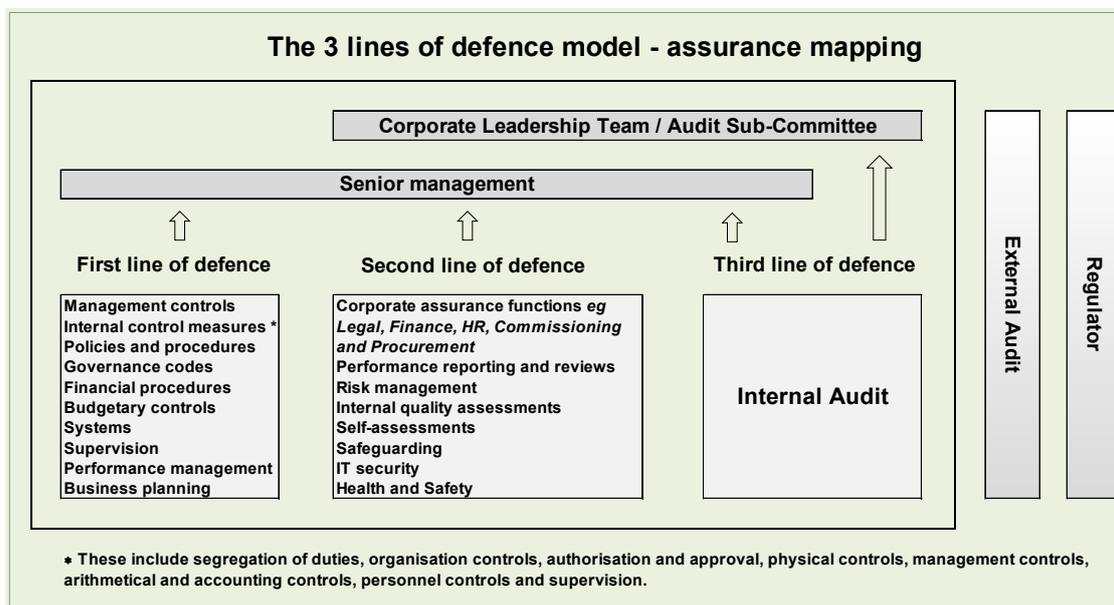
The three lines of defence model, as detailed below (Figure 1), provides a simple framework for understanding the role of Internal Audit in the overall risk management and internal control processes of an organisation:

- ▶ First line – operational management controls
- ▶ Second line – monitoring controls, e.g. the policy or system owner / sponsor
- ▶ Third line – independent assurance

The Council's third line of defence includes Internal Audit, who should provide independent assurance to senior management and the Audit Sub-Committee on how effectively the first and second lines of defence have been operating.

An independent Internal Audit function will, through its risk-based approach to work, provide assurance to the Council's Audit Sub-Committee and senior management on the higher risk and more complex areas of the Council's business, allowing management to focus on providing coverage of routine operations.

**Figure 1 – 3 Lines of Defence Model**



## 2. Internal Audit Plan 2019/20

Bromley Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance process, taking into account public sector internal auditing standards or guidance'.

Organisations in the UK public sector are required to adhere to the Public Sector Internal Audit Standards (the Standards).

The Standards require that the Chief Audit Executive (Head of Audit) 'establishes risk based plans to determine the priorities of the internal audit activity consistent with the organisation's goals'. When completing these plans, the Head of Audit should take account of the organisation's risk management framework. The plan should be adjusted and reviewed as necessary, in response to changes in the organisation's business, risk operations, programmes, systems and controls'. The plan must take account of the requirement to produce an internal opinion and assurance framework.

The Audit Plan is based on three principal sources of information – Risk Registers (Corporate Risks and Directorate based service risks), Internal Audit's risk analysis and management requests. In formulating the Audit Plan, the key Corporate risks and Directorate based risks have been considered.

This Audit Plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.

The Internal Audit function has a key role in helping management fully understand their risks and in designing effective and efficient controls which mitigate these risks to an acceptance level; a consistent application of a quality internal audit opinion assists the organisation to develop alternative and new delivery solutions which will deliver the service required.

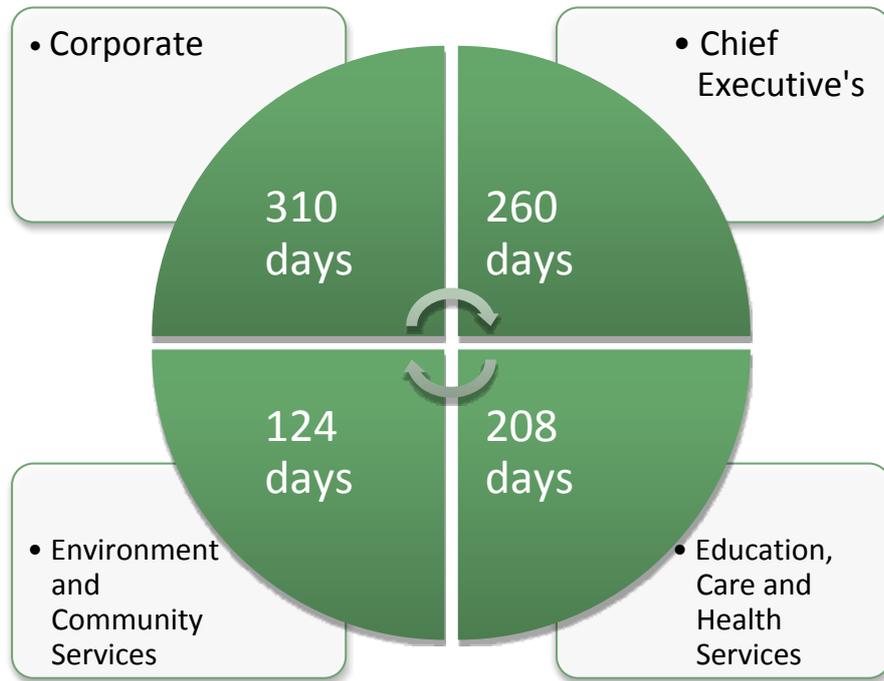
The Audit Plan has been developed to enable us to respond to changes made during the year. Whilst every effort will be made to deliver the plan, it must be recognised that we need to be flexible and prepared to revise audit activity – responding to changing circumstances or emerging risks. **The plan is therefore a statement of intent** – our liaison meetings with senior management will enable us to firm up audit activity during the year.

### 2.1 Internal Audit Plan coverage for 2019/20

The Internal Audit Plan coverage for 2019/20 includes 902 direct days compared to 900 days in 2018/19. It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Authority and, to this end, it will be regularly reviewed and updated as necessary to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the public sector. In order to allow greater flexibility, the Internal Audit Plan includes a contingency to allow for unplanned work and a prudent vacancy provision has been allowed for.

Delivery of the Internal Audit Plan underpins the Building a Better Bromley priority of an 'Excellent Council' and the allocation of days is broken down by Directorate as depicted in Figure 2 below. The full Audit Plan can be found in Section 2.2 – 2.5.

**Figure 2 – Internal Audit Plan – Allocation of days by Directorate**



## 2.2 Corporate

|                    | Division/Service               | Audit Title   | Days | Objective or Rationale   |
|--------------------|--------------------------------|---|------|--|
| Corporate (Page 1) | Cross Cutting/<br>Finance Lead | Council's Transformation Strategy   | 10   | Review controls in place to mitigate risk in delivering the programme and ensure savings are robust  |
|                    | Cross Cutting/<br>CEX Lead     | Information Governance and<br>General Data Protection<br>Regulations (GDPR) | 10   | Review of controls in place within Directorates to ensure that compliance with GDPR 2018 is effective  |
|                    | Cross Cutting/<br>ECS Lead     | Business Continuity and<br>Emergency Planning                               | 10   | Following the Zurich Risk Management review, examine progress to ensure controls mitigate risk of failing to maintain robust Business Continuity and Emergency Planning arrangements   |
|                    | Commissioning                  | Procurement Control Framework<br>Compliance                                 | 10   | Building on the analysis undertaken by procurement, a review across directorates of compliance with contract procedure rules and financial regulations, undertaken through an analysis of orders raised and value placed with individual suppliers |
|                    | Council wide                   | Provision for investigations into<br>irregularities                         | 80   | Investigation into financial or governance irregularities which are reported or referred   |
|                    | Governance                     | Consultancy and advice to<br>directorates                                   | 30   | Contingency for advice/guidance contribution to Corporate projects   |
|                    | Governance                     | National Fraud Initiative 2019  | 20   | Provision to assist Council meets its statutory obligations including dataset uploads and distribution/investigation of matches  |
|                    | Governance                     | External Grants   | 10   | Contingency for certification requests that may arise that are not already planned for   |
|                    | Governance                     | Follow up and implementation of<br>higher priority recommendations          | 45   | Ensuring implementation of priority recommendations  |

|                    |                        |  |            |   |
|--------------------|------------------------|--|------------|---|
| Corporate (Page 2) | Governance             | Provision of training                                | 10         | Providing advice and on-line training on risk, control and governance.  |
|                    | Governance             | External liaison with other authorities and agencies | 10         | Effective contributions to regional or national initiatives   |
|                    | Governance             | Audit Report and Internal Audit Plan                 | 10         | Strategic evaluation of outcomes and trends to advise Management leading to effective planning and prioritisation of resources for current and future years |
|                    | Governance             | Risk Management                                      | 40         | Provision for work supporting the Council's approach to risk management including risk register maintenance   |
|                    | Governance             | Annual Governance Statement                          | 15         | Co-ordinating the production of the Annual Governance Statement ensuring the Council's statutory obligations are met  |
|                    | <b>Corporate Total</b> |  | <b>310</b> |   |

## 2.3 Chief Executive's

|                            | Division/Service                | Audit Title                               | Days | Objective or Rationale   |
|----------------------------|---------------------------------|---|------|--|
| Chief Executive's (Page 1) | ICT                             | Delivery of ICT Strategy                  | 10   | To ensure that implementation of the IT strategy is being managed effectively. This will include a review of the financial management and governance controls                                  |
|                            | ICT                             | CareFirst replacement                     | 10   | To ensure that controls are in place and operating effectively over the arrangements for the transition of the CareFirst computer application functionality and data to a new application      |
|                            | Finance<br>Key Financial System | Treasury Management                       | 10   | Review governance and ensure controls are satisfactory to mitigate risk. Coverage and scope will be discussed with management, taking account of previous internal audit work and known issues |
|                            | Finance<br>Key Financial System | Pension Administration                    | 10   | Review governance and ensure controls are satisfactory to mitigate risk. Coverage and scope will be discussed with management, taking account of previous internal audit work and known issues |
|                            | Finance<br>Key Financial System | Pension Fund                              | 10   | Review governance and ensure controls are satisfactory to mitigate risk. Coverage and scope will be discussed with management, taking account of previous internal audit work and known issues |
|                            | Finance<br>Key Financial System | Creditors                                 | 10   | Review governance and ensure controls are satisfactory to mitigate risk. Coverage and scope will be discussed with management, taking account of previous internal audit work and known issues |
|                            | Finance<br>Key Financial System | Debtors                                   | 10   | Review governance and ensure controls are satisfactory to mitigate risk. Coverage and scope will be discussed with management, taking account of previous internal audit work and known issues |
|                            | Finance<br>Key Financial System | Main Accounting System and General Ledger | 10   | Review governance and ensure controls are satisfactory to mitigate risk. Coverage and scope will be discussed with management, taking account of previous internal audit work and known issues |

|                            |                              |   |    |  |
|----------------------------|------------------------------|---|----|--|
| Chief Executive's (Page 2) | Finance Key Financial System | Housing Benefit                           | 10 | Review governance and ensure controls are satisfactory to mitigate risk. Coverage and scope will be discussed with management, taking account of previous internal audit work and known issues                                     |
|                            | Finance Key Financial System | Business Rates                            | 10 | Review governance and ensure controls are satisfactory to mitigate risk. Coverage and scope will be discussed with management, taking account of previous internal audit work and known issues                                     |
|                            | Finance System               | Procurement Cards                         | 10 | Review governance and ensure controls are satisfactory to mitigate risk. Coverage and scope will be discussed with management, taking account of previous internal audit work and known issues                                     |
|                            | Finance System               | Council Tax                               | 10 | Review governance and ensure controls are satisfactory to mitigate risk. Coverage and scope will be discussed with management, and will include periodic reviews of discounts and exemptions                                       |
|                            | Financial Governance         | Financial Regulations                     | 10 | Review to ensure they are fit for purpose and reflect legislative, environment and technological changes. Include benchmark comparison with other Authorities  |
|                            | Finance                      | Schools Finance Team                      | 10 | Review governance and management of the contract to ensure controls are satisfactory and mitigate risk. Consider the resilience of the team to deliver the school finance element of the Liberata contract                         |
|                            | Finance                      | Insurance                                 | 10 | Review of the key controls and performance of the insurance function, including a review of the contractual arrangements with the Royal Borough of Greenwich   |
|                            | Finance                      | Temporary Accommodation and Housing Rents | 10 | Review of Rent Collection procedures operated by Liberata  |
|                            | Customer Services            | Registrars                                | 10 | A review of the adequacy and application of the control framework put in place for the cash minimisation programme. We will also review access arrangements to the registrars' offices to ensure that security risks are mitigated |

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|----------------------------|--|--|------------|--|
| Chief Executive's (Page 3) | Commissioning                          | Review of governance and contract documentation  | 10         | A review of governance over contracts and key supporting documentation to ensure that contracts have been signed and sealed by all parties, are retained securely and can be located readily. Key documents associated with the contract such as performance bonds and indemnities are retained, available and current                   |
|                            | Commissioning                          | Review of a sample contracts coming to an end  | 10         | A review of a sample of contracts coming to an end. This is to ensure that a lessons learned exercise for the current contract has been carried out, roles and responsibilities have been assigned appropriately for the re-tendering of the contract and sufficient time and resources have been allocated for the re-tendering process |
|                            | Human Resources (Key Financial System) | Payroll to include Staff overtime, allowances and expenses, including mileage                | 10         | This review will seek to provide assurance over the policies, procedures, authorisation and administration of claims. It will also examine where alternative arrangements exist e.g. pool cars   |
|                            | Human Resources                        | Engagement and use of consultants  | 10         | A review of the engagement and use of consultants including compliance with contract procedure rules, terms and conditions and employee rights. We will also examine financial management arrangements and the benefits realised from the engagement   |
|                            | Chief Executive's                      | Contingency allowance for advice, guidance and provision for assurance work on emerging risk | 30         | Provision for work involving risk areas which are unknown at present but are likely to emerge in 2019/20   |
|                            | Chief Executive's                      | Work in progress from 2018/19 carried forward  | 20         | Provision for completion of work from 2018/19 which is in progress at year end   |
|                            | <b>Chief Executive's Total</b>         |  | <b>260</b> |  |

## 2.4 Education, Care and Health Services

|  | Division/Service  | Audit Title   | Days | Objective or Rationale  |
|--|-------------------|---|------|---|
| Education, Care and Health Services (Page 1) | Programmes        | Health & Social Care Integration  | 10   | Review existing controls to secure joint working across the health and social care economy, looking at the use of Delayed Transfer of Care, Better Care Fund and Improved Better Care Fund. Ensure satisfactory progress towards statutory duties |
|  | Adult Social Care | Care Act  | 10   | Confirm that the statutory duties under the Care Act are being adhered to and adequate documentation is maintained to support decisions   |
|  | Programmes        | Integration and Better Care Fund: The Disabled Facilities Capital Grant (DFG) determination 2018-19 [31/3337] | 5    | To carry out work as required to confirm the conditions attached to the Disabled Facilities Capital Grant Determination (2018-19) No [31/3337] have been complied with  |
|  | Adult Social Care | Mental Health Service Agreements and Section 117  | 15   | Review the controls around the assessment, service agreements, reviews and collection of income. Confirm that robust controls are in place for the collection of income in respect of Section 117 clients including a benchmarking review         |
|  | Adult Social Care | Deferred Payments   | 10   | Review the process to apply for a deferred payment to property for clients placed in residential placements   |
|  | Adult Social Care | Appointeeship and Deputyship  | 15   | Review the controls in place for the delivery of the Appointeeship and Deputyship service by Liberata. This will include referral from care management, management of client finances, protection of property and contract burials                |
|  | Adult Social Care | Discharge to Assess   | 10   | Review the controls in place to deliver the Discharge to Assess service. Consider the review of the pilot scheme that was extended to March 2019, specifically the delivery of financial savings  |
|  | Education         | Schools   | 8    | Review of systems and procedures at a sample of schools   |
|  | Education         | SEND Reforms  | 10   | Review of controls in place to assess service users, eligibility criteria and review process  |

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|--|--|--|------------|---|
| Education, Care and Health Services (Page 2) | Children's Social Care                           | Looked After Children  | 15         | Review the controls in place for the assessment and reviews of children looked after in residential placements. To include the procurement of placements and joint funding arrangements with Education and Health   |
|  | Children's Social Care                           | Direct Payments for Children   | 10         | Review the controls in place for the assessment, service agreement and review of direct payments for children. Consider any split costs between Education and Health  |
|  | Children's Social Care                           | Youth Offending Team   | 10         | Review the systems operating for the YOT, including expenditure controls, contract and budget monitoring  |
|  | Children's Social Care                           | Troubled Families Claim  | 5          | Verification work to confirm identified troubled families have been 'turned around' as per the grant conditions   |
|  | Public Health                                    | Substance Misuse Services  | 10         | Review of the Substance Misuse contract to include Substance Misuse panel spot purchasing for residential detox and rehabilitation. Needle Exchange Scheme and Supervised Administration of Methadone (SAM) delivered by pharmacists and recharges to the CCG |
|  | Housing  | More Homes for Bromley LLP – Residential Property acquisitions                               | 10         | Review the governance and controls in place over the operation of the scheme  |
|  | Housing/Public Health                            | Care Pathway – Service Overview  | 10         | Consultancy review of a sample of cases involving public health, housing and social care to ensure value for money where there are competing objectives   |
|  | Education, Care and Health Services              | Contingency allowance for advice, guidance and provision for assurance work on emerging risk | 30         | Provision for work involving risk areas which are unknown at present but are likely to emerge in 2019/20  |
|  | Education, Care and Health Services              | Work in progress from 2018/19 carried forward  | 15         | Provision for completion of work from 2018/19 which is in progress at year end  |
|  | <b>Education, Care and Health Services Total</b> |  | <b>208</b> |   |

## 2.5 Environment and Community Services

|   | Division/Service            | Audit Title   | Days | Objective or Rationale   |
|---|-----------------------------|---|------|--|
| Environment and Community Services (Page 1) | Highways                    | Street Lighting   | 10   | Review governance and management of the contract to ensure controls are satisfactory and mitigate risk   |
|   | Highways                    | Local Transport Capital Block Funding (Integrated Transport and Highway maintenance) Specific grant determination (2018/19): NO 31/3224 | 4    | To carry out work as required to confirm the conditions attached to the Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance) Specific Grant Determination (2018/19) No.31/3224 have been complied with   |
|   | Public Protection           | Licencing   | 10   | Coverage and scope to be discussed with management. This could include assessing the controls around compliance with legal/regulatory requirements   |
|   | Public Protection           | Mortuary and Coroners Service   | 10   | Review governance and management of the contract to ensure controls are satisfactory and mitigate risk   |
|   | Street Scene and Greenspace | FPN and Park Security   | 10   | Review governance and management of the contract to ensure controls are satisfactory and mitigate risk   |
|   | Street Scene and Greenspace | Contract Implementation process for the new Environmental Services Contracts (LOT1, LOT2, LOT3, LOT4 and LOT5)                          | 15   | Review of the contract implementation process for the new Environmental Services Contracts (LOT1, LOT2, LOT3, LOT4, LOT5) to ensure that the processes embedded are as specified in the contract. Any findings from the review of exit strategy (LOT3 and LOT5) and their implementation and lessons learned from previous contract reviews will inform the areas to be reviewed |
|   | Planning                    | Section 106 contributions   | 10   | Review to focus on ensuring that the Section 106 contributions are spent in accordance with the agreements by project sponsors. The requirements such as purpose for which Section 106 contribution is to be used, geographical area, time limits and 'pooling' restrictions   |
|   | Recreation                  | Post Implementation review of Libraries contract  | 10   | Review governance and management of contract to ensure controls are satisfactory and mitigate risk. To include review of budget options  |

|   |  |            |  |
|---|--|------------|--|
| Environment and Community Services        | Contingency allowance for advice, guidance and provision for assurance work on emerging risk | 25         | Provision for work involving risk areas which are unknown at present but are likely to emerge in 2019/20 |
| Environment and Community Services        | Work in progress from 2018/19 carried forward  | 20         | Provision for completion of work from 2018/19 which is in progress at year end                           |
| <b>Environment and Community Services</b> |  | <b>124</b> |  |
|   |  |            |  |
| <b>Annual Plan Total</b>                  |  | <b>902</b> |  |