

AUDIT AND STANDARDS COMMITTEE

27 June 2018

Title: Internal Audit Charter, Internal Audit Strategy 2018/19 onwards and Internal Audit Plan 2018/19	
Open Report	For Approval
Wards Affected: None	Key Decision: No
Report Author: Rachel Paddon, Head of Audit	Contact Details: rachel.paddon@lbbd.gov.uk
Accountable Director: Claire Symonds, Chief Operating Officer	
Summary The Internal Audit Charter defines the purpose, activity and responsibility of internal audit activity and is reviewed and presented annually for approval. It has been updated by the Head of Audit and contains no significant changes from previously. The Internal Audit Strategy 2018/19 onwards details how the internal audit service will be delivered and is reviewed and presented annually for approval. It has been updated by the Head of Audit to reflect current practice, which has been developed to improve the internal audit service. The Internal Audit Plan 2018/19 has been developed in line with the Charter and Strategy. It has been fully funded to enable production of an annual internal audit opinion.	
Recommendation(s) ASC to approve: <ul style="list-style-type: none">• Internal Audit Charter• Internal Audit Strategy 2018/19 onwards• Internal Audit Plan 2018/19	

1 Internal Audit Charter (“the Charter”)

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter. The PSIAS require periodic review of the Charter by the Chief Audit Executive and presentation to senior management and the board for approval.
- 1.2 The Charter is reviewed at least annually by the Head of Audit and presented for approval. The Charter was last presented to the Public Accounts and Audit Select Committee on 5 April 2017.
- 1.3 The Charter has been updated by the Head of Audit to ensure compliance with the Public Sector Internal Audit Standards and current practice. It contains no significant changes from previously. The updated Charter was approved by Assurance Group on 8 March 2018.
- 1.4 *The Charter is set out at Appendix 1 and is presented to the first meeting of the Audit and Standards Committee for approval.*

2 Internal Audit Strategy (“the Strategy”) 2018/19 onwards

- 2.1 The Strategy details how the internal audit service will be delivered, in line with the Charter. It includes the following: resources; approach to preparing and delivering the internal audit plan; quality assurance; reporting; annual opinion; follow up; and performance monitoring.
- 2.2 It is presented at least annually for approval. The Strategy was last presented to the Public Accounts and Audit Select Committee on 5 April 2017.
- 2.3 The Strategy has been updated by the Head of Audit to reflect current practice. It provides more detailed information than previously, including detailing the approach to preparing the internal audit plan. This approach has been developed and implemented with a focus on providing an internal audit plan tailored to the Council’s key objectives, priorities and risks following feedback from senior stakeholders that the internal audit plan has not achieved this previously.
- 2.4 It has also been updated to clearly reflect the involvement of the relevant Strategic Director at key stages in delivering the internal audit plan to support effective delivery of the plan. This is to support focus of internal audit on the appropriate areas and senior management engagement in audit findings and resulting action plans.
- 2.5 As noted at Section 2 of the Strategy, the internal audit service is provided by a small in-house team support by externally provided resources. In 2017/18, the in-house team was supported by a shared internal audit service with the London Borough of Redbridge (until October 2017) and Mazars (through a framework contract procured by the London Borough of Croydon).
- 2.6 The in-house team currently consists of a part-time seconded Interim Head of Audit and a full time internal auditor working towards qualification. Plans for growing the in-house team in 2018/19 include substantively appointing a Head of Assurance, whose remit will include Internal Audit.
- 2.7 External resources for 2018/19 will be provided by PwC (through a framework contract procured by Islington Council) and Mazars (through the new London Brough of Croydon framework contract, effective 1 April 2018). The use of PwC is intended to improve the quality of the internal audit service, including enabling benchmarking of quality of the service provided by Mazars.
- 2.8 As noted at section 3 of the Strategy, all London Borough of Barking and Dagenham’s activities (including outsourced activities) and legal entities are within the scope of Internal Audit. As a result, the internal audit plan includes risk-based audit activity – focusing on Council’s risks and not those of the entities which may be aligned or may differ – in the Council’s related entities. The internal audit activity will not cover all activities of the related entities, although the entities may request this activity at a cost to the entity.
- 2.9 As noted at Sections 6 and 8 of the Strategy, finding and report ratings and definitions and KPIs will remain consistent with 2017/18.
- 2.10 The updated Strategy was approved by Assurance Group on 8 March 2018.

2.11 *The Strategy is set out at Appendix 2 and is presented to the first meeting of the Audit and Standards Committee for approval.*

3 Internal Audit Plan (“the Plan”) 2018/19

3.1 The Plan has been developed in line with the Charter and Strategy. It details the planned use of internal audit resources for 2018/19, including draft audit titles and proposed audit objectives. It is compiled at least annually prior to the commencement of each financial year and reviewed periodically to reflect any relevant changes.

3.2 The plan includes additional information than in previous years where only the plan itself has been presented. For transparency and clarity, the plan includes details on how the plan was developed and the basis of the plan.

3.3 *The Plan is set out at Appendix 3 and is presented to the first meeting of the Audit and Standards Committee for approval.*

4 Financial Implications

4.1 The budget for the full plan has been approved by the Chief Operating Officer.

5 Legal Implications

This has no legal implications.

6 Other Implications

6.1 **Risk Management** – The internal audit plan is risk-based and therefore supports effective risk management across the Council.

6.2 **Contractual issues** – As detailed above, delivery of the internal audit service will utilise two contracts, one with PwC and one with Mazars. Contracts for both organisations are in place following procurement processes undertaken by other London boroughs.

6.3 **Staffing issues** – There is no impact on current staff. As detailed above, at 2.5, plans for the in-house team include growing the in-house team.

6.4 **Corporate policy and customer impact** – The internal audit service is aligned to corporate objectives. No impact on race, gender, disability, sexuality, faith, age or community cohesion.

6.5 **No other implications to report**

7 Public Background Papers Used in the Preparation of the Report: None

8 List of appendices:

Appendix 1: Internal Audit Charter

Appendix 2: Internal Audit Strategy 2018/19 onwards

Appendix 3: Internal Audit Plan 2018/19

Appendix 1: Internal Audit Charter

Contents:

1. Introduction
2. Purpose
3. Scope
4. Authority
5. Responsibility
6. Independence
7. Professional competence and due care
8. Reporting and monitoring

1. Introduction

Under the Accounts and Audit Regulations 2011, the Council has a statutory obligation to undertake an adequate and effective internal audit of its accounting records and of its system of internal control.

This Internal Audit Charter provides the framework for the conduct of the Internal Audit function in the London Borough of Barking and Dagenham and has been approved by the Audit and Standards Committee. It has been created with the objective of formally establishing the purpose, authority and responsibilities of the Internal Audit function.

It is reviewed, updated as required and reported to the Audit and Standards Committee for consideration at least annually.

2. Purpose

Internal Auditing is an independent, objective assurance and consulting activity designed to add value to and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

3. Scope

All London Borough of Barking and Dagenham's activities (including outsourced activities) and legal entities are within the scope of Internal Audit. Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk-based approach. Internal Audit does not necessarily cover all potential scope areas every year. The audit program includes obtaining an understanding of the processes and systems under audit, evaluating their adequacy, and testing the operating effectiveness of key controls. Internal Audit can also, where appropriate, undertake special investigations and consulting engagements at the request of the Audit and Standards Committee and the Strategic Leadership Team through the Assurance Group.

Notwithstanding Internal Audit's responsibilities to be alert to indications of the existence of fraud and weaknesses in internal control which would permit fraud to occur, the Internal Audit activity will not undertake specific fraud-related work. Fraud-related work is carried out by the Counter-Fraud team.

Internal Audit will coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

4. Authority

The Internal Audit function of the London Borough of Barking and Dagenham derives its authority from the Financial Regulations and Rules which form part of the Council's constitution. The Head of Audit is authorised to have full and complete access to any of the organisation's records, properties and personnel. The Head of Audit is also authorised to designate members of the audit staff to have such full and complete access in the discharging of their responsibilities and may engage experts to perform certain engagements which will be communicated to management. Internal Audit will ensure confidentiality is maintained over all information and records obtained in the course of carrying out audit activities.

5. Responsibility

The Head of Audit is responsible for preparing the annual audit plan in consultation with the Audit and Standards Committee and the Assurance Group, submitting the audit plan, internal audit budget, and resource plan for review and approval by the Audit and Standards Committee, implementing the approved audit plan, and issuing periodic audit reports on a timely basis to the Audit and Standards Committee and the Assurance Group.

The Head of Audit is responsible for ensuring that the Internal Audit function has the skills and experience commensurate with the risks of the organisation. The Audit and Standards Committee should make appropriate inquiries of management and the Head of Audit to determine whether there are any inappropriate scope or resource limitations.

Internal Audit provides individual assurance ratings and an annual overall opinion of the internal control environment based on the results of audit work conducted. This annual opinion is reported to the Audit and Standards Committee and the Assurance Group and forms an important part of the formation of the Annual Governance Statement.

It is the responsibility of management to identify, understand and manage risks effectively, including taking appropriate and timely action in response to audit findings. It is also management's responsibility to maintain a sound system of internal control and improvement of the same. The existence of an Internal Audit function, therefore, does not in any way relieve them of this responsibility.

Management is responsible for fraud prevention and detection. As Internal Audit performs its work programs, it will be observant of manifestations of the existence of fraud and weaknesses in internal control which would permit fraud to occur or would impede its detection.

6. Independence

Internal Audit staff will remain independent of the business and they shall report to the Head of Audit who, in turn, shall report functionally to the Audit and Standards Committee and administratively to the Section 151 Officer.

Internal Audit staff shall have no direct operational responsibility or authority over any of the activities they review. Therefore, they shall not develop nor install systems or procedures, prepare records or engage in any other activity which they would normally audit. Internal Audit staff with real or perceived conflicts of interest must inform the Head of Audit, then the Audit and Standards Committee, as soon as these issues become apparent so that appropriate safeguards can be put in place.

7. Professional competence and due care

The Internal Audit function will perform its duties with professional competence and due care. Internal Audit will adhere to the Definition of Internal Auditing, Code of Ethics and the Standards for the Professional Practice of Internal Auditing that are published by the Institute of Internal Auditors. Internal Audit will also adhere to the requirements of the Public Sector Internal Audit Standards (PSIAS).

8. Reporting and monitoring

At the end of each audit, the Head of Audit or designee will prepare a written report and distribute it as appropriate. Internal Audit will be responsible for appropriate follow-up of significant audit findings and validation of agreed action plans. All significant findings will remain open file until cleared by internal audit or the Audit and Standards Committee.

The Audit and Standards Committee will be updated regularly on the work of Internal Audit through periodic and annual reports. The Head of Audit shall prepare reports of audit activities with significant findings along with any relevant agreed action plans and provide periodic information on the status of the annual audit plan.

Periodically, the Head of Audit may meet with the Chair of the Audit and Standards Committee in private to discuss internal audit matters.

The performance of Internal Audit will be monitored through the implementation of a Quality Assurance and Improvement Programme. The results of external and internal assessments will be reported upon completion to the Assurance Group and the Audit and Standards Committee.

Appendix 2: Internal Audit Strategy 2018/19 onwards

Contents:

1. Introduction
2. Resources
3. Approach to preparing the internal audit plan
4. Approach to delivering the internal audit plan
5. Quality assurance
6. Reporting, including rating definitions
7. Annual opinion
8. Follow up of findings and agreed action plans
9. Internal audit performance monitoring

1. Introduction

The internal audit service will be delivered in accordance with the Internal Audit Charter.

The work of internal audit is structured through an approved Internal Audit Plan. This is compiled at least annually prior to the commencement of each financial year and reviewed periodically to reflect any relevant changes.

The internal audit plan is driven by the Council's organisational objectives and priorities, and the risks that may prevent the Council from meeting those priorities.

2. Resources

The internal audit service is provided by a small in-house team, focusing on stakeholder management, solid ongoing working relationships and providing detailed local knowledge. The in-house team is supported by externally provided resources to enabling the Council to commission the volumes and specialist skills as required.

In-house skills are refreshed, in line with best practice through such bodies as CIPFA's Better Governance Forum and the London Audit Group. Appropriate training is identified through the Council's appraisal process and Continued Professional Development of qualified staff.

3. Approach to preparing the internal audit plan

The work of internal audit is structured through an approved Internal Audit Plan. This is compiled at least annually prior to the commencement of each financial year and reviewed periodically to reflect any relevant changes.

All London Borough of Barking and Dagenham's activities (including outsourced activities) and legal entities are within the scope of Internal Audit. As a result, the internal audit plan includes risk-based audit activity – focusing on Council's risks and not those of the entities which may be aligned or may differ – in the Council's related entities. The internal audit activity will not cover all activities of the related entities, although the entities may request this activity at a cost to the entity.

Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk-based approach. Internal Audit does not necessarily cover all potential scope areas every year.

The internal audit plan is driven by the Council's organisational objectives and priorities, and the risks that may prevent the Council from meeting those priorities. This has been achieved through:

- Understanding the Council's vision for the borough and priorities.
- Identifying the auditable areas within the Council aligned to the 'Service Delivery Blocks'.
- Engaging with management throughout the Council to understand key risks, areas of significant change, assurance work to date and other assurance providers.
- Engaging with external audit to consult on audit plans and to seek opportunities for co-operation in the conduct of audit work.
- Understanding emerging issues and potential audit areas from sector and assurance knowledge and understanding.

4. Approach to delivering the internal audit plan

The internal audit plan will be delivered in line with the Internal Audit Manual. This includes the following key steps:

- 1) Preparation for an audit, including research, a planning / scoping meeting and production of a written Terms of Reference.
- 2) Fieldwork, in line with the stated audit approach in the Terms of Reference. During fieldwork, the auditors will keep the key audit contact updated with progress and potential issues arising. Fieldwork will conclude with an exit meeting confirming all issues arising and discussion of action plans to address.
- 3) Formal reporting of the audit objective and scope, issues identified and agreed action plans. The reporting process will include issue of a draft to confirm factual accuracy and agreement of actions plans prior to finalising.

Terms of Reference and Internal Audit reports will include the relevant Strategic Director.

5. Quality assurance

Quality will be assured by adherence to professional auditing standards and through supervision by senior audit staff. The internal audit service is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- The relevant Code of Ethics for the professional bodies that members of the service are members of, such as the Chartered Institute of Internal Auditors and the six accountancy professions that constitute the CCAB;
- UK Public Sector Internal Audit Standards (PSIAS);

- All Council Policies and Procedures; and
- All relevant legislation.

In accordance with the Accounts & Audit Regulations 2015, an annual review of internal audit against the PSIAS will be undertaken. This will be conducted externally at least once every five years in line with PSIAS requirements. Results of reviews will be reported to the Audit and Standards Committee.

6. Reporting, including rating definitions

At the end of each audit, the Head of Audit or designee will prepare a written report detailing the audit objective and scope, findings and agreed action plans.

Each audit finding will be rated critical, high, medium or low risk in line with the following risk rating definitions:

<p>Critical ●●</p>	<p>Immediate and significant action required. A finding that could cause:</p> <ul style="list-style-type: none"> • Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance (e.g. mass strike actions); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny (i.e. front-page headlines, TV). Possible criminal or high profile civil action against the Council, members or officers; or • Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members & Senior Directors are required to intervene; or • Major financial loss, significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council. Critical breach in laws and regulations that could result in material fines or consequences.
<p>High ●</p>	<p>Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause:</p> <ul style="list-style-type: none"> • Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff; or • Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or • Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or • High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
<p>Medium ●</p>	<p>A finding that could cause:</p> <ul style="list-style-type: none"> • Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff; or • Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage; or • Significant short-term disruption of non-core activities. Standing orders occasionally not complied with, or services do not fully meet needs. Service action will be required; or • Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.
<p>Low ●</p>	<p>A finding that could cause:</p> <ul style="list-style-type: none"> • Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or • Minor impact on the reputation of the organisation; or • Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or • Handled within normal day to day routines; or • Minimal financial loss, minimal effect on project budget/cost.

Each audit report will give an overall assurance level of substantial, reasonable, limited or no assurance, in line with the following assurance level definitions:

Substantial ●	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Findings will normally only be Advice and Best Practice.
Reasonable ●	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority findings indicating weaknesses, but these do not undermine the system's overall integrity. Any Critical findings will prevent this assessment, and any High findings would need to be mitigated by significant strengths elsewhere.
Limited ●	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High findings indicating significant failings. Any Critical findings would need to be mitigated by significant strengths elsewhere.
No ●	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.

Reports will be distributed to the key contacts detailed in the audit Terms of Reference, including the appropriate senior manager and relevant strategic director. Reports rated “no” or “limited” assurance will be provided in full to the Assurance Group.

Summary reports will be provided to the Assurance Group and the Audit and Standards Committee quarterly. These will detail changes to the internal audit plan, progress against the plan, summaries of limited or no assurance reports, performance of internal audit in delivery of its service and management's performance in implementing critical and high rated findings.

7. Annual Opinion

Internal Audit provides an annual overall opinion of the internal control environment based on the results of audit work conducted. In arriving at the opinion, the Head of Audit also places reliance on other assurance activities and the governance framework and risk management processes in place.

This annual opinion is reported to the Audit and Standards Committee and the Assurance Group and forms an important part of the formation of the Annual Governance Statement.

8. Follow up of findings and agreed action plans

Internal Audit will be responsible for appropriate follow-up of critical and high rated audit findings and validation of agreed action plans. Management provide evidence to the auditor demonstrating that the recommendations made have been implemented and a risk-based approach, focusing on critical and high rated findings, is taken to review and validate the information provided.

Internal audit will perform a full follow up of an area where the audit rating was “no assurance” in the following year.

Findings will remain open file until cleared by internal audit or the Audit and Standards Committee.

Where reasonable progress is not achieved in the addressing findings, the Audit and Standards Committee may request that the responsible manager / Strategic Director prepare and/or present a report to the Audit and Standards Committee setting out the action plan to address the findings and how residual risks are to be addressed until the action plan is fully delivered.

9. Internal audit performance monitoring

The following performance indicators will be reported against quarterly to the Assurance Group and the Audit and Standards Committee:

Purpose	Target	What it measures
% of Audit Plan completed (Audits at draft report stage)	>25% by end of Q2	Delivery measure
	>50% by end of Q3	
	>80% by end of Q4	
	100% by end of May of the following year	
Meet standards of Public Sector Internal Audit Standards	Substantial assurance or above from annual review	Compliant with professional standards
High Risk Recommendations not addressed within timescales	<5%	Delivery measure
Overall Client Satisfaction	> 85% satisfied or very satisfied over rolling 12-month period	Customer satisfaction

Appendix 3: Internal Audit Plan 2018/19

Contents:

1. Introduction
2. Approach to preparing the internal audit plan
3. Basis of the internal audit plan 2018/19
4. Internal audit plan 2018/19
5. Resource requirement and financial implications
6. Internal audit opinion
7. Changes to the plan

1. Introduction

This internal audit plan has been developed in accordance with the Internal Audit Charter and Internal Audit Strategy.

All London Borough of Barking and Dagenham's activities (including outsourced activities) and legal entities are within the scope of Internal Audit. Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk-based approach. Internal Audit does not necessarily cover all potential scope areas every year.

2. Approach to preparing the internal audit plan

The internal audit plan has been developed in accordance with the Internal Audit Strategy through:

- Understanding the Council's vision for the borough and priorities:

Vision: One borough; one community; London's growth opportunity.

Priorities:

- Encouraging civic pride.
- Enabling social responsibility.
- Growing the borough.
- Well-run organisation.

- Identifying the auditable areas within the Council aligned to the ‘Service Delivery Blocks’:



* “Public Realm” is the terminology being used in practice for “Clean and Green”.

- Engaging with management throughout the Council to understand key risks, areas of significant change, assurance work to date and other assurance providers.

The Head of Audit has engaged with the following personnel during the planning process:

Chris Naylor, Chief Executive	Claire Symonds, Chief Operating Officer
Tom Hook, Director of Policy and Participation	Fiona Taylor, Director of Law, Governance and Human Resources
Katherine Heffernan, Group Manager for Service Finance [The Core – Finance]	Gail Clark, Head of Workforce Change [The Core – HR and payroll]
Matthew Cole, Director of Public Health [The Core]	Nick Lane, Head of Client Unit [The Core]
Sandra Gray, Project Manager [Reside]	Iain Ferguson, Be First Finance Director [Be First]
Tony Barry, Chief Executive Trading Partnership [Home Services; Traded Services]	Kain Roach, Head of Repairs and Maintenance [Home Services]
Kevin Taggart, Traded Services Manager [Traded Services]	Teresa Itabor, Service Improvement Manager [Home Services; Traded Services]
Andy Knight, Head of Commissioning for Healthy Lifestyles [Leisure Service]	Sue Lees, Elevate Chief Executive [Elevate]
Pete Duxon, Elevate Applications Manager [Elevate]	Paul Hogan, Commissioning Director Culture and Recreation [Heritage]

Jonathon Toy, Operational Director Enforcement Services [Enforcement]	Gary Jones, Regulatory Service Manager [Enforcement]
Paul Feild, Senior Lawyer, Standards and Corporate Governance [BDT Legal]	Rob Overall, Director of My Place [Public Realm; My Place]
Shaun Morley, Director of Public Realm [Public Realm]	Paul Clark, Head of Parks and Environment [Public Realm – Parks and Environment]
Abdul Jallow, Head of Compliance, Projects and Administration [Public Realm]	John Russell, Head of Fleet Management, Workshop and Passenger Transport [Public Realm]
Thomas Hart, Head of Business Development and Improvement [My Place]	Andrew Sodje, Head of Landlord, Customer and Commercial Services [My Place]
Stuart Davis, Head of Property Management and Capital Delivery [My Place]	Tania Peart, Head of Contracts Management, Compliance and Quality [My Place]
Mark Fowler, Director of Community Solutions [Community Solutions]	Ben Spinks, Chief Executive Officer, School Improvement Partnership [School Improvement Partnership]
Chris Bush, Commissioning Director [Care and Support – children’s]	Jane Hargreaves, Commissioning Director Education [Care and Support – children’s]
Carol Douch, Operational Director [Care and Support – children’s]	Stephan Liebrecht, Operational Director [Care and Support – adults]
Mark Tyson, Commissioning Director [Care and Support – adults]	Kevin Key, Corporate Investigation Manager

- Engaging with external audit to consult on audit plans and to seek opportunities for co-operation in the conduct of audit work.

Noted that the current external auditors are in the final year of their contract and the engagement leader for the new provider is yet to be confirmed.

- Understanding emerging issues and potential audit areas from sector and assurance knowledge and understanding.

3. Basis of the internal audit plan 2018/19

The following table sets out, by service delivery block, the following:

- Audit planning comments, including:
 - Relevant internal audit work from 2016/17 and 2017/18 (including the reported rating)
 - Other relevant assurance providers.
- Internal audit plan 2018/19 audit needs, detailing audit titles to be included in 2018/19. Where there are a number of areas identified as requiring audit activity, some areas may be included here as 2019/20 audits.

Audit planning comments	Internal audit plan 2018/19 audit needs
The Core – Finance	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> • 2017/18 Transformation Governance review including review of the Investment and Acquisitions Strategy programme (green TBC) • 2017/18 audit of Insurance (rating TBC) • 2016/17 audit of Treasury Management (substantial assurance) • 2016/17 audit of Pensions (substantial assurance) <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> • External audit 	<ul style="list-style-type: none"> • 2018/19 audit of Budgetary Controls and Savings Management
The Core – HR and payroll	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> • 2017/18 audit of Payroll (substantial assurance) • 2016/17 audit of Payroll (substantial assurance) • 2016/17 audit of Agency Staff (substantial assurance) <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> • External audit • Disability Confident Employer accreditation 	<ul style="list-style-type: none"> • 2018/19 audit of IR35 compliance • 2018/19 audit of Recruitment • 2018/19 Sickness Absence compliance review • 2019/20 audit of HR on and off boarding • 2019/20 audit of Payroll
The Core – other corporate processes	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> • 2017/18 Transformation Governance review (rating TBC) • 2017/18 audit of Fire Safety (rating TBC) • 2017/18 audit of Security of Corporate Buildings (rating TBC) • 2017/18 audit of Electoral Registration (rating TBC) <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> • HSE inspections • SEQOHS accreditation. 	<ul style="list-style-type: none"> • 2018/19 audit of Governance • 2018/19 audit of Information Governance – Subject Access Requests • 2018/19 audit of Cyber Security • 2018/19 review of Brexit Impact • 2018/19 audit of Gifts and Hospitality • 2019/20 audit of Risk Management • 2019/20 audit of Key Performance Indicator Monitoring and Reporting • 2019/20 audit of Prevent • 2019/20 audit of Emergency Planning and Business Continuity • 2019/20 audit of Public Health Grant

Reside	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> • 2013/14 audit of B&D Reside Model (substantial assurance) • Audit work performed over Council services used by Reside, for example 2017/18 Revenues & Benefits – Housing Rents (limited assurance) 	<p>No specific audit requirements for 2018/19.</p> <ul style="list-style-type: none"> • 2019/20 audit of Mainstay Contract Management
Be First	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> • 2017/18 review of draft Scheme of Delegation (comments provided; no formal report / conclusion) • 2017/18 audit of Community Infrastructure Levy / Section 2016 (rating TBC) • 2017/18 Planning Applications (rating TBC) 	<ul style="list-style-type: none"> • 2018/19 audit of Be First procurement on behalf of the Council
Home services (We Fix, subsidiary of B&D Trading Partnership)	
<ul style="list-style-type: none"> • 2017/18 audit of Housing Service Contracts – Responsive Repairs (limited assurance) • 2016/17 audit of Decent Homes (limited assurance) 	<p>No specific audit requirements for 2018/19.</p> <ul style="list-style-type: none"> • 2019/20 audit of Voids
Traded services (BD Together, subsidiary of B&D Trading Partnership)	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> • 2016/17 audit of Schools Catering Services – ParentPay (full assurance) 	<p>No specific audit requirements for 2018/19.</p>
Leisure service	
<p>No relevant assurance work since creation in September 2017.</p>	<ul style="list-style-type: none"> • 2018/19 audit of Everyone Active Contract Management
Elevate – ICT	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> • 2017/18 audit of IT Asset Management (reasonable assurance) • 2017/18 audit of IT Security Framework (rating TBC) • 2016/17 audit of Mobile Phones (substantial assurance) 	<ul style="list-style-type: none"> • 2018/19 IT Risk Diagnostic • 2018/19 audit of Liquidlogic System Implementation • 2018/19 review of work preparing for the end of the Elevate contract • 2019/20 audit of Housing System Implementation
Elevate – Revenues and benefits	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> • 2017/18 audit of Council Tax (reasonable assurance) • 2017/18 audit of Housing Rents (limited assurance) 	<ul style="list-style-type: none"> • 2018/19 audit of Parking Income Collection • 2018/19 review of work preparing for the end of the Elevate contract
Elevate – Procurement and accounts payable	

<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> • 2017/18 audit of Accounts Payable (rating TBC) • 2016/17 audit of Procurement Gainshare (substantial assurance) • 2016/17 audit of Purchasing Cards (limited assurance) 	<ul style="list-style-type: none"> • 2018/19 review of work preparing for the end of the Elevate contract
<p>Heritage</p>	
<p>No relevant internal audit work identified in 2016/17 or 2017/18.</p> <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> • Annual inspections under the Visitor Attraction Quality Service accreditation • Heritage Lottery Fund grant funding monitoring • National Accreditation Scheme for Museums and Galleries (accredited every four years; last accredited 2015) • Local Studies Centre's Archive Service Accreditation 	<ul style="list-style-type: none"> • 2018/19 Museum Accreditation compliance audit • 2019/20 audit of Management of Heritage Assets
<p>Enforcement</p>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> • 2017/18 audit of Licensing (rating TBC) • 2017/18 audit of Planning Enforcement (rating TBC) • 2017/18 Transformation Governance review, including review of the Enforcement programme (green/amber TBC) • 2016/17 audit of Barking Market (limited assurance) • 2016/17 audit of Enforcement – Parking and Street Crime (limited assurance) <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> • Food Standards Agency. • Health and Safety Executive. 	<ul style="list-style-type: none"> • 2018/19 audit of Private Sector Housing • 2018/19 audit of Parking Income Collection
<p>BDT Legal</p>	
<p>No relevant assurance work identified in 2016/17 or 2017/18.</p>	<p>No specific audit requirements for 2018/19.</p>

Public Realm	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> • 2017/18 Transformation Governance review, including review of the Public Realm programme (green/amber TBC) • 2017/18 review of Parks and Grounds Maintenance planned key controls to be implemented April 2018 • 2016/17 Vehicle workshop (limited assurance) 	<ul style="list-style-type: none"> • 2018/19 audit of Commercial Waste • 2018/19 Parks and Grounds Maintenance follow up and compliance audit • 2018/19 audit of Fleet Management • 2019/20 audit of Cleaner Communities • 2019/20 audit of Passenger Transport
My Place	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> • 2017/18 audit of Housing Service Contracts – Responsive Repairs (limited assurance) • 2017/18 audit of Street Lighting Contract (rating TBC) • 2017/18 audit of Highways maintenance (rating TBC) • 2017/18 audit of Highways asset management – HIP (rating TBC) • 2016/17 audit of Leaseholders (substantial assurance) • 2016/17 audit of Decent Homes (limited assurance) • 2016/17 audit of Barking Market (limited assurance) <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> • ROSPA Independent Yearly Playground Inspections 	<ul style="list-style-type: none"> • 2018/19 audit of My Place Procurement and Contract Management • 2018/19 audit of Asset Management
Community solutions	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> • 2017/18 Transformation Governance review, including review of the Community Solutions programme (green TBC) <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> • 2018 London SCB Review of MASH 	<ul style="list-style-type: none"> • 2018/19 audit of Homelessness Reduction Act • 2019/20 review of Impact of Community Solutions • 2019/20 audit of Housing Allocations
Care and support – children’s (including children’s disability service)	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> • 2017/18 audit of Looked After Children (rating TBC) • 2017/18 audit of Foster Care (rating TBC) • 2017/18 audit of Schools Admissions (rating TBC) 	<ul style="list-style-type: none"> • 2018/19 audit of Liquidlogic system implementation • 2018/19 audit of Adoptions • 2018/19 audit of Special Guardianship Orders • 2018/19 Risk Assessment of Schools

<ul style="list-style-type: none"> • 2016/17 audit of Schools • Annual programme of schools' audits covering all schools in the borough on a three year cycle 	<ul style="list-style-type: none"> • 2018/19 Schools Audits
School Improvement Partnership	
No relevant assurance work ahead of go live in April 2018.	No specific audit requirements for 2018/19.
Care and support – adults (including adult's disability service)	
Previous relevant internal audit work: <ul style="list-style-type: none"> • 2017/18 audit of Adaptations Grant Scheme (no assurance) • 2016/17 audit of Mental Health Safeguarding (limited assurance) 	<ul style="list-style-type: none"> • 2018/19 Adaptations Grants Scheme follow up • 2018/19 audit of Liquidlogic system implementation • 2018/19 audit of Direct Payments

4. Internal audit plan 2018/19

The audit plan details the following: draft audit title (and indicative timing by quarter) and draft audit objective.

Audit title (timing)	Audit objective
Museum Accreditation (Q1)	Audit of compliance with the requirements of the National Accreditation Scheme for Museums and Galleries.
Sickness Absence – review (Q1)	Review to identify barriers to compliance with sickness absence policies and procedures.
Recruitment (Q1)	Audit of the control design and operating effectiveness of recruitment processes up to the point of offer.
IR35 (Q1)	Audit of the control design and operating effectiveness of processes to ensure compliance with IR35 off-payroll tax legislation.
Cyber Security (Q1)	Audit of the control design and operating effectiveness in five key areas: boundary firewalls and internet gateways; secure configuration; access control; malware protection; and patch management.
IT Risk Diagnostic (Q1)	Review of IT risk which will present a view of the maturity of controls in the following areas: IT strategy; IT governance; IT management; system quality; system support and change; IT operations; and information security.
Information governance – Subject Access Requests (Q1)	Audit of the control design and operating effectiveness of processes to identify and respond appropriately to subject access requests.
Risk Assessment of Schools (Q1)	Risk assessments of all schools in the borough to inform a risk-based approach to schools' audits.
Schools Audits (Q1-4)	Audit of compliance with the Schools Financial Value Standards.
Adoptions (Q2)	Audit of the control design and operating effectiveness of the adoption process, including preparedness to move to the London Regional Agency hub and spoke model.

Special Guardianship Orders (Q2)	Audit of the control design and operating effectiveness of the special guardianship orders processes.
Be First Procurement (Q2)	Audit of the control design and operating effectiveness of the Be First procurement process where Be First has undertaken procurement on behalf of the Council and compliance with the Council's procurement rules.
Everyone Active Contract Management (Q2)	Audit of the control design and operating effectiveness of the management of the Everyone Active contract.
Homelessness Reduction (Q2)	Audit of compliance with the Homelessness Reduction Act 2017.
Parking Income Collection (Q3)	Audit of the control design and operating effectiveness of the end-to-end parking income collection process from offence through to collection of income.
Commercial Waste Services (Q3)	Audit of control design and operating effectiveness of commercial waste collections.
Parks and Grounds Maintenance (Q3)	Follow up of control design review undertaken in 2017/18; compliance testing of the operation of the controls implemented from April 2018.
Budgetary Controls and Savings Management (Q3)	Audit of the control design and operating effectiveness of budgetary controls and savings management, including monitoring and reporting of cost savings achieved.
Governance (Q3)	Audit of the control design and operating effectiveness of the Council's governance, including governance of achievement of the stated outcomes for the Council's entities (all Reside companies, Be First, Trading Partnership and subsidiaries, School Improvement Partnership).
My Place Procurement and Contract Management (Q3)	Audit of the control design and operating effectiveness of My Place procurement contract management.
Direct Payments (Q3)	Audit of the control design and operating effectiveness of direct payments.
Adaptations Grant Scheme (Q3)	Follow up of 2018/19 "no assurance" internal audit report.
Gifts and Hospitality (Q3)	Audit of the control design and operating effectiveness of the gifts and hospitality processes.
Private Sector Housing (Q4)	Audit of the control design and operating effectiveness of private sector housing controls including landlord registration and monitoring.
Fleet Management (Q4)	Audit of the control design and operating effectiveness of fleet management.
Liquidlogic System Implementation (Q4)	Audit of implementation of the Liquidlogic system in care and support children's and adults.
Brexit Impact (Q4)	Review of the Council's assessment of the impact of Brexit and actions planned and taken in response.
Elevate Contract (Q4)	Review of the Council's work preparing for the end of the Elevate contract.

Asset Management (Q4)	Audit of the control design and operating effectiveness of asset management, including maintaining the assets in the asset management database and using this data to drive compliance checks and expenditure.
Prior year completion	Completion of the 2017/18 audit programme post 31 March 2018.
Prior year annual opinion	Drafting of the 2017/18 annual audit opinion.
Annual quality assessment	Annual review of internal audit against the PSIAS.
Internal audit methodology review	Review and update of the internal audit methodology, including review of the Internal Audit Manual 2014 and drafting of the quality assurance and improvement programme.
Grant claims	Review and sign off of grant claims where internal audit scrutiny is required / requested.
Proactive assurance support and advice	Attendance at relevant meetings to provide proactive assurance and advice including Assurance Group and Programme Boards.
Management requests	Responding to ad hoc management requests for audit support and advice.
Follow ups	Tracking management implementation of agreed action plans for critical and high rated findings; review and validation of evidence provided of implementation.
Audit planning	Periodic review and updating of the annual audit plan throughout the year and production of the internal audit plan 2019/20.
Committee reporting	Quarterly reporting to Assurance Group and PAASC.
External audit engagement and support	Engagement with external audit to work collaboratively and delivery of any control assignments identified by external audit to reduce the external audit costs.
Stakeholder engagement	Engagement with key stakeholders including ongoing updates to understanding of keys, activities and the performance of internal audit.
Management time	Management time of the audit team and the external provision.
Contingency	Contingency for ad hoc activity.

5. Resource requirement and financial implications

The approved internal audit plan for 2017/18 totaled 775 days. The 2018/19 is estimated to consist of 865 days. The increase (of 90 days; 12%) to the 865 days for 2018/19 is reflective of the changes being implemented at the Council meaning that a number of risks have crystallised and some previous assurance work is now not applicable to significantly changed processes. Within the 865 days, contingency of 60 days has been included to allow for unplanned internal audit work. The prior year plan had no contingency. These 60 days account for most of the 90 days increase on the prior year. Based on the risk assessment, this is the level of resource believed to be necessary to evaluate the effectiveness of risk management, control and governance processes.

The budget for the full plan has been approved by the Chief Operating Officer.

6. Internal audit opinion

The annual internal audit opinion will be based on and limited to the internal audits completed over the year and the control objectives agreed for each individual internal audit as set out in each Terms of Reference.

In developing the internal audit risk assessment and plan, the requirement to produce an annual internal audit opinion has been considered by determining the level of internal audit coverage over the audit universe and key risks.

7. Changes to the plan

The plan is a live document and therefore audits may be added and removed to the plan where there are significant changes, including changes to activities, risks and assurances. Quarterly updates throughout the year will include details of changes to the plan.