

## AUDIT AND STANDARDS COMMITTEE

3 April 2019

<b>Title:</b> Draft Internal Audit Charter, Strategy and Plan for 2019/20	
<b>Open Report</b>	<b>For Discussion &amp; Agreement</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
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<b>Accountable Strategic Leadership Director:</b> Claire Symonds, Chief Operating Officer	
<b>Summary:</b> 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 Assurance and contains no significant changes from previously.  The Internal Audit Strategy 2019/20 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 Assurance to reflect current practice, which has been developed to improve the Internal Audit service.  The Internal Audit Plan 2019/20 has been developed in line with the Charter and Strategy. It has been fully funded to enable production of an annual internal audit opinion.	
<b>Recommendations:</b>  The Audit and Standards Committee is asked to:  (i) Approve the draft Internal Audit Charter. (ii) Approve the draft Internal Audit Strategy 2019/20 onwards (iii) Approve the draft Internal Audit Plan 2019/20.	

### 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 to be presented to senior management and the board for approval.
- 1.2 The Charter is reviewed at least annually by the Head of Assurance and presented for approval. The Charter was last presented to the Public Accounts and Audit Select Committee on 27<sup>th</sup> June 2018. This Charter will be presented to the new Audit and Standards Committee on 3rd April 2019.

- 1.3 The Charter has been updated by the Head of Assurance to ensure compliance with the Public Sector Internal Audit Standards and current practice.
- 1.4 The Internal Audit Charter is set out at Appendix 1 of this report and is presented for approval.

## **2 Internal Audit Strategy (“the Strategy”) 2019/20**

- 2.1 The Strategy details how the internal audit service will be delivered, in line with the Charter and includes:
- resources;
  - approach to preparing and delivering the internal audit plan;
  - quality assurance;
  - reporting;
  - follow-up;
  - annual opinion; 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 27<sup>th</sup> June 2018.
- 2.3 The Strategy has been updated by the Head of Assurance to reflect changes in practice moving forward as well as further clarity on the role of Internal Audit within the organisation. This approach has been developed and implemented with a focus on providing a risk-based internal audit plan tailored to the Council’s key objectives, priorities and risks following feedback from senior stakeholders.
- 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 the 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 3 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). Further external support was provided by PwC in 2018/19 (through a framework contract procured by Islington Council) to allow for additional flexibility of specialisms and also enabling benchmarking of the quality of the service provided by Mazars.
- 2.6 The in-house team currently consists of a newly appointed Head of Assurance whose remit amongst other related services includes Internal Audit. There is also a full time Internal Auditor continuing to work towards the IIA qualification.
- 2.7 It is proposed that the existing arrangement to co-source external support from both Mazars and PwC via the appropriate framework contacts is continued into 2019/20.
- 2.8 As noted at section 4 of the Strategy, all London Borough of Barking and Dagenham’s activities (including those delivered by external providers) 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 7 and 10 of the Strategy, findings and report ratings and definitions and KPIs will remain consistent with 2018/19.

2.10 The Strategy is set out at Appendix 2 and is presented for approval.

### **3 Internal Audit Plan (“the Plan”) 2019/20**

3.1 The Plan has been developed in line with the Charter and Strategy. It details the planned use of internal audit resources for 2019/20, 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 now includes the number of days allocated to each project for transparency, clarity and ease of planning. A significant number of days within the plan has been held back as contingency to reflect the fact that the Head of Assurance is new to the Council and is still gaining an understanding of the control and risk environment. The Head of Assurance is also undertaking a complete review of Risk Management that will undoubtedly identify further areas for Internal Audit review and create a demand for further days.

3.3 The Plan is set out at Appendix 3 and is presented 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.

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 2019/20
- Appendix 3: Internal Audit Plan 2019/20

## **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**

Regulation 5 (1) of the Accounts and Audit Regulations 2015 requires that; '*A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector Internal audit standards and guidance*'.

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 Audit 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.

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

In a local authority, internal audit provides independent and objective assurance to the organisation, its Members, the Senior Leadership Team and in particular the Chief Operating Officer to help them discharge their responsibilities under s151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

Within an organisation, there are three lines of defence in place to effect controls. The first line of defence is the day-to-day operational controls, the second is the management controls (budget & performance monitoring, trend analysis) and the third is independent inspection,

both internal & external. Internal audit forms part of the third line of defence and provides assurance on the effectiveness of governance arrangements, risk management and internal controls, and this includes an assessment of the effectiveness of the first two lines of defence. Internal audit can place reliance on assurances provided by third parties, although depending on the source, this may require some independent validation.

### **3. Scope**

All London Borough of Barking and Dagenham's activities (including activities delivered by external providers) 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 programme 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 Assurance is authorised to have full and complete access to any of the organisation's records, properties and personnel. The Head of Assurance 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. All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for that purpose. All internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive in the course of their work.

### **5. Responsibility**

The Head of Assurance 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 Assurance 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 Assurance 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.

In some instances, internal audit may rely on assurances provided by other providers of assurance but this will be dependent on the level of associated risk and some degree of independent verification may be required.

## **6. Independence**

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

The Head of Assurance has full and unrestricted access to the following:

- The Chief Operating Officer (S151 officer);
- The Chief Executive;
- The Chair of the Audit & Standards Committee
- The Monitoring Officer
- All members of the Senior Leadership Team

All staff (including agency and contract staff) are required to make annual declarations of any potential conflicts of interest and adhere to confidentiality requirements. As far as resources permit, auditor rotation will be implemented to ensure auditors' objectivity is not impaired.

Internal audit must ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice. Where Internal Audit do provide consultancy services, any audit staff involved in this consulting activity will not be involved in the audit of that area for at least 12 months.

Internal Audit must remain independent of the activities that it audits to enable auditors to

make impartial and effective professional judgements and recommendations. The Head of Assurance does have strategic responsibility for Risk Management and Insurance. Since this role may involve establishing and maintaining the control environment, these functions will be audited independently by one of the co-sourced providers. Internal auditors have no other operational responsibilities towards the systems and functions audited.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Head of Assurance has the freedom to report without fear or favour to all Members and officers, and particularly to those charged with governance.

Accountability for the response to the advice and recommendations of Internal Audit lies with management. Managers must either accept and implement the advice and recommendations, or formally reject them accepting responsibility and accountability for doing so.

## **7. Professional competence and due care**

The internal audit function will adhere to / comply with the following:

- Institute of Internal Auditor's International Code of Ethics
- Seven Principles of Public Life (Nolan Principles)
- UK Public Sector Internal Audit Standards
- All Council policies and procedures
- All legislation

All audit work is subject to in house quality control procedures whereby each audit review is subject to senior peer review. The audit service will be subject to an annual self-assessment to assess its compliance with the UK Public Sector Internal Audit Standards and an external review and assessment at least once every 5 years by a suitably qualified, independent assessor.

The Head of Assurance is required to hold a relevant professional qualification (CCAB or CMIIA) and be suitably experienced. All staff are required to maintain a programme of Continuous Professional development (CPD) to ensure auditors maintain and enhance their knowledge, skills and audit competencies.

## **8. Reporting and monitoring**

At the end of each audit, the Head of Assurance 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 Assurance 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 Assurance 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 2019/20 onwards**

### **Contents:**

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

Internal Audit will provide independent and objective assurance to the organisation, its Members, senior management and in particular to the Chief Operating Officer 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.

It is the Council's intention to provide a best practice, cost efficient internal audit service which adds value to the organisations it serves.

The Internal Audit service is an assurance function that primarily provides an independent and objective opinion on the degree to which the internal control environment supports and promotes the achievement of the Council's objectives.

Under the direction of a suitably qualified and experienced Head of Assurance, Internal Audit will:

- Provide management and Members with an independent, objective assurance and consulting activity designed to add value and improve the Council's operations.
- Assist the Audit Committees to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;
- Drive organisational change to improve processes and service performance;
- Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements;

- Work closely with other assurance providers to share information and provide a value for money assurance service and;
- Participate in local and national bodies and working groups to influence agendas and developments within the profession.

Internal Audit will ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. However, Internal Audit will offer advice on the design of new internal controls in accordance with best practice.

### **3. 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 enable 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.

### **4. 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 activities delivered by external providers) 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.

## **5. 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.

## **6. 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.

## **7. Reporting, including rating definitions**

At the end of each audit, the Head of Assurance 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><b>Critical</b> ●●</p>	<p>Immediate and significant action required. A finding that could cause:</p> <ul style="list-style-type: none"> <li>• Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale &amp; service performance (e.g. mass strike actions); or</li> <li>• 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</li> <li>• Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members &amp; Senior Directors are required to intervene; or</li> <li>• 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.</li> </ul>
<p><b>High</b> ●</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"> <li>• Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale &amp; performance of staff; or</li> <li>• 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</li> <li>• Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or</li> <li>• High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.</li> </ul>
<p><b>Medium</b> ●</p>	<p>A finding that could cause:</p> <ul style="list-style-type: none"> <li>• Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale &amp; performance of staff; or</li> <li>• 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</li> <li>• 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</li> <li>• Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.</li> </ul>
<p><b>Low</b> ●</p>	<p>A finding that could cause:</p> <ul style="list-style-type: none"> <li>• Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or</li> <li>• Minor impact on the reputation of the organisation; or</li> <li>• Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or</li> <li>• Handled within normal day to day routines; or</li> <li>• Minimal financial loss, minimal effect on project budget/cost.</li> </ul>

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

<b>Substantial</b> ●	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.
<b>Reasonable</b> ●	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.
<b>Limited</b> ●	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.
<b>No</b> ●	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.

## 8. 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 Assurance 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.

## 9. 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 corroborating 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.

## 10. Internal Audit performance monitoring

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

<b>Purpose</b>	<b>Target</b>	<b>What it measures</b>
% 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 2019/20

### Contents:

1. Introduction
2. Approach to preparing the internal audit plan
3. Basis of the internal audit plan 2019/20
4. Internal audit plan 2019/20
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 its themes and priorities:

**Vision:** One borough; one community; no-one left behind.

#### **Themes and Priorities:**

##### Theme 1: A New Kind of Council

###### Priorities:

1. Build a well-run organisation
2. Ensure relentlessly reliable services
3. Develop place-based partnerships

##### Theme 2: Empowering People

###### Priorities:

1. Enable greater independence whilst protecting the most vulnerable
2. Strengthen our services for all
3. Intervene earlier

##### Theme 3: Inclusive Growth

###### Priorities:

1. Develop our aspirational and affordable housing offer
2. Shape great places and strong communities through regeneration
3. Encourage enterprise and enable employment

##### Theme 4: Citizenship and Participation



Priorities:

1. Harness culture and increase opportunity
2. Encourage civic pride and social responsibility
3. Strengthen partnerships, participation and a place-based approach

- 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 Assurance has held meetings with the Senior Leadership Team and other senior Council officers during the formation of this plan.
- 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, BDO, are in the first year of their contract.
- Understanding emerging issues and potential audit areas from sector and assurance knowledge and understanding.

### 3. Basis of the internal audit plan 2019/20

The table below sets out the strategic audit plan by service delivery block, including relevant internal audit work from 2016/17, 2017/18 and 2018/19, relevant external sources of assurance and the suggested plan for 2019/20.

Audit planning comments	Internal audit plan 2019/20
<b>The Core – Finance</b>	
Previous relevant internal audit work: <ul style="list-style-type: none"> <li>2017/18 Transformation Governance review including review of the Investment and Acquisitions Strategy programme (N/A)</li> <li>2017/18 audit of Insurance (reasonable assurance)</li> </ul>	<ul style="list-style-type: none"> <li>Budgetary Control and Savings Management</li> <li>Budgetary Control &amp; Savings Management</li> <li>Oracle system</li> </ul>

<ul style="list-style-type: none"> <li>• 2016/17 audit of Treasury Management (substantial assurance)</li> <li>• 2016/17 audit of Pensions (substantial assurance)</li> </ul> <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> <li>• External audit</li> </ul>	
<b>The Core – HR and payroll</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 audit of Payroll (substantial assurance)</li> <li>• 2016/17 audit of Payroll (substantial assurance)</li> <li>• 2016/17 audit of Agency Staff (substantial assurance)</li> <li>• 2018/19 audit of Recruitment (Limited Assurance)</li> <li>• 2018/19 Sickness Absence compliance review (N/A)</li> <li>• 2018/19 audit of IR35 compliance (reasonable assurance)</li> </ul> <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> <li>• External audit</li> <li>• Disability Confident Employer accreditation</li> </ul>	<ul style="list-style-type: none"> <li>• HR on and off boarding</li> <li>• Payroll</li> </ul>
<b>The Core – other corporate processes</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 Transformation Governance review (N/A)</li> <li>• 2017/18 audit of Fire Safety (reasonable assurance)</li> <li>• 2017/18 audit of Security of Corporate Buildings (Limited Assurance)</li> <li>• 2017/18 audit of Electoral Registration (substantial assurance)</li> <li>• 2018/19 audit of Information Governance – Subject Access Requests (substantial assurance)</li> <li>• 2018/19 audit of Cyber Security (Limited Assurance)</li> <li>• 2018/19 audit of Gifts and Hospitality (reasonable assurance)</li> <li>• 2018/19 audit of Governance (reasonable assurance)</li> </ul>	<ul style="list-style-type: none"> <li>• Key Performance Indicator Monitoring and Reporting</li> <li>• Emergency Planning and Business Continuity</li> <li>• Public Health Grant</li> <li>• Information Security</li> <li>• Freedom of Information Requests</li> <li>• Brexit Impact</li> </ul>

<ul style="list-style-type: none"> <li>• 2018/19 review of Brexit Impact (N/A)</li> <li>• 2018/19 follow-up of Security of Corporate Buildings (rating TBC)</li> </ul> <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> <li>• HSE inspections</li> <li>• SEQOHS accreditation.</li> </ul>	
<b>Reside</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2013/14 audit of B&amp;D Reside Model (substantial assurance)</li> <li>• Audit work performed over Council services used by Reside, for example 2017/18 Revenues &amp; Benefits – Housing Rents (Limited Assurance)</li> </ul>	<ul style="list-style-type: none"> <li>• Mainstay Contract Management</li> </ul>
<b>Be First</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 review of draft Scheme of Delegation (comments provided; no formal report / conclusion)</li> <li>• 2017/18 audit of Community Infrastructure Levy / Section 2016 (Limited Assurance)</li> <li>• 2017/18 Planning Applications (reasonable assurance)</li> <li>• 2018/19 audit of Be First procurement on behalf of the Council (rating TBC)</li> </ul>	<p>No specific audit requirements for 2019/20.</p>
<b>Home services (We Fix, subsidiary of B&amp;D Trading Partnership)</b>	
<ul style="list-style-type: none"> <li>• 2017/18 audit of Housing Service Contracts – Responsive Repairs (Limited Assurance)</li> <li>• 2016/17 audit of Decent Homes (Limited Assurance)</li> </ul>	<ul style="list-style-type: none"> <li>• Voids</li> </ul>
<b>Traded services (BD Together, subsidiary of B&amp;D Trading Partnership)</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2016/17 audit of Schools Catering Services – ParentPay (full assurance)</li> </ul>	<p>No specific audit requirements for 2019/20.</p>
<b>Leisure service</b>	

<ul style="list-style-type: none"> <li>• 2018/19 audit of Everyone Active Contract Management (reasonable assurance)</li> </ul>	<p>No specific audit requirements for 2019/20.</p>
<p><b>Elevate – ICT</b></p>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 audit of IT Asset Management (reasonable assurance)</li> <li>• 2017/18 audit of IT Security Framework (Limited Assurance)</li> <li>• 2016/17 audit of Mobile Phones (substantial assurance)</li> <li>• 2018/19 IT Risk Diagnostic (N/A)</li> </ul>	<ul style="list-style-type: none"> <li>• Housing System Implementation</li> </ul>
<p><b>Elevate – Revenues and benefits</b></p>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 audit of Council Tax (reasonable assurance)</li> <li>• 2017/18 audit of Housing Rents (Limited Assurance)</li> <li>• 2018/19 audit of Parking Income Collection (reasonable assurance)</li> </ul>	<ul style="list-style-type: none"> <li>• Accounts Reveivable</li> <li>• Debt Recovery / Write-off</li> <li>• Preparations for the end of the Elevate contract</li> </ul>
<p><b>Elevate – Procurement and accounts payable</b></p>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 audit of Accounts Payable (reasonable assurance)</li> <li>• 2016/17 audit of Procurement Gainshare (substantial assurance)</li> <li>• 2016/17 audit of Purchasing Cards (Limited Assurance)</li> </ul>	<ul style="list-style-type: none"> <li>• Accounts Payable</li> <li>• Preparations for the end of the Elevate contract</li> <li>• Procurement</li> <li>• Procurement Cards</li> </ul>
<p><b>Heritage</b></p>	
<ul style="list-style-type: none"> <li>• 2018/19 Museum Accreditation compliance audit (N/A)</li> </ul> <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> <li>• Annual inspections under the Visitor Attraction Quality Service accreditation</li> <li>• Heritage Lottery Fund grant funding monitoring</li> <li>• National Accreditation Scheme for Museums and Galleries (accredited every four years; last accredited 2015)</li> <li>• Local Studies Centre’s Archive Service Accreditation</li> </ul>	<ul style="list-style-type: none"> <li>• Management of Heritage Assets</li> </ul>

<b>Enforcement</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 audit of Licensing (Limited Assurance)</li> <li>• 2017/18 audit of Planning Enforcement (Limited Assurance)</li> <li>• 2017/18 Transformation Governance review, including review of the Enforcement programme (N/A)</li> <li>• 2016/17 audit of Barking Market (Limited Assurance)</li> <li>• 2016/17 audit of Enforcement – Parking and Street Crime (Limited Assurance)</li> <li>• 2018/19 audit of Parking Income Collection (reasonable assurance)</li> </ul> <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> <li>• Food Standards Agency.</li> <li>• Health and Safety Executive.</li> </ul>	<p>No specific audit requirements for 2019/20.</p>
<b>BDT Legal</b>	
<p>No relevant assurance work identified in 2016/17 or 2017/18.</p>	<p>No specific audit requirements for 2019/20.</p>
<b>Public Realm</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 Transformation Governance review, including review of the Public Realm programme (green/amber TBC)</li> <li>• 2017/18 review of Parks and Grounds Maintenance planned key controls to be implemented April 2018</li> <li>• 2016/17 Vehicle workshop (limited assurance)</li> <li>• 2018/19 review of Commercial Waste (N/A)</li> <li>• 2018/19 Parks and Grounds Maintenance follow up and compliance audit (reasonable assurance)</li> <li>• 2018/19 audit of Fleet Management (substantial assurance)</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial Waste</li> <li>• Passenger Transport</li> </ul>
<b>My Place</b>	

<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 audit of Housing Service Contracts – Responsive Repairs (limited assurance)</li> <li>• 2017/18 audit of Street Lighting Contract (substantial assurance)</li> <li>• 2017/18 audit of Highways maintenance (reasonable assurance)</li> <li>• 2017/18 audit of Highways asset management – HIP (reasonable assurance)</li> <li>• 2016/17 audit of Leaseholders (substantial assurance)</li> <li>• 2016/17 audit of Decent Homes (Limited Assurance)</li> <li>• 2016/17 audit of Barking Market (Limited Assurance)</li> <li>• 2018/19 audit of My Place Procurement and Contract Management (Limited Assurance)</li> <li>• 2018/19 audit of Asset Management (rating TBC)</li> </ul> <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> <li>• ROSPA Independent Yearly Playground Inspections</li> </ul>	<p>No specific audit requirements for 2019/20.</p>
<b>Community solutions</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 Transformation Governance review, including review of the Community Solutions programme (green)</li> <li>• 2018/19 audit of Homelessness Reduction Act (reasonable assurance)</li> </ul> <p>Other relevant assurance providers:</p> <ul style="list-style-type: none"> <li>• 2018 London SCB Review of MASH</li> </ul>	<ul style="list-style-type: none"> <li>• Private Sector Housing</li> </ul>
<b>Care and support – children’s (including children’s disability service)</b>	
<p>Previous relevant internal audit work:</p> <ul style="list-style-type: none"> <li>• 2017/18 audit of Looked After Children (substantial assurance)</li> <li>• 2017/18 audit of Foster Care (substantial assurance)</li> <li>• 2017/18 audit of Schools Admissions (substantial assurance)</li> <li>• 2016/17 audit of Schools</li> </ul>	<ul style="list-style-type: none"> <li>• Special Guardianship Orders</li> <li>• Schools Audits</li> </ul>

<ul style="list-style-type: none"> <li>• 2018/19 audit of Adoptions (No Assurance)</li> <li>• 2018/19 Risk Assessment of Schools</li> <li>• 2018/19 Schools Audits</li> <li>• Annual programme of school audits covering all schools in the Borough on a risk basis</li> </ul>	
<b>School Improvement Partnership</b>	
No relevant assurance work ahead of go live in April 2018.	No specific audit requirements for 2019/20.
<b>Care and support – adults (including adult’s disability service)</b>	
Previous relevant internal audit work: <ul style="list-style-type: none"> <li>• 2017/18 audit of Adaptations Grant Scheme (No Assurance)</li> <li>• 2016/17 audit of Mental Health Safeguarding (Limited Assurance)</li> <li>• 2018/19 audit of Direct Payments (Limited Assurance)</li> </ul>	<ul style="list-style-type: none"> <li>• Charging Policy</li> <li>• Liquid Logic System Implementation</li> <li>• Adaptations Grants Scheme Follow-up</li> </ul>

#### 4. Internal audit plan 2019/20

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

<b>Audit Title</b>	<b>Days</b>	<b>Audit Objective</b>
Charging Policy	15	As required.
Liquidlogic System Implementation	15	Deferred from 2018/19 so as not to detract management time from the expected OFSTED inspection. Audit of implementation of the Liquidlogic system in care and support children’s and adults
Special Guardianship Orders	15	Deferred from 2018/19. Audit of the control design and operating effectiveness of the special guardianship orders processes
Housing System Implementation	15	Implementation of a new system, involvement from the outset to ensure appropriate controls process established
<b>Audit Title</b>	<b>Days</b>	<b>Audit Objective</b>
Debt Recovery & Write-offs	15	Ensuring compliance with financial regulations and that all write-offs are appropriate and necessary and that all debts to LBBB are appropriately chased



Procurement	20	Compliance with Procurement Regulations, ensuring that contracts are in place as appropriate and are being used and that value for money is being achieved. Appropriate use of waivers.
Purchase Cards	15	Review of controls to ensure that PCs are only used when appropriate and only for bona fide purchases. Recovery of VAT.
Elevate Contract Exit	15	Deferred from 2018/19. Resources and plans expected to be in place by June 2019. Review of the Council's work preparing for the end of the Elevate contract.
Management of Heritage Assets	15	As requested.
Mainstay Contract Management	15	Review of contract monitoring and management
Voids	15	Turnaround times and controls in place to minimise void period
Accounts Payable	30	Key Financial
Accounts Receivable	20	Key Financial
Budgetary Control & Savings Management	30	Key Financial. Audit of the control design and operating effectiveness of budgetary controls and savings management, including monitoring and reporting of cost savings achieved
Payroll	20	Key Financial
Oracle system	30	Review of key control's around the Council's financial system
HR On/offboarding	15	Review of controls surrounding the joiners and leavers process - HR, IT, safeguarding, H&S etc
KPI Monitoring and Reporting	15	KPIs are being measured and reported in an accurate, consistent and meaningful manner.
Emergency Planning and Business Continuity	15	Review of strategic level preparations and how these cascade through the organisation
Public Health Grant	15	How the grant is spent, contract managed and delivered
Information Security	25	How information is gathered, stored, used and disposed of. GDPR compliance
Freedom of Information Requests	15	Compliance with regulations and a review of internal process and procedure
Brexit Impact	15	Review of the Council's assessment of the impact of Brexit and actions planned and taken in response
Passenger Transport	15	As requested, following on from 2018/19 work on Fleet Management
Commercial Waste	15	Audit of control design and operating effectiveness of commercial waste collections
Adaptations Grant Scheme	15	Follow up of 2018/19 "no assurance" internal audit report

<b>Audit Title</b>	<b>Days</b>	<b>Audit Objective</b>
Private Sector Housing	15	Deferred from 2018/19. New scheme to be implemented from September 2019.
School Audits	50	
School Follow-ups	5	
Prior year completion	10	Completion of the 2018/19 audit programme post 31 March 2019.
Prior year annual opinion	5	Drafting of the 2018/19 annual audit opinion.
Annual quality assessment	5	Annual review of internal audit against the PSIAS.
Internal audit methodology review	10	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	10	Review and sign off of grant claims where internal audit scrutiny is required / requested.
Proactive assurance support and advice	20	Attendance at relevant meetings to provide proactive assurance and advice including Assurance Group and Programme Boards.
Management requests	10	Responding to ad hoc management requests for audit support and advice.
Follow ups	30	Tracking management implementation of agreed action plans for critical and high rated findings; review and validation of evidence provided of implementation.
Audit planning	20	Periodic review and updating of the annual audit plan throughout the year and production of the internal audit plan 2020/21.
Committee reporting	5	Quarterly reporting to Assurance Group and PAASC.
External audit engagement and support	15	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	20	Engagement with key stakeholders including ongoing updates to understanding of keys, activities and the performance of internal audit.
Management time	20	Management time of the audit team and the external provision.
Contingency	155	Contingency for ad hoc activity.

## **5. Resource requirement and financial implications**

The 2019/20 internal audit plan is estimated to consist of 865 days, the same as that originally agreed for 2018/19. Within the 865 days, contingency of 155 days has been included to allow for unplanned internal audit work. This level of contingency is significantly higher than that in 2018/19 to reflect the fact that the Head of Assurance is new to the Council and is still gaining an understanding of the control and risk environment. Indeed, the Head of Assurance is also undertaking a complete review of Risk Management that will undoubtedly identify further areas for Internal Audit review.

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 will be added and removed to the plan where there are significant changes, including changes to activities, risks and assurances. Quarterly updates to Assurance Group and the Audit and Standards Committee throughout the year will include details of changes to the plan.