

# Annual Audit Planning Process

Proposed Internal Audit Plan &  
Counter Fraud Plan 2018/19



# The Internal Audit Strategy

- Key governance document
- Produced annually and approved by the Audit & Standards Committee
- Sets out:-
  - The risk assessment process;
  - Key principles applied; and
  - Resources needed to deliver the plan.



# How is the Plan Identified

- All potential audit able areas are listed;
- Discussion with the Director of Finance & Resources;
- Discussions with key officers (OMT/WLT/SLT) – 55 + Officers;
- The update of the Council's fraud risk assessment;
- Review of County Council's Strategic Plan 2018-2022; Delivery Plan 2018-19, and Medium Term Financial Strategy 2018-2023;
- Consideration of key partnerships governance requirements;
- Previous years' work;
- Linkage with other assurance providers; and
- Audit & Standards Committee needs.

# Detailed Risk Assessment

- Detailed risk assessment is formed.
- 7 Risk Categories
  - 1. Materiality
  - 2. Impact/Sensitivity
  - 3. Audit View
  - 4. Time since the last audit
  - 5. Linkage to Risk Management – Controls Assurance
  - 6. Fraud
  - 7. Stability of the System



# What to Include?

- Results calculated to give an overall percentage score
- A score of **60%** and above – high risk
- A score of between **59%** and **40%** – medium risk
- A score below **39%** – low risk



# Key Principles Applied

- Assurance reviews with a high risk (i.e. >60%) ranking are completed.
- Identification of 'Top Ten Risk' Reviews.
- Key Financial systems are conducted.
- A Schools' audit programme is developed based upon a formal risk assessment.
- An initial allocation of 200 days to conduct Special Investigations is made.
- An initial contingency allocation – variable year on year is included in the Internal Audit Plan.
- Time is included to undertake pro-active counter fraud work.
- Compliance reviews are also included in the Internal Audit Plan.



# Resource Requirement 2018/19

Total Resource Requirement	Days 2018/19	Days 2017/18
Staffordshire County Council Plan	2,065.5 days	2,099 days
External Clients	354.5 days *	521 days
<b>Total Resource Requirement 2018/19</b>	<b>2,420 days</b>	<b>2,620 days</b>

} Comparable

\*decrease in the number of days due to the Staffordshire Police IA Contract ceasing in 2018/19 (175 days). As a result of the loss of days, one vacant post has been deleted from the establishment

- Sufficient resources are available to deliver the Plan including the ability to procure the required level of support from the Private Sector under the Internal Audit framework Contract.



# Top 10 Risks 2018/19

- The top 10 risk areas in 2018/19 have been assessed as:-
  1. Medium Term Financial Strategy –Delivery Plan;
  2. Digital Development Programme;
  3. Strategic Property Asset Management and Governance;
  4. Liberata Payroll System;
  5. Care Director (Adults & Children’s Modules);
  6. Adult & Children’s Financial Services Review Programme;
  7. Home & Community Care Contract;
  8. Cyber Assurance – Data Breach Incidents & Response Plans/Patch Management;
  9. General Data Protection Regulations (GDPR); and
  10. Children & Families System Transformation: Family Support Contracts.





# Key Financial Audits 2018/19

- Liberata - Payroll System;
- Budgetary Control;
- Nominal Main Ledger System including bank reconciliations;
- Cheque Control;
- Treasury Management;
- Sales to Cash – Debt Recovery Function;  
and
- E-Payments.



# Commercialisation

- Key Question – How is IA providing assurance over the Council’s commercial arrangements?
- **Answer**  
Before this can be answered need to understand the term commercialisation
- Means different things to different people and is being implemented in different ways all over the public sector



# Aspects to Commercialisation

- **4 Key aspects to commercialisation**
  1. **Making Money & Value for Money**- Traded Services & Deliver services in the most cost efficient way;
  2. **Behaving in a More Business Like Way** – working with private sector partners – Our partnerships;
  3. **A Commissioning Council** – Commission smartly using innovation, partnership working with a strong commercial approach ; and
  4. **Being Business Friendly** – create the right conditions for economic growth & prosperity. Through buying and procurement activities SCC hopes to bring benefits to the local economy .



# Commercialisation In Context - SCC

- Not only about cost saving initiatives i.e. re-commissioning of services; re-letting contracts; re-negotiating arrangements; reviewing specifications.
- Commercialism is much more.....

Shared Services	Selling Services & fitness of traded services
Pricing	Consideration of concessions
Better contract management	Continuous improvement in procurement
Investments	



# Auditing Commercialisation in 2018/19

There are a range of audits in the 2018/19 audit plan that will give comfort over the Council's Commercial arrangements:-

Area	Audit Review
Making Money/VFM	<u>NEXXUS</u> – External Trading Company (governance arrangements) <u>County Fleet Care</u> – Traded Service – operating processes <u>Claims Management Regulation Unit</u> – operating processes
Behaving in a More Business Like Way - Our Partnerships	<u>Infrastructure</u> + - (i) quality & management assurance systems; (ii) service delivery processes; (iii) financial compliance arrangements – costings and income collection; (iv) risk and liability – highways insurance claims



# Auditing Commercialisation in 2018/19

Area	Audit Review
Behaving in a More Business Like Way - Our Partnerships	<p><u>Entrust</u> Service Delivery Arrangements- To review 2 areas of the SDA (i) Facilities Management; and (ii) Careers, Information, Advice &amp; Guidance.</p> <p><u>Liberata</u> – Payroll System &amp; Retained Client &amp; Control Function</p> <p><u>Penda Property Partnership</u>- Review of property governance arrangements and framework for decision making</p>
A Commissioning Council	<p>Many Examples:-</p> <p>Children’s &amp; Families System Transformation – Family Support Contracts (governance around funding and funding spend);</p> <p>Economic Regeneration Capital Schemes; A50 Corridors project;</p> <p>HWRCs; Civil Parking Enforcement; Commercial Services - Procurement (how do we commission and procure);</p>



# Auditing Commercialisation in 2018/19

Area	Audit Reviews
A Commissioning Council Continued...	BCM – Supply Chain Management; PFI Schools & Children’s Homes; Residential & Nursing Care – Dynamic Purchasing System; Brokerage; Mental Health S75 Agreement (Contract management and performance management); Healthier Communities Programme.
Being Business Friendly	Digital Programme audit work; Growing Places Fund; Keele Science Park; European Funding – European Structural & Investment Fund (ESIF); LEP
Other Areas	Countryside Estate – future delivery model – Business Case review



# Counter Fraud Plan 2018/19

Counter Fraud Work plan – based on the CIPFA Counter Fraud Code of Practice.

- Strategic Development
- Creating an anti fraud Culture
- Deterrence
- Prevention
- Detection
- Investigations



455 days





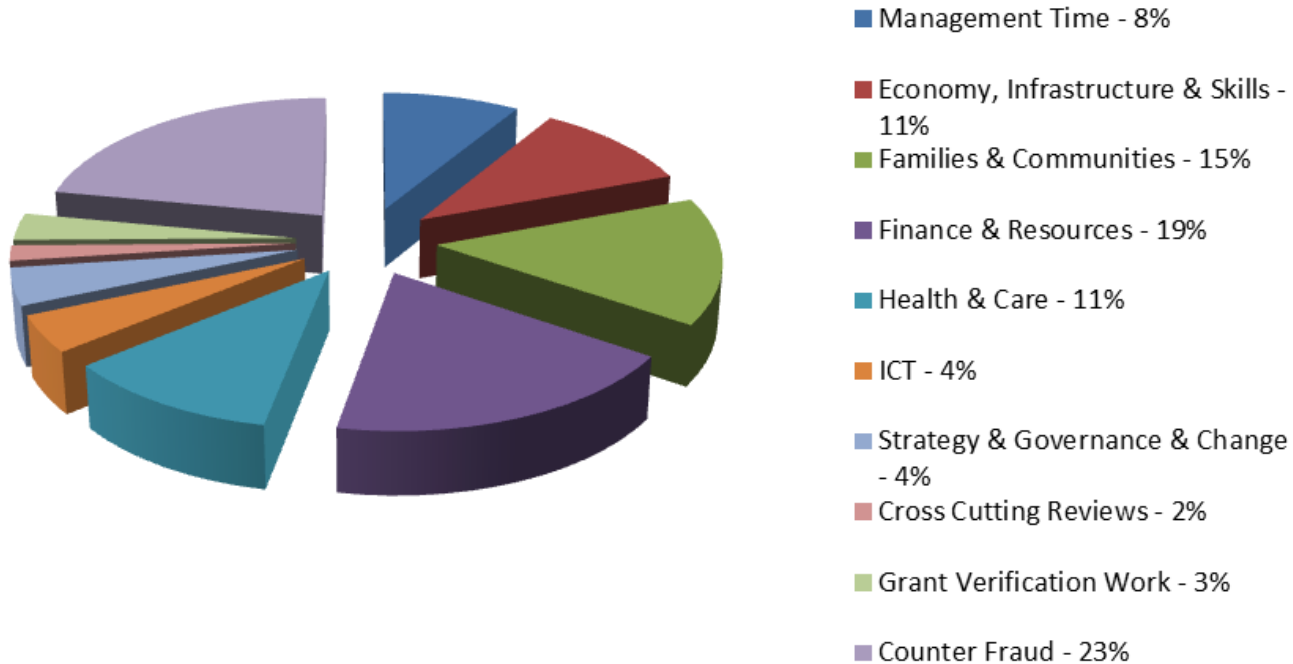
# How is the Plan Delivered?

- In House team
- Commission specific audits from our framework with 4 external firms (BDO/TIAA/Haines Watts & Moore Stephens) & use of NHS Framework Agreement (PwC/KPMG)
- ‘Mixed’ economy allows flexibility/ability to respond to urgent requests/ access to specialist skills/ Benchmarking.



# Proposed 2018/19 Plan

## Allocation of Audit Plan by Service



# Key Highlights 2018/19

- Continued focus on:-
  - key corporate / transformation projects
  - key financial systems
  - Procurement and contract management audits – contractual arrangements with key partners
- Emphasis on flexibility to respond to emerging requests.



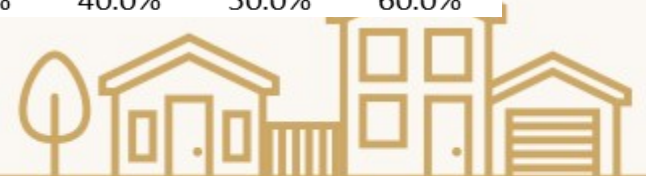
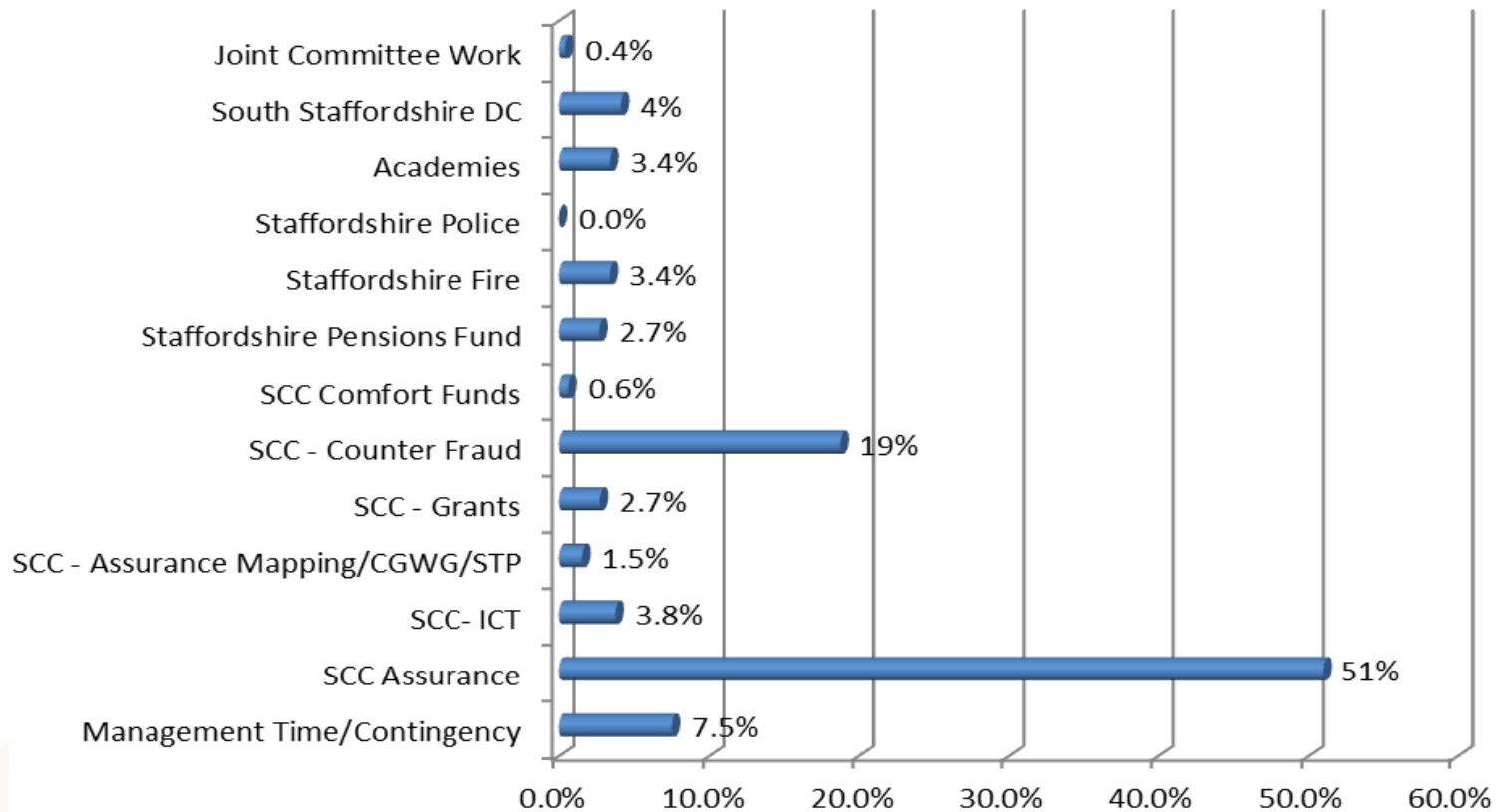
# Key Highlights 2018/19

- Continued focus on proactive counter fraud activities and raising the profile of Counter Fraud Work.
- Development of continuous controls monitoring (use of technology to cover more in less time).
- Schools compliance work is focused on high risk schools.
- Work conducted in accordance with the Charter and PSIAS



# Allocation of Resources by Client

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# Responding to Emerging Risks

- Regular discussions with the WLT on audits carried out and audits coming up.
- Report more frequently on the delivery of the plan to SLT members (NEW).
- Identification of emerging risks
- Contingency time



# Areas for Consideration

- To ensure that the Plan focuses on the key risks facing the Council.
- Confirmation that the plan achieves a balance between setting out requirements for the year and retaining flexibility.
- To confirm that there are sufficient resources within IA to deliver the plan.

