

Internal Audit

AGS Committee Training



Protecting the Public Purse



Going Beyond Compliance



Delivering Strategic Value



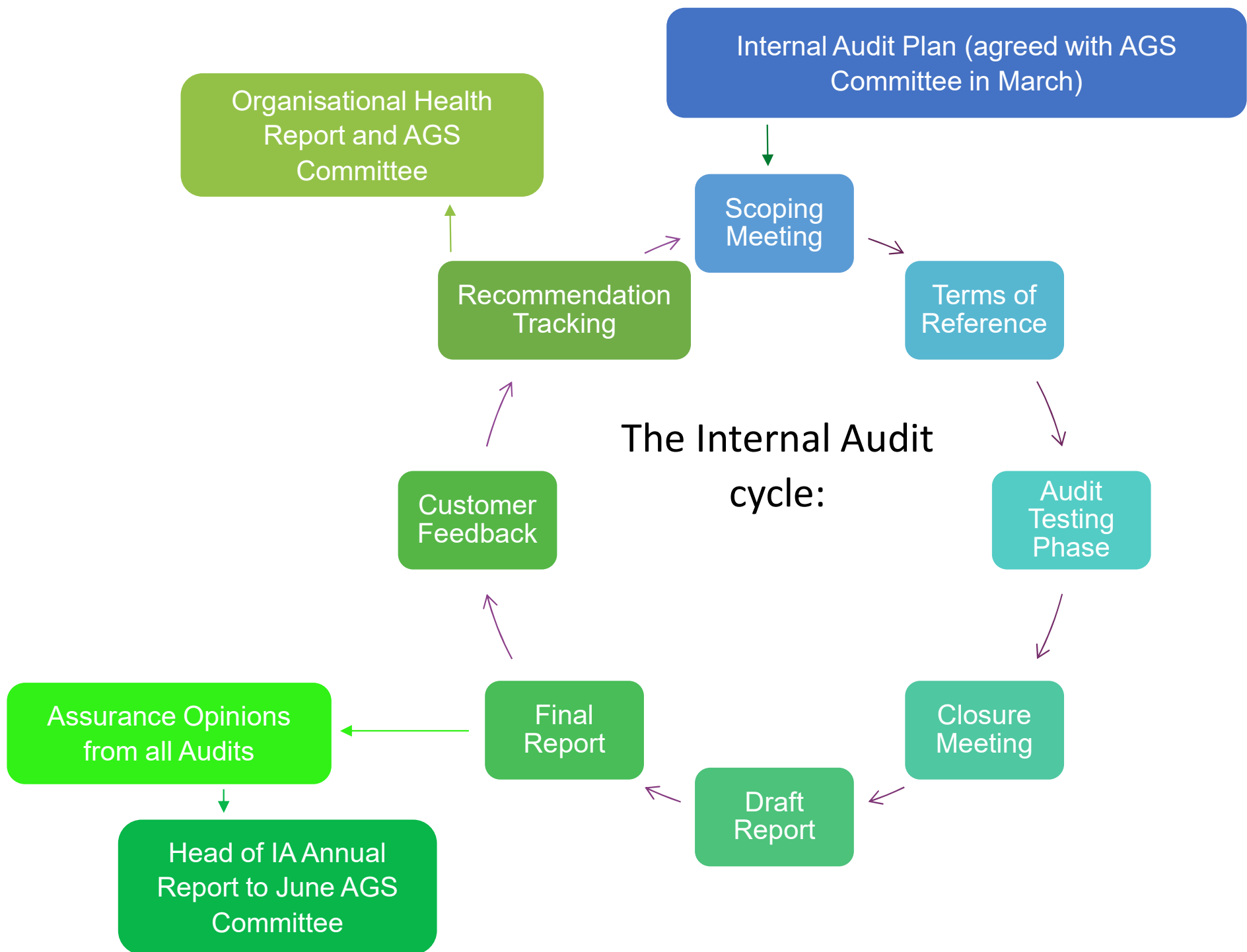
Essex County Council



Internal Audit's Aims & Objectives

- To provide **delivery assurance**,
- To act as **a catalyst for change** to help to drive **continuous improvement** – especially in the areas of:
 - governance
 - risk management
 - internal control processes

Internal audit are no longer just about compliance and do not just focus on financial risks and controls.





Internal Audit & Counter Fraud Plan

How does the AGS committee know we are auditing the right things?

We have unrestricted access to, and can audit, *anything* but we cannot audit *everything*. We have a finite budget and limited resources.

So how do we decide what goes in the IA and CF Plan each year?

- Coverage must be comprehensive enough to enable us to reach our end of year opinion
- Risk based – taking into account: materiality, corporate importance, vulnerability, organisational concerns
- Key stakeholder engagement / networking throughout the year – corporate knowledge
- Horizon scanning
- Other sources of assurance
- The Plan is dynamic and flexible

Summary Internal Audit and Counter Fraud Plan - by Function

Corporate Services		Economy Investment & Public Health	Adult Social Care	People & Transformation	Children, Families & Education
- Essex Pension Fund - South East Local Enterprise Partnership - SELEP Growth Hub - Key Financial Systems - My Oracle - Income System - follow up - Risk Maturity Model - Access Support Unit - Broadband Delivery - Cyber Security - Software License Management - IT Assets - follow up - IT Disaster Recovery - follow up - Social Value - Business Continuity - Reprocurement of Banking Arrangements	- Device as a Service Project - Treasury Management - Data Quality Assurance - Financial Assessments & Billing (ASC) - Business Cases - Financial Management & Reporting - Corporate Property Strategy - Essex Owned Companies - Sourcing and Contract Management (ASC)	- Grant Certifications - Adult Community Learning - Passenger Transport - Essex County Wide Travellers - follow up - Section 106 Agreements - Country Parks Stock Control - follow up	- Better Care Fund - Liberty Protection Safeguards - Financial Assessments & Billing - Individual Care Package Awards - Transforming Mental Health - Carers - Sourcing and Contract Management (ASC) - Social Care Case Management - Management Information and KPIs - Social Care Charging Reform - Safeguarding (Adults)	- Staff Absence Management - Apprentices - Payroll - Occupational Health - Temporary Workers Framework	- Liberty Protection Safeguards - Personal Budgets - Initial Teacher Training Bursaries - Supporting Families Programme - Youth Offending - Social Care Case Management - Schools - Schools Financial Value Standard - Education Management System
				Climate, Environment & Customer Services Integrated Waste Handling	Chief Executive Delivery of Everyone's Essex

Pro-active preventative, detective fraud work and investigations

Head of Assurance Annual Opinion on the Council's internal control, governance and risk management arrangements



Scoping an Audit & Agreeing a Terms of Reference

Internal Audit undertake the following steps:

- Planning – obtaining and documenting an overview of the process
- Identifying an appropriate Audit Sponsor
- Engaging with key stakeholders
- Conducting background research
- Determining the objective of the audit and linking the objective to ECC's Strategic Aims – Everyone's Essex
- Defining coverage and any limitations
- Establishing if data analytics can be utilised
- Identifying risks
- Agreeing timings and establish reporting timescales



Audit Testing Phase - Fieldwork

Work Plan:

Risks identified → Expected Controls → Tests → Evaluation

Example: Modern Day Slavery Audit – Risks Identified

If the Council fails to safeguard against modern day slavery, this has the potential to result in significant reputational damage and may increase the risk exposure to **vulnerable adults and children**, as well as negatively impact on the Council's wider service delivery.

If modern day slavery offences are discovered to have taken place within the Council or its **supply chains**, whereby the Council is found to have been negligent in preventing modern slavery, there is an increased risk that legal proceedings may be commenced against the Council. The Council could be significantly impacted by the cost and reputational damage of any such litigation.



Audit Testing Phase - Fieldwork

Work Plan:

Risks identified → Expected Controls → Tests → Evaluation

Example: Modern Day Slavery Audit – Expected Controls (preventative and detective)

- There is clear accountability for modern day slavery risks
- Relevant staff are trained to identify and report
- The Council has relevant policies and procedures compliant with legislation
- Adults and Childrens Services identify those in our care that could be vulnerable to modern day slavery risks
- We publish a Modern Day Slavery Statement
- Our procurement and contract management processes check supply chain risks



Audit Testing Phase - Fieldwork

Work Plan:

Risks identified → Expected Controls → Tests → Evaluation

Types of Tests: Full population, sampling, data analytics (E.g. Expenses Audit)

Example: Modern Day Slavery Audit – Tests

- Establish who is responsible for identifying modern day slavery risks
- Obtain the risk assessment(s) and evaluate
- Review training material, who attended and when
- Compare legislative requirements to our own policies and procedures
- Ascertain how Adults and Childrens Services identify those in our care that could be vulnerable – e.g. forced marriages, county lines gangs, travellers
- Review our Modern Day Slavery Statement – control design vs operating in practice
- Evaluate tender requirements, contract templates, effectiveness of supply chain risks / audits



Audit Testing Phase - Fieldwork

Work Plan:

Risks identified → Expected Controls → Tests → Evaluation

All findings and conclusions are evidence based

Where possible, where we identify exceptions or errors, we try to ascertain the root cause of the control breakdown

We also look for “compensating controls” and instances of “over controls”

Recommendations need to be pragmatic and proportionate to risk / cost

All the fieldwork is recorded in our working paper software Pentana

All work is quality assured by an audit manager before the reporting phase



Audit Reporting Phase

Process:

Closure Meeting → Draft Report → Final Report → Customer Feedback

Recommendation / Action Gradings

Critical

Major

Moderate

Low

Overall Assurance Opinion

No

Limited

Satisfactory

Good



Recommendation Tracking

Timely implementation of recommendations is a key measure of the success of Internal Audit

- Each recommendation has an owner and an agreed date for implementation
- All recommendations are tracked until fully implemented
- Overdue recommendations are reported corporately in the Organisational Health report and the AGS Committee
- Members can invite recommendation owners to the AGS Committee if there is a lack of engagement



Head of Assurance Annual Report

Culmination of a year's work in delivering the Internal Audit and Counter Fraud Plan – 50 to 60 individual audits and opinions

Opinion has to be on governance, internal control and risk management arrangements

Presented to AGS Committee in June each year

Overall opinion has been Satisfactory for a few years now which given the rapid pace of change, challenges with Covid, Brexit etc is a significant achievement



Concluding Thoughts

Management are ultimately responsible for the systems of risk management and control

Internal Audit:

- provides independent and objective assurance regarding internal controls and encourages management take action to remedy any control weaknesses
- has unique business insight – a helicopter view of the health of the organisation

Protecting the public purse, ensuring value for money and identifying proportionate controls aligned to business risk, is at the heart of what we do to help the Council's in achieving its strategic aims and objectives