

CYNGOR SIR POWYS COUNTY COUNCIL.

**AUDIT COMMITTEE
22nd April 2015**

REPORT AUTHOR: Internal Audit Manager

SUBJECT: Interim Internal Audit Plan 2015/16

REPORT FOR: Decision

1.0 Introduction

1.1 One of the functions of the Audit Committee is to be satisfied there is effective internal audit coverage of the Council's systems, mechanisms, policies and practices to be able to gain assurance that the Council has a robust internal control framework.

2.0 Objectives of Internal Audit

2.1 Internal Audit's objective is to carrying out independent appraisals of the Council's control mechanisms to identify areas for improvement by Management.

2.2 The achievement of this objective involves:

- Reviewing and appraising the soundness and adequacy of Internal Control
- Promoting value for money
- Ascertaining levels of compliance with established plans, policies and procedures
- Protecting the Council's assets and safeguarding from losses
- Determining the reliability of management information produced by the Council
- Conducting special investigations where appropriate
- Advising and supporting management

3.0 Internal Audit Strategy

3.1 The internal audit strategy (see appendix A) is based on a comprehensive understanding of the Council's corporate framework i.e. corporate plans, performance measurement, risk management and policies together with its culture, management, systems, structures and operations.

It provides a balanced and proactive programme of audit activity that is co-ordinated as necessary with other review agencies. The strategic and functional approach to audit activity reflects the principal risks to the achievement of the Council's objectives and the controls established to manage the key risks faced.

- 3.2 The nature, extent and wide ranging array of services the council provides mean that Internal Audit do not have the resources to effectively cover all of the auditable areas. Therefore, conformance with the planning strategy effectively prioritises resources to those areas that are judged to add value to the Council. However, it should be recognised that there are still a number of areas that have no resources available to enable audit coverage, but still represent significant risk.
- 3.3 The plan itself has been constructed to ensure that it delivers against the Public Sector Internal Audit Standards and the requirement to produce an annual audit opinion and assurance framework. The preparatory work for the new internal audit plan started in January 2015 through consultation with operational stakeholders. This liaison process, together with a more robust risk management process, has given greater direction to the Council's requirements of internal audit.
- 3.4 Top risks facing the Council continue to include pressure on finances, changing demands and demography, the school transformation programme and the implementation of welfare reforms. In addition, other risk areas include recruitment and workforce development, redesign of services, safeguarding, information security, project management and fraud.
- 3.5 The planning process also recognises that the Council is striving to improve services by considering alternative delivery methods and innovative approaches against a background of reducing resources and the transformation into a commissioning organisation.

4.0 Limitations

- 4.1 Risk management within the Council is developing and moving forward, but will take more time until it can be considered embedded as part of the culture. In the meantime, the results of the risk register are regarded as a reasonable indicator of how resources may be applied with greater influence evolving as the process matures.

5.0 Resources

- 5.1 The Internal Audit Service has continued to see a rationalisation of resources with a 30% reduction in FTE staff since 2013/14. This resource reduction comes at a time when there is a potential increase in demand. The Council continues to go through a period of unprecedented change which is impacting on the majority of service areas, processes, risks and ultimately internal control.
- 5.2 Fewer managers, greater spans of control and reducing professional and administrative support is changing the natural control environment which in

turn increases the opportunity of fraud and error occurring. In addition, a pattern is emerging of more reviews than previously attracting lower levels of assurance and therefore increasing the number of follow-up audits required. It is envisaged that these will be covered in this years allocation at the detriment of other assurance work.

A revised assurance framework will be adopted for 2015/16 to enable a more consistent approach is applied both within and across services. This framework is attached in appendix C.

5.3 The current structure of the internal audit team consists of 7.0 full time equivalent posts. These are:

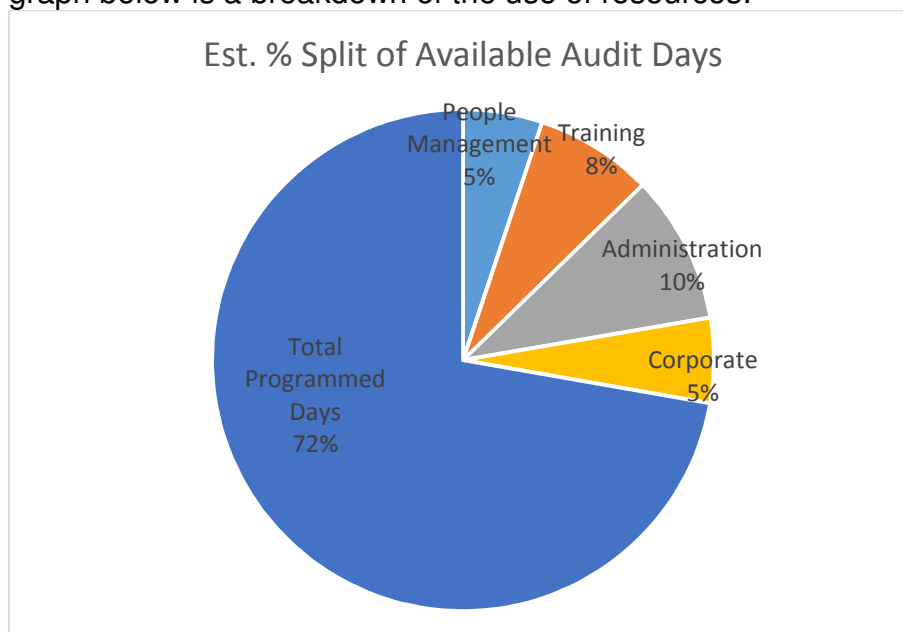
- Audit Manager x 1
- Principal Auditor X 1.5
- Senior Auditor x 1.5
- Auditor x 2
- Audit Assistant x 1

5.2 In particular, the team have effective skills in finance, information technology, systems, governance, environmental, establishment, procurement and counter fraud. Skills continue to be developed across the wider team with a forthcoming emphasis on project management, contract management, commissioning and formal professional training.

5.3 The table below is a breakdown of the estimated programmed days available for 2015/16:-

Resource Uses	Allocation
Total Days	1810
Less Leave & Sickness	401
Total Available Work Days	1409
Less People Management	72
Less Training	107
Less Administration	135
Less Corporate Work	77
Total Programmed Days	1018

5.4 The graph below is a breakdown of the use of resources:



6.0 Activity

6.1 A revised approach to the planning process will have a much more transparent linkage to risk and the other key drivers in the Council. This task has proven more onerous than expected and as a result the plans have not yet been considered by the Executive Management Team. Therefore, the audit plan has been categorised as provisional until this exercise is complete. The Audit Committee will be informed if there are any significant changes to the proposals.

6.2 The provisional outline internal audit plan for 2015/156 is attached in appendix B.

6.3 The audit plan is an indication of the audit work to be undertaken over the year. However, there is some flexibility in the planning process to allow the Section to react to changing situations, new demands and requests from Services.

7.0 Decision

7.1 Whilst Internal Audit should retain independence in the planning process, it is important that Audit Committee should be satisfied that there is adequate audit coverage for the 2015/16 financial year.

Recommendation:	Reason for Recommendation:
The Internal Audit Planning Strategy (appendix A) be noted and the provisional Internal Audit Plan (appendix B) be endorsed by the Audit Committee.	To ensure adequate internal audit coverage to enable the Head of Audit to give an evidence based opinion on the internal control environment.

Person(s) To Implement Decision:	Internal Audit Manager
Date By When Decision To Be Implemented:	With immediate effect

Contact Officer Name:	Tel:	Fax:	Email:
Ian Halstead	01597 826821		ian.halstead@powys.gov.uk

Background Information used to prepare Report:

**Public Sector Internal Audit Standards
Powys One Plan and SIP Plans
Powys CC Corporate Risk Register**

