

Powys County Council

Proposed 2020-21 Internal Audit Plan and Internal Audit Charter

The Internal Audit Plan: Summary

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2020/21 financial year.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.



Introduction and Objective of the Internal Audit Plan

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines of defence' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's AGS.

It is the responsibility of the Authority's Executive Management Team (EMT) and Senior Leadership Team (SLT), and the Audit Committee, to determine that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation.

When reviewing the proposed internal audit plan (as set out in Appendix 1), key questions to consider include:

- Are the areas selected for coverage this coming year appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by the EMT and SLT and Audit Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile effectively?

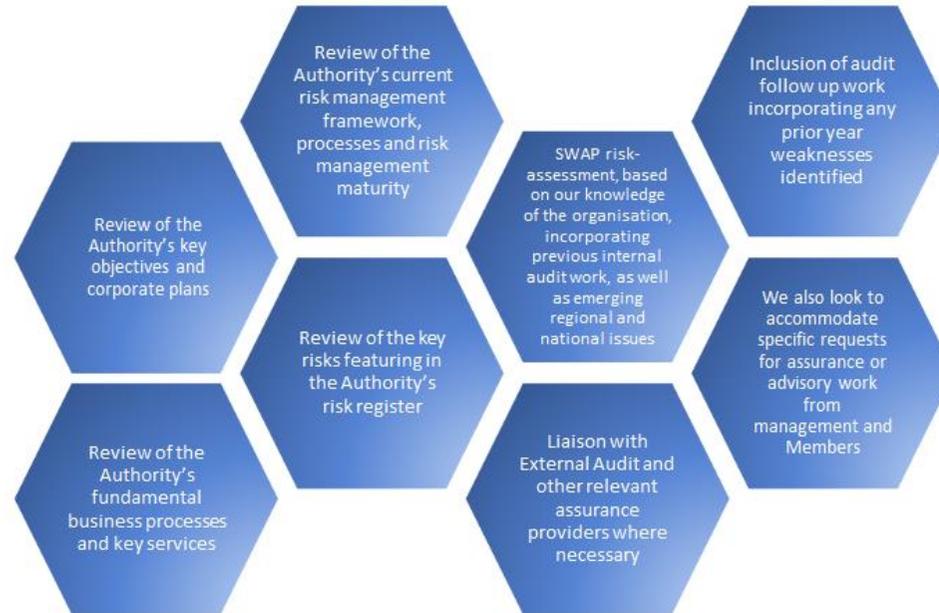
The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.



Approach to Internal Audit Planning 2020/21

The factors considered in putting together the 2020/21 internal audit plan have been set out below:



We will regularly re-visit and adjust our programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems and controls. Our 2020/21 audit plan therefore reflects an increased contingency allocation, in order that the plan can remain flexible to respond to new and emerging risks as and when they are identified.

The Internal Audit Plan: Risk Assessment

A documented risk assessment prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

As above, it is the responsibility of the Authority's Leadership Team, and the Audit Committee to ensure that, following our risk assessment, the proposed plan contains sufficient and appropriate coverage.



Internal Audit Annual Risk Assessment

Our 2020/21 internal audit programme of work is based on a documented risk assessment, which SWAP will revisit regularly, but at least annually. The input of senior management as well as review of the Authority's risk register will be considered in this process.

Below we have set out a summary of the outcomes of the risk assessment for Powys County Council:



The Internal Audit Plan: Coverage

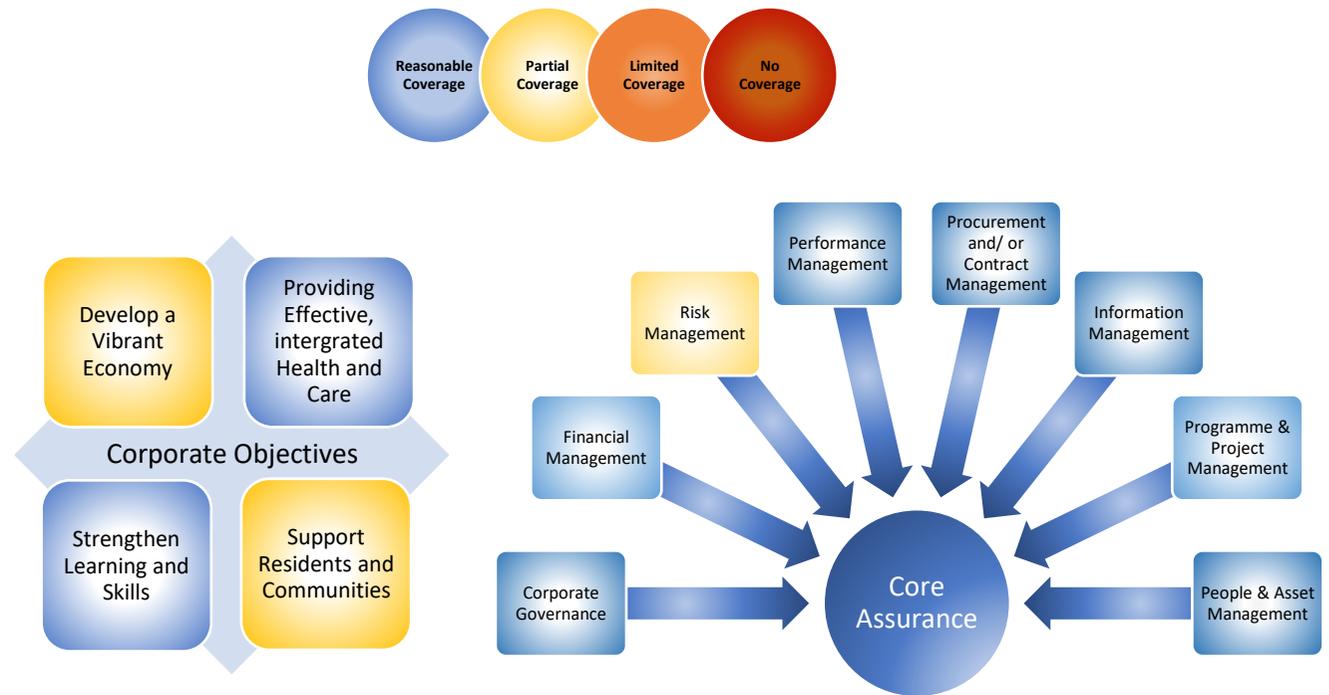
Following our SWAP Risk Assessment above, we have set out how the proposed 20/21 plan presented in Appendix 1 provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit coverage.

Internal audit is only one source of assurance; therefore, where we have highlighted gaps in our coverage, assurance should be sought from other sources where possible in order to ensure sufficient and appropriate assurances are received.



Internal Audit Coverage in 2020/21

Following our SWAP risk assessment, we have set out below the extent to which the proposed plan presented in Appendix 1 provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit coverage:



Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

The Internal Audit Plan: Coverage

The page above sets out how our proposed 20/21 internal audit plan provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit coverage.

This page highlights any key risk areas where we believe internal audit coverage is currently missing.



Risk Coverage Missing from Proposed 2020/21 Internal Audit Plan

Following our SWAP risk assessment and the preparation of the proposed 20/21 audit plan, we have set out below any areas where we feel coverage of key risk areas is missing.

Where we have highlighted limited or no coverage, Senior Management and the Audit Committee should seek and confirm assurance from alternative sources, or consider re-focussing internal audit resource to provide coverage of these areas:

Key Risk Area	Level of Assessed Coverage
Medium Term Financial Strategy and Delivery of Savings Targets (Assurance will be given by the Wales Audit Office)	 Limited Coverage
Integrated Business Planning to ensure that Organisational Objectives are aligned and monitored (Assurance will be given by the Wales Audit Office)	 No Coverage
Delivery of the Transformation Programme (Assurance will be given by the Programme Boards and the Wales Audit Office)	 No Coverage

The Internal Audit Plan: SWAP

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 24 public sector partners, crossing eight Counties, but also providing services throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- Candid
- Relevant
- Inclusive
- Innovative
- Dedicated



Your Internal Audit Service

Audit Resources

The 2020/21 internal audit programme of work will be equivalent to 1000 days. The current internal audit resources available represent a sufficient and appropriate mix of seniority and skill to be effectively deployed to deliver the planned work. The key contacts in respect of your internal audit service for Powys County Council are:

Ian Halstead, Assistant Director – ian.halstead@swapaudit.co.uk, Tel: 01597 826821

Kevin Price, Senior ICT Auditor – kevin.price@swapaudit.co.uk

Millie Jones, Senior Auditor - millie.jones@swapaudit.co.uk

Liam Hosie, Senior Auditor – liam.hosie@swapaudit.co.uk

External Quality Assurance

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors (IPPF) and the Public Sector Internal Audit Standards (PSIAS).

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in February 2020 which confirmed general conformance with the IPPF.

Conflicts of Interest

We are not aware of any conflicts of interest within Powys County Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, & Competency.

Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter fraud resource available to undertake specific investigations if required.

The Internal Audit Plan: SWAP

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- Benchmarking and sharing of best-practice between our public-sector Partners
- Regular newsletters and bulletins containing emerging issues and significant risks identified across the SWAP partnership
- Communication of fraud alerts received both regionally and nationally
- Annual Member training sessions

However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

Our Reporting

A summary of internal audit activity will be reported quarterly to senior management and the Audit Committee. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

Internal Audit Performance:

As part of our regular reporting to senior management and the Audit Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

Performance Measure	Performance Target
<p style="text-align: center;"><u>Delivery of Annual Internal Audit Plan</u> Completed at year end</p>	>90%
<p style="text-align: center;"><u>Quality of Audit Work</u> Overall Client Satisfaction <i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i></p>	>90%
<p style="text-align: center;"><u>Outcomes from Audit Work</u> Value to the Organisation <i>(Value of our work has been delivered by the acceptance of recommendations)</i></p>	>90%

The Internal Audit Plan: SWAP

Powys County Council Proposed Internal Audit Plan 2020/21

APPENDIX 1

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

Service	Risk Assess Rank	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
Transformation and Communications	1	Impact Assessments	Ness Young, Director of Transformation & Resources Emma Palmer, Head of Transformation & Comms
Transformation and Communications	2	Performance Management	Ness Young, Director of Transformation & Resources Emma Palmer, Head of Transformation & Comms
Finance	3	School Budget Deficits	Ness Young, Director of Transformation & Resources Jane Thomas, Head of Finance
Social Care	4	Direct payments	Alison Bulman, Director of Social Care Michael Gray, Head of Adult Social Care
Finance	5	Creditor Payments	Ness Young, Director of Transformation & Resources Jane Thomas, Head of Finance
Finance	6	Payroll	Ness Young, Director of Transformation & Resources Jane Thomas, Head of Finance
Finance	7	Purchase cards	Ness Young, Director of Transformation & Resources Jane Thomas, Head of Finance

Housing & Community	8	Rent	Nigel Brinn, Director of Economy, Highways, and Public Protection Nina Davies, Head of Housing and Community
Digital	9	Digital Transformation	Ness Young, Director of Transformation & Resources Diane Reynolds
Housing & Community	10	HOWPS	Nigel Brinn, Director of Economy, Highways, and Public Protection
Cross Cutting	11	Sustainability/ Climate Change / Carbon Reduction	Caroline Turner, Chief Executive
Digital	12	Cyber Security	Ness Young, Director of Transformation & Resources Diane Reynolds, Head of Digital Services
Housing & Community	13	Y Gaer, Breco	Nigel Brinn, Director of Economy, Highways, and Public Protection Nina Davies, Head of Housing and Community
Democratic	14	Effectiveness of the Scrutiny Process	Clive Piney, Head of Democratic Services
Finance	15	Ordering Goods and Services	Ness Young, Director of Transformation & Resources Jane Thomas, Head of Finance
Finance	16	Fin Reg- Compliance (cipfa assess)	Ness Young, Director of Transformation & Resources Jane Thomas, Head of Finance
Schools	17	Schools Governance - Themed Review	Caroline Turner, Chief Executive

			Lynette Lovell, Head of Schools
Finance	18	Fraud risk Assessment (TCWG)	Ness Young, Director of Transformation & Resources Jane Thomas, Head of Finance
Finance	19	Council Tax System	Ness Young, Director of Transformation & Resources Jane Thomas, Head of Finance
Schools	20	School Collaboration - Themed Review	Caroline Turner, Chief Executive Lynette Lovell, Head of Schools
Digital	21	Schools ICT	Ness Young, Director of Transformation & Resources Diane Reynolds, Head of Digital Services
Social Care	22	Corp Parenting -Missing Children Process	Alison Bulman, Director of Social Care
Social Care	23	Continuing Health Care	Alison Bulman, Director of Social Care Michael Gray, Head of Adult Social Care
Social Care	23	Payments to Providers- Soc Care	Alison Bulman, Director of Social Care
Social Care	25	Technology enabled care-cost avoidance	Alison Bulman, Director of Social Care

			Michael Gray, Head of Adult Social Care
Housing & Community	26	Statutory Compliance - Housing	Nigel Brinn, Director of Economy, Highways, and Public Protection Nina Davies, Head of Housing and Community
Planning and Public Protection	27	Statutory Compliance- Property	Nigel Brinn, Director of Economy, Highways, and Public Protection Gwilym Davies, Head of Public Protection
Social Care	28	Decision Panel	Alison Bulman, Director of Social Care
Transformation and Communications	29	LATC	Ness Young, Director of Transformation & Resources Emma Palmer, Head of Transformation & Comms
Housing & Community	30	Housing Void rental properties	Nigel Brinn, Director of Economy, Highways, and Public Protection Nina Davies, Head of Housing and Community
Schools	31	Newtown High School	Caroline Turner, Chief Executive Lynette Lovell, Head of Schools
Schools	32	Calon Cymru High School	Caroline Turner, Chief Executive Lynette Lovell, Head of Schools
Schools	33	Gwernyfed High School	Caroline Turner, Chief Executive Lynette Lovell, Head of Schools

Social Care	34	Third party Top Up - Charging and Financial enforcements	Alison Bulman, Director of Social Care Michael Gray, Head of Adult Social Care
Schools	35	Primary Schools x 10	Caroline Turner, Chief Executive Lynette Lovell, Head of Schools
Social Care	36	Corp parenting- Attendance at schools for Looked after Children	Alison Bulman, Director of Social Care
Schools	37	Grant Certification -Schools	Caroline Turner, Chief Executive Lynette Lovell, Head of Schools
Housing & Community	38	Grant Certification – Housing	Nigel Brinn, Director of Economy, Highways, and Public Protection Nina Davies, Head of Housing and Community
Public Protection	39	Grant Certification – Public Protection	Nigel Brinn, Director of Economy, Highways, and Public Protection Gwilym Davies, Head of Public Protection
Social Care	40	Early Help- Corporate parenting	Alison Bulman, Director of Social Care
Digital	41	GDPR	Ness Young, Director of Transformation & Resources Diane Reynolds, Head of Digital Services
HR	42	Workforce Future Programme	Ness Young, Director of Transformation & Resources Paul Bradshaw, Head of HR

Cross Cutting	43	Agile Decision Making	Ness Young, Director of Transformation & Resources
Social Care	44	WCCIS Records and Information	Alison Bulman, Director of Social Care
Social Care	45	Mental capacity Act or Safeguarding	Alison Bulman, Director of Social Care
HR	46	Culture and Ethics Audit	Ness Young, Director of Transformation & Resources Paul Bradshaw, Head of HR
Highways	47	H&S Management Training	Nigel Brinn, Director of Economy, Highways, and Public Protection Adrian Jervis, Head of Highways, Trans and Waste
Finance	48	No purchase No pay - Continuous Audits (using data analytics)	Ness Young, Director of Transformation & Resources Jane Thomas, Head of Finance
Highways	49	Contractor Checks	Nigel Brinn, Director of Economy, Highways, and Public Protection Adrian Jervis, Head of Highways, Trans and Waste
Fraud	50	National Fraud Initiative Co-ordinator	Section 151 Officer
Finance	51	Virements - Continuous Audits	Ness Young, Director of Transformation & Resources Jane Thomas, Head of Finance
Social Care	52	WCCIS Contract Management	Alison Bulman, Director of Social Care

Cross Cutting		Follow up Audits	TBA
Cross Cutting		Fraud / Requested Work Contingency	TBA
Support		Audit Committee/ Working Group	N/A
Support		Audit Planning/ Performance reporting	N/A
Support		Liasion Groups (WAO/CWAG/ Aud Chairs)	N/A
Support		Audit Support (e.g. AGS, Management team Attendance)	N/A

<p>Reserve Audits <i>These audits will be used to substitute any work that cannot be progressed during the year for any reason</i></p>	<p><i>Winter Maintenance Out of County Care, Children missing From Education Homelessness Agency Staff Travel Expenses School Funding Formula School Support- Challenge Advisors Modern Slavery/ Ethical Procurement Foster Care Legal Charges – Children EDT Schools Unauthorised Absences ICT Business Continuity ECO 3</i></p>
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The Internal Audit Charter

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Powys County Council, and to outline the scope of internal audit work.

Approval

This Charter is put forward for approval by the Audit Committee on 23rd March 2020 and is reviewed each year to confirm it remains accurate and up to date.

Provision of Internal Audit Services

The internal audit service is provided by the SWAP Internal Audit Services (SWAP). This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by Powys County Council at the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the organisation, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the organisation's level of contribution to SWAP. This is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP.

Role of Internal Audit

The Accounts and Audit (Wales) Regulations 2014) state that: *"A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control. A larger relevant body must, at least once in each year, conduct a review of the effectiveness of internal audit."*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Organisation's operations. It helps Powys County Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management, Audit Committee and Internal Audit

Management¹

Management is responsible for ensuring SWAP has:

- the support of management and the organisation; and
- direct access and freedom to report to senior management, including the Chief Executive and the Chair and Vice Chair of the Audit Committee
- Notification of suspected or detected fraud, corruption or impropriety.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Organisation. Management is also responsible for the appropriate and effective management of risk.

Audit Committee

The Audit Committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director on the progress of work undertaken, reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function,

¹ In this instance Management refers to the Senior Management Team and Statutory Officers.

and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

Internal Audit

The SWAP Assistant Director, as Head of Internal Audit, is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending the action to be taken on the outcome of, or findings from, their work.

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with the mandatory elements of the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. SWAP has been independently assessed and found to be in Conformance with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for the organisation will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP, the Executive Director and Assistant Director also report to the Section 151 Officer, and reports to the Audit Committee as set out below.

The Assistant Director will be the first and primary point of contact for the organisation for all matters relating to the Audit Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for the design, development and delivery of audit plans, subject to the agreement of the Council.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of the organisation.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information used for operational and strategic decision making, and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management and communication of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;

APPENDIX 2

- assist management and Members to identify risks and controls with regard to the objectives of the organisation and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the organisation is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned, with performance and accountabilities established.
- reviewing the operations of the organisation in support of their anti-fraud and corruption policy, ethical expectations and corporate values, investigating where necessary.
- at the specific request of management, internal audit may provide consultancy services (including fraud investigation services) provided:
 - the internal auditor's independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources the work.
 - management understand that the work being undertaken is not internal audit work.

Planning and Reporting

SWAP will submit to the Audit Committee for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Director. SWAP will report at least two times a year to the Audit Committee or as agreed. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Internal Audit Working Group on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Section 151 Officer and to other relevant line management.

The Assistant Director will submit an annual report to the Audit Committee providing an overall opinion of the status of risk and internal control within Powys County Council, based on the internal audit work conducted during the previous year.

APPENDIX 2

In addition to the reporting lines outlined above, the Chief Executive of SWAP and SWAP Directors and Assistant Directors have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit Committee, the organisation's Chief Executive Officer or the External Audit Manager.

A Move to Agile Auditing

When delivering the 2020/21 Internal Audit Programme of work, as presented, we will be looking to embrace the concept of Agile Auditing.

What is Agile Auditing?

Agile Auditing breaks a typical audit engagement down into several shorter stages, with us reporting any findings as we go. It involves increased communication and collaboration with stakeholders throughout the audit process, with greater speed but also transparency. It is likely to involve a team of audit staff instead of one individual.

Why the move to it?

- We recognise that the speed of change (and subsequent risk) is increasing within our Partners. As auditors we therefore need to adapt in order to be able to react and respond quicker.
- We constantly seek ways in which we can add value to our Partners, in order to help them succeed. Increased communication and collaboration through Agile Auditing will support this.
- We also want to move towards shorter and more impactful audit reports; Agile Auditing will facilitate this.



What will it involve?

As above, an Agile audit engagement is likely to involve a small team of audit staff as opposed to one individual. This will ensure that the audit proceeds and concludes with greater pace.

Although we are likely to require more frequent interaction with staff in the area we are auditing, the interaction will be quicker and more focussed. We are confident that the overall time required from staff will actually be less than through a traditional audit approach.

We will look to discuss any audit findings with staff throughout the stages of the audit. This will ensure that by the time we come to report, we already have agreement to any proposed actions required, and even provide the opportunity for any findings to be actioned prior to the completion of our audit.

What will be the benefits?

- Ability to provide faster assurance
- Enhanced ability to add value
- Audit observations resolved more quickly
- Shorter, more impactful audit reports
- Reduced negotiations at audit report start

We hope you support our move towards Agile Auditing.

If you would like to discuss the concept in more detail, please speak to your SWAP contact.