

CYNGOR SIR POWYS COUNTY COUNCIL.

AUDIT COMMITTEE

7th July 2016

REPORT AUTHOR: Internal Audit Manager

SUBJECT: Internal Audit Plan 2016/17

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 2016 through consultation with operational stakeholders. This liaison process, together with a more focused risk management process, has given greater direction to the Council's requirements of internal audit.
- 3.4 Top risks facing the Council are the financial pressure to make savings and the effective response to new sets of legislation in the Well-Being of Future Generations Act 2015 and the Social Services and Well-Being (Wales) Act 2014. Effective commissioning, procurement and project management are an essential element in meeting the Council's objectives. In addition, other risk areas include recruitment and workforce development, redesign of services, safeguarding, information security, project management and fraud.
- 3.5 As the Council implements innovative methods of delivering services, it should be mindful that in many cases the responsibility for service delivery still lies with the Council and that risks cannot necessarily be transferred to another party. Therefore, effective contract management should be in place that has definable delivery standards against which performance can and should be measured.

4.0 Limitations

- 4.1 Risk management within the Council has improved considerably over recent years, 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 continues to mature.

5.0 Resources

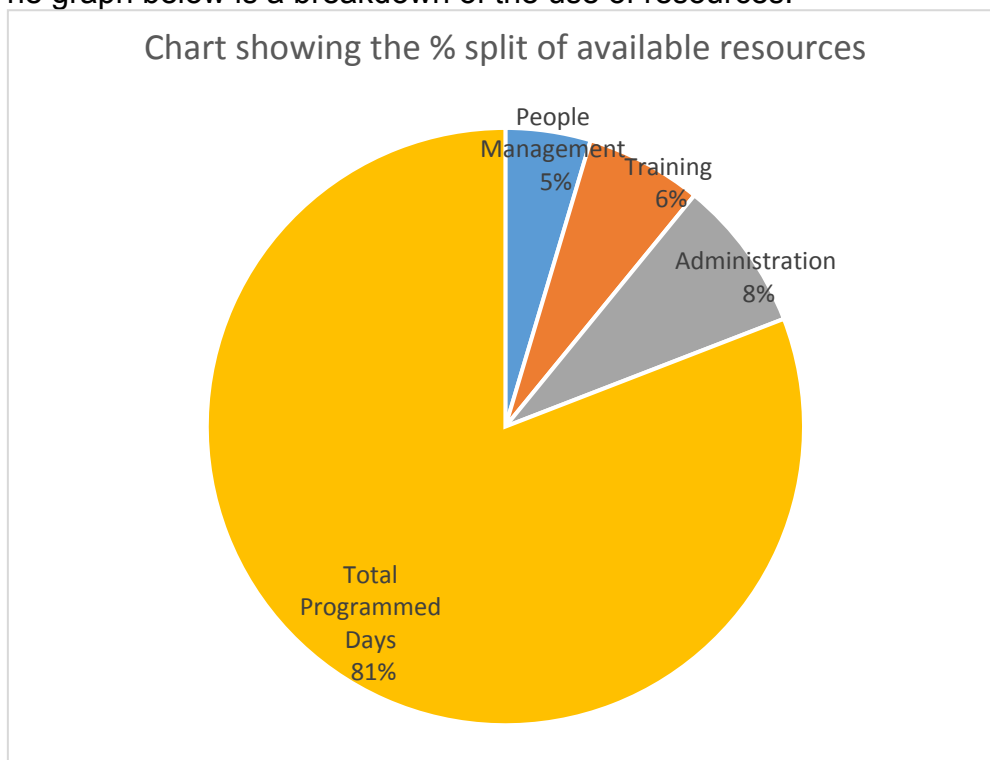
- 5.1 The Council continues to go through a period of unprecedented change that is impacting on the majority of service areas, processes, risks and ultimately internal control. Fewer managers, greater spans of control and reducing professional and administrative support is changing the natural control environment with less supervision, quality control, and performance

monitoring. This in turn increases the opportunity for fraud, corruption and error occurring.

- 5.2 The Internal Audit Service has continued to see a rationalisation of resources with a 30% reduction in FTE staff since 2013/14. The internal Audit Team will be expected to contribute further to cost savings for 2016/17. This resource reduction comes at a time when there is a potential increase in demand.
- 5.3 The establishment structure of the internal audit team consists of 7.1 full time equivalent posts. These are:
- Audit Manager x 1
 - Principal Auditor X 1.5
 - Senior Auditor x 1.6
 - Auditor x 2
 - Audit Assistant x 1
- 5.4 A principal post is continuing a long term secondment to a corporate project. Whilst a number of remedial in-house and external arrangements have been implemented to bridge the absence, the position is not sustainable in the longer term. Therefore, the Internal Audit Team will be subject to a service redesign/ restructure in 2016/17.
- 5.5 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. All members of the team have regular staff appraisals where continuing professional development is considered.
- 5.6 The table below is a breakdown of the estimated programmed days available for 2016/17:-

Resource Uses	Allocation
Total Days	1650
Less Leave & Sickness	348
Total Available Work Days	1302
Less People Management	60
Less Training	82
Less Administration	107
Total Programmed Days	1053

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



6.0 Activity

6.1 A current approach to the planning process has a much more transparent linkage to risk and the other key drivers in the Council. Management Team have considered the provisional plan and have been asked to provide feedback.. The Audit Committee will be informed if there are any significant changes to the proposals.

6.2 The provisional outline internal audit plan for 2016/17 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 2016/17 financial year.

Recommendation:	Reason for Recommendation:
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 Corporate Plans and SIP Plans
Powys CC Corporate Risk Register**

