

Partneriaeth Pen-y-Bont a'r Fro
Bridgend & Vale Partnership
working together - gweithio ar y cyd



**INTERNAL AUDIT SHARED SERVICE
STRATEGY AND DRAFT ANNUAL AUDIT PLAN**

2017 – 2018

Vale of Glamorgan Council

1. Introduction

- 1.1 Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. This opinion forms part of the framework of assurances that the Council receives and should be used to help inform the Annual Governance Statement. The purpose of this document is to provide a detailed Internal Audit Shared Service Risk Based Plan for 2017-2018.
- 1.2 The audit plan is in order to ensure that the risks facing the Council are adequately addressed and internal audit resources are effectively utilised. The standards for “proper practice” in relation to internal audit are laid down in the Public Sector Internal Audit Standards (PSIAS).
- 1.3 Internal Audit has drawn their risk assessment from a wide range of sources including the Council’s Corporate Risk Register and Service Plans, Internal Audit risk assessment models and Directorate management meetings. The risk assessment is a key factor in deciding how to allocate internal audit resources available. It ensures that resources are focused on those areas where they can be of most benefit to the Council by providing assurance to the Council’s Audit Committee on controls over key risks. This document sets out the responses as internal auditors to those risks and to other factors that have been considered as part of the assessment of audit need.
- 1.4 The Plan will be subject to ongoing review and adjustments, to ensure it remains aligned with significant delivery objectives and risks and is responsive to the priorities and concerns of the Corporate Management Team (CMT). Any significant changes to the Plan will be reported to the Audit Committee.

2. Providing Assurance

- 2.1 Internal Audit recognises the necessity to provide management with an on-going level of fundamental “core financial systems” assurance, particularly in light of the need to satisfy the Council’s External Auditors. Internal Audit will continue to work closely with the External Auditor to maximise audit efficiency.

3. Risk Based Approach

- 3.1 Risk based work is also critical to the Council, as it seeks to improve the risk awareness of staff, and improve overall control. The internal audit work programme is designed to provide assurance that the significant risks identified within the Council’s Corporate Risk Register and Service Plans are being managed effectively. As part of this

process Internal Audit will also examine the risk management and governance arrangements.

3.2 By adopting a risk based audit approach there is a clear linkage between the significant risks identified in the Council's Corporate Risk Register and the work undertaken by Internal Audit in providing assurance against these. As a result, the starting point for the audit plan approach is an understanding of the Council's objectives and risks.

4. The Risk Assessment Process

4.1 The information which has been used to prepare the risk assessment and proposed internal audit plan has been collected and collated from a number of different sources. The starting point for a risk based audit approach is an understanding of the Council's priorities and risks. This has been achieved by reviewing the Corporate Risk Register and Service Plans and meeting / interviewing Corporate Directors and their Senior Management Teams asking where they perceive to be the main risks within their individual areas and where they would require internal audit to provide assurance that such risks are being effectively mitigated and managed. This information is used to inform and design the audit plan.

4.2 The plan is based on an underlying risk assessment. The inherent risks existing within each area are then identified for audit as part of the audit planning process. The audits which make up the plan have been assessed on priority. Internal Audit will ensure that all reviews classified as "high" risk, will be completed by the end of the year, "medium risk reviews are the next level down, but still require a scheduled review. Although "low" risk reviews still carry a degree of risk, these have not been included on the plan but continue to be risk assessed annually to take account of any changes in their status.

5. The Internal Audit Plan

5.1 An annual plan is derived following the audit risk assessment, whereby audits will be selected based on the greatest perceived inherent risk. Internal Audit will ensure that most effort is focused on inherently high risk areas while, at the same time, not totally ignoring the potential for problems that may materialise in other areas.

5.2 Whilst Internal Audit will adopt a risk based approach to determine relative risk, there will remain areas where a purely cyclical approach will still be required i.e. programme of School audits.

5.3 The Head of Audit will keep progress against the audit plan, and the content of the plan itself, under review. Where there is a need for material changes to the plan; a revised plan will be re-submitted to the Audit Committee for endorsement. The Audit Committee will also be advised of performance against the audit plan and be kept informed of the results undertaken.

6. Resource Requirement

6.1 Resource requirements are reviewed each year as part of the audit planning process and are discussed with the Internal Audit Shared Service Board (IASSB). The impacts of the financial pressures with the requirements to generate efficiencies and hard savings have seen internal audit resources reduce over the years. Resources have decreased from 22 staff in 2012/13 to 20 in 2013/14 to a current full establishment of 18 staff for 2016/17. However, it should be noted that at the commencement of 2017/18 the Section is carry 50% in vacant posts. Therefore, arrangements are in place to address the shortfall, however, with such a high level of vacancies it is important to be prudent when determining the number of productive days that can be realistically achieved. The following is the assumptions that have been made for 2017/18.

Quarter 1 - April to June 2017 status remains the same at 50% of the establishment.

Quarter 2 – July to September 2017 increases to 75% of the establishment in post.

Quarters 3 & 4 – October 2017 to March 2018 increases to a full establishment.

6.2 The resource availability summarised in Table 1 sets out the proposal to deliver 1,145 chargeable / productive days. Should there be any delays in filling vacant posts over and above those set out above then there is the possibility of buying in some service to meet the shortfall.

7. Contingencies

7.1 The internal audit plan needs to be fluid and flexible enough to enable the internal audit shared service to be reactive, as required to situations arising during the course of the period covered by the plan. A contingency reserve element has been built in, to assist in dealing with any such matters arising, to hopefully at least minimise any major impact on the audit plan itself. In addition, a time allocated for fraud and irregularity investigations has also been included.

8. Delivering the Audit

8.1 All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal

control, risk management and governance in operation and to stimulate improvement. Any key (serious) issues arising during the course of the audit review will be promptly reported to the Head of Audit to determine the impact on the scope of the review. Key issues will also be promptly brought to management's attention during the course of the review to enable appropriate remedial action to be taken prior to being formally published in the audit report.

8.2 Action plans will form an integral part of the report and will be used to record:

- Those risks considered to be inadequately controlled;
- A prioritisation of audit recommendations and the actions management propose to bring the risks within acceptable parameters, the officer(s) responsible for those actions and the dates for completion.

8.3 Audit recommendations will be prioritised as follows;

Priority Rating	Current risk	Action Required
Priority 1.	Issues that are fundamental and material to the system of internal control. Internal Audit believes that these issues might mean that you do not meet an objective or reduce (mitigate) a risk.	Immediate Action required
Priority 2	Issues that have an important / significant effect on internal controls but do not need immediate action. You may still meet an objective in full or in part to reduce (mitigate) a risk adequately, but the weakness remains.	Appropriately timed action required.
Priority 3	Issues arising that merits attention and would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.	Action recommended enhancing standards of control.

8.4 The auditor will draft a report and arrange to meet with management, to ensure factual accuracy of the audit observations and findings and to ensure a proper understanding of the risks to which any action plan relates. These meetings should take place in accordance with dates agreed in the Audit Brief or within two weeks of completion of the audit fieldwork, whichever is the sooner.

8.5 Management will be required to provide a response to the action plans. Any areas of disagreement between the auditor and management, regarding audit's observations and/or the auditor's assessment of

current risk exposure, which cannot be resolved by discussion, will be recorded in the action plans.

8.6A clear, concise and constructive final report will be issued to the relevant manager / chief officer which will follow a standard format, outlining:

- The overall level of assurance opinion, based on the auditor's professional judgement of the effectiveness of the framework of internal control, risk management and governance;
- Audit recommendations, along with management response and implementation date;
- Details of findings, to include an explanation of the risk and the identified control weakness;
- The final report will be issued in the names of the auditor conducting the review and the Head of Audit. All final reports will be issued as PDF documents only and be sent by the Principal Auditor(s).

9. Follow Up Reviews

9.1 Whether or not an audit review is scheduled for a follow up is reliant on the assurance opinion given at the time of the audit. Where significant gaps in the control environment have been identified and where either limited or no assurance has been given; then these audits will be subject to a follow up. The timing of the follow up is very much dependent on available resources, but Internal Audit's aim will always be to complete the follow up within three to six months of completion of the audit (depending on the assurance level).

10. Reports to the Audit Committee and Corporate Management Team (CMT)

10.1 A status report on internal audit work will be presented to the Audit Committee on a quarterly basis (approximately). The purpose of these reports is to provide an update on the progress made against the delivery of the Internal Audit Plan. The report will provide details of audits completed to date, the assurance opinions given and the number and type of recommendations made. The report will also provide a summary of internal audit performance, planning and resourcing issues. Regular reports will also be presented to CMT as set out in CMT's Forward Work Programme.

11. Annual Assurance Report.

11.1 A formal annual report to the Audit Committee presenting the Head of Audit's opinion on the overall adequacy and effectiveness of the framework of governance, risk management and internal control, will be published to enable it to be taken into account when preparing the Council's Annual Corporate

Governance Statement. The format of the Head of Audit’s report will follow that set out in the Public Sector Internal Audit Standards (PSIAS) and will include:

- An opinion on the overall adequacy and effectiveness of the Council’s framework of internal control, risk management and governance,
- Disclose any qualifications to that opinion, together with the reasons for qualification;
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- Any issues considered by the Head of Audit to be particularly relevant to the Corporate Governance Statement;
- A comparison of work undertaken with that planned, with a summary of internal audit performance for the year; and comment on compliance with the Public Sector Internal Audit Standards and Internal Audit’s Quality Assurance and Improvement Programme.

12. Delivering the Council’s Vision.

12.1 The Council has agreed an ambitious programme for the next four years to achieve the well-being outcomes and meet the objectives. In delivering this exciting programme with partners, the Council is confident that they can reshape services to deliver the vision for the Vale. The four well-being outcomes provide the framework for the programme of activity.

Well-Being Outcome	Well-Being Objective	Well-Being Objective
An Inclusive and Safe Vale	Reducing Poverty and Social exclusion	Providing decent homes and safe communities.
An Environmentally Responsible and Prosperous Vale	Promoting regeneration, economic growth and employment.	Promoting sustainable development and protecting our environment
An Aspirational and Culturally Vibrant Vale.	Raising overall standards of achievement	Valuing culture and diversity
An Active and Healthy Vale.	Encouraging and promoting active and healthy lifestyles.	Safeguarding those who are vulnerable and promoting independent living.

13. Corporate Risk Register

- 13.1 Good governance requires the Council to develop effective risk management processes, including an assessment of corporate risks. The corporate risk assessment is considered and reviewed by Audit Committee, and is used to inform Scrutiny forward work programme and budget process.
- 13.2 An up to date Risk Assessment was presented to the Council's Audit Committee which identified corporate risks together with the risk reduction measures, the risk owner and the risk score. The corporate risks are listed below and have been integrated into the Annual Audit Plan for 2016/17.

Risk	Risk Description
Reshaping Services	Failure to deliver the Reshaping Services Programme
Response to legislative change and local government reform	Failure to respond to legislative changes and to proposals for local government reform
School Reorganisation and investment	Failure to deliver the current School Reorganisation and Investment Programme and to develop a new programme in readiness for Band B of 21st Century Schools
Housing Improvement Programme	Failure to meet Welsh Housing Quality Standards (WHQS)
Waste	Failure to meet the national waste agenda and targets.
Workforce needs	Inability to anticipate and plan for the workforce needs of the future in order to meet changing services requirements
Information security	The failure to implement adequate information security management systems across the Council
Climate Change	Failure to adapt to the impact of climate change and failure to mitigate climate change in the Vale of Glamorgan.
Welfare reform	Welfare Reform
Local Development Plan	Local Development Plan
School Improvement (Joint Education Service)	Failure to deliver statutory School Improvement Functions
Safeguarding	That our Corporate Safeguarding procedures are insufficient not followed or are ineffective.
Integrated Health and Social Care	Integrated Health and Social Care

- 13.3 The above Corporate Risk Register is one of the tools used by Internal Audit to inform its planning process. By adopting a risk based audit approach there is a clear linkage between the significant risks identified in the register and the work

undertaken by Internal Audit in providing assurance against these risks.

INTERNAL AUDIT SHARED SERVICE DRAFT ANNUAL PLAN 2017 -2018

The Annual Plan has been formulated to ensure compliance with the Public Sector Internal Audit Standards (PSIAS) which have been effective since 1st April 2013.

Table 1 – Productive Resource Availability & Utilisation April 2017 to March 2018 – Draft Proposals.

Resources Available	Total Days
Total Productive days Available	1,145
Time Allocated to Audit Work	Directorate
	Total Days
Managing Director - Resources: <ul style="list-style-type: none"> • Performance & Development • Finance • Regeneration & Planning • Human Resources • Democratic Services • Legal Services • ICT 	315
Learning & Skills: <ul style="list-style-type: none"> • Achievement for All • Strategic Planning & Performance Schools 	130
Environment & Housing: <ul style="list-style-type: none"> • Visible Services • Housing & Building Services • Shared Regulatory Services 	150
Social Services: <ul style="list-style-type: none"> • Business Management & Innovation • Children & Young People Services • Adult Services 	130
Cross Cutting	420
OVERALL TOTAL	1,145