

Name of Committee:	Audit Committee
Date of Meeting:	30/04/2019
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Regional Internal Audit Service - Proposed Strategy and Annual Risk Based Plan 2019-20
Purpose of Report:	To present to Members the proposed Strategy and draft Annual Risk-Based Audit Plan for the Financial Year 2019-20.
Report Owner:	Head of Regional Audit Service
Responsible Officer:	Head of Regional Audit Service
Elected Member and Officer Consultation:	No Elected Members have been consulted. Legal Services and Head of Finance.
Policy Framework:	The proposals in this report are in accordance with the policy framework and budget.

Executive Summary:

- In order to assist the Audit Committee in ensuring that due consideration is given by the Committee to aspects of their core functions, the consideration of the Regional Audit Service's Strategy and Annual Risk Based Plan is one of their key responsibilities.
- The proposed Strategy and draft Annual Risk Based Plan for 2019/20 is attached at Appendix A and B to this report. It provides the Committee with an overview of the work to be undertaken by the Service in order for the Head of Audit to provide an annual opinion at the end of the year on the Council's overall governance, risk management and internal control environment.
- The impact on Councils to generate efficiencies and savings as a result of the financial pressures have seen internal audit resources reduce year on year. As a consequence, and at the commencement of 2019/20 the Audit Service has been expanded and will provide the Internal Audit function to four Councils; these being Bridgend CBC, Merthyr Tydfil CBC, Rhondda Cynon Taf CBC and the Vale of Glamorgan Council. As this is a newly developed Regional Service, the overarching structure of the service is yet to be finalised. With this in mind, this plan has been based on the maximum number of productive days available to be delivered to the Vale of Glamorgan Council for the whole year based on a full complement of staff.
- Whilst it is recognised that 2019/20 will be a transitional year for the service and as such some degree of latitude will be required in respect of service delivery, arrangements will be put in place to closely monitor performance, keep the Audit Committee fully informed and should the need arise, revise the plan and/or assistance will be sought to bridge any gaps in delivery.

1. Recommendation

- 1.1** That Committee Members review, consider and approve the proposed Regional Audit Service Strategy and draft Annual Risk Based Plan for 2019/20 as appended to this report.

2. Reasons for Recommendations

- 2.1** To keep the Audit Committee informed and to approve the proposed Regional Internal Audit Service Strategy and draft Annual Risk-Based Audit Plan for 2019/20 to ensure compliance with the Public Sector Internal Audit Standards (PSIAS) and the Committee's Terms of Reference.

3. Background

- 3.1** In accordance with the Public Sector Internal Audit Standards, the Head of Audit is responsible for developing a risk-based annual audit plan which takes into account the Council's risk management framework. Within the Standards there is also a requirement for the Head of Audit to review and adjust the plan, as

necessary, in response to changes in the Council's business risks, operations, programs, systems, controls and resources. The Head of Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

- 3.2** Effective planning is one of the Standards contained within the Public Sector Internal Audit Standards (PSIAS) and against which our external auditors assess us. It is from this overall assessment of internal audit's programme of work and the contribution that this makes to the overall control environment of the Authority that our external auditors will draw the necessary assurances they need.

4. Key Issues for Consideration

- 4.1** Internal Audit planning is not an exact science but it is felt that the proposed plan for 2019/20 strikes a good balance between the risks identified, the internal audit resources available and the assurance work being carried out by other agencies. Resource requirements are reviewed each year as part of the audit planning process and will be discussed with the Shared Service Board. The impact on councils to generate efficiencies and savings as a result of the financial pressures have seen internal audit resources reduce year on year. As a consequence, and at the commencement of 2019/20, the Audit Service has been expanded to include a further two Councils (Merthyr Tydfil CBC and Rhondda Cynon Taf CBC). As this is a newly developed Regional Service, the overarching structure of the service is yet to be finalised. With this in mind, this plan has been based on the maximum number of productive days available to be delivered to the Vale of Glamorgan Council for the whole year based on a full complement of staff.
- 4.2** The delivery of the plan will be dependent on the resources available, however, there is the potential to buy in additional days in order to meet any service shortfall during the year. This will be contained within the Shared Service's budget.
- 4.3** Attached at Appendix A and B is the proposed Internal Audit Strategy and the draft Annual Risk-Based Audit Plan 2019/20. It demonstrates how the Internal Audit Service will be delivered and developed in accordance with its Terms of Reference and how it links to the Council's objectives and priorities. The Strategy will be reviewed and updated annually in consultation with stakeholders namely the Audit Committee, Corporate Management Team, External Auditors and Senior Management.

The 2019/20 proposed draft Annual Risk Based Plan of work has been formulated to ensure compliance with the Standards as contained within the PSIAS.

5. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 5.1** The Annual Risk Based Plan contains audit reviews that will be service specific and that will assist in understanding how those services undertake the five ways of working and deliver the well-being objectives.

6. Resources and Legal Considerations

Financial

- 6.1** There are no resource implications as a direct consequence of this report. The level of service outlined above is included within the base budgets for the Shared Service.

Employment

- 6.2** None as a direct consequence of this report.

Legal (Including Equalities)

- 6.3** The provision of an adequate and effective Internal Audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2014 as amended from time to time. There are no equalities implications as a direct consequence of this report.

7. Background Papers

OTNone

**REGIONAL INTERNAL AUDIT SERVICE
STRATEGY AND DRAFT ANNUAL RISK BASED AUDIT PLAN**

2019 – 2020

VALE OF GLAMORGAN COUNCIL

1. Introduction

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 Regional Internal Audit Shared Service Risk Based Plan for 2019-2020.

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).

Internal Audit has drawn their risk assessment from a wide range of sources including the Council’s Corporate Risk Register, Internal Audit risk assessment models and Directorate’s Business Plans and 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.

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. Definition of Internal Audit

The Public Sector Internal Audit Standards (PSIAS) defines Internal Audit as follows: *“Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.*

3. Requirement for Internal Audit

The requirement for Internal Audit is set out in the Accounts and Audit (Wales) Regulations 2015:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

PSIAS state:

“The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals. The risk based plan must take into account the requirement to produce an annual internal audit opinion”

The overall opinion issued each year by Internal Audit on the adequacy and effectiveness of the control environment is used as a key source of assurance to support the Annual Governance Statement.

4. S.151 Officer Responsibility

Internal Audit also has an important role to support the Council’s Section 151 Officer in discharging their statutory responsibilities, which include:-

- S151 Local Government Act 1972 – to ensure the proper administration of financial affairs.
- S114 Local Government Act 1988 – to ensure the Council’s expenditure is lawful.

5. Development of the Internal Audit Plan

The plan has been prepared after a reference to the ‘audit universe’ (the comprehensive list of all areas potentially subject to audit across the Council). It has also taken into account an analysis of the risk registers and the views of Corporate Directors and Senior Management as to where audit resource is most needed. In line with the PSIAS, this plan should enable Internal Audit to maximise the value and assurance it provides the Council and Managing Director, while ensuring it fulfils its statutory obligation to review and report on the Council’s internal control environment, governance and risk management arrangements.

Revision of the Internal Audit Plan: This plan will be kept under review on an ongoing basis. Any significant changes will be reported to the Audit Committee for consideration and approval.

6. Risk Based Approach

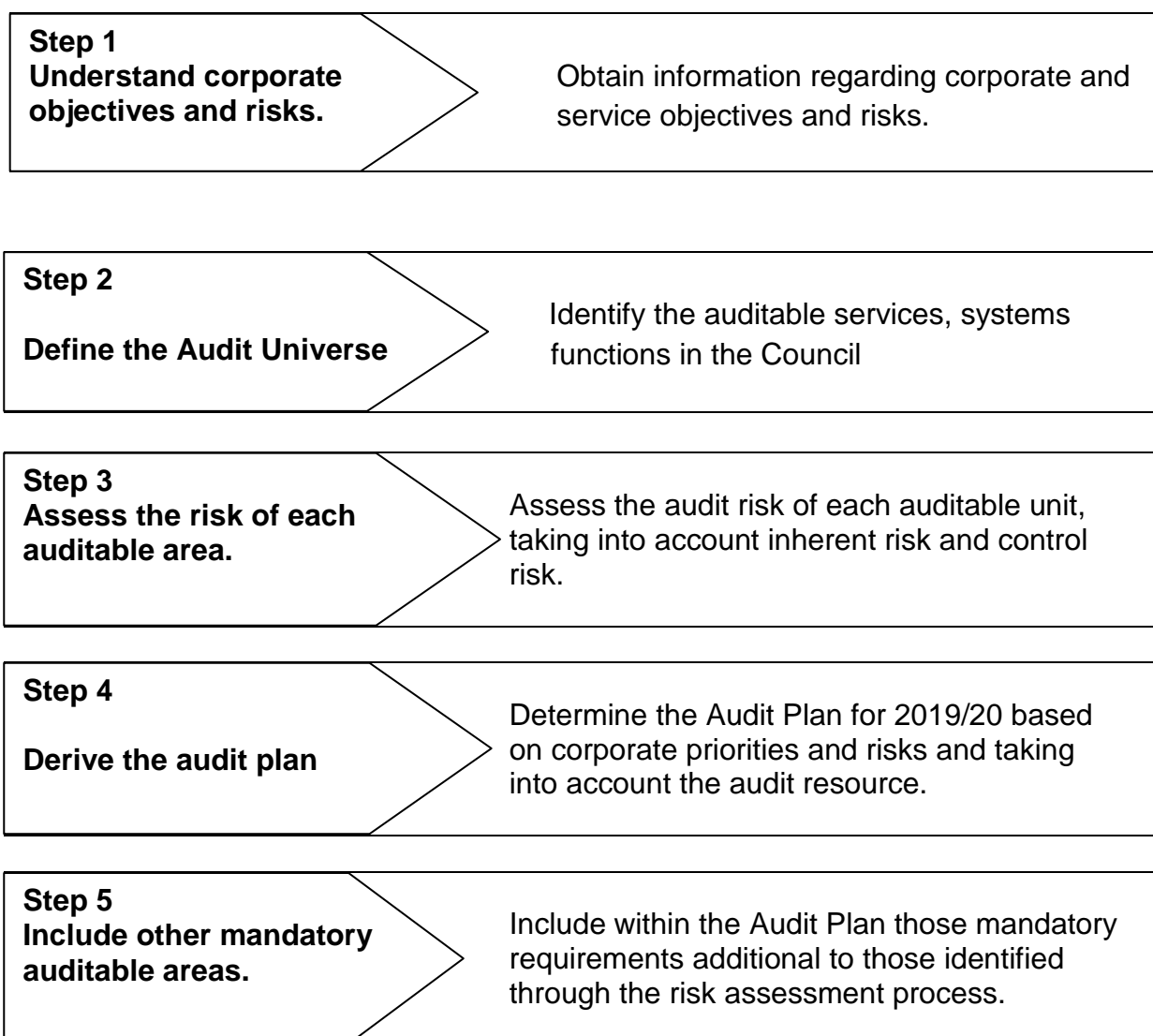
The internal audit function will be delivered in accordance with the Regional Internal Audit Service Charter, as presented to the Audit Committee in April 2019. The Charter defines the role, scope, independence, authority and responsibility of the regional internal audit shared service. Audits will be delivered in accordance with the Charter. The team will be developed during the year in accordance with the Charter and Service Plan. Development will be predominantly focused on recruitment and the exploration of further opportunities to expand the shared service to increase the efficiency of the service.

Risk based work is 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 are being managed effectively. As part of this process Internal Audit will also examine the risk management and governance arrangements.

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.

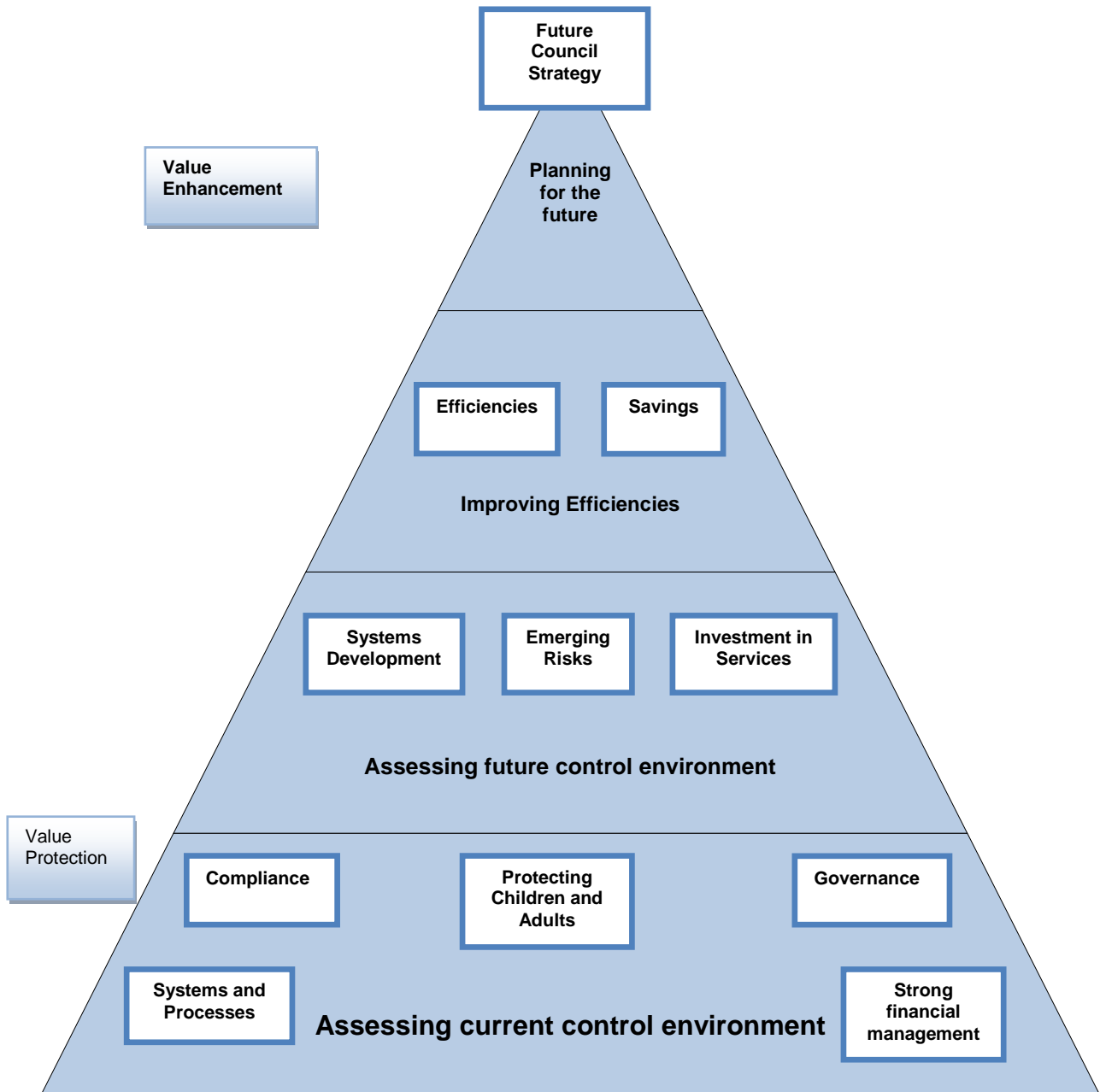
7. Methodology

A summary of our approach to the development of the Audit Plan for 2019/20 is set out below. The Plan is driven by the Council’s organisational objectives and priorities as set out in the Corporate Plan and the risks that may prevent the Council from meeting these objectives.



8. Value of Internal Audit

Internal audit activity can be broadly split into two categories, namely value protection and value enhancement.



Value Protection refers to the assurance we provide on the Council's internal control and governance arrangements. This includes our work on assessing the management of the key risks currently facing the Council. Value Protection also includes mandatory work on fundamental financial systems and helps the s.151 officer to fulfil their statutory responsibilities for proper financial administration and control.

Value Enhancement refers to our work on supporting the continuous improvement with regard to its corporate and service performance, delivering savings and more efficient ways of working as part of Council's Medium Term Financial Planning and, providing assurance on new significant change projects and systems developments and helping with providing assurance on future plans and strategies.

9. The Risk Assessment Process

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 Plan, the Directorate's Service Plans, the Corporate Risk Register 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.

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.

10. The Internal Audit Plan

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.

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

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.

11. Resource Requirement

Resource requirements are reviewed each year as part of the audit planning process and will be discussed with the Internal Audit Shared Service Board (IASSB). The impact on councils to generate efficiencies and hard savings as a result of the financial pressures have seen internal audit resources reduce year on year. As a consequence, and at the commencement of 2019/20 the Audit Service has been expanded and will provide the Internal Audit function to four Councils; these being Bridgend CBC, Merthyr Tydfil CBC, Rhondda Cynon Taf CBC and the Vale of Glamorgan Council. As this is a newly developed Regional Service, the overarching structure of the service is yet to be finalised. As a consequence, this plan has been based on the maximum number of productive days available to be delivered to the Vale of Glamorgan Council for the whole year based on a full complement of staff.

Whilst it is recognised that we should be mindful of the fact that 2019/20 will be a transitional year for the service and as such some degree of latitude will be required in respect of service delivery, arrangements will be put in place to closely monitor performance, keep the Audit Committee fully informed and should the need arise, revise the plan and/or assistance will be sort to bridge any gaps in delivery.

12. Contingencies

The internal audit plan needs to be fluid and flexible enough to enable the internal audit 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 work plan itself.

Time allocated for fraud and irregularity investigations can only be based on previous experience and so actual time expended can and will vary, and would depend very much on the number and types of such work arising during any particular year. It is for this rationale that a reasonable level of contingency reserve has been set aside to assist in the elimination or at least the minimisation of possible disruption to the basic plan. If the reserve is not required, then this will be re-allocated to any other specific audit tasks.

13. Delivering the Audit

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.

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.

Audit recommendations will be prioritised as follows;

Priority Rating	Current risk	Action Required
High	Issues that are fundamental and material to your 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
Medium	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.
Low	Issues arising that merit attention and that 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 to enhance standards of control.

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.

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.

A 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 name of the Head of Audit. All final reports will be issued as PDF documents only and be sent by the Audit Client Manager (s).

14. Follow Up Reviews

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).

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

A status report on internal audit work will be present 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 update reports will be presented to CMT in accordance with their Forward Work Programme.

16. Annual Assurance Report.

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.

17. Council Wellbeing Outcomes

The Council has agreed an ambitious programme for the next four years to achieve the well-being outcomes and meet the objectives.

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.

18. Corporate Risk

Good governance requires the Council to develop effective risk management processes, including an assessment of corporate risk. The corporate risk assessment is considered and reviewed by Cabinet, Audit Committee, as part of the Council's quarterly Corporate Performance Assessment Framework and is used to inform Scrutiny forward work programmes and budget processes.

The Council assesses on an annual basis the major risks that will affect the ability to achieve the Corporate Wellbeing Outcomes, provide services as planned and fulfil its statutory duties.

Corporate Risks
CR1. Reshaping Services
CR2. Legislative change and local government reform.
CR3. School Reorganisation and Investment
CR4. Waste
CR5. Workforce needs
CR6. Information security
CR7. Environmental Sustainability
CR8. Welfare reform
CR9. Public Building Compliance
CR10. Safeguarding
CR11. Integrated Health and Social Care
CR12. Unauthorised Deprivation of Liberty Safeguards
CR13. Contract Management
CR14. Welsh Community Care Information System

The above Corporate Risk Register is 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.

19. REGIONAL INTERNAL AUDIT SERVICE DRAFT ANNUAL RISK BASED PLAN 2019 -2020

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment which encompasses the systems of governance, risk management and internal control, by evaluating its effectiveness in achieving the organisation's objectives. It examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. 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.

Attached at **Appendix B** is the detailed schedule of audits planned for each of the Council's Directorates including Cross Cutting. Table 1 below provides an overall summary of the number of productive days allocated.

Table 1–Productive Resource Availability & Utilisation April 2019 to March 2020 – Draft Proposals.

Resources Available	Total Days
Productive days	1402
Priority One – Those areas that must be covered during the year.	815
Priority Two – Those areas that should be covered during the year based on Risk.	587
Days split by Directorate.	
Cross Cutting (including Contingency – Fraud & Error)	802
Environment & Housing	135
Learning & Skills	125
Managing Director - Resources	225
Social Services	115
OVERALL TOTAL	1402

COUNCIL'S VISION – 'Strong Communities with a bright future'

**REGIONAL INTERNAL AUDIT SERVICE
DRAFT ANNUAL INTERNAL AUDIT RISK BASED PLAN**

2019 – 2020

VALE OF GLAMORGAN COUNCIL

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Introduction

The role of internal audit is that of an:

“Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

The aim of internal audit’s work is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- The framework of internal control, risk management and governance is appropriate and operating effectively; and
- Risk to the achievement of the Council’s objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Head of Audit can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Corporate Officers, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through regular review and reported to the appropriate Corporate Officers and the Council’s Audit Committee.

Your Internal Audit Team

Your internal audit service is provided by the Regional Internal Audit Shared Service Partnership (RIASS). The service is led by the Head of the Regional Audit Service (Mr. Mark Thomas) and covers the boundaries of Bridgend, Rhondda-Cynon-Taf, Merthyr and the Vale of Glamorgan. The Head of Audit is currently supported by two Audit Client Managers.

Conformance with internal audit standards

The RIASS Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In February 2017, the Chartered Institute of Public Finance Accountancy (CIPFA) were commissioned to complete an external assessment of the then Bridgend and Vale Internal Audit Shared Service against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting CIPFA a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As CIPFA were one of the authors of the Standards it was considered that they were excellently positioned to undertake the external assessment.

In considering all sources of evidence the external assessor concluded:

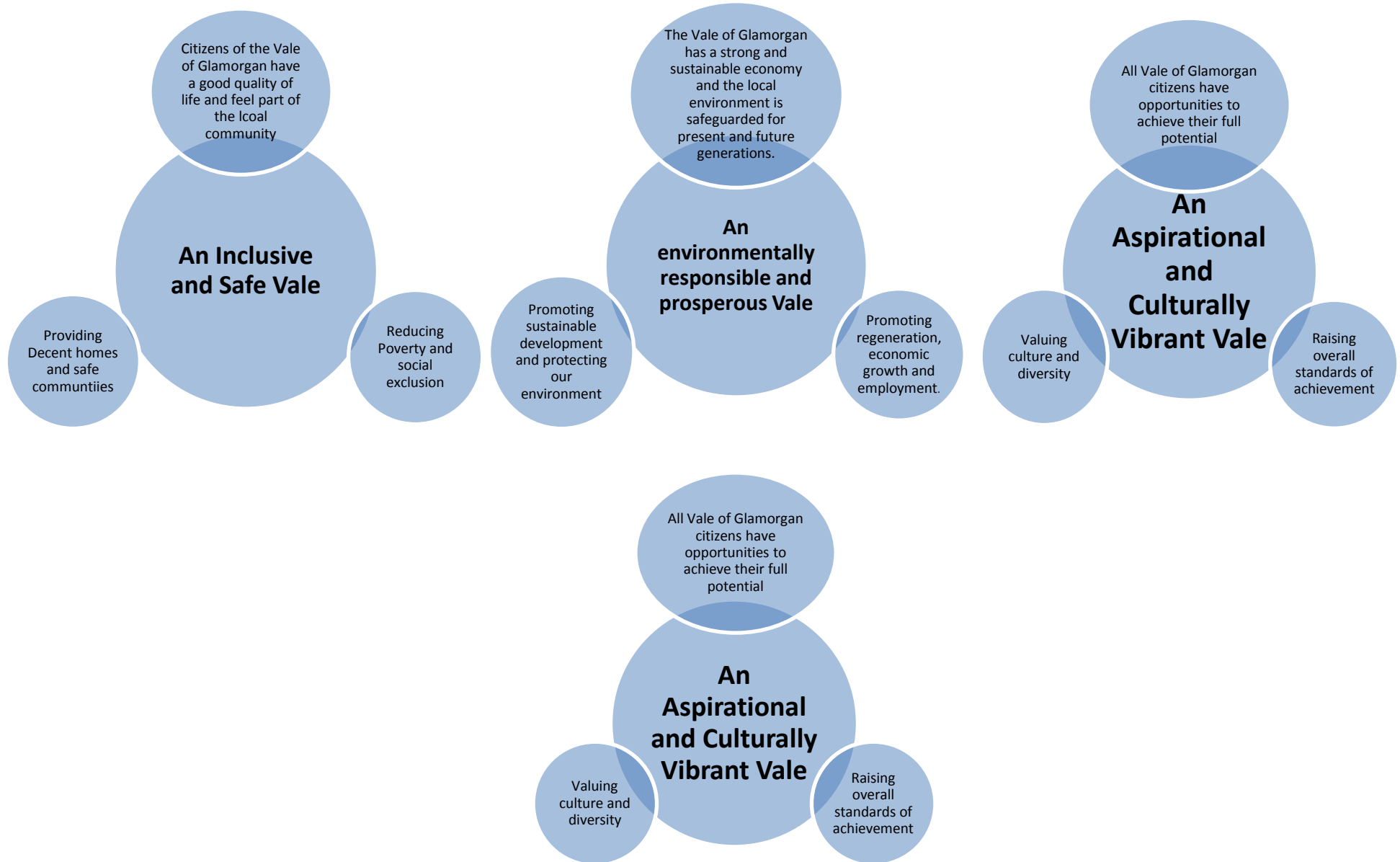
“There were no areas of non-compliance with the Standards that would affect the overall scope or operation of the internal audit activity. All auditees and statutory officers were positive in their responses and understanding of the audit process and the value it added”.

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under the Internal Audit Standards.

The Vale of Glamorgan Council Corporate Plan

The Corporate Plan sets out how the Council plans to shape its services for the next five years (2016/20). It contains the Council's vision for the Vale of Glamorgan and what it is trying to achieve for its residents and for the County. The Corporate Plan is underpinned by the Council's key priorities and desired outcomes:



Corporate Risks

The Council has a clear framework and approach to risk management. The strategic risks assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation's assurance needs and contributes to the achievement of their objectives. We will monitor the strategic risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

No.	Ref.	Risk Description
1	CR1	Reshaping Services – Failure to deliver the Reshaping Services Programme
2	CR2	Legislative Change and Local Government Reform – The risk focuses on how we respond to new and emerging legislative requirements.
3	CR3	School Reorganisation and Investment – This risk encompasses funding key priorities set out in the 21 st Century Schools Investment Programme as well as smaller scale asset renewal schemes.
4	CR4	Housing Improvement Programme – The Welsh Housing Quality Standard requires all social landlords to improve their housing stock to an acceptable level by 2020, as outlined in the Wales Housing Act 2014.
5	CR5	Waste – This risk relates to the effectiveness of diversionary activities and initiatives in place to meet the requirements of the European Landfill Directive. There is a statutory target for Recycling based on the Welsh Government's "Towards Zero Waste" Waste Strategy.
6	CR6	Workforce Needs – As the Council continues to go through significant change over the next few years it is imperative that we are able to anticipate the human resources implications of such change and ensure that we have the number of people with the right skills and experience to deliver the services of the future.
7	CR7	Information Security – Information Security involves the practise of preventing the unauthorised use, access, disclosure, disruption, modification, inspection, recording or destruction of information.
8	CR8	Environmentally Sustainability – Action on climate change covers two areas: Mitigation and adaption. Mitigation relates to action taken to tackle the causes of climate change i.e. by reducing greenhouse gas emissions. Adaption relates to action taken to adapt to the unavoidable effects of climate change caused by increased concentrations of greenhouse gases from human activity.
9	CR9	Welfare Reform – The UK Government's Welfare Reform will introduce the greatest change in the administration of welfare benefits for a generation. In addition to significant change in the way the Council will run the housing and council tax benefits service, the changes will affect Social Services and Housing Services and will have an impact on the overall finances of the authority.
10	CR10	Public Buildings Compliance – The primary risk associated with public buildings compliance is that we fail to comply with our statutory responsibilities for ensuring the health, safety and welfare of both staff and the public when using our premises.
11	CR11	Safeguarding – The overarching risk is that corporate safeguarding procedures are insufficient, not followed or are ineffective.
12	CR12	Integrated Health and Social Care – Adult Services are becoming increasingly integrated with health services in order to provide service users and patients with seamless care arrangements.
13	CR13	Unauthorised Deprivation of Liberty Safeguards – DoLs introduced a legal mechanism to protect people who do not have the mental capacity to consent to their care and support in registered care homes and hospital wards.
14	CR14	Contract Management – The focus of this risk has shifted towards the risks associated with managing the quality services, contractual performance and preventing the failure of commissioned services in order to secure service sustainability.
15	CR15	Welsh Community Care Information System – The focus is now in relation to performance reporting, as we need to build data reports which requires new skills and time to create.

Developing the internal audit plan 2019/20

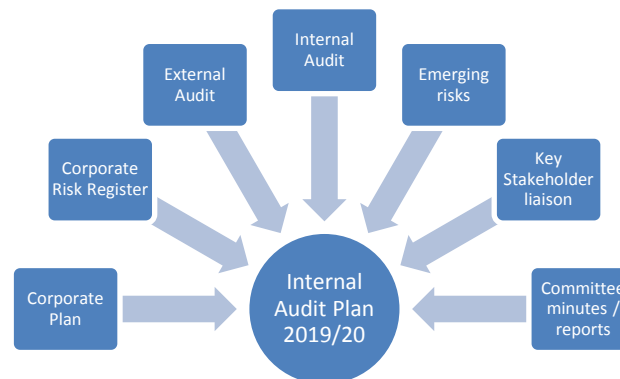
We have used various sources of information and discussed priorities for internal audit with the following groups:

- Managing Director
- Corporate Directors
- Heads of Service
- Directorates Management Teams

Based on these conversations with key stakeholders, review of key corporate documents and our understanding of the Council, the Regional Internal Audit Service (RIASS) Partnership have developed an annual audit plan for the coming year.

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.



Internal Audit Plan 2019 – 2020

PRIORITY ONE – MANDATORY AUDIT WORK

Area	Directorate	Corporate	Audit Scope / Risk	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
Adoption Service	Social Services	Assurance / Governance / Risk	To provide assurance to the governance board on the adequacy and effectiveness of the overall control environment including Governance, Risk Management and Internal Control for 2018-19. Preparation work for the production of the assurance report for 2019/20.	20			20	40
SRS Joint Service	Environment & Housing		Assurance Testing – To provide assurance to the Shared Regulatory Service Board on the systems and processes in place in respect of the overall control environment including governance, risk management and internal control for the 2018-19 Financial Year. Preparatory work for the production of the assurance work for 2019/20	15			10	25
Safeguarding	Cross Cutting	Assurance / Governance / Risk	Case management of safeguarding incidents are dealt with in accordance with the Council’s safeguarding policies and procedures. This review will also include an annual assessment of the Council’s overall operating model for safeguarding; including reviewing the adequacy of assurances obtained by the Council in respect of safeguarding arrangements in place for vulnerable adults and children for 2018-19. Preparatory work for the 2019/20 review.	10			10	20

Area	Directorate	Corporate	Audit Scope / Risk	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
CRSA	Learning & Skills	Assurance	To undertake the annual controlled risk self – assessment for schools. The aim of the process is to enable Head Teachers to review their internal controls and to ensure that they undertake and comply with the requirements of current legislation and the Financial Procedure Rules. The objectives of the Control Risk Self-Assessment (CRSA) Questionnaire are to provide a tool for the Internal Audit Section to evaluate the financial and other related controls in operation, help to provide a basis upon which the scope and frequency of audits can be determined and allow Head Teachers to self-assess themselves against potential risks. CRSA is a widely used technique in the both the public and private sectors.			25		25
Grant Certification Work	Cross Cutting	Assurance	Under the conditions of the specific grant determination, the Head of Audit must certify that the conditions of the grant have been complied with.	15	15			30
Material Systems – Key Financial Systems	MD & Resources	Assurance	A rolling programme of audits is adopted for material systems whereby the work programme for each year may differ, with each audit having varying amounts of system review, testing or a combination of the two. This approach enables us to deliver a more cost-effective service, whilst providing sufficient assurance as to the adequacy of the Council's material system control environment.		25	25	25	75
Procurement – Compliance with Procurement Legislation and Council	MD & Resources	Assurance	Procurement across the Council including review of contract spend, contract register, third party spend process (raising of purchase orders). To provide assurance that the Council has appropriate arrangements in place that are	10		10		20

Area	Directorate	Corporate	Audit Scope / Risk	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
Regulations.			being complied with, to ensure compliance with procurement legislation and internal regulations.					
Reshaping Services / Capital Programme	Cross Cutting	Assurance / Governance	To gain assurance that high risk projects are being managed under the Reshaping Services Agenda are delivering the savings required.		20	20		40
			A capital programme is a set of capital projects that a council plans to undertake within a given timetable and should be based on an approved Capital Strategy, which in turn should be linked to the Council's Asset Strategy. The work undertaken in this area will focus across both business as usual projects and those associated with the Reshaping Service programme to provide assurances that the control environment surrounding both are robust, efficient and effective.		20	20		40
Direct Payments	Social Services	Governance / Assurance / Risk	To follow up on the recommendations made as part of the review during 2018/19 to ensure that action has been taken to address the weaknesses identified.		10			10
Data Analytics	Cross Cutting	Governance / Assurance / Risk	The Council is seeing an increase in the digitisation of their operations, resulting in a growth of data across all business functions. To align with this objective, Internal Audit is currently developing a data analytics strategy to be implemented during 2019/20. Data Analytics is proving to be a useful internal audit tool as councils become more reliant on electronic data, as data analytics enables a vast amount of data to be analysed when selecting testing samples, also utilising IT to discover new capabilities and unlock key	10	10	10	10	40

Area	Directorate	Corporate	Audit Scope / Risk	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
			information to help identify and reduce inefficiencies and control weaknesses, eliminate waste, fraud and abuse, and improve productivity.					
Audit Committee / Member and CMT Reporting	Cross Cutting	Governance / Assurance / Risk	This allocation covers Member reporting procedures, mainly to the Audit Committee, plan formulation and monitoring, and regular reporting to, and meeting with, the Section 151 Officer, Corporate Management Team and the Internal Audit Shared Service Board.	15	10	10	10	45
Advice & Guidance Provision of Internal Control / General Advice	Cross Cutting	Assurance	To allow auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the authority, including maintained school based staff.	5	10	10	5	30
Compliance – expenses / mileage claims	Cross Cutting		Review of expenses / mileage claims submitted which are over three months old. Ongoing throughout the year.	5	5	5	5	20
Compliance with PSIAS	Cross Cutting	Assurance / Governance / Risk	Review compliance with the Public Sector Internal Audit Standards.	5		5		10
Carry Forward from 2018-19	Cross Cutting	Assurance	Provision for those assignments which are still ongoing at the end of 2018-19.	25				25
2018-19 closure of reports	Cross Cutting	Assurance	To finalise all draft reports outstanding at the end of 2018-19.	10				10
Annual Governance Statement 2018-19	Cross Cutting	Governance	The completion of the Council's Annual Governance Statement, submission to the Insight Board and Audit Committee and included with the Draft Statement of Accounts 2018-19 (including the Governance Assurance	15				30

Area	Directorate	Corporate	Audit Scope / Risk	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
Annual Governance Statement 2019/20			Statements from Corporate Officers and Senior Management. Deadline date June 2019. To make preparations for the production of the AGS for 2019/20				15	
Follow up of Recommendations for 2018-19.	Cross Cutting	Assurance	To ensure that all recommendations made in 2018-19 have been actioned. Monitoring the implementation of Internal Audit recommendations in consultation with the service areas which have received these recommendations. During the year, Internal Audit will review the process to ensure recommendations are followed up and reported upon to Audit Committee in a timely, efficient and effective manner.	15	5	10	10	40
Recommendation Monitoring								
Annual Opinion Report 2018-19	Cross Cutting	Governance	To prepare and issue the Head of Audit's Annual Opinion Report 2018/19. Preparation for the production of the 2019-20 Annual Opinion Report	15			15	30
Annual Opinion Report 2019-20								
Audit Planning – 2019 -20	Cross Cutting	Assurance / Governance / Risk	To prepare and present the annual risk based audit plan for 2019/20. To review and monitor the Audit Plan	10	10	10		50
Monitoring of Audit Plan								
Audit Planning 2020 - 21			To prepare and present the annual risk based audit plan for 2020/21.				20	

Area	Directorate	Corporate	Audit Scope / Risk	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
Exemptions to Contract / Finance Procedure Rules	Cross Cutting	Assurance / Governance / Risk	To challenge the use of exemptions to both Contract and Finance Procedure Rules via the waiver procedure. Challenge provided throughout the year.	5	5	5	5	20
Emerging Risks / unplanned	Cross Cutting	Contingency	To enable Audit Services to flexibly respond to provide assurance activity as required.	10	10	10	10	40
External Audit Liaison	Cross Cutting	Governance	To ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services.	5	5	5	5	20
Fraud / Error / Irregularity	Cross Cutting	Contingency Fraud & Error	Irregularity Investigations - Reactive work where suspected irregularity has been detected. Anti-Fraud & Corruption – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud. Also to develop awareness sessions; e-learning; policies and procedures. National Fraud Initiative - Collection of data and analysis of matches for the NFI exercise, acting as first point of contact and providing advice and guidance to key contact officers. Review of the Council’s Anti-Fraud & Bribery Policy	15	15	15	15	80
			Sub Totals Priority One	235	175	205	200	815

Area	Directorate	Corporate	Audit Scope / Risk	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
HIGH RISK – PRIORITY TWO								
Risk Management	Cross Cutting	Risk	Review of evidence to ensure that the council has a fully embedded risk management system in place that identifies and treats risks to key strategic and operational objectives.	10		10		20
Retrospective Orders	Cross Cutting	Assurance / Risk	Inappropriate use of retrospective orders increases the risk to the Council of duplicate / fraudulent orders and payments, disputes and legal consequences, ineffective budget management and the non-achievement of Value for Money. This review will identify the extent to which retrospective orders are occurring and establishing the approximate value and thereby determining the impact this has on the overall control environment.		10			10
PO Box Addresses	Cross Cutting	Assurance / Risk	This is a bespoke piece of work which will look at:- <ul style="list-style-type: none"> • Reviewing the validity of the PO Box addresses currently recorded on Oracle; • Inform the Corporate Fraud Officer of any irregularities identified; and • Make recommendations on the minimum level of checks to be completed and carried out before setting up on Oracle. 	10		10		20
Homelessness	Environment & Housing	Assurance	The homelessness legislation places a general duty on housing authorities to ensure that advice and information about homelessness, and preventing homelessness, is available to			20		20

Area	Directorate	Corporate	Audit Scope / Risk	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
			everyone in their district free of charge. The legislation also requires authorities to assist individuals and families who are homeless or threatened with homelessness. This audit will review the effectiveness of the systems in operation for processing applications and monitoring homelessness cases to review the application process, to ensure compliance with the guidance, and to establish the level of monitoring undertaken once the decision to accept a homeless case has been made.					
Banks Automated Clearing System (BACS)	MD & Resources	Assurance / Governance / Risk	The Bank Automated Clearing System (BACS) is a system in the United Kingdom for making payments directly from one bank account to another. There are two types of bank-to-bank payments: Direct Debits and Direct Credits. Direct Debits are typically used for taking regular or recurring payments such as household bills and Direct Credits are typically used for making regular payments such as salaries. This review will provide assurance on the adequacy and effectiveness of the control environment surrounding both Direct Debits and Credits across the Council.		10	10		20
Housing Revenue Account	Environment & Housing	Assurance	To review the arrangements in place for monitoring the Council's HRA financial viability. To review recharges to HRA to ensure expenditure / income is applicable.		15			15
Housing Rents	Environment & Housing	Assurance	To provide assurance that appropriate arrangements have been put in place to manage the impact of Universal Credit on rent collection including intervention relating to identified vulnerable cases.			15		15

Area	Directorate	Corporate	Audit Scope / Risk	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
Fostering	Social Services	Risk	To review the resilience of the system for recruiting and retaining Foster Carers.		15			15
VAT	MD & Resources	Assurance	To provide assurance over arrangements in place to maximise the recovery of VAT and ensure that VAT recovered is adequately supported.			15		15
Business Rates	MD & Resources	Assurance	To provide assurance over the accuracy of Business Rates billing and robustness of collection arrangements.				15	15
Employee Gifts and Hospitality & Declarations of Interests.	Cross Cutting	Assurance / Governance / Risk	The public is entitled to expect the highest standards of conduct from all employees who work for local government. The “Code of Conduct Protocol” require employees to register any gifts or hospitality / declarations of interest, in order to provide openness and transparency and protection for employees against allegations of conflicts of interest or corruption in the minds of the public. This review will seek to determine the level of compliance with the Code through contacting a selection of key services to see if any gifts or hospitality have been declared and whether declarations of interest have been provided.				20	20
Performance Management Framework	MD & Resources	Risk	To review the performance management arrangements paying particular attention to the accuracy of the performance information collected and reported.			10		10
PCI – DSS (Payment Card Industries – Data Security Standards)	MD & Resources	Assurance / Risk	To review the procedures and processes in operation relating to PCI - DSS to determine if the previously identified areas of weakness have been fully rectified and that the control environment is robust.			10		10

Area	Directorate	Corporate	Audit Scope / Risk	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
Schools	Learning & Skills	Assurance	To undertake a number of school based reviews in accordance with Internal Audit's risk based schools assessment. To undertake cross-cutting projects to ensure compliance across all schools.	10	10 10	10	10 10	60
School Whistleblowing	Learning & Skills	Governance / Risk	School employees are expected to give the highest possible standard of service to the public and to support Governors and fellow employees with impartiality. The highest standard of probity must apply and employees must report any suspected unlawfulness, mal-administration, impropriety or breach of procedure of which they are aware to their Head Teacher or Senior Officer. Schools are required to have their own whistleblowing policy which states how whistleblowers are to report incidences, with staff having the knowledge of these procedures should the need to use them arise. This audit will review the whistleblowing arrangements in the Council's Schools, ensuring appropriate policies are in place.				15	15
Intake & Family support	Social Services	Assurance / governance	To follow up on the recommendations made as part of the review in 2017/18 to ensure that action has been taken to address the weaknesses identified.		10	5		15
SRS Work	Environment & Housing	Assurance	To review the procedures and processes in operation relating to the Shared Regulatory Service determine if the control environment is robust.		10	10		20
Waste Management	Environment & Housing	Governance / Assurance /	To review collection performance, arrangements in place for increasing levels of		20			20

Area	Directorate	Corporate	Audit Scope / Risk	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
		Risk	recycling, how customer complaints are dealt with, as well as monitoring costs and collecting income (trade waste).					
Catering	Learning & Skills	Governance / Assurance / Risk	To provide assurances as to the robustness of the overall governance structure within the Catering Service.		15			15
Organisational Development Policy Compliance	MD & Resources	Assurance / Governance	To ensure that policies and procedures are being administered consistently across the organisation.				10	10
Contract and Project Management	Cross Cutting	Governance / Assurance / Risk	To undertake a review of the procedures and processes associated with a number of Contracts / Projects / Programme. Particular emphasis will be placed on compliance to the Council's Rules and Regulations and Project Management Methodology associated with high risk contracts.	10	10	10	10	40
ICT Audit	Cross Cutting	Governance / Assurance / Risk	ICT systems reviews will be undertaken across Directorates ICT systems to ensure robust controls are evident and operating effectively.		20		20	40
Data Security in the Cloud based environment	MD & Resources	Assurance / Governance / Risk	To provide assurance over the Council's arrangements to ensure data security where business is transacted in the Cloud.			10	10	20
ICT – Social Services	Social Services	Governance / Assurance / Risk	To follow up on the recommendations made as part of the 2018/19 review to ensure action has been taken to address the weaknesses identified.	5	5			10
Complaints / Representations & Advocacy – Social Services	Social Services	Governance / Assurance / Risk	To follow up on the recommendations made as part of the 2018/19 review to ensure action has been taken to address the weaknesses identified	5	5	5		15

Area	Directorate	Corporate	Audit Scope / Risk	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
Communications	MD & Resources	Assurance / Governance / Risk	Putting finance at the heart of decision-making is the responsibility of all decision makers, who must understand their responsibilities to take financial considerations into account. It is therefore vital that decision makers have access to relevant, reliable and timely information, and that there is a robust framework in place for the release of internal and external financial information. This review will seek to determine whether there is an effective control framework in place for the production of reliable financial information, prior to release to either internal or external parties		15			15
Insurance	MD & Resources	Assurance / Risk	All organisations, whether private or public sector, face risks to people, property and continued operations. An organisation will need to determine the balance of risk between the level of self-insurance and that which is transferred to an external insurance provider as part of their risk mitigation strategy. It is therefore vitally important to ensure that the analysis of claims and any further mitigating actions/controls are considered/implemented as part of the organisation's wider risk management programme to reduce or prevent re-occurrence, thus minimising the impact of these upon the level of any internal fund balances or future premiums. This review will seek to determine whether the Council has an effective control framework in place for the management/monitoring of incidents that have led to claims being upheld; and that any further mitigating actions/controls are				15	15

Area	Directorate	Corporate	Audit Scope / Risk	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total Days
			considered/implemented as part of the organisation's wider risk management programme.					
General Data Protection Regulations (GDPR)	Cross Cutting	Assurance	The General Data Protection Regulation (GDPR)	5		5		10
Highways Winter Maintenance	Environment & Housing	Assurance	To provide assurance over the Council's compliance with the Code of Practice for Well Maintained Highways	10			10	20
Follow Up - Additional Learning Needs Bill	Learning & Skills	Assurance	To follow up on the recommendations made during the 2018/19 review to ensure action has been taken to address the weaknesses identified.		5		5	10
Follow Up - Contract & Commissioning – Brokerage etc.	Social Services	Governance / Assurance / Risk	To follow up on the recommendations made during the 2018/19 review to ensure that action has been taken to address the weaknesses identified.		5		5	10
Debt Mapping	Cross Cutting	Governance / Assurance / Risk	Map the processes for debt recovery and review for efficiency; ensuring it is in line with the Council's Regulations and Policies.		6		6	12
Acquisition and disposal of assets	Cross Cutting	Governance / Assurance / Risk	To review the governance arrangements and decision making procedures for the acquisition and disposal of the Council's Assets to ensure they comply with the Council's Policies, Regulations and Procedures.			10		10
Sub Total Priority Two				65	196	165	161	587
OVERALL TOTALS				300	371	370	361	1402

Directorate Split

Directorate	Total Days
Cross Cutting	802
Environment & Housing	135
Learning & Skills	125
Managing Director & Resources	225
Social Services	115
Total	1402