

**SUBJECT: INTERNAL AUDIT SECTION
OPERATIONAL PLAN, 2016/17
DRAFT**

**DIRECTORATE: Chief Executive
MEETING: Audit Committee
DATE: 21st April 2016
DIVISION/WARDS AFFECTED: All**

1. PURPOSE

To receive and consider the early draft Internal Audit Operational Audit Plan for 2016/17

2. RECOMMENDATION(S)

That the Audit Committee reviews, comments on and shapes the early Draft Audit Plan with a view to receiving a much more detailed plan by the end of the 1st quarter.

3. KEY ISSUES

- 3.1 A comprehensive risk matrix was developed for the 2011/12 planning process which gave an outline programme of work that would enable the Internal Audit Section to cover all material audit risks across all services of the Council.
- 3.2 This report explains how the 2016/17 Operational Audit Plan has been prepared and how the plan will be put together in future years. The risk matrix enables all possible systems, processes, sections and establishments that could possibly be audited within Monmouthshire to be risk assessed and ranked in a high to low risk priority. Size, Control and Detection were the overarching categories which risk was assessed against, each broken down to 4 sub categories. Each area was individually scored against each criteria with an overall score being determined by the risk matrix, where 5 was considered to be the highest risk and 1 the lowest.
- 3.3 Over 300 possible areas to audit across all services provided by Monmouthshire were risk assessed in this way and then sorted in risk order from high, then medium and low. The audit team staff resources would then be allocated to cover the higher ranked risks as a priority. That said, inevitably there will be reviews which the audit team have to undertake annually such as performance indicators, annual governance statement and financial advice, which have also been incorporated into the plan, along with follow up reviews, finalisation work and planned work from previous year not undertaken.

- 3.4 An allocation of time has been included in the plan for special investigations where the team might receive allegations of fraud, theft, non compliance. The plan also needs to be flexible enough to respond to changes to risk profiles and other developments in year; the audit management team will continually monitor this situation.
- 3.5 For 2016/17, total available audit resources amounts to 917 days, which will be allocated across service directorates on a risk basis. This includes 116 days for special investigations and unplanned work. The work will be undertaken by 5.4 FTE audit staff. The available resource is based on all staff being in place for the whole of the year.
- 3.6 Although the time allocated to special investigations is usually a pressure point the 2016/17 allocation of days has been reduced to ensure appropriate coverage is given across service areas.
- 3.7 The detail of the plan is still to be determined following a consultation exercise with Heads of Service and a more detailed risk analysis of what needs to be reviewed in year. The first quarter will include finalisation of 2015/16 work which was at draft report stage at year end, work planned for 2015/16 but not completed, corporate performance indicators along with the collation of the annual governance statement.
- 3.8 This plan may change as the year progresses if the risk profile of audit work changes. Any significant change will be brought back to the Audit Committee for approval. The Audit Committee will be kept updated with the progress against the agreed plan via quarterly reports. The intention is to bring an updated plan back to Audit Committee by the end of the 1st quarter.
- 3.9 The team comprises of one Audit Manager supported by one Principal Auditor, two Senior Auditors and one Auditor with the Chief Internal Auditor having overall responsibility for the team; he operates on a shared services arrangement with Newport City Council.
- 3.10 Although we plan to achieve 100% of the plan based on the available resources within the Internal Audit team, we know from experience that we actually achieve around 70%. In order to get closer to achieving more of the plan, Audit Management will ensure audit reports are more focused and timely, that staff with the right skill sets are allocated to appropriate work and non-productive time is minimised.

4. REASONS

- 4.1 The draft 2016/17 Internal Audit Summary Plan is attached at Appendix 1 to this report. The Plan will be based on the risk assessment matrix along with cumulative audit knowledge. This will be reviewed on an annual basis in order to determine the appropriateness of the risk assessment each year where audit resources will be deployed to cover the higher risk reviews.

- 4.2 The Operational Plan has been updated to take account of:
- a) New areas for inclusion in the Plan identified from changes to legislation and the regulatory framework for local government and from ongoing discussions with service managers;
 - b) Areas of slippage from the 2015/16 Operational Plan; and
 - c) The published Regulatory Plan produced by the Wales Audit Office.
- 4.3 Each review will be risk assessed and categorised as High, Medium or Low. Within the cycle of audits the team would aim to cover the higher risk areas as a priority but also provide coverage across directorates with lower risk services. All fundamental financial systems may now not be covered on an annual basis, especially if they have been determined as well controlled, with no significant changes to the system or to personnel. We will ensure that these are incorporated within the plan every few years to provide ongoing assurance. This new approach and methodology has been discussed and agreed with the external auditor who places reliance on the work undertaken by internal audit.
- 4.4 Where audits planned for 2015/16 were unable to be undertaken during the year due to insufficient resources and the effects of unplanned special work, these audits will be included in the Operational Plan for 2016/17 and will be undertaken in the early part of the financial year. Similarly, those audits in progress at the year-end will be completed early in the 2016/17 financial year, and an allowance of time will be included within the Plan for these audits.
- 4.5 Consultation will be undertaken, with visits and email correspondence to the various managers and finance representatives of each directorate. As a result there may be further minor amendments to the Plan to reflect specific suggestions from various representatives of Chief Officers and Heads of Service.
- 4.6 The Operational Plan will be kept under review through the course of the year to identify any amendments needed to reflect changing priorities and emerging risks. Material changes to the Plan will be reported to the Audit Committee at the earliest opportunity.
- 4.7 An annual Outturn Report will be prepared for the Audit Committee to provide details on the performance of the Section against the Operational Plan. Interim progress reports will also be provided to the Committee three times per year.
- 4.8 With effect from 1st April 2013 the Public Sector Internal Audit Standards came into play for all public sector bodies including local government organisations and applies to all public sector internal audit service providers. The Chief Internal Auditor will ensure that the audit team undertake their work in accordance with these Standards.

5. RESOURCE IMPLICATIONS

None.

6. CONSULTEES

Head of Finance

7. BACKGROUND PAPERS

Strategic Audit Risk Matrix
Public Sector Internal Audit Standards
CIPFA Local Government Internal Audit Manual

8. AUTHORS AND CONTACT DETAILS

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Internal Audit Draft Plan 2016/17

Summary

	2015/16	2016/17	2016/17
	Days		
Chief Executive's Unit	306		253.5
- Democracy & Regulatory Services		24	
- Finance		117	
- Operations		74	
- Policy & Engagement		38.5	
Children & Young People's Directorate	173		190
Enterprise	93		139
Social Care, Health & Safeguarding	80		81
Corporate/Other	64		138
TOTAL	716		801.5
Special Investigations	130		116
OVERALL TOTAL	846		917.5

INTERNAL AUDIT PLAN 2016-17				
			Risk	Days
Directorate:	Chief Executive's - Democracy & Regulatory Services			
Service Area:	Description:			
Emergency Planning				
Customer Relations				
Data Protection /FOI				
Scrutiny				
Local Democracy				
Community Protection	Environmental Health			
	Trading Standards			
	Licensing		Low	10
	Registrars		Medium	10
	Health & Safety			
	Building Control			
Legal	Monitoring Officer			
	Legal Services			
	Land Charges			
Finalisation of 2015/16 Audits:				
Follow-up of Audit Recommendations				2
	Audit Advice			2
Directorate Total:				24

Directorate:	Chief Executive's - Finance			
Service Area:	Description:		Risk	Days
Accountancy	Budgetary Control			
	Grants Administration			
	Capital Accountancy	Fixed Assets	Medium	12
	Treasury Management			
	Insurances			12
Revenues	Council Tax	C Tax & NDR Systems review	High	27
	Non-Domestic Rates			
	Coporate Sundry Debtors			

Financial System Support Team				
	Agresso System Administration			
	i-World System Administration			
	Civica System Administration			
	Comino System Administration			
	Creditor Payments		High	12
	Procurement Cards Follow-up		Medium	8
	Value Added Tax			
	Banking			
	Cashiers			
	Suspense, Control & Holding Accounting Reconciliation		Medium	10
Finalisation of 2015/16 Audits:				
	Creditors		High	3
	Benefits		High	3
	Agresso Systems Administration		Medium	2
Follow-up of Audit Recommendations				17
	Audit Advice			11
Directorate Total:				117

Directorate:	Chief Executive's - Operations				
Service Area:	Description:		Risk	Days	
Highways Operations					
SWTRA / Street Lighting					
Traffic & Network					
Passenger Transport Unit					
	PTU follow-up			12	
Transport					
	Transport Unit	Leased Vehicles	Medium	12	
		Fuel Cards	Low	8	
	Car Parks				
Property Services & Facilities Management					
	Strategic Procurement				
	Facilities				
	Office Services				
	School Meals (in progress)		Medium	2	
	Property Maintenance				
	Procurement follow-		High	9	

	up			
Waste & Street Services				
	Grounds Operations			
	Parks & Playgrounds			
	Refuse Collection	Garden Waste	Low	9
	Street Cleansing			
	Recycling			
	Waste Transfer			
	Contact Centre			
Finalisation of 2015/16 Audits:				
	Ground Operations		Medium	2
Follow-up of Audit Recommendations				
	Audit Advice			8
				12
Directorate Total:				
				74

Directorate:	Chief Executive's - Policy & Engagement			
Service Area:	Description:		Risk	Days
Communications & Engagement				
	Communications			
	Website & Digital Media			
Policy & Performance				
	Performance Indicators - NSI, PAM, SIDS		Medium	22
	Performance Indicators - Local		Medium	14
	Sustainability			
	Equalities & Welsh Language			
Strategic Partnerships				
	Local Services Board			
	Families First			
Mandate Delivery				
Finalisation of 2015/16 Audits:				
Follow-up of Audit Recommendations				
	Audit Advice			2.5
Directorate Total:				
				38.5

Directorate:	Children & Young People			
Service Area:	Description:		Risk	Days
Resources	Finance			
	Admissions	School Admissions	Medium	10
	Catchment Areas			
	Performance Management			
	Audit Advice			6
Standards	Education Achievement Service			
	School Improvement	Education Improvement Grant	Medium	10
		Pupil Deprivation Grant	Low	10
		Outside of School Childcare Grant	Low	8
	Special Needs			
	Additional Learning Needs			12
	Audit Advice			2
21st Century Schools	21st Century Schools			
	Audit Advice			1
Schools	Primary			
		The Dell	Low	8
		Raglan	Low	8
		Pembroke	Low	8
		Our Lady & St. Michael's	Low	8
		Ysgol Y Ffin	Low	8
		Magor (follow-up)	Medium	8
		Llantilio Pertholey (in progress)	Low	3
	Secondary			
		Chepstow (follow-up)	Medium	10
	Special			
	Pupil Referral Service (in progress)		Low	3
	Audit Advice			22
Youth Service				
	Audit Advice			1

Finalisation of 2015/16 Audits:				
	Llanvihangel Crucorney Primary		Low	2
	Magor Primary		Medium	2
	Durand Primary		Low	2
	Dewstow Primary		Low	2
	King Henry VIII Comprehensive		Medium	3
Follow-up of Audit Recommendations				33
Directorate Total:				190

Directorate:	Enterprise			
Service Area:	Description:		Risk	Days
Community Delivery				
	Estates	Markets follow-up	Medium	8
		County Farms (in progress)	Medium	2
	Housing	Homelessness	Medium	10
	Community Learning			
	Whole Place			
	Events (in progress)		Medium	3
	Museums			
	Tourist Information Centres			
	Community Hubs		Medium	10
	Audit Advice			5
People & Commercial Development				
	People Services	Payroll - Full systems review	High	24
	People Services	Policy Review	Medium	15
	Organisational Development			
	Economy & Enterprise	Economic Development	Medium	10
	Digital & Technology			
	Audit Advice			8
Planning				
	Development Control			
	Development Plans			
	Community Infrastructure Levy/s.106			
	Audit Advice			1
Tourism, Leisure & Culture				
	Planning new models of service delivery		High	10
	Leisure			
	Sports Development		Low	10
	Outdoor Learning			
	Countryside			

	Audit Advice			10
Finalisation of 2015/16 Audits:				
				0
	Outdoor Education		Medium	2
Follow-up of Audit Recommendations				
				11
Directorate Total:				
				139

Directorate:		Social Care, Health & Safeguarding		
Service Area:	Description:		Risk	Days
Integrated (Adult) Services				
	Integrated Services	Former Monmouthshire Enterprises follow-up	Medium	11
Mental Health & Learning Disabilities				
	Service development & Commissioning	Supporting People Grant Claim	Medium	10
	Audit Advice			8
Children's Services				
	Placement & Support Team	External Placements	Medium	14
Children & Young People & Support Team				
	Family Support Team			
	Disability Service			
Youth Offending Service				
	Safeguarding			
	Audit Advice			3
Older People's Direct Care Services				
	Day Service			
	Residential Care	Mardy Park	Low	8
	Domiciliary Care			
Community Meals Service				
Centre Based Intermediate Care				
Performance & Improvement				
	Audit Advice			5
SCH Finance				
	SCH Debtors			
	Benefits Advice			
Appointeeships & Deputyships				
	Audit Advice			2

Finalisation of 2015/16 Audits:			
	Youth Offending Service	Medium	2
	Community Meals	Low	2
	SCH Debtors	High	2
Follow-up of Audit Recommendations			14
Directorate Total:			81

Directorate:	Corporate/Other			
Service Area:	Description:		Risk	Days
	Compliance with Bribery Act		Medium	10
	Risk Management Arrangements		High	12
	BACS - Compliance with SHA-2 protocols		High	9
	Monitoring of MTFP savings mandates		High	12
	Capital Receipts		Medium	12
	Capital Programme (in progress)		High	6
	Software Licensing (with SRS)		Medium	12
	IT Procurement		Medium	12
	National Fraud Initiative		Medium	18
	Volunteering		Medium	12
	Annual Governance Statement		n/a	7
Finalisation of 2015/16 Audits:				
	Mobile Phones		Low	3
	National Fraud Initiative		Medium	2
Follow-up of Audit Recommendations				11
Total:				138