

**SUBJECT: INTERNAL AUDIT SECTION  
OPERATIONAL PLAN, 2017/18  
DRAFT**

**DIRECTORATE: Chief Executive  
MEETING: Audit Committee  
DATE: 16<sup>th</sup> March 2017  
DIVISION/WARDS AFFECTED: All**

## **1. PURPOSE**

To receive and consider the early **draft** Internal Audit Operational Audit Plan for 2017/18.

## **2. RECOMMENDATION(S)**

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

## **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 2017/18 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, mandatory grant claim audits and audit 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 will be 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 2017/18, total available audit resources amounts to 886 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 2017/18 allocation of days has been maintained to ensure appropriate coverage is given across service areas.
- 3.7 The detail of the plan is still to be finalised following completion of the ongoing consultation exercise with Heads of Service. The first quarter will include finalisation of 2016/17 work which was at draft report stage at year end, work planned for 2016/17 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 for formal approval by the end of the 1<sup>st</sup> 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 To seek to maximise performance against 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 2017/18 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) The Authority's latest Risk Assessment;
- b) 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;
- c) Areas of slippage from the 2016/17 Operational Plan; and
- d) 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 risk. 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 previously 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 2016/17 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 2017/18 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 2017/18 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 1<sup>st</sup> April 2016 the revised Public Sector Internal Audit Standards came into force for all public sector bodies including local government organisations. 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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