

# Public Document Pack



Neuadd y Sir / County Hall, Llandrindod, Powys, LD1 5LG

Os yn galw gofynnwch am - If calling please ask for  
Lisa Richards

Ffôn / Tel: 01597 826371

Ffôn Symudol / Mobile:

Llythyru Electronig / E-mail: [lisa.richards@powys.gov.uk](mailto:lisa.richards@powys.gov.uk)

**AUDIT COMMITTEE**  
**Thursday, 19th December, 2019**

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The use of Welsh by participants is welcomed. If you wish to use Welsh please inform us by noon, two working days before the meeting

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## **SUPPLEMENTARY PACK**

1.	<b>INTERNAL AUDIT - WORK PLAN 2019-20</b>
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To consider the Internal Audit Work Plan for 2019-20.  
(Pages 1 - 14)

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# Powys County Council

## 2019-20 Internal Audit Plan

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Agenda Item 13

# The Internal Audit Plan: Summary

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Given the significant Senior Management change towards the end of the 18/19 financial year, it was deemed appropriate to adopt an agile approach to Internal Audit Planning. A Quarter1 plan was approved by Committee on the in April 2019.

Internal Audit did not have an approved Quarter 2 Plan and therefore the Head of Internal Audit undertook a work programme based on cumulative knowledge and experience of Powys County Council.

A plan for the remainder of the year was presented to Executive Management Team on the 9<sup>th</sup> October. EMT responded on the 11<sup>th</sup> November and a breakdown of the plan with additional information was considered at the Internal Audit Working Group on the 6<sup>th</sup> December 2019.

This amended version of the plan takes into account comments made by both Senior Officers and Audit Committee Members.



## Introduction and Objective of the Internal Audit Plan

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plans is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide officers and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines of defence' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's Annual Governance Statement.

**It is the responsibility of the Authority's Executive Management Team and the Audit Committee, to determine that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation.**

When reviewing the proposed internal audit plan (as set out in Appendix 1), key questions to consider include:

- Are the areas selected for coverage this coming quarter appropriate?
- Does the internal audit plan provide coverage of the organisation's key risks as they are recognised by EMT and the Audit Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile effectively?

# The Internal Audit Plan: Approach



## Approach to Internal Audit Planning 2019/20

To develop an appropriate risk-based audit plan, SWAP have consulted with Service Management Teams and Executive Directors as well as reviewing the consolidated risk register for Powys County Council, in order to obtain an understanding of the organisation's key risks, and initial assurance priorities.

This internal audit plan represents a summary of the audit coverage that the internal audit team will deliver in the 2019/20 financial year

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable SWAP to provide a well-informed and comprehensive year-end annual internal audit opinion.

The factors considered in putting together the initial 2019/20 internal audit plan have been set out below:



The Council has gone through significant leadership change and therefore our approach to internal audit planning for 2019/20 has therefore also changed to reflect this. Instead of preparing a full twelve-month plan in advance, we are more 'Agile' and flexible to ensure that we are auditing the right areas at the right time.

We will regularly re-visit and adjust our programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems and controls.

# The Internal Audit Plan: Risk Assessment

A documented risk evaluation prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

As above, it is the responsibility of the Authority's Executive Management Team and the Audit Committee to ensure that, following our risk assessment, the proposed plan contains sufficient and appropriate coverage.



## Internal Audit Annual Risk Assessment

Our 2019/20 internal audit programme of work is based on a documented risk assessment. The input of senior management as well as review of the Authority's risk register will be considered in this process.

Below we have set out a summary of the outcomes of our initial risk assessment for the Powys County Council:



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# The Internal Audit Plan: Coverage

Following our SWAP Risk Assessment above, we have set out in Appendix 1 below our proposed areas of coverage.

Going forwards, we will look to align our audit programme of work with the Authority's Corporate objectives, as well as our core areas of recommended coverage.

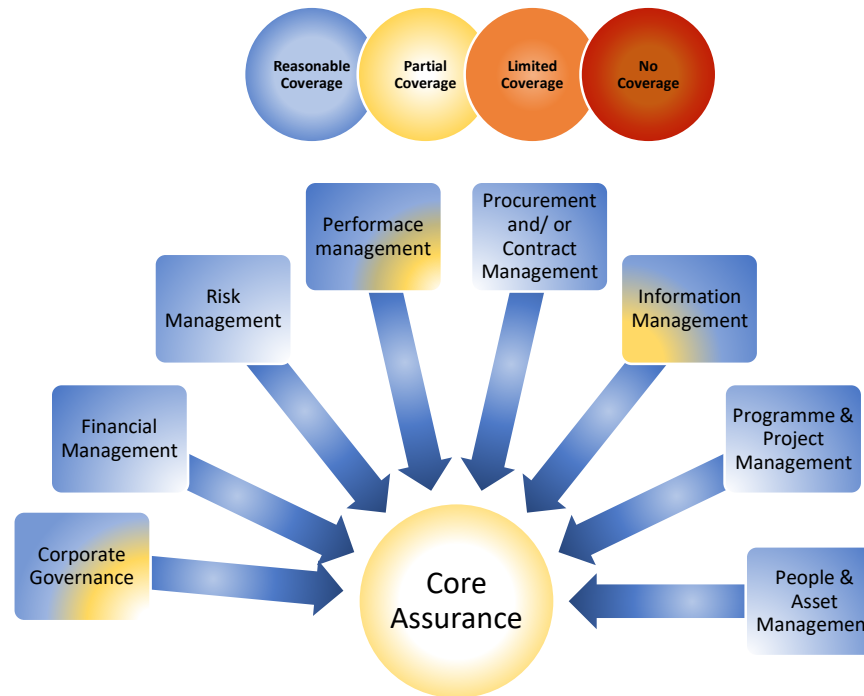
Internal audit is only one source of assurance; therefore, where we highlight gaps in our coverage, assurance should be sought from other sources where possible in order to ensure sufficient and appropriate assurances are received.

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## Internal Audit Coverage in 2019/20

Following our SWAP risk assessment, we have set out below the extent to which the proposed plan presented in Appendix 1 provides coverage of our core areas of recommended coverage. Where we have highlighted limited or no coverage, Senior Management and Members should seek and document assurance from alternative sources, or consider re-focussing internal audit resource to provide coverage of these areas:



*Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.*

# The Internal Audit Plan: SWAP

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 27 public sector partners, crossing nine Counties, but also providing services throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- Candid
- Relevant
- Inclusive
- Innovative
- Dedicated



## Your Internal Audit Service

### Audit Resources

The 2019/20 internal audit programme of annual work will be equivalent to 1,000 days. The current internal audit resources available represent a sufficient and appropriate mix of seniority and skill to be effectively deployed to deliver the planned work. The key contacts in respect of your internal audit service for Powys County Council will be:

Ian Halstead, Assistant Director – [ian.halstead@swapaudit.co.uk](mailto:ian.halstead@swapaudit.co.uk),

### Conformance with Public Sector Internal Audit Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in March 2016 which confirmed conformance with the Public Sector Internal Audit Standards.

### Conflicts of Interest

We are not aware of any conflicts of interest within Powys County Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, & Competency.

### Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations.

### Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter fraud resource available to undertake specific investigations if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.



# The Internal Audit Plan: SWAP

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- Benchmarking and sharing of best-practice between our public-sector Partners
- Regular newsletters and bulletins containing emerging issues and risks
- Communication of fraud alerts received both regionally and nationally
- Annual Member training sessions

## Our Reporting

A summary of internal audit activity will be reported quarterly to the Executive management Team and the Audit Committee. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

## Internal Audit Performance:

As part of our regular reporting to Senior Management and the Audit Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

Performance Measure	Performance Target
<p><b><u>Delivery of Annual Internal Audit Plan</u></b> Completed at Year End</p>	>90%
<p><b><u>Quality of Audit Work</u></b> Overall Client Satisfaction <i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i></p>	>90%
<p><b><u>Outcomes from Audit Work</u></b> The Acceptance of level of recommendations by the client</p>	>90%

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

Link to Core Assurance Area	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
<p><b>Corporate Governance</b>  <i>Corporate Governance refers to the strategic management practices and values and beliefs by which the Council operates.</i></p>	<p><b>Health Organisation</b>  <i>Refresh of previous work undertaken giving an up to date helicopter view of the Council’s control frameworks. This piece of advisory work will aide the Council and the WAO in ensuring effective governance arrangements.</i></p> <p><b>Conflict of Interests (Officers)</b>  <i>To ensure that the appropriate culture, framework, compliance and oversight to ensure that the Council are protected from the loss from fraud and reputational damage.</i></p>	<p>EMT</p> <p>EMT</p>
<p><b>Financial Management</b>  <i>Effective Financial Management is the bedrock of any successful organisation and is vital to the ongoing ability of local programme governance authorities to deliver services that the public wants.</i></p>	<p><i>As systems, processes and procedures are brought together across the course of the year we would want to provide regular core assurance around ‘key’ financial controls.</i></p> <p><b>Audit of Financial Systems:</b></p> <ul style="list-style-type: none"> <li>• <b>Debt Management</b></li> <li>• <b>Council Tax – Refund System</b></li> <li>• <b>Main Accounting – New Efin</b></li> <li>• <b>NNDR- System</b></li> <li>• <b>Capital Accounting</b></li> <li>• <b>Pensions Administration</b></li> <li>• <b>Treasury management</b></li> </ul> <p><b>National Fraud Initiative</b>  <i>To assist the Council to monitor investigation of matches.</i></p> <p><b>Stand-by system and Payments</b>  <i>This is to ensure that the system is robust enough to support salary claims made by Employees.</i></p>	<p>Relevant Executive Director</p>

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	<p><b>Budgeting</b> <i>To review the effectiveness of the Council’s budgeting process</i></p> <p><b>Financial Management</b> <i>School Theme – Cross cutting self-assessment review of Financial administration in Schools</i></p> <p><b>Insurance</b> <i>To ensure the Council assets are identified and where risk dictates, are insured against loss</i></p> <p><b>Cash handling</b> <i>The brief piece of work across the County to ensure that cash is effectively recorded, secured and banked</i></p> <p><b>Childrens Services – Financial Management</b> <i>To review the process of Financial Management in Childrens Services</i></p> <p><b>Grant Certifications- EIG, PDG, NTSB, Supporting People</b></p>	
<p><b>Risk Management</b> <i>Organisations which can demonstrate and operate under a structured and active risk management approach, are far more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed and robust decisions</i></p>	<p><b>Crisis Management</b> <i>To ensure the Council are adequately prepared in the event of an emergency</i></p> <p><b>Risk Management</b> <i>To ensure that the Council has an effective process of identifying, managing and mitigating risks.</i></p>	
<p><b>Performance Management</b> <i>Performance management provides a transparent platform upon which the service is accountable to its citizens and service users for the effectiveness</i></p>	<p><b>Follow up work</b> <i>An allocation of time to ensure that key audit recommendations made during the last year have been or will be actioned.</i></p> <p><b>School Audits</b></p>	<p><b>Service Heads and /or Relevant Executive Director</b></p>

<p><i>of its service provision and delivery of its objectives.</i></p>	<p><i>Based on intelligence from Education Services and Finance to undertake school audits on specific areas of concern as and when required (either as thematic school audits, or individual specific schools</i></p> <ul style="list-style-type: none"> <li>• <i>Crickhowell High School</i></li> <li>• <i>Brecon High School</i></li> <li>• <i>Welshpool High School</i></li> </ul> <p><i>Primary Schools</i></p> <p><b>Deprivation of Liberty Safeguarding (DoLS)</b> To ensure that the Council is compliant with the DoLS statutory framework and code of practice.</p> <p><b>Effectiveness of Social Care Practices- Peer Review Processes</b> To review quality review processes in social care for children and adults</p>	
<p><b>Commissioning &amp; Procurement</b> <i>Assessing Procurement &amp; Commissioning activity of a Local Authority is a critical determinant in establishing its effectiveness in both being able to deliver benefit for its community, but also in showing whether it can maximise value for money for its taxpayers</i></p>	<p><b>School Theme – Procurement</b> A review of the spending habits of schools on both E-procurement and purchase cards across all schools to determine whether there are opportunities to procure more effectively. In addition, each school will be surveyed to monitor their processes, culture and areas of good / poor practice.</p> <p><b>Supplier Resilience including third parties</b> <i>To review processes in place to assess pre-awards and on-going arrangements to measure financial and workforce resilience on key contracts e.g. reliance on third party suppliers.</i></p> <p><b>Contract Management</b> <i>To review the award of construction and service contracts to determine whether effective measures in place to ensure effective delivery.</i></p> <p><b>Contract De-commissioning- Supplier Failure</b> As a designated Commissioning Council, key services in Powys are delivered by external providers. There have been notable failure of suppliers in the past and there are still warning</p>	

	<p>signs that suppliers are failing in the current market . This review will look at how prepared the Council will be to successfully transition in the event of supplier failure.</p>	
<p><b>Information Management</b>  <i>Effective Information Management will facilitate and support effective working, better decision-making, improved customer service and business transformation.</i></p>	<p><b>ICT Risk Assessment</b>  <i>To undertake an analysis of the Council’s ICT activities to determine the level of control and the resulting risk upon which the service should focus.</i></p> <p><b>Patch Management</b>  <i>To ensure that the Council is protected from threats and vulnerabilities by ensuring the Council’s ICT network is operating with the most up to date versions of Software.</i></p> <p><b>Schools ICT</b>  <i>Ensuring consistency and value for money in the provision of ICT to Schools across the wider platform</i></p> <p><b>GDPR</b>  <i>Ensuring continuity Compliance with GDPR with particular reference to information asset catalogues</i></p>	<p><b>Service Managers &amp; Relevant Executive Director</b></p>
<p><b>Programme &amp; Project Management</b>  <i>Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus their efforts and</i></p>	<p><b>Benefits realisation- Transformation Budget</b>  <i>Carry forward of review to determine whether benefits are being achieved and the budget is spent on transformational activities.</i></p>	<p><b>Service managers &amp; Relevant Executive Director</b></p>

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<p><i>successfully achieve the delivery of anticipated outcomes.</i></p>		
<p><b>People &amp; Asset Management</b>  <i>Organisations which can demonstrate and operate under a structured and active approach to asset management are far more likely to be able to focus any available investment against key priorities and, as a direct result, deliver improved outcomes.</i></p>	<p><b>Corporate Health and Safety</b>  <i>To ensure that activities support keeping both members of the public and employees safe</i></p> <p><b>Safer Recruitment</b>                  To ensure that pre- employment measures are carried out to make sure that safeguarding principles are followed.</p> <p><b>HOWPS</b>                  To determine if contract monitoring arrangements are ensuring effective performance</p> <p><b>Travel Expenses (Officers)</b>                  Use of computer audit assisted techniques (CAAT’s) to review Officer travel for irregularity and economy</p> <p><b>Employee Review and Development</b>                  To ensure that Powys staff perform effectively and are supported with effective training</p>	<p><b>Service Managers &amp; Relevant executive Director</b></p>
<p><b>Other</b></p>	<p><b>Additional Requested Work</b></p> <ul style="list-style-type: none"> <li>• <b>ECO 2 (t) Requested work-</b> Investigations into the ECO scheme as rested by the Audit Committee</li> <li>• <b>Missing Income (Taxi licensing)-</b> investigation into minor cash lost at Council Office</li> <li>• <b>Theatr Brycheiniog –</b> Audit review of the decision to award a one-off capital Payment to Theatr Brycheiniog</li> <li>• <b>Theatr Brycheiniog –</b> Audit Review on the Accuracy of the Audit Committee report</li> <li>• <b>Information for Estyn Inspection</b></li> <li>• <b>Members Expenses-</b> response to anonymous Complaint</li> </ul> <p><b>Contingency for Emerging Risk Areas and Specific Management Requests</b></p>	<p><b>Service Managers &amp; Relevant Executive Director</b></p>

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	<p><b>Ad Hoc Requests for Audit Advice &amp; Guidance</b></p> <p><b>Audit Planning and Committee Reporting</b></p> <p><b>Professional Development for Staff (as agreed by the Partners)</b></p>	
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<p><b>Consultancy Work</b></p>	<p><b>Housing Stock- Smoke Alarm Compliance- Advisory Consultancy Report</b></p> <p>To produce an advisory report to determine if the Council have effective records and systems to ensure it meets its statutory requirements and the WHQS.</p>
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