

Powys County Council

Proposed 2021-22 Internal Audit Plan
and Internal Audit Charter

Audit and Governance Committee
21st May 2021

The Internal Audit Plan: Summary

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2021/22 financial year.

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



Introduction and Objective of the Internal Audit Plan

Over the past year, as a result of the COVID pandemic, SWAP, like Powys County council, has had to adapt, re-prioritise, and shift focus. Whilst 2020/21 was an exceptional year, it has demonstrated the need for a fully flexible and responsive approach to audit planning. Although 2021/22 is likely to offer more stability in operations, we are looking to build on our new planning approach, ensuring that we are supporting the Council by collaboratively aligning our work to its aims, objectives and key risks. This should ensure that we are auditing the right things, at the right time; enabling us to provide insight and value when and where it is required.

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 plan 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 senior management 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 AGS.

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

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

The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.

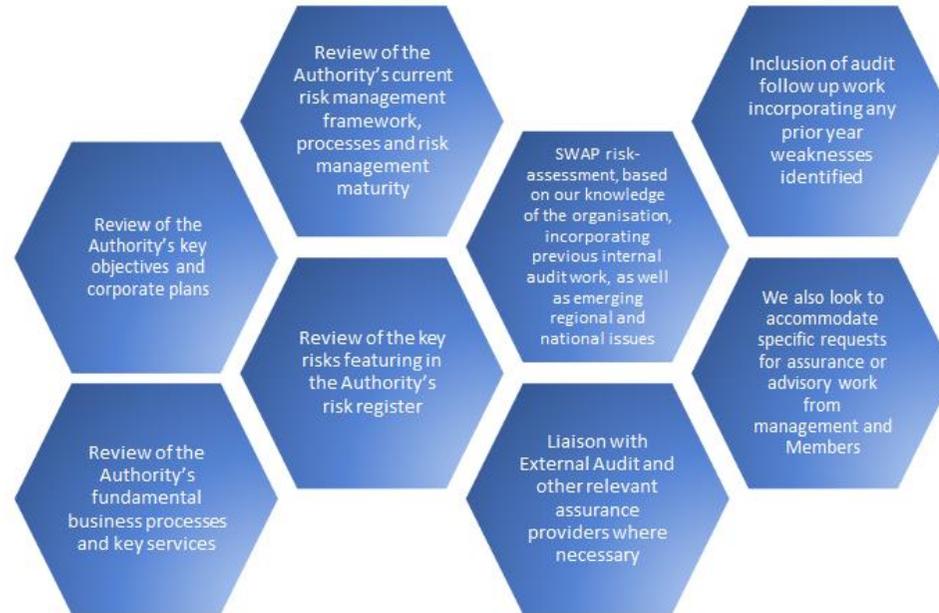
In order to do this, Internal Audit needs to be flexible in adapting audit plans to handle rapidly changing risks, priorities and challenges.

It is the responsibility of the Senior Leadership Team, and the Audit & Governance Committee to ensure that the audit work scheduled and completed throughout the year contains sufficient and appropriate coverage of key risks.



Approach to Internal Audit Planning 2020/21

The factors considered in putting together the 2020/21 internal audit plan have been set out below:



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. Our 2021/22 audit plan is determined quarterly in order that the plan can remain agile to respond to new and emerging risks as and when they are identified.

The Internal Audit Plan: Risk Assessment

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



Internal Audit Risk Assessment

Our 2020/21 internal audit programme of work is based on a documented risk assessment, which SWAP will revisit regularly, but at least annually. 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 the risk assessment for Powys County Council:



The Internal Audit Plan: Coverage



Internal Audit Coverage in 2021/22

Following our SWAP Risk Assessment overleaf, we have set out how the proposed 21/22 plan presented in Appendix A provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit coverage.

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

Internal Audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain 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.

Due to the pace of change within Local Authorities, it is getting more difficult to accurately predict longer term organisational risks within a fixed twelve-month plan. This is very much apparent during the previous year in responding to the Covid-19 pandemic threats. This has meant that the plan delivered was significantly different to that originally planned.

Our approach to internal audit planning throughout 2021/22 will be a continuous risk assessment and rolling plan approach. Rather than present a proposed annual plan at the start of the year, which is subject to a high level of uncertainty and change, we will build our plan in conjunction with management as the year progresses.

The resulting programme will be a combination of requested audit work aligned to service priorities, combined with audit work recommended by SWAP driven by our continuous risk assessment. This risk assessment will be based on the live status of both the Council's strategic and service risk registers, as well as the Council's performance management data. Overlaid onto this assessment will be SWAP's sector-wide top 10 risk areas, and consideration of the eight strands of our 'Healthy Organisation' framework. The results of our risk assessments will be shared with Senior Management in Services through our engagement meetings to obtain their view on the value of internal audit involvement. In developing risk assessments, we will also take account of other sources of assurance, where relevant.

As the year progresses, we will update the committee through our usual quarterly update report on internal audit activity. It will be through this process that the Senior Leadership Team and Audit & Governance Committee Members will be able to assess whether the audit work building throughout the year provides sufficient and appropriate coverage of key risks.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage of key risks, will enable us to satisfy our requirement to provide a well-informed and comprehensive year-end annual internal audit opinion. Our audit work is governed by our Internal Audit Charter, attached at Appendix B.

The Internal Audit Plan: Coverage

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 25 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

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



Your Internal Audit Service

Audit Resources

The 2021/22 internal audit programme of work will be equivalent to 810 days as directed by the Council. This represents a further reduction of approximately 90 days (10%) from 2020/21.

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. Clearly with a reduction in the audit budget for 2021/22, there will be a reduction in the breadth of coverage we are able to provide. Alternative sources of assurance should be sought/ identified where internal audit coverage of key risks has not been undertaken.

The key contacts in respect of your internal audit service for Powys County Council are:

Ian Halstead, Assistant Director – ian.halstead@swapaudit.co.uk, Tel: 07730 198839

External Quality Assurance

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors (IPPF) and the Public Sector Internal Audit Standards (PSIAS).

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in February 2020 which confirmed general conformance with the IPPF.

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. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

The Internal Audit Plan: SWAP

- Regular updates containing emerging issues, risks and fraud alerts identified across the SWAP partnership and beyond
- Member training Events

Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. The Council have their own Counter Fraud Team for both reactive investigations and proactive initiatives. 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.

Powys County Council Proposed Internal Audit Plan 2021/22

APPENDIX A

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.

Service	Quarter	Areas of Coverage and Brief Rationale	Audit Sponsor/ Senior Management Lead
Finance	1	Creditor Payments - Control Review	Jane Thomas, Head of Finance
Finance	1	Purchase Cards - Control Review	Jane Thomas, Head of Finance
Finance	1	Covid Grant - Fraud risks (c/f)	Jane Thomas, Head of Finance
Finance	1	Supply Chain Fraud	Jane Thomas, Head of Finance
Finance	1	Fraud risk Assessment	Jane Thomas, Head of Finance
Finance	1	Debtors – Control Review	Jane Thomas, Head of Finance
Fraud	1	National Fraud Initiative Co-ordinator	Jane Thomas, Section 151 Officer
Schools	1	Brecon High school – Follow up	Caroline Turner, Chief Executive Lynette Lovell, Head of Schools
Schools	1	Ysgol Calon Cymru	Caroline Turner, Chief Executive Lynette Lovell, Head of Schools
Schools	1	Primary Schools – Control Risk Self Assessment	Caroline Turner, Chief Executive Lynette Lovell, Head of Schools
Schools	1	Grant Certification -Schools (EIG and PDG Grant)	Caroline Turner, Chief Executive Lynette Lovell, Head of Schools
Social Care	1	WCCIS Contract Management	Alison Bulman, Director of Social Care Michael Gray, Head of Adult Social Care Jan Cole, Head of Children Services
Social Care	1	Continuing Health Care	Alison Bulman, Director of Social Care

			Michael Gray, Head of Adult Social Care Jan Cole, Head of Children Services
Housing & Community	1	Statutory Compliance - Housing	Nigel Brinn, Director of Economy, Highways, and Public Protection Nina Davies, Head of Housing and Community
Housing & Community	1	Grant Certification – Housing (Supporting People)	Nigel Brinn, Director of Economy, HTR, Public Protection , Housing and Digital Nina Davies, Head of Housing and Community
Public Protection	1	Grant Certification – Public Protection – Estate Agents Grant	Nigel Brinn, Director of Economy, HTR, Public Protection , Housing and Digital Diane Reynolds, Head of Digital Services
Digital	1	Digital Information Records Management	Nigel Brinn, Director of HTR, Economy , Public Protection and Digital Diane Reynolds, Head of Digital Services
Various	1	Carried forward work in Draft	Various
Support	1	Audit Committee/ Working Group	N/A
Support	1	Audit Planning/ Performance reporting	N/A
Support	1	Liaison Groups (WAO/CWAG/ Aud Chairs)	N/A
Support	1	Audit Support (AGS, SLT Attendance)	N/A
Support	1	Audit Support (Service Heads Engagements)	N/A

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Somerset County Council, and to outline the scope of internal audit work.

Approval

This Charter is reviewed each year to confirm it remains accurate and up to date.

Provision of Internal Audit Services

The internal audit service is provided by the SWAP Internal Audit Services (SWAP). This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by Powys County Council in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the organisation, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the organisation's level of contribution to SWAP. This is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP

Role of Internal Audit

The Accounts and Audit (Wales) Regulations 2016, state that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance."*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Organisation's operations. It helps Powys County Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management, Audit and Governance

Committee and Internal Audit

Management¹

Management is responsible for ensuring SWAP:

- has the support of management and the organisation; and
- has direct access and freedom to report to senior management, including the Chief Executive and the Audit Committee
- is notified of suspected or detected fraud, corruption or impropriety.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Organisation. Management is also responsible for the appropriate and effective management of risk.

Audit Committee²

The audit and Governance Committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director on the progress of work undertaken,

¹ In this instance Management refers to the Senior Management Team and Statutory Officers.

² In this instance the Audit Committee relates to "The Board" referred to in the PSIAS.

reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function, and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

Internal Audit

The SWAP Assistant Director, as Head of Internal Audit, is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending the action to be taken on the outcome of, or findings from, their work.

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with the mandatory elements of the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. SWAP has been independently assessed and found to be in Conformance with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for the organisation will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

*The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP, the Executive Director and Assistant Director also report to the Section 151 Officer, and reports to the Audit and Governance Committee as set out below.

The Assistant Director will be the first and primary point of contact for the organisation for all matters relating to the Audit and Governance Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for the design, development and delivery of audit plans, subject to the agreement of Powys County Council.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of the organisation.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information used for operational and strategic decision making, and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management and communication of risks;

- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the organisation and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the organisation is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned, with performance and accountabilities established.
- reviewing the operations of the organisation in support of their anti-fraud and corruption policy, ethical expectations and corporate values, investigating where necessary.
- at the specific request of management, internal audit may provide consultancy services (including fraud investigation services) provided:
 - the internal auditor's independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources the work.
 - management understand that the work being undertaken is not internal audit work.

Planning and Reporting

SWAP will submit to the Audit and Governance Committee for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a periodic basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Director. SWAP will report at least four times a year to the Audit Committee or as agreed. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Audit Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought.

The Assistant Director will submit an annual report to the Audit and Governance Committee providing an overall opinion of the status of risk and internal control within Powys County Council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and SWAP Directors and Assistant Directors have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit and Governance Committee, the organisation's Chief Executive Officer or the External Audit Manager.