

Draft Internal Audit Plan 2019-2020



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A quick guide to the audit and assurance planning process

Step 1- Audit universe/auditable areas

Identify the audit universe (i.e. a list of themes and areas within them that may require assurance) using a variety of methods:

- Areas of potential risk identified through a variety of sources (including the strategic risk register) as having the potential to impact upon the Council's ability to deliver its objectives. Then, identify if we can gain assurance that any of these risks are being managed adequately from other sources of assurance.
- Key Financial Systems - work undertaken in close liaison with the external auditors, in order to help inform and support the work they are required to undertake.
- Areas where we use auditor's knowledge, management requests and past experience etc.



Step 2 – Ranking

Where appropriate score each auditable area as a high, medium or low assurance need using the CIPFA scoring methodology of materiality/business impact/audit experience/risk/ potential for fraud.



Step 3 – Three year cycle

List the likely medium and high assurance need themes and/or areas for the next three years. High need themed areas will be reviewed annually, medium need usually once in a three-year cycle, while a watching brief will remain on the low needs.



Step 4 - Next Years Plan

List the themes and where appropriate the types of work that will be undertaken in 2019-2020 in the internal audit plan.

A glossary of terms

Definition of internal auditing

Internal auditing 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.

Governance

The arrangements in place to ensure that the Council fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner.

Control environment

Comprises the systems of governance, risk management and internal control. The key elements include:

- establishing and monitoring the achievement of the Council's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement
- the financial management of the Council and the reporting of financial management
- the performance management of the Council and the reporting of performance management.

System of internal control

The totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

Risk Management

A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating the risks associated with any activity, function or process in a way that will enable the organisation to minimise losses and maximise opportunities.

Risk based audit and assurance reviews

A review that:

- identifies and records the objectives, risks and controls
- establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives
- evaluates the controls in principle to decide whether or not they are appropriate and can be reasonably relied upon to achieve their purpose, addressing the organisation's risks identifies any instances of over and under control and provides management with a clear articulation of residual risks where existing controls are inadequate
- tests the effectiveness of controls i.e. through compliance and/or substantive testing
- arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.

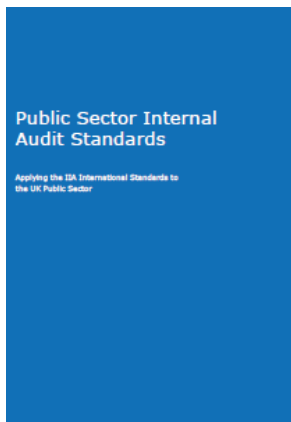
Audit and Risk Committee

The governance group charged with independent assurance of the adequacy of the internal control environment and the integrity of financial reporting.

Assurance

A confident assertion, based on sufficient, relevant and reliable evidence, that something is satisfactory, with the aim of giving comfort to the recipient. The basis of the assurance will be set out and it may be qualified if full comfort cannot be given. The Head of Audit may be unable to give an assurance if arrangements are unsatisfactory. Assurance can come from a variety of sources and internal audit can be seen as the 'third line of defence' with the first line being the Council's policies, processes and controls and the second being managers' own checks of this first line.

Internal Audit standards



The internal audit team have adopted and comply with the standards as laid out in the Public Sector Internal Audit Standards.

Introduction

- The purpose of internal audit is to provide the Managing Director, Section 151 Officer and Audit and Risk Committee with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Council's agreed objectives. In order to provide this opinion, we are required to review annually the risk management and governance processes within the Council.
- We also need to review on a cyclical basis, the operation of the internal control systems. It should be pointed out that internal audit is not a substitute for effective internal control. The true role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.
- There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards'. The Council has an Internal Audit Charter which is reviewed and approved annually by the Audit and Risk Committee and defines the activity, purpose, authority and responsibility of internal audit, and establishes its position within the Council. This document sits alongside the charter, and helps determine how the internal audit service will be developed.
- The purpose of this document is to provide the Council with an internal audit plan, based upon an assessment of its assurance needs. The assessment of assurance needs exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will be used to direct internal audit resources to those aspects of the Council which are assessed as generating the greatest risk to the achievement of its objectives.

Assessing the effectiveness of risk management and governance

The effectiveness of risk management and governance will be reviewed annually, to gather evidence to support our opinion to the Managing Director, Section 151 Officer and the Audit and Risk Committee. This opinion is reflected in the general level of assurance given in our annual report and where appropriate within separate reports in areas that will touch upon risk management and governance.

Assessing the effectiveness of the system of control

- In order to be adequate and effective, management should:
 - Establish and monitor the achievement of the Council's objectives and facilitate policy and decision making.
 - Identify, assess and manage the risks to achieving the Council's objectives.
 - Ensure the economical, effective and efficient use of resources.
 - Ensure compliance with established policies, procedures, laws and regulations.
 - Safeguard the council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
 - Ensure the integrity and reliability of information, accounts and data.
- These objectives are achieved by the implementation of effective management processes and through the operation of a sound system of internal control. The annual reviews of risk management and governance will cover the control environment and risk assessment

elements, at a high level. The programme of work developed as the outcome of the assessment of assurance need exercise will cover the system level control activities.

- The plan contained within this report is our assessment of the audit work required in order to measure, evaluate and report on the effectiveness of risk management, governance and internal control.

Assessment of assurance needs methodology

- Internal audit should encompass the whole internal control system and not be limited only to financial control systems. The scope of internal audit work should reflect the core objectives of the Council and the key risks that it faces. As such, each audit cycle starts with a comprehensive analysis of the whole system of internal control that ensures the achievements of the Council's objectives.
- Activities that contribute significantly to the Council's internal control system, and also to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks to assign a relative assurance need value. The purpose of this approach is to enable the delivery of assurance to the Council over the reliability of its system of control in an effective and efficient manner.
- We have undertaken our assessment using the following process:
 - We identified the core objectives of the Council and, where available, the specific key risks associated with the achievement of those objectives
 - We then identified auditable themes and areas that impact significantly on the achievement of the control objectives.
 - We assigned assurance need values to the auditable themes and areas, based on the evidence we obtained.
- The audit plan is drawn out of the assessment of assurance need. The proposed plan covers the 2019-2020 financial year and is detailed at the end of this document.

The assessment of assurance needs - identifying the Council's priorities and the associated risks

At the time this audit plan was prepared, the following were the Council's key priorities:

- Stronger Economy
- Stronger Communities
- Stronger Organisation

The Council has identified the following strategic risks as potentially impacting upon its ability to achieve its key priorities:

- Medium Term Financial Strategy
- Business Continuity Management
- City Centre Regeneration
- Emergency Planning
- Skills for Work and Economic Inclusion
- Cyber Security
- Fire Safety – Public Buildings
- Civic Halls

- Brexit
- Information Governance
- Safeguarding
- Maximising Benefits from the Combined Authority
- Payment Card Data Security Standard
- Safety Concerns around the City's Tower Blocks
- Health and Safety
- Waste Management Services
- Governance of Major Capital Projects and Programmes
- Wolverhampton Interchange Programme

Identifying the “audit universe”

- In order to undertake the assessment of assurance need, it is first necessary to define the audit universe for the Council. The audit universe describes all the systems, functions, operations and activities undertaken by the Council. Given that the key risk to the Council is that it fails to achieve its objectives, we have identified the audit universe by determining which systems and operations impact upon the achievement of the core objectives of the Council, as identified above, and the management objectives. These auditable areas include the control processes put in place to address the key risks.
- In addition to this, there are also common systems and functions which are generic to all areas, along with a number of mandatory reviews. Where deemed appropriate they may also be included in the audit universe set out in detail at the end of this document.

Assessing the risk of auditable areas within the assurance framework

- Risk is defined as “The threat that an event or action will adversely affect an organisation's ability to achieve its business objectives and execute its strategies.”
Source: Economist Intelligence Unit - Executive Briefing.
- There are a number of key factors for assessing the degree of assurance need within the auditable area. These have been used in our calculation for each auditable area and are based on the following factors:
 - Materiality
 - Business impact
 - Audit experience
 - Risk
 - Potential for fraud
- In this model, the assignment of the relative values are translated into an assessment of assurance need. These ratings used are high, medium or low to establish the frequency of coverage of internal audit.

Developing an internal audit plan

- The internal audit plan is based, wherever possible, on management's risk priorities, as set out in the Council's own risk analysis/assessment. The plan has been designed so as to, wherever possible, cover the key risks identified by such risk analysis.
- In establishing the plan, the relationship between risk and frequency of audit remains absolute. The level of risk will always determine the frequency by which auditable themes and areas will be subject to audit. This ensures that key risk themes and areas are looked at on a frequent

basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.

- It is recognised that a good internal audit plan should achieve a balance between setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year. Traditionally Audit Services produced quite detailed internal audit annual plans identifying all the individual audits planned for the year, and this approach does have the advantage of providing a clear route map to the end of year opinion. However, as the year progresses it is likely that the risks and organisational priorities will change, resulting in changes to the plan. This is a particular issue within the local authority environment at this moment in time, due to the pace of change and high level of uncertainty affecting the risk environment. Therefore, for this year we are again keeping the audit plan more open than previously, and, where appropriate, the new plan reflects themes and types of work rather than individual audits. More detailed working plans will be maintained operationally within Audit Services. This approach should hopefully result in a more realistic and flexible plan.
- Auditor's judgement will be applied in assessing the number of days required for each audit identified in the plan.
- The assessment of assurance need's purpose is to:
 - determine priorities and establish the most cost-effective means of achieving audit objectives;
 - assist in the direction and control of all audit work.
- This exercise builds on and supersedes previous internal audit plans.
- Included within the plan, in addition to audit days for field assignments are:
 - a contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested.
 - a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to key recommendations agreed by management during the prior year.
 - an audit management allocation, which is used for management, quality control, client and external audit liaison and for preparation for, and attendance at various member meetings and Audit Committee etc.

Considerations required of the Audit and Risk Committee and the Council's Senior Management Team

- Are the objectives and key risks identified consistent with those recognised by the Council?
- Does the plan include all the themes which would be expected to be subject to internal audit?
- Are the risk scores applied to the plan reasonable and reflect the Council?
- Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?
- Does the plan cover the key risks as they are recognised?

How the internal audit service will be delivered

Our Core Behaviours

- P** Put customers first - *be customer focused*
We deliver for our customers, satisfying their needs and empowering employees to do the right thing.
- R** Raise the profile of the city - *be positive*
We are confident advocates for the city and the council. We are positive about what we do and work actively with our partners to build confidence.
- I** Inspire trust and confidence - *be open*
We value each other's contribution, empathise with colleagues, are self-aware and remain open in difficult situations. We are flexible and open-minded in our approach. We listen and respond to new ideas.
- D** Demonstrate a can-do and tenacious attitude - *be a change agent*
We take the initiative, take ownership of problems and see them through, challenging where appropriate and acknowledging uncertainties. Importantly, we will be evidence-led in our decision-making.
- E** Encourage teamwork - *be a team player*
We work as one council, sharing ideas, each other's priorities and problems. We work together to develop shared, sustainable solutions to complex problems.

Staffing

The audit team follow the Council's core behaviours. They are recruited, trained and provided with opportunities for continuing professional development. Employees are also sponsored to undertake relevant professional qualifications. All employees are subject to the Council's appraisal scheme, which leads to an identification of training needs. In this way, we ensure that employees are suitably skilled to deliver the internal audit service. This includes the delivery of specialist skills which are provided by staff within the service with the relevant knowledge, skills and experience.

Quality assurance

All audit work undertaken is subject to robust quality assurance procedures as required by relevant professional standards. These arrangements are set out in the division's standards manual and require that all working papers and reports are subject to thorough review by professionally qualified accountancy staff.

Resources required

It is estimated that approximately 1,420 internal audit days (including fraud, assurance and contingency work) will be required to deliver the audit plan.

Audit Service's External Clients



**West Midlands
Combined Authority**



West Midlands Pension Fund



The City of Wolverhampton Council's Audit Services also provides the internal audit service to a number of other associated public sector based organisations in the West Midlands. Separate internal audit plans are produced for each of these and Audit Services reports back to each of their respective Audit Committees or equivalent.

The internal audit plan 2019-2020

The following reviews and associated services will be delivered across the Council:

Auditable Area	Purpose
Assurance mapping	An ongoing mapping exercise between the controls identified as mitigating risk from the strategic risk register, to the sources of assurance that these controls are operating. This will play a key part in informing the Annual Governance Statement.
National fraud initiative	In accordance with Cabinet Office requirements we will lead on the Council's NFI data matching exercise.
Fraud investigations	The carrying out of investigations into areas of suspected or reported fraudulent activity across the Council.
Counter fraud activities	A series of Council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity including where appropriate maintenance of the Council's fraud risk register, hosting raising fraud awareness seminars and running fraud surgeries and e-learning.
Value for money reviews	During the year discussions will be held with senior management regarding the identification of potential value for money areas, where Audit Services could be of assistance in performing value for money advice and or/reviews.
Payment transparency	An ongoing review of compliance with the government's data transparency publishing requirements.
Recommendation follow up	A regular and ongoing follow up of key internal audit recommendations made across the Council in 2018 - 2019. Any outstanding recommendations will be reported on a regular basis to both SEB and the Audit and Risk Committee.
Development and advice	Reviewing system developments on key controls and providing advice relating to systems which are not necessarily covered by audits originally scheduled for 2019-2020.
Contingency	Special projects, advice and assistance, unplanned and ad-hoc work as and when requested.
Management	Day to day management of the internal audit service, quality control, client and external audit liaison and preparation for, and attendance at various meetings.
Audit and Risk Committee	Preparation and presentation of papers for the Audit and Risk Committee, and providing advice and training to committee members as and when required.

Auditable area	Purpose	Rating
Finance		
Key Financial Systems	A review of the high-level financial system controls and other key processes as discussed with the Council's External Auditors, these include: Accounts Payable, Accounts Receivable, Payroll, Budgetary Control, General Ledger, Capital Expenditure, Fixed Assets, Treasury Management, Local Taxes, Housing Rents, and Housing Benefits.	High
Equal Pay Liabilities	A closure review of the equal pay project as the risk of new claims significantly reduces on 1 April 2019.	Medium
Commercial		
Customer Services Benefits Realisation	An audit review of the monitoring information used for determining whether the benefits of the programme have been realised.	Medium
ICT - Stock/Asset Management	A review of the stock/asset management arrangements for the Council's ICT estate.	High
ICT - Change (Patch) Management	A review of the processes for implementing and rolling patches to software packages stored on the Council's network.	Medium
ICT - Disaster Recovery Arrangements	A review of the Council's current ICT disaster recovery arrangements. This area minimises the impact of a cyber security attack.	High
Business Management		
Business Support	To provide on-going governance assurance of the programme and review the arrangements for implementing new business support processes.	Medium

Projects and Programmes	A corporate review of the management of the Council's programmes and projects to ensure recommendations from recent lessons learnt reports have been implemented.	Medium
Governance		
GDPR	To provide an update position on the implementation of GDPR within the Council. The review will follow-up recommendations made in last year's report.	Medium
Ethics	A review to evaluate the design, implementation, and effectiveness of key elements of the Council's ethics-related objectives, programmes and activities, to include information technology governance.	Medium
Mayoral Hospitality and Charity	A review of the budget management arrangements around mayoral hospitality and the accountability arrangements surrounding the mayor's charity fund.	Medium
Assurance Framework	A review of the monthly returns that will underpin the newly developed Assurance Framework being introduced in 2019-2020. In the first year there will be a focus upon the HR and other elements to be agreed in-year.	Medium
Terms and Condition Changes	To provide support and advice on the negotiation and implementation of changes to the pay model, and employee terms and conditions.	Medium
Employee Driver Checks	A review to ensure that employee's using either their own vehicle for work, or driving Council vehicles, have provided the appropriate documentation.	Medium
Strategy and Change		
Performance Framework Reporting (Data Integrity)	A review of the integrity of data used for reporting outcomes under the Council's proposed performance framework.	Medium

Auditable area	Purpose	Rating
Children and Young People		
Section 17 / No Recourse to Public Funds	To provide assurance that the new systems have been fully embedded.	Medium
Use of Cash within Children's Services	A review of the use of cash across the service area, that it is used appropriately and can be accounted for.	Medium
Adoption Support Fund	To assess if the Council is fully maximising the use of the fund.	Medium
Subsistence and Mileage payments	To ensure that subsistence and mileage claimed by the service is appropriate, accurate, and in accordance with the Council's policies.	Medium
Adults		
Mental Health Processes	Provide assurance that complex mental health cases are fully financed (Council/ NHS) and risks assessed before expenditure is committed.	High
Transitions Arrangements	To help provide assurance on the controls regarding the transition of service users from children's services to adults.	Medium
Non-Residential Charges	A review of the revised processes and additional risks, following transitional payments expiring.	Medium
Equipment Stores	To provide assurance on the equipment store's stock control and return arrangements. The review will also consider the issues regarding the use of low level prescriber systems.	Medium
Public Health		
WV Active – Impact Assessment	A review of the membership uptake rates following the service moving under Public Health.	Medium

Modern Day Slavery	A review to ensure that the Council is meeting its obligations under section 52 of the Modern Day Slavery Act 2015.	Medium
Education		
Post 16 Provision in Schools	A review of the arrangements in place to prepare pupils with Education Healthcare Plans for independence.	Medium
School Census Procedures	A review of the process for inputting and collation of school census information.	Medium
SEND Safer Recruitment and Single Central Record in Schools	A review to ensure schools are complying with safeguarding legislation.	Medium
School Audits	A review of the governance and financial procedures in place at a sample of nursery, primary, secondary, special schools, and pupil referral units to ensure coverage of all local authority maintained schools over a predetermined cycle.	Medium

Auditable area	Purpose	Rating
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Regeneration

Regeneration Programme and Project Management Framework	A high-level review of programme level governance, risk management, monitoring and reporting arrangements, application of key programme level controls (including use of Council systems) and specifically the supporting programme/project level skills sets engaged to ensure the effective delivery of programmes and projects by the Regeneration Directorate. In the context of this review reference will be made to the City Learning Quarter Project as an example project.	High
Bilston Urban Village	A review of programme and project governance, management, risk management and control systems (including use of Council systems) in operation including partnership and external funding arrangements as applicable.	High
Civic Halls	A review of the Civic Halls Programme regarding the previously identified lessons learnt report, and the effectiveness within current programme and project arrangements as well as the programme's identification of further lessons learnt, and resultant actions taken.	High

City Environment

City North Gateway M54 Junction 2 to Springfield Lane Project Management Arrangements	A review of project governance, management (including project closure arrangements), risk management and control systems in operation including partnership and external funding arrangements as applicable.	High
Fleet Services Vehicle Spares Procurement and Stock Management Arrangements	A review of the procurement and stock management arrangements for vehicle spares within Fleet Services to ensure support service delivery needs as well as compliance with Council Financial Procedure Rules and Contract Procedure Rules.	Medium
Licensing (Private Hire)	A review of the procedures in operation for the licensing of private hire drivers, vehicles and operators, including license application processes and subsequent compliance checks to ensure compliant with terms and conditions of licensing, legislation and Council policy.	Medium

Garden Waste Service	A review of the deployment and operational management of the chargeable garden waste collection scheme including customer registration, bin delivery, payment processing, subsequent subscription management and contract management arrangements for procurement of garden waste bins.	Medium
Corporate Landlord		
Corporate Landlord Delivery Model	A review of strategic and operational arrangements for the implementation of recommendations identified within the ongoing external review of the Corporate Landlord delivery model, once concluded.	Medium
Carbon Reduction Credits Scheme	An annual assurance review and certification in accordance with the CRC Scheme requirements.	Medium
Housing		
Housing Capital Programme	A review of governance, programme/project management, risk management, control systems and resource/succession planning in operation for the strategic and operational delivery of the Housing Capital Programme.	High
HMO Licencing Review	A review of the HMO Licencing procedures for the administration and issuing of licences.	High

Programme and Project Assurance

In addition to the traditional internal audit plan, in recent times Audit Service now provide an ongoing assurance role by having an independent role on a number of programmes, projects boards and working groups, including:

Programme and Project related assurance work

- Equal Pay
- Information Governance
- Customer and Business Improvement Programme
- Pay Strategy
- Project Assurance Group
- WV Active Improvement Programme
- Delivering Independent Travel Programme
- Schools Fire Safety Working Group
- Business Support Programme
- City Learning Quarter Programme
- Children's Transformation Programme
- Platform for Care Programme
- Transforming Adult Social Care Programme
- Business Word Development Project