

Internal Audit Plan 2017/18



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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 2017/18 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.

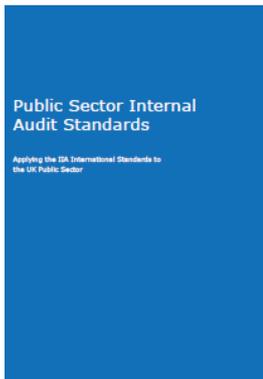
Audit and Risk Committee

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 comply with the standards as laid out in the Public Sector Internal Audit Standards that came into effect on 1 April 2013.

- 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.

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 on a cyclical basis, the operation of the internal control systems and take into account the risk management and governance arrangement. It should be noted 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 was approved 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.

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.
- 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 2017/18 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

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 and if assurance could be obtained through other routes.
- The following are the Council's key priorities:
 - Stronger Organisation
 - Stronger Communities
 - Stronger Economy
- Supported by:
 - A Confident, Capable Council
- The Council has identified the following strategic risks as potentially impacting upon its ability to achieve its key priorities:
 - Looked After Children
 - Skills for Work and Economic Inclusion
 - City Centre Regeneration
 - Information Governance
 - Medium Term Financial Strategy
 - Safeguarding
 - Transforming Adult Social Care
 - Maximising Benefits from the WMCA
 - Cyber Security
 - Business Continuity Management
 - Emergency Planning
 - School Improvement

Identifying the "audit universe"

- In order to undertake the assessment of assurance need, it is first necessary to define t

- the audit universe for the Council. This 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 also above. 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 open, and, where appropriate, the 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 the Audit and Risk 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?
- Does the plan cover the key risks as they are recognised?

- Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?

How the internal audit service will be delivered

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.



Resources required

It is estimated that approximately 1,320 internal audit days (including fraud, assurance and contingency work) will be required to deliver the audit plan.

Quality assurance

All audit work undertaken is subject to robust quality assurance procedures as required by the Public Sector Internal Audit Standards.

Audit Service's External Clients

The Council's Audit Services are also available, or already have arrangements in place, to support the following:

	<p>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. Where appropriate, separate internal audit plans are produced for each of these, and Audit Services reports back to each of their respective Audit Committees or equivalent:</p> <ul style="list-style-type: none"> • West Midlands Combined Authority • West Midlands Pension Fund • Wolverhampton Homes • WV Living • WV Active • YOO Recruitment • Central Learning Partnership Trust
	
 <p>Wolverhampton Homes</p>	
	
	
	
	

The internal audit plan 2017/18

The following reviews and associated services will be delivered corporately 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 maintenance of the Council's fraud risk register, hosting raising fraud awareness seminars and running fraud surgeries.
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	The follow up of key internal audit recommendations made across the Council in 2016/17
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 2017/18.
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.

**Confident, Capable Council Stronger Organisation****Corporate Services Risks**

Information Governance

Medium Term Financial Strategy

Cyber Security

Maximising Benefits from the WMCA

Auditable area	Purpose	Rating
Finance		
Key Financial Systems	A review of the high-level financial system controls and other key processes as agreed 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
Certifications	A review of grants and other certifications where Internal Audit assurance is required.	High
Equal Pay	On-going advice and consultancy with regards to the Council's equal pay liabilities, particularly around current and new claims.	Medium
Valuation of the Council's Highways Assets	A review of the systems and procedures in place for capturing the valuation of the Council's highway assets. To ensure these comply with CIPFA's guidance.	Medium
ICTS Strategic Planning	A review of ICTS strategies to ensure the Council is future proof in terms of keeping up to date with new technological developments.	Medium
Customer Services Benefits Realisation	A review of the systems and processes in place for monitoring/measuring the benefits realised from the Customer Services Transformation Programme.	Medium

Payroll Overpayments	A review of payroll overpayments. This will focus on the arrangements in place to prevent significant overpayments being made and will also examine how any overpayments that are made, are identified and recovered.	Medium
Digital Transformation Programme	To provide on-going and real time assurance over the lifecycle of the programme.	Medium
Corporate Business Support		
Civic Centre Building Evacuation	A review of the current procedures and plans for the evacuation of the Civic Centre.	Medium
Corporate Projects/Programmes	To provide advice and consultancy around the centralisation of project management functions and approaches applied across the Council.	Medium
WV Active		
Banking arrangements and E-returns	A review of the banking, reconciliation and coding procedures at each of the WV Active sites.	Medium
Governance		
Markets - Rents strategy and collection arrangements	A review of the commerciality of markets rents and a review of the collection and banking arrangements.	Medium
Human Resources Operational Efficiencies	A review of the human resources operational procedures in order to ensure that there is no duplication between the duties performed by the Human Resources advisory function and the duties performed by the Hub.	Medium
Human Resources - Policy Management	A review of the procedures and controls over the management of the Council's Human Resources policies.	Medium
Management of IR35 and monitoring of Interim Appointments	A high-level review of the Council's strategy for managing the risks arising from IR35. The review will also focus on the management and control of interim officers to ensure outputs are set and effectively monitored.	Medium

Education Risks

School Improvement

Auditable area	Purpose	Rating
Post 16 provision in schools	A review of post 16 provision in maintained schools.	High
Early Years	A review of external provision for early years.	Medium
School Audits	A review of the governance and financial procedures in place at a sample of nursery, primary, secondary and special schools, and pupil referral units to ensure coverage of all local authority maintained schools over a predetermined cycle.	Medium



People

Stronger Communities

People Risks

Looked after Children

Safeguarding

Transforming Adult Social Care

Business Continuity Management

Emergency Planning

Auditable area	Purpose	Rating
Adult Social Care		
Financial Decision Making Processes	An end to end wide scale systems review of the key controls and evidence to support financial decisions within the service.	High
Adult Social Care	A targeted review of projects within the TASC programme.	Medium
Children and Young People		
Looked After Children	Payment Arrangements - a review of the controls around the payment of allowances to foster and adoptive carers.	High
Post OFSTED Reviews	To target any area identified by the findings of the 2017 Ofsted review.	High
Public Health		
Use of Pharmacy outcomes	A review of the new electronic system for the payment of prescriptions to pharmacies.	High
Freedom of Information Requests	To provide assurance that requests for information received under the freedom of information legislation are processed in accordance with statute and corporate guidance.	High

Walking for Health

A review of the use of volunteers for the delivery of the Walking for Health scheme.

Medium

**Place****Stronger Economy****Place Risks**

Skills for Work and Economic Inclusion

City Centre Regeneration

Auditable area	Purpose	Rating
City Economy		
European Regional Development Fund Projects (Black Country Transformational GOLD Project and Advice, Investment and Marketing Project)	A review of compliance with the accountable body role and supporting operational management arrangements for the two ERDF funded projects, including compliance checks of partner organisations involved in project / output delivery.	High
City Economy Strategic Programme Boards	A high-level review of the governance and reporting arrangements at programme and project level for the key strategic programme boards in operation.	High
Strategic Stakeholder Relationship Management	A high-level review of stakeholder relationship management including strategy, stakeholder mapping, assessment, monitoring and management.	High
Corporate Landlord		
Corporate Landlord Service Delivery Model	An external review has been commissioned of the implementation of the Corporate Landlord delivery model. Where appropriate we will take assurance from this review and use the outcomes / improvement plans to determine an in-year audit review.	High
Carbon Reduction Credits Scheme	An annual assurance review and certification in accordance with the CRC Scheme requirements.	

Catering and Cleaning Services	An external review has been commissioned regarding opportunities and options available for future service delivery for Schools and Corporate Catering and Cleaning Services. Similarly, where appropriate we will take assurance from this review and use the outcomes / improvement plans to determine an in-year audit review.	Medium
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City Environment		
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Street Cleansing	A high-level output based review of the Street Cleansing service delivery focusing on policy objectives and alignment to corporate objectives, the activities required to achieve the objectives and the use of output or performance indicators to measure the effectiveness of the policies / objectives.	Medium
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Income Management Arrangements	A review of the income management arrangements for key City Environment services such as Parking and Bereavement Services, including identification, collection, reconciliation, monitoring and reporting for sources of income.	Medium
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Transport Grant Certifications	An annual assurance review and certification in accordance with the respective grant letters.	
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Housing

Auditable area	Purpose	Rating
Tenant Management Organisations – Allocations Policy	A health check of the lettings processes in place within Tenant Management Organisations in order to ensure compliance with the Council's Allocation Policy.	High
Tenant Management Organisations – Governance Arrangements	A review of the governance arrangements in operation within Tenant Management Organisations in order to ensure compliance with the management agreement	High