

**Final Internal Audit Risk Assessment and
Operational Plan
2014/15**



Distribution List

Audit Committee
Chief Executive
Directors

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1. Introduction

- 1.1. In order to ensure that Worcestershire County Council's (WCC) internal audit resources are effectively utilised, we have made use of the current assessment of the most significant risks facing WCC, as part of the process for preparing the Annual Internal Audit Plan for the period 2014/15.
- 1.2. This is in line with current Internal Audit Standards and the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. We recognise that from 1 April 2013 new Public Sector Internal Audit Standards (PSIAS) replaced the Code of Practice for Internal Audit in Local Government in United Kingdom.
- 1.3. The Standards, which are based on the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
- 1.4. To reflect the priorities of the County Council, the Internal Audit Plan has been aligned to the County Council's Corporate Plan, Worcestershire Future Fit. Clearly, it is important that Internal Audit plays a part in ensuring that the County Council's Strategic Plan – Future Fit is delivered.
- 1.5. Our understanding of the risk management processes at the County Council means that we are able to place some reliance on the County Council's risk management process and its risk registers in formulating our audit plan.
- 1.6. This Risk Assessment is a key factor in deciding how to allocate internal audit resources available. It ensures that resources are focused on those areas where they can be of most benefit to the County Council by providing assurance to the Audit and Governance Committee and management on controls over key risks. This document sets out our responses as internal auditors to those risks and to other factors that have been considered as part of our assessment of audit need.

2. Providing assurance

- 2.1. This section sets out the fundamental areas of the plan together with the basis upon which coverage by Internal Audit is required.

Delivering value

- 2.2. Internal Audit can also provide a valuable role in improving business performance and delivering future value. We can assist the Council through the deployment of specialist skills and experience.
- 2.3. Audit work will focus on the four key areas of Worcestershire Future Fit; Open for Business, Children and Families, Environment and Health and Wellbeing.

Providing fundamental "core systems" assurance

- 2.4. We recognise the necessity to provide management with an on-going level of fundamental "core systems" assurance. We will also seek to maximise audit efficiency by working closely with the external auditors, Grant Thornton. This includes developing and enhancing existing working arrangements with the external auditors.

Moving towards a risk based audit approach

- 2.5. Risk based work is also critical to the County Council, as it seeks to improve the risk awareness of staff, and improve overall control. The internal audit work programme is designed to provide assurance that the significant risks identified within the County Council's risk registers are being managed effectively. As part of this process we will also examine the risk management framework and governance procedures.
- 2.6. A significant element of the Internal Audit plan is still focused on fundamental assurance. However, over time as risk management processes develop and the internal control environment strengthens, we would expect the proportion of the internal audit plan spent on this to reduce. This will enable us to concentrate more of our resources on assisting the Council in areas such as efficiency gains, process improvements and delivering savings.

Next steps

- 2.7. Following consultation with key stakeholders, we seek final approval of the risk assessment and internal audit plan. During the year we will agree the timing of each review and issue a terms of reference agreed with management for each individual audit. The intention is for all internal audit work to be completed before the end of March 2015.

The risk assessment process

- 2.8. The Information which has been used to prepare our Risk Assessment and proposed Internal Audit plan has been collected and collated from a number of different sources, including:
- The prior year internal audit plan approved earlier in the year;
 - The Corporate Plan, Worcestershire Future Fit;
 - A review of risk registers;
 - Consultation with key individuals;

- A review of relevant documentation and reports provided to us; and
- Our knowledge of the Council and results of Internal Audit work undertaken in prior years.

Completeness of assessments and future reviews

- 2.9. Our risk assessment is limited to matters emerging from the processes listed above. We will review and update this assessment and the resulting internal audit plan annually. If, however, additional risks arise, or change in priority, during the year the audit plan will be reconsidered with management and, with the approval of the Audit and Governance Committee, amended to ensure that audit resources are focused on new risk areas.

3. Resources

- 3.1. The current internal audit structure includes a Senior Manager, Audit and Assurance, two Engagement Managers, three Senior Auditors and four Audit Assistants. It is also the intention to purchase approximately 50 days of specialist IT knowledge using the Internal Audit Framework agreement.

Productive days:	Total
Senior Manager, Audit & Assurance	60
Engagement Managers (2)	344
Senior Auditors (3)	583
Audit Assistants (4)	763
Specialist IT skills and knowledge.	50
Total	1800

- 3.2. Any changes in resourcing requirements in year will be communicated to the Audit and Governance Committee.

4. Proposed Internal Audit Plan

- 4.1. The proposed Internal Audit Plan for 2014/15 is set out below (in summary and detail) for the approval of Audit and Governance Committee. This has been informed by the risk analysis in Section 2 in accordance with modern internal auditing standards and the CIPFA Code of Practice for Internal Audit in Local Government in the UK.
- 4.2. In each instance an overview of the review has been included, the estimated number of days will be confirmed with Directors and the Senior Manager, Audit and Assurance prior to the final Audit Plan presented for approval at the next Audit and Governance Committee meeting. Once the programme has been agreed in outline, we will refine the precise scope of each review and agree this, and the related days, with management.
- 4.3. The responsibilities of Internal Audit, Audit and Governance Committee and management in developing and delivering the Internal Audit Plan are set out in the Internal Audit Charter.

Summary operational internal audit plan 2014/15

Area of coverage	Proposed Days (2014/15)
OP1 Fundamental assurance (core systems reviews)	260
OP2 Audits across the key areas of focus in the Corporate Plan	755
OP3 Open for Business	80
OP4 Children and Families	200
OP5 The Environment	90
OP6 Health and Wellbeing	135
Days available for WCC audit work.	1520
External Clients	280
TOTAL	1800

- 4.4. All audit days have been confirmed through due diligence with Directors and the Senior Manager, Audit and Assurance.
- 4.5. This plan excludes management time and all overheads. Special investigations will be in addition to the agreed internal audit plan; 80 days have been included in the above plan.
- 4.6. As per the requirements of the Public Sector Internal Audit Standards, individual audits have been prioritised. High priority audits include key financial systems, investigative work and high level corporate objectives and risks. Medium priority audits are based on discussions with senior managers and review of directorate risk registers. Low priority audits do have some organisational risk but have been

mainly excluded from the plan due to lack of resources.

- 4.7. The following tables outline the detailed plan to be presented to the Audit and Governance Committee for approval.

Detailed operational internal audit plan 2014/15

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
OP1 Core systems reviews – fundamental assurance						
Core financial systems e.g. General Ledger / Financial accounting Debtors Creditor payments Payroll Pensions – administration processes Pensions – investment management Pension Governance arrangements Treasury Management Budgetary arrangements	High	Managed Audit	In line with three year financial systems cycle To be agreed in conjunction with external audit	Full systems	200	1-4

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
VAT Bank Reconciliations Fixed Assets						
National Fraud Initiative	High	Internal Audit	In line with national NFI requirements	National Fraud Initiative	30	1-4
Grant Certification	High	Internal Audit	Where required	Grant certification	30	1-4
Subtotal OP1					260	
OP2 Audits across the key areas of focus in the Corporate Plan						
Directorate Risks	TBC	Directorate risk registers Conversation with Directors	Specific reviews on key directorate risks that arise during the year. To be agreed with Directors.	Flexible	150	1-4
Investigative work	High	Internal audit Requests from management	As suggested, to be confirmed during the audit year.	TBC	80	1-4

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
		Whistleblowing				
Intelligence led pro-active fraud investigations	High	Internal Audit	Use of internal specialist data analysis software and output from Audit Commission's NFI data matching exercise.	Compliance	25	1-4
Advice		Requests for advice	To be determined following requests received.	Flexible	50	1-4
ICT audits – externally provided as part of the Internal Audit framework agreement.	High	Internal audit Consultation	To be determined following IT risk assessment.	Full systems	50	1-4
Data Information Security	High	Consultation Risk registers	Compliance with relevant legislation.	Full Systems Compliance	10	2
Computer Recycling	High	Consultation	Security of the arrangements for recycling computer equipment.	Full Systems	10	1
IT Policy Framework	High	Consultation	Review of appropriate and relevant policies.	Advisory	10	3

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Ethical Culture	Medium	Public Sector Internal Audit Standards (PSIAS)	Evaluate the design, implementation and effectiveness of the organisation's ethics related objectives, programmes and activities.	Evaluation	10	3
Performance Management	Medium	Consultation Corporate Plan	How performance information is used by the Council to drive forward change.	Advisory	15	3
Contract Management	High	Corporate Plan Internal Audit	Contract terms Contract monitoring Lessons learnt	Full systems	20	4
Commissioning	High	Consultations	Is the authority achieving value for money from out sourcing services? Decision making and adequacy of specification. Performance indicators Control environment Monitoring arrangements	Compliance Advisory Added value	30	3

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Cost of change- redundancy costs.	Low	Consultation	To assess whether redundancy costs have provided value for money.	Added value Compliance	10	4
Travelling and Subsistence –Employees	Medium	Consultation Internal Audit	Review of controls and processes around travelling and subsistence claims.	Full systems Compliance	25	1
Travelling and Subsistence – Councillors	Medium	Consultation Internal Audit	Review of controls and processes around travelling and subsistence claims.	Full systems Compliance	10	2
Councillor ICT arrangements.	Medium	Consultation Internal Audit	Controls around expenditure.	Full systems Compliance	5	2
WCDF – Worcestershire Councillor's Divisional Fund	Medium	Consultation	Approval of bids and transfer of funds.	Full systems Compliance	10	1
Flexible and Mobile Environment (FAME) working	Medium	Consultation Council Policy	Review of arrangements.	Compliance Added value	20	3

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Procurement	High	Consultation	Review of procurement e.g. new stationery contract. Appropriate procedures followed. Savings realised.	Full systems Compliance	30	2
Future Fit: Future Operating Model	High	Consultation	Configuration of processes and systems. Future delivery linked to corporate objectives.	Advisory Systems	20	3
Joint Property Vehicle (JPV)	High	Consultation	On-going advice, governance arrangements, performance indicators, milestones and outputs. Also link into financial due diligence.	Advisory Systems Added value	30	1-4
Archaeology	Low	Consultation	Emphasis on financial systems including income and invoice procedures. Also separation of roles between field and planning Archaeology.	Full systems	15	4

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Registrars	Low	Consultation	To ensure that appropriate systems and controls are in place.	Full systems	10	4
Governance	High	Consultation	Governance framework Annual Governance statement	Full systems Advisory	15	4 1
Risk Management	High	Consultation	Risk management process	Full systems	10	1-4
Audit and Governance Committee training	High	Internal Audit	Training members of the Audit & Governance Committee.	Training	5	1-2
General follow up	High	Internal audit	Follow up of previous Audit Findings.	Follow up of high and medium risk issues	20	1-4
Freedom of Information Requests	Medium	Internal Audit	Decision making process for the release of information.	Full systems	15	3
Insurance arrangements	Medium	Internal Audit	Appropriate cover is held by partners. Review of paid and	Compliance Full systems	5 10	3

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
			disputed claims.			
Training and Development	Medium	Risk Register	Review of SRD process and monitoring arrangements.	Full systems	15	3
Use of agency staff	Medium	Internal Audit	Review of MATRIX system and monitoring arrangements.	Full systems	15	1
Subtotal OP2					755	
OP3 Open for Business						
European Funding	High	Consultation	Compliance with terms and conditions.	Compliance Added value	10	3
Local Enterprise Projects	High	Corporate Plan	Review of accountable body arrangements through the LEP to support business growth and development.	Full systems/validation	10	4
Growing Places Fund	High	Internal Audit Corporate Plan	Loans to companies for capital projects (grant provided by DCLG).	Validation	10	4

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Broadband project	High	Consultation	Payment procedures	Compliance	20	1-4
		Corporate Plan	Contract monitoring	Advisory		1-4
			Ongoing advice	Validation		3-4
Improvement & Efficiency West Midlands (IEWM)	Medium	Consultation	Planned approach regarding hand over arrangements.	Advisory	10	4
		Internal Audit	Finance, delivery evidence and legacy documents.	Systems approach		4
Efficiency Audit	Medium	Internal Audit	Review a sample of payments in excess of £100,000 to determine the appropriateness of the contracting arrangements, performance monitoring and VFM.	Compliance	20	2
Subtotal OP3					80	
OP4 Children and Families						
Sufficiency of Alternative	Medium	Consultation	TBC	Systems	25	2

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Provision.				Advisory		
Not in Education, Employment or Training (NEETS).	Medium	Consultation	Identification and monitoring of NEETS	Advisory Added value	10	1
Safeguarding	High	Consultation Corporate Plan	Lessons learnt from in-house reviews around safeguarding and child protection.	Advisory Added value	30	2
Primary School Sports Grant	Medium	Consultation	Review use of grant and share best practice.	Advisory	15	3
School Themed Audits	Medium	Internal Audit Corporate Plan	Including: <ul style="list-style-type: none"> ➤ Procurement cards ➤ Safeguarding in schools 	Compliance	100	1-4
Provision of Support Services in Schools.	High	Consultation	Future arrangements.	Advisory Systems	20	3
Subtotal OP4					200	

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
OP5 The Environment						
PFI Waste Contract	High	Internal Audit	To be agreed.	Full systems	20	1
Highways Maintenance Contract	High	Consultation	To ensure that the new contractual arrangements are being adhered to with an emphasis on planned works.	Full systems	30	3/4
Design Services Contract	High	Consultation	Contractual arrangements. Contract management.	Full systems	20	1
Evesham Abbey Bridge	High	Consultation	Independent review of delays and associated increased costs.	Added value/advisory	20	3
Subtotal OP5					90	
OP6 Health And Wellbeing						
Direct Payments	High	Consultation Corporate Plan	Audit work will focus on new arrangements.	Systems/advisory	20	4
Delayed Transfer of Care	High	Consultation Corporate Plan	Consideration of delays in the system, across the whole of the NHS, liaising with auditors across the	Systems Systems/advisory	35	1

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
			Acute Trust and NHS.			
Responsibilities for Community Safety	High	Consultation Corporate Plan	Community safety priorities and programmes. Comparison with other authorities. Are we doing what we should be doing?	Systems Added value	10	3
Public Health Ring Fenced Grant	High	Consultation Corporate Plan	Governance arrangements. Do we meet our mandatory requirements? Is the expenditure legitimate?	Validation Systems	30	1
Care and Support Planning	High	Consultation	Care Act compliance.	Full systems Added value	20	4
DASH Savings Plans	High	Consultation Corporate Plan	Identification of savings. Savings plans are realistic, adequately resourced and monitored.	Validation Systems	20	2
Subtotal OP6					135	

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
TOTAL OP1 to OP6					1520	