

**Internal Audit Risk Assessment and Plan
2015/16**



Distribution List

Audit and Governance 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 2015/16.
- 1.2. This is in line with the Public Sector Internal Audit Standards.
- 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 the Corporate Plan - 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. 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 2016.

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. It is proposed that Worcestershire County Council's Internal Audit team will transfer to Warwickshire County Council from 1 May 2015.
- 3.2. Warwickshire will provide an agreed level of audit coverage to Worcestershire, in accordance with the Public Sector Internal Audit Standards and the associated Local Government Application Note. The total annual input for the years indicated above, including management time and on a full year basis has been agreed at 1450 days.

- 3.3. Any changes needed to the agreed audit plan will be agreed between the Worcestershire Chief Financial Officer and the Warwickshire Head of Audit. Where changes cannot be accommodated from within contingency or by rescheduling planned audits Warwickshire will use best endeavours to provide the additional coverage. This may be subject to extra charge at a reasonable day rate determined by Warwickshire and agreed by Worcestershire.
- 3.4. 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 2015/16 is set out below for endorsement by the Audit and Governance Committee. This has been informed by the risk analysis in Section 2 in accordance with modern internal audit practice and the Public Sector Internal Audit Standards.
- 4.2. In each instance an overview of the review has been included. 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.
- 4.4. The following table shows a summary of the 2015/16 Internal Audit Plan

Summary Operational Internal Audit Plan 2015/16

Area of coverage	Proposed Days (2015/16)
OP1 Fundamental assurance (core systems reviews)	265
OP2 Audits across the key areas of focus in the Corporate Plan	530
OP3 Open for Business	25
OP4 Children and Families	285
OP5 The Environment	120
OP6 Health and Wellbeing	125
Days available for WCC audit work.	1350
Management	100
TOTAL	1450

- 4.5. All audit days have been confirmed through due diligence with Directors and the Senior Manager, Audit and Assurance.

- 4.6. As per the requirements of the Public Sector Internal Audit Standards, individual audits have been prioritised.
- 4.7. The following table outlines the detailed plan for consideration by the Audit and Governance Committee.

5. Detailed Internal Audit Plan 2015/16

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 VAT Bank Reconciliations Fixed Assets	High	Managed Audit	In line with three year financial systems cycle To be agreed in conjunction with external audit	Full systems	120	1-4
Capital Forecasting	High	Internal Audit Consultation	Review of processes in place.	Systems /advice	10	2

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Medium Term Financial Plan	High	Internal Audit Consultation	Post September, assurance around robustness and good practice.	Full Systems	10	3
Controls around Purchase Order/Payments	High	Internal Audit Consultation	Adherence to controls	Full Systems	20	4
Self Service for Finance	High	Internal Audit Consultation	Controls around Self Service for Finance and accuracy and reliance on forecasting	Full Systems Advisory	15	3
Adherence to Capital Accounting Practice	High	Internal Audit Consultation	To reflect planned changes in 2015/16	Compliance	10	3
Feeder systems	High	Follow up on previous advice.	Review of controls and authorisation process	Full Systems	15	1
National Fraud Initiative	High	Internal Audit	In line with national NFI requirements	National Fraud Initiative	20	1-4
Grant Certification	High	Internal Audit	Where required.	Grant certification	30	1-4

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Grant Assurance following individual memorandums of understanding	High	Internal Audit/DASH	Community Capacity Grant Department of Health Transforming Care Fund Care Bill implementation grant for 2014/15	Assurance	15	1 1 1
Subtotal OP1					265	
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	115	1-4
Investigative work	High	Internal audit Requests from management Whistleblowing	As suggested, to be confirmed during the audit year.	TBC	80	1-4
Intelligence led proactive 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	High	Requests for advice	To be determined following requests received.	Flexible	50	1-4

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
IT Security audit	High	Internal Audit Consultation	To be determined following IT risk assessment.	Full Systems	35	4
IT Asset Configuration audit	High	Internal Audit Consultation	Responsibilities, controls, reporting, compliance and governance.	Full Systems	15	1
IT Policy Framework	High	Consultation	Review of appropriate and relevant policies.	Advisory	10	3
Use of Consultants	High	Audit and Governance Committee	Follow up on previous audit work. Assurance that all recommendations have been fully implemented.	Full Systems Compliance	30	1
Performance Management	Medium	Consultation Corporate Plan	How performance information is used by the Council to drive forward change.	Full Systems	15	1-3

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Commissioning	High	Consultation	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 – ongoing involvement of Internal audit rather than looking retrospectively	35	3
Job evaluation/ Grading of posts.	Medium	Internal Audit Consultation	Impact of commissioning Proposed changes.	Added value Advisory	10	3
Procurement	High	Consultation	Review of procurement. Appropriate procedures followed. Savings realised.	Full systems Compliance	30	2
Joint Property Vehicle (JPV)	High	Consultation	Contract management Obtaining assurance from the appointed auditors regarding the control environment.	Advisory Added value Compliance	10	4
Legal – looked after children	High	Consultation Internal Audit	To look at the legal processes regarding looked after children.	Full systems Added value	15	1

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Risk Management	High	Consultation	Risk management process	Advisory	5	1-4
Transfer of Assets	High	Consultation Internal Audit	When areas are outsourced, there is a need to ensure that assets are accounted for correctly and tracked to ensure that nothing goes missing etc.	Systems Advisory Compliance	15	3
Business ownership of systems	High	Consultation Internal Audit	As services are outsourced, are there controls around who owns data etc and in the event that an outsourced service was brought back in house, is it clear that the data is owned by the council and would be returned. Also, is the organisation clear on what data is held in which systems – information architecture?	Full systems Advisory.	20	4
Training and Development	Medium	Consultation Internal Audit	HR / Social Care Training Provision of training to Voluntary and Independent sector.	Full systems	15	3
Subtotal OP2					530	
OP3 Open for Business						

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Local Enterprise Projects	High	Corporate Plan	Consideration of whether the Council is fulfilling its responsibilities from an Accounting body perspective.	Full systems/validation	10	4
Broadband project	High	Consultation Corporate Plan	Payment procedures Contract monitoring Ongoing advice	Compliance Advisory Validation	5	1-4 1-4 3-4
Improvement & Efficiency West Midlands (IEWM)	Medium	Consultation Internal Audit	Planned approach regarding hand over arrangements. Finance, delivery evidence and legacy documents.	Advisory Systems approach	10	4 4
Subtotal OP3					25	
OP4 Children and Families						
SEN(D) Transport	High	Consultation Internal Audit	Learning and Achievement Children's Families Act. There is an expectation that partnerships work together. With regard to SEN (D) transport there may be potential to make savings.	Full systems Advisory	20	3

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Local Offer 2014 Children's Families Act	Medium	Legislation	There is a linkage between SEN and Local Offer. Main areas around compliance with legislation to have a local offer. Potential for mismatch between schools and Council provision	Compliance	20	3
Child Academic Improvements in Care Homes-	High	Consultation Internal Audit	Quality outcomes for Young People in Children's Residential Homes.		20	2
Foster Payments	High	Consultation Internal Audit	Accuracy and timeliness of payments made to Adopters/ Special Guardians/ Private Providers and Foster Supported Living Providers. To ensure appropriately authorised, input and approved.	Full Systems	25	2
Foster Carers - the Foster Carer Journey	High	Consultation Internal Audit	Questionnaire designed that could capture feedback from the latest cohort of Foster Carer's to find out what is going well and what isn't so they can improve the Foster Carer journey.	Added value Advisory	15	1 (April 2015)

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
School Themed Audits	High	Internal Audit Corporate Plan	Themes to be agreed.	Compliance	100	1-4
Stronger Families programme	High	Consultation Internal Audit	A review of how the Council is evidencing impact of the Stronger Families programme	Full Systems	20	2 (July 2015)
Business Support Service	High	Consultation Internal Audit	Review of the business support service within the safeguarding quality assurance service	Full Systems	20	4 (January 2016)
Early Help Commissioning	High	Consultation Internal Audit	A review of the outcome based commissioning approach and value for money focused on all aspects of early help commissioning	Full systems Value for money	25	4 (January 2016)
Safeguarding	High	Consultation Corporate Plan	To be informed following discussions with group manager, safeguarding and quality assurance.	Added Value Review of systems	20	3
Subtotal OP4					285	

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
OP5 The Environment						
Highways Customer and Community.	High	Consultation Internal Audit	Includes highways enquiries, County highways, public performance measurement, road safety and Councillors allowance re expenditure in this area. Controls over expenditure and consideration of how this expenditure impact on wider spend.	Full Systems Value for money.	15	3
Transport	High	Consultation Internal Audit	Main focus financial overview of transport operations with an emphasis on public transport.	Full Systems	25	2
Flood Management	Medium	Consultation Internal Audit	Flood risk management, also an emphasis on capital expenditure.	Full Systems	20	2
Evesham Abbey Bridge	High	Consultation	Independent review of delays and associated increased costs. Lessons learnt	Added value /advisory	20	3

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Highways Maintenance Service Contract	High	Consultation Internal Audit	To ensure that the new contractual arrangements are being adhered to.	Full Systems	30	4
Malvern Link and Worcester Foregate Street Enhancement contract	High	Audit and Governance Committee	Final account audit	Final Account	10	1
Subtotal OP5					120	
OP6 Health And Wellbeing						
Direct Payments	High	Consultation Corporate Plan	Audit work will focus on new arrangements. Need to consider process, controls, whether safeguarding issues are addressed, approach and any other issues.	Systems /advisory	20	4
E Market Place	High	Consultation Corporate Plan	Is the system working; are there appropriate controls over the quality aspects to ensure an appropriate level of service provision?	Systems /advisory	20	3

System	Priority	Source	Point of Focus	Audit Approach	Days	Quarter
Commissioning	High	Consultation Corporate Plan	Emphasis on Quality Assurance	Full systems	20	2
Adult and Social Care Annual Review Process	High	Consultation Statutory duty.	Target is to review 95% of cases. Consideration of the effectiveness of current approach and alternative approaches.	Systems Advisory	20	2
Deferred Payments Scheme	High	Consultation Legislation	Management and administration of the deferred payments scheme, guidance and policies, property valuation and sale, means testing, top ups and monitoring.	Full Systems	25	3
Post Implementation - Care Act	High	Consultation Legislation	Post implementation and consistency of interpretation regarding the Care Act.		20	4
Subtotal OP6					125	
TOTAL OP1 to OP6					1350	