



**Report to: Audit and Governance Committee, 20<sup>th</sup> March 2019**

**Report of: Head of Internal Audit Shared Service, Worcestershire Internal Audit Shared Service**

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**Subject: DRAFT INTERNAL AUDIT PLAN FOR 2019-20**

**1. Recommendation**

**1.1 That the Committee approves the Draft Annual Internal Audit Plan and Key Performance Indicators.**

**2. Background**

2.1 To present the Worcester City Council Draft Internal Audit Operational Plan (see **Appendix 1**) and the Internal Audit Shared Services set of key performance indicators for 2019/20 (see **Appendix 2**) for approval.

2.2 The Council is required under Regulation 5 of the Accounts and Audit Regulations 2015 to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

2.3 To aid compliance with the regulation, the Institute of Internal Auditors Public Sector Internal Audit Standards (as amended) details that "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".

**3. Audit Objectives**

- 3.1 The objectives of the Worcestershire Internal Audit Shared Service are to:
- examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Council and recommend arrangements to address weaknesses as appropriate;
  - examine, evaluate and report on arrangements to ensure compliance with legislation and the Council's objectives, policies and procedures;
  - examine, evaluate and report on procedures to check that the Council's assets and interests are adequately protected and effectively managed;
  - undertake independent investigations into allegations of fraud and irregularity in

accordance with Council policies and procedures and relevant legislation; and

- advise upon the control and risk implications of new systems or other organisational changes.

### 3.2 **Formulation of Annual Plan**

WIIASS operates an Internal Audit Charter which sets out the standards to which it operates for this Council. The draft Internal Audit Plan for 2019/20, which is included at Appendix 1, is a risk based plan which takes into account the adequacy of the Council's risk management, performance management, challenges, other assurance processes as well as organisational objectives and priorities. It has been based upon the risk priorities per the Corporate and Service risk registers as indicated in the Covalent system. Large spend budget areas have also been considered, and, direct association has been made to the City Plan. The draft Internal Audit Plan for 2019/20 has been agreed with the section 151 officer and has been considered by Heads of Service and CLT. It has been formulated with the aim to ensure Worcester City Council meets its strategic purposes and delivers the City Plan and has directly linked the various aspects to identify the 'golden thread' in regards to the City Plan, risk identification to Service delivery. It was first brought before the Audit and Governance Committee in draft format in December 2018 as the involvement of the Committee is considered to be an important facet of good corporate governance, contributing to the internal control assurance given in the Council's Annual Governance Statement.

We recognise there are other review functions which provide other sources of assurance, both internally and externally, (e.g. ICT Public Service Network assurance testing) over aspects of the Council's operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.

To try to reduce duplication of effort we understand the importance of working with the External Auditors. The audit plan is shared with the external auditors for information along with some of the work that is undertaken during a review.

### 3.3 **Resource Allocation**

The Internal Audit Plan for 2019/20 has been based upon a resource allocation of 320 productive audit delivery days but is showing a small reduction on 2018/19's budget of 327. A summary of the days as well as the detailed plan provision has been included with the Internal Audit Plan for 2019/20 at Appendix 1. Those areas that are considered to have a 'high' priority will be targeted first where practicable in regard to the plan delivery. A number of areas have been included in the plan and are shared with other Partners. Budgets are split across different Partner audit plans to reduce the burden on any one Council but allow the delivery of reviews where services are shared. An assessment was made what to include in the plan based on the overall risk and governance profile. A watching brief will be kept on the financial systems and a rolling programme of testing will take place but they are not considered as the key risk areas due to embedded process, control and anti fraud measures. Operational support days are included to give a little flexibility and contingency in the plan e.g. consultancy. These are necessary to support the delivery of the plan as a whole. Areas that were considered to be emerging risks or areas of mitigated risk but require a watching brief

have been highlighted for transparency purposes but will not be included in the plan for next year. There is a distinct possibility that they will be included in the 2020/21 audit plan. One area that has been requested since the draft plan was formulated is 'Safeguarding'. It is proposed that this will be delivered using part of the contingency budget.

Due to the continuing changing environment that exists in Local Government the plan must be seen as a framework for Internal Audit work for the forthcoming year. There is a need for flexibility in the plan due to a changing risk profile as well as emerging risks. To ensure flexibility there is the possibility that the plan will be updated during the year in order to address such challenges.

### 3.4 **Financial implications**

The estimated charge to the Council for the Internal Audit service for 2019/20 based upon this plan will be notified to the Client Officer Group when all the client plan days across the Shared Service have been agreed.

### 3.5 **Monitoring and reporting of performance against the Plan**

Operational progress against the Internal Audit Plan for 2019/20 will be closely monitored by the Head of Service of the Worcestershire Internal Audit Shared Service and will be reported to the Shared Service's Client Officer Group, which comprises the section 151 officers from client organisations' and to the Audit and Governance Committee on a quarterly basis. The success or otherwise of the Internal Audit Shared Service will be determined by the performance against a set of performance indicators which have been developed for the service. These have been agreed with the Council's section 151 officer and are included at Appendix 2. Performance against these indicators will be reported to the Audit and Governance Committee at the frequency stipulated in Appendix 2.

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<b>Background Papers:</b>	<b>None</b>

**SUMMARY OF DETAILED DRAFT PLAN**

<b>Planned Days</b>	<b>2019/20</b>
Financials	108
Corporate Work	21
Other Systems Audits	121
<b>Sub total</b>	<b>250</b>
Audit management meetings	30
Corporate meetings / reading	20
Annual plans, reports and Audit Committee support	20
<b>Sub total</b>	<b>70</b>
<b>TOTAL Audit Days</b>	<b>320</b>

**APPENDIX 1**

**Draft 2019/20 Internal Audit Plan**

<b>Audit Area</b>	<b>Corporate Link</b>	<b>Risk Register link</b>	<b>Inclusion due to risk</b>	<b>Outline resource required 2019/20 (days)</b>	<b>Priority</b>	<b>2018/19 Days comparison</b>
<b>Financial Services</b>						
Debtors	Underpins City Plan requirements	Business as usual	<input checked="" type="checkbox"/>	5	Low	
Main Ledger/Budget Monitoring/Bank Reconciliation	Underpins City Plan requirements	Business as usual	<input checked="" type="checkbox"/>	4	Low	
Creditors#	Underpins City Plan requirements	Business as usual	<input checked="" type="checkbox"/>	0	Low	
Payroll (contract monitoring/inhouse)**	Underpins City Plan requirements	Returning Service	<input checked="" type="checkbox"/>	16	Low	
Treasury Management	Underpins City Plan requirements	Business as usual	<input checked="" type="checkbox"/>	3	Low	
Sub Total				28		
Council Tax*	Underpins City Plan requirements		<input checked="" type="checkbox"/>	6	Low/Medium	
Benefits*	Underpins City Plan requirements		<input checked="" type="checkbox"/>	8	Low/Medium	
NNDR*	Underpins City Plan requirements	SF-SRK-002	<input checked="" type="checkbox"/>	6	Low/Medium	
Client Side Checking	Underpins City Plan requirements		<input checked="" type="checkbox"/>	60	Low/Medium	
<b>TOTAL</b>				<b>108</b>		<b>98</b>
<b>Corporate</b>						
IT Audit*	Underpins City Plan requirements	CRK-012	<input checked="" type="checkbox"/>	6	Medium	
Risk Management		Business as usual	<input type="checkbox"/>			
Transformation	Underpins City Plan requirements	CRK-009	<input type="checkbox"/>			
Procurement (new system, exemptions & policy adherence, contracts/agreements and rolling contracts)	Underpins City Plan requirements		<input checked="" type="checkbox"/>	10	Medium	
City Plan Policies (in development)	City Plan	Business as usual		5	Low	
<b>SUB TOTAL</b>				<b>21</b>		

<b>Audit Area</b>	<b>Corporate Link</b>	<b>Risk Register link</b>	<b>Inclusion due to risk</b>	<b>Outline resource required 2019/20 (days)</b>	<b>Priority</b>	<b>2018/19 Days comparison</b>
<b>Other Systems Audits</b>						
<b>Community</b>						
Cemetery and Crematorium (much change/basic processes -critical friend approach)	Sustaining and Improving our Assets	CS-SRK-Cremators	<input checked="" type="checkbox"/>	12	High	
CCTV (partnership arrangements & monitoring)	Stronger and Connected Communities	CS-SRK-005 & 008	<input type="checkbox"/>			
<b>Operations</b>						
Refuse, Recycling and Trade Waste (analysis of data - critical friend) (Days to be allocated to each area)	Sustaining and Improving our Assets	OP-SRK-002	<input checked="" type="checkbox"/>	15	High	
Street Scene						
New system implementation	Sustaining and Improving our Assets	OP-SRK-005	<input type="checkbox"/>			
Health & Safety (Depot 12mths on follow up)	Underpins City Plan requirements	OP-SRK-006	<input checked="" type="checkbox"/>	9	High	
<b>Legal</b>						
Guildhall Use/Income	Sustaining and Improving our Assets		<input type="checkbox"/>			
<b>Strategic Housing</b>						
Affordable Housing Delivery/Temp Accommodation (preliminary work only)	Stronger and Connected Communities	SH-SRK-002	<input checked="" type="checkbox"/>	10	Medium	
<b>Asset Management</b>						
Tech-Forge interface with Civica & processes **	Sustaining and Improving our Assets	Returning Service	<input checked="" type="checkbox"/>	14	Medium	
Property Investment	Sustaining and Improving our Assets		<input type="checkbox"/>			
2-4 Copenhagen Street	Sustaining and Improving our Assets		<input type="checkbox"/>			
Sansome Walk pool site	Sustaining and Improving our Assets		<input type="checkbox"/>			
<b>Economic Development and Planning</b>						
New System Implementation						
Museums**	A Heritage City for the 21st Century	Returning Service	<input checked="" type="checkbox"/>	8	Medium	

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Tourist Information Office**	A Heritage City for the 21st Century	Returning Service	<input checked="" type="checkbox"/>	5	Medium	
<b>Other Operational Work</b>						
Advisory, Consultancy (incl. H&S/Safeguarding) & Contingency	N/a	N/a	<input checked="" type="checkbox"/>	15		
Fraud & Investigations inc NFI	N/a	N/a	<input checked="" type="checkbox"/>	12		
Completion of prior year's audits	N/a	N/a	<input checked="" type="checkbox"/>	9		
Report Follow Up (all areas)	N/a	N/a	<input checked="" type="checkbox"/>	12		
SUB TOTAL				121		
<b>TOTAL</b>				<b>142</b>		<b>159</b>
Audit Management Meetings	N/a	N/a	<input checked="" type="checkbox"/>	30		
Corporate Meetings / Reading	N/a	N/a	<input checked="" type="checkbox"/>	20		
Annual Plans, Reports & Committee Support	N/a	N/a	<input checked="" type="checkbox"/>	20		
<b>TOTAL</b>				<b>70</b>		<b>70</b>
<b>TOTAL CHARGEABLE</b>				<b>320</b>		<b>327</b>

# As part of the shared service for Debtors and Creditors the audits are split between the Malvern Hills District Council internal audit plan and the Worcester City Council internal audit plan thus giving coverage and assurance but reducing the overall number of days.

\*Shared budgets with two other Partners. Budgets are consolidated to deliver the review for all three Partners.

\*\*New potential risk areas days due to the Service returning to Worcester City Council.

Financial audits will be undertaken on a rolling basis using an analytical analysis to identify any potential developing risk areas. Full reviews will be undertaken if the emerging risks and/or trends are identified due to significant change e.g. people or systems.

## APPENDIX 2

### Performance against Key Performance Indicators 2019-2020

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2019/20. Other key performance indicators link to overall governance requirements of Worcester City Council e.g. KPI 4, 5 and 6. The 2019/20 position will be populated on a cumulative basis throughout the year.

	<b>KPI</b>	<b>Trend/Target requirement</b>	<b>2019/20 Position (as at XXXXXXXX)</b>	<b>Frequency of Reporting</b>
<b>Operational</b>				
1	No. of audits achieved during the year	Per target	Target = 12 (minimum) Delivered = XX	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	XX	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	XX	When Audit Committee convene
<b>Monitoring &amp; Governance</b>				
4	No. of 'high' priority recommendations	Downward (minimal)	XX	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	XX	When Audit Committee convene
6	'Follow Up' results	Management action plan implementation date exceeded (nil)	XX	When Audit Committee convene
<b>Customer Satisfaction</b>				
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	XX	When Audit Committee convene

WIASS operates within, and conforms to, the Public Sector Internal Audit Standards (as amended).