



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	
1st March 2018	
1:30 pm	<u>Public</u>

DRAFT INTERNAL AUDIT ANNUAL PLAN 2018/19

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1. Summary

This report provides Members with the proposed risk based Internal Audit Plan for 2018/19. The annual plan will provide coverage across all Council services and deliver internal audit services to a range of external clients. It takes account of issues identified by the clients' risk management frameworks, including the risk appetite levels set by management for the different activities or parts of the organisations audited. The proposed plan takes into account the requirement to produce an annual internal audit opinion and assurance framework. Some minor adjustments may be needed before the plan is finalised; if significant, these will be agreed by the Section 151 Officer and reported to the next Audit Committee.

2. Recommendations

The Committee are asked to consider and endorse, with appropriate comment, the approach taken to create the proposed Internal Audit Plan for 2018/19 and approve its adoption.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Under the Audit Committee's terms of reference, reviewing the risk based audit plan, including internal audit resource requirements, the approach to using other sources of assurance and any other work upon which reliance is placed, is an important responsibility. In considering this plan Members should be assured that it is linked to the Council's key risks and provides sufficient coverage to ensure a reasonable opportunity to identify any weaknesses in the internal control environment. Risks

identified as being critical to the Council's operations will be reported and rectified where possible and viable.

- 3.2 Areas to be audited within the plan have been considered taking into account risk register information both operational and strategic.
- 3.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.
- 3.4 The Internal Audit Annual Plan satisfies both the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015 part 2. The latter sets out the requirements on all relevant authorities in relation to internal control, including requirements in respect of accounting records, internal audit and review of the system of internal control. Specifically:

‘A relevant authority must 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.’

4. Financial Implications

- 4.1 Costs associated with the proposed plan will be met from within the approved Internal Audit budget.

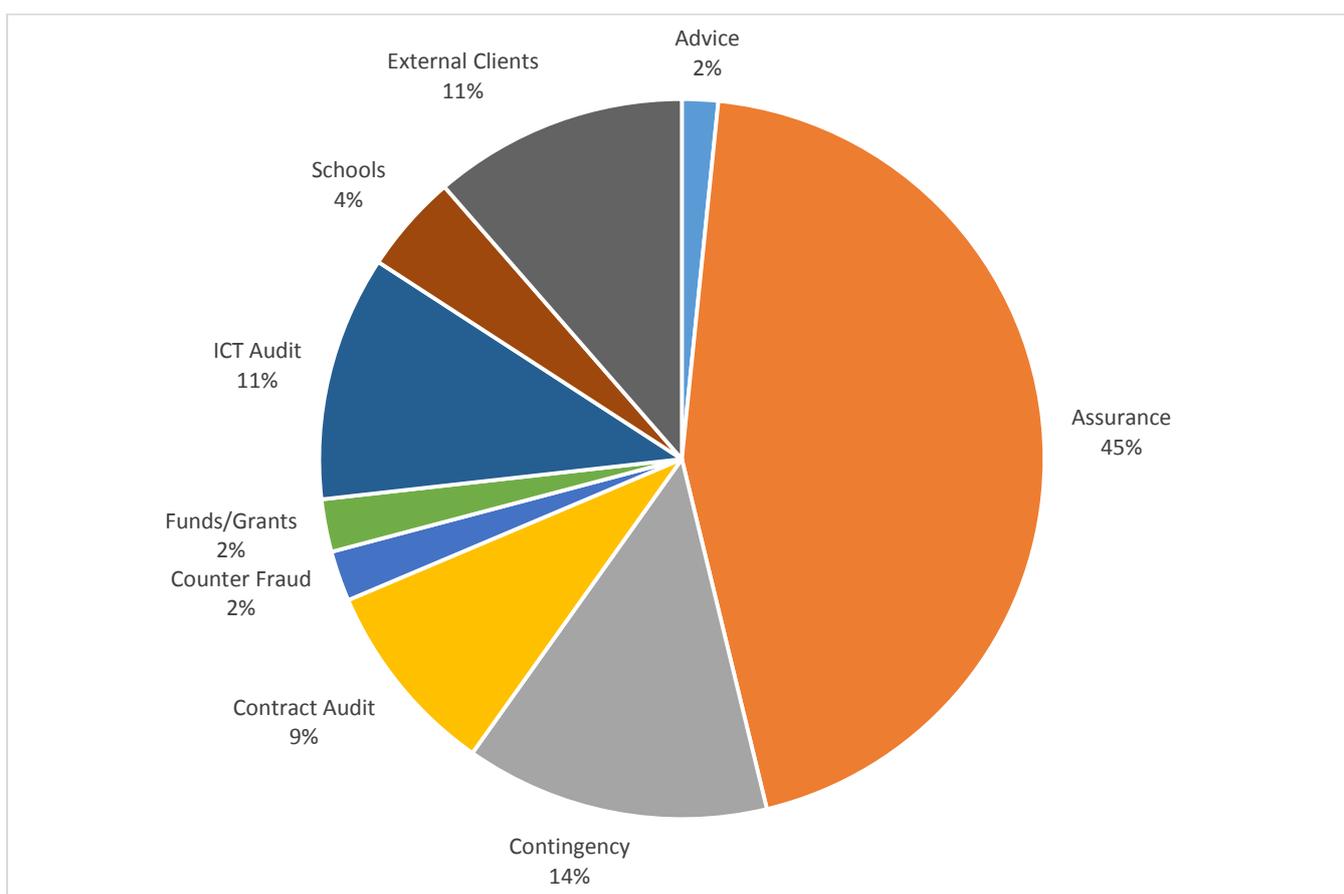
5. Background

- 5.1 The provision of a risk based Internal Audit Plan consistent with the Council's goals is an essential part of ensuring probity and soundness of the Council's internal controls, risk exposure and governance framework. The plan has been devised to ensure that it delivers against the PSIAS and the requirement to produce an annual Head of Internal Audit opinion and assurance framework. In so doing it can be confirmed that the plan covers the following activities:
- Governance processes
 - Ethics
 - Information technology governance
 - Risk management and
 - Fraud management.
- 5.2 The audit risk assessment is reviewed annually with the Chief Executive, Directors, Heads of Service and the Section 151 Officer to ensure that it remains robust and relevant to the needs and risk profile of the Council. The process also recognises that the Council is continuing to strive to improve services and use innovative approaches in addressing service delivery against a background of reducing resources and the transformation into a digitally enabled commissioning organisation.
- 5.3 When considering the risks affecting audit areas, account has been taken of:
- changes to and the introduction of new services;
 - the redesign/transformation programme and business plans of the Council;
 - budget pressures and saving commitments;
 - previous audit findings;

- opening and closure of establishments;
- comments from the external auditors on scope and coverage to ensure the work of Internal Audit does not duplicate that of the external auditor;
- Audit Committee terms of reference;
- increased partnership working or different delivery models for future service delivery;
- risks identified by the risk management process;
- budget deficits in relation to schools;
- large contracts likely to be undertaken; and
- assurances from services, internal governance and external parties.

5.4 Top risks facing councils continue to include pressures on finances and resources; technology; vendor and third party risk management; cybersecurity; the pace of innovation and change; political uncertainty including Brexit; workforce planning; cultural changes; fraud and misconduct; crisis risk management; data security; achieving compliance with regulations; and improving data aggregation and reporting. In addition, the Council's strategic risks around the IT infrastructure; workforce planning, staff development, retention and stress management; the clarity of a vision supported by financial sustainability and maintaining public confidence; commissioning, contracting and safeguarding children and adults have all been considered when refining the plan.

5.5 **Appendix A** provides the summarised Internal Audit plan and identifies a planned day requirement of 1,764 days for Shropshire Council audit work and 226 days of work for external clients. These days are broken down by type in the chart below.



Resources

- 5.6 The Internal Audit service has continued to see a rationalisation of resources at a time of significant increase in demand. The Council continues to go through a period of unprecedented change which is impacting on a high number of service areas, processes, risks and therefore controls. Whilst over time the Council will be reducing in size in terms of the services it delivers directly, the interim period continues to see the associated risks, and therefore areas requiring audit review, continue to increase. In addition, as a result of the changing control environment, areas reviewed are attracting lower assurance levels than previously. This has resulted in the need for an increased level of follow up audits, a must do in respect of unsatisfactory audits, with only a proportion of limited assurance audits being revisited within current resources.
- 5.7 The team has 9.9 full time equivalents and has retained a rich mix of skills in finance, information technology, contract management, governance, job evaluation, establishments, systems, counter fraud, investigations and project management (**Appendix B**). There is presently a vacancy and a maternity leave post. Recruitment for the vacancy is ongoing. In addition the team is supporting a finance trainee, shared with Financial Services, and a relatively new member of the team. Skills continue to be developed across the wider team and, to help supplement the internal resources and to respond to demand during this period of change, additional audit time will be purchased from external contractors. A procurement exercise this year has concluded and four contractors are now identified on the framework contract with Staffordshire County Council. The plan provides for a mixed provision to continue going forward into 2018/19.
- 5.8 The Audit Plan for 2018/19 based on a risk analysis identified approximately 2,480 days to review all high risk areas. Review areas attracting a lower risk have not been considered in this year's planning process. Resources available after deducting allowances for non-chargeable time (leave, management meetings, administration, etc.); and chargeable time (attendance at corporate officer and member meetings, responding to legislation, s151 officer work requests, training etc.) amount to 1,990 days of which 226 are to be used on providing services to customers other than Shropshire Council leaving a balance of 1,764 days.
- 5.9 In order to match the plan to resources, it has been necessary to take out a number of reviews identified as high priority, details of which appear at **Appendix C**. Contingencies for fraud, unplanned audits and advice, if not required in full this year, can be re-allocated and these higher priority reviews brought back into the plan.
- 5.10 In considering the plan for 2018/19 the key items to note are:
- Included in the plan are a number of fundamental systems expected to change with the introduction of the Enterprise Resource Planning (ERP) system. The Payroll system, which is of a high material value to the Council's operations, continues to be reviewed every year.
 - A separate risk based analysis of the IT audit areas has been conducted and assessments of applications, projects, developmental changes, new technology and follow ups in areas requiring improvements are planned. IT continues to form a

significant part of the internal audit plan reflecting the Council's continuing reliance on technology and digital transformation requirements as services are redesigned.

- The fraud contingency is being maintained at 200 days; with ongoing changes to controls, management structures and job responsibilities, this is not considered to be an area of reducing risk.
- The auditing of schools is to be revised further. Internal Audit will request schools complete a self-assessment process on a three (rather than the current five) year basis. The Headteacher will be asked to share it with both the Chair of Finance and Governors and seek their sign off to it. To date the assessment has been completed by the school and returned by the Head. Use of the wider governance framework will enable provision of a more rounded assessment of processes to support the s151 Officer's wider assurance of the schools environment.

Establishment audits of schools will be based on the responses within self-assessments; follow a direct request from the Director of Children's Service or their nominated representative where there are known specific issues; where there is suspicion of wrong doing; where there are known concerns around the financial management of the school; or where a senior statutory officer raises concerns in respect of processes that need to be reviewed. Issues such as deficits; changes to the risk environment; non return of SVFS or self-assessments may also instigate a review.

In addition cross cutting audits, that would have traditionally excluded schools data, will in future include such data in their sampling process. For example, payroll, creditors, imprest.

Therefore with a mix of self-assessments, cross cutting reviews and targeted school audits, the necessary assurances can be demonstrated to satisfy the Section 151 Officer's requirements.

- Resources are allocated to provide internal audit services to external clients: Shropshire Fire and Rescue, Shropshire Towns and Rural Housing, Shropshire Pension Fund, West Mercia Energy, Oswestry Town Council and various honorary, voluntary and grant funds. In addition, discussions are planned with the Chief Executive, Director of Place and Enterprise and Section 151 Officer to firm up proposals to review any areas of significant risk which are being transferred to other delivery models. Time has been included in the proposed plan to cover known activities that are currently under review.
- Procurement and commissioning continue to be priority areas and, as such, there are planned initiatives in these areas. Work is planned on financial evaluations of companies tendering for work and reviews of governance processes on the client side. In addition, where services are moving to new delivery models, exit reviews will be conducted to ensure that transfers are conducted appropriately and at minimum risk to the Council. A number of these will be met from the unplanned contingency as the specific business areas and timings become known.
- Discussions with senior managers have identified a number of areas considered low risk, from an internal controls/ materiality perspective, where managers are receiving

a mix of assurances from their systems, personnel and/or third parties on which they can place reliance. These areas are identified in **Appendix D** and will not be considered for review by Internal Audit on a rolling risk basis. Members may wish to ask senior managers to provide assurance directly (first line of assurance) to Committee on these areas as appropriate.

- The plan provides continual professional development and training for auditors during the year. This helps to retain staff, future proof the skills of team members and build skills in areas where updated knowledge is required for the benefit of the Council, external clients and the auditors.

5.11 A copy of the draft plan for Shropshire Council and those of our external clients will be forwarded to the appropriate external auditors inviting their comments on coverage and to maximise any shared learning from each other's work.

5.12 Every effort has been made to include all key audit areas required in the plan. If other items are identified from discussions with colleagues from External Audit, or as knowledge becomes available from other sources, these will be agreed with the Section 151 Officer and reported to a future Audit Committee.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Audit universe and resources analysis
 Public Sector Internal Audit Standards
 CIPFA Audit Committees, Practical Guidance for Local Authorities and Police, 2013 edition
 Accounts and Audit Regulations 2015

Cabinet Member (Portfolio Holder) Peter Nutting (Leader of the Council) and Peter M Adams (Chairman of Audit Committee)

Local Member n/a

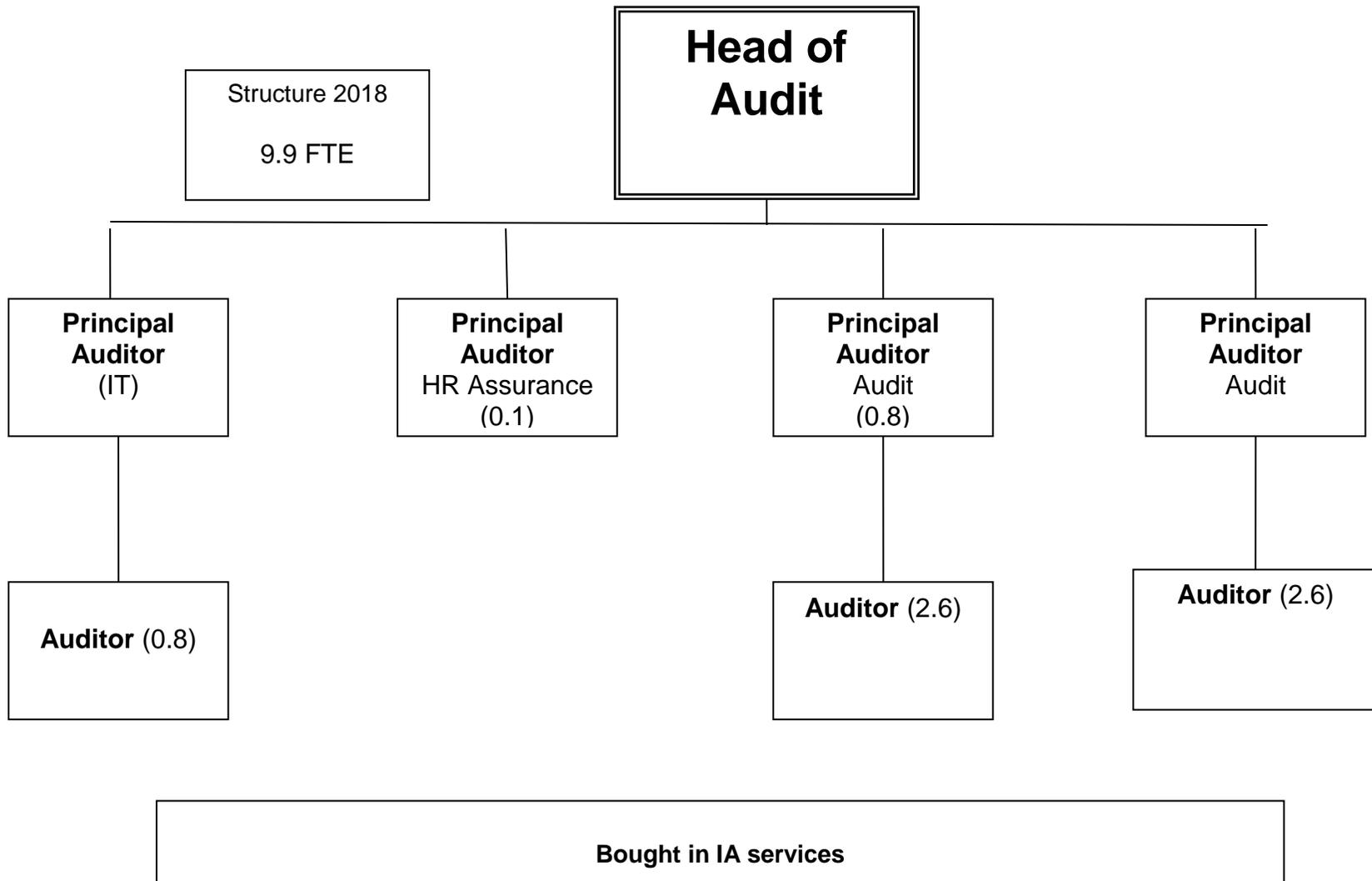
Appendices

Appendix A: Summary of Draft Internal Audit Plan by Service
 Appendix B: IA structure
 Appendix C: 2018/19 Audit areas of high priority for which no provision is made in this year's Internal Audit plan
 Appendix D: 2018/19 De Minimis Audit areas where managers will seek and provide any necessary assurance

APPENDIX A

2018/19 SUMMARY OF DRAFT INTERNAL AUDIT PLAN BY SERVICE

	Days
CHIEF EXECUTIVE	
Governance	30
Finance, Governance and Assurance	323
Workforce and Transformation	265
Legal and Democratic	28
Total Chief Executive	646
ADULT SERVICES	
Social Care Operations	140
Social Care Efficiency and Improvement	32
Total Adult Services	172
COMMISSIONING	
Infrastructure and Communities	159
Business Enterprise and Commercial Services	97
Economic Growth	86
Procurement	61
Total Commissioning	403
CHILDREN'S SERVICES	
Safeguarding	42
Learning and Skills	131
Total Children's Services	173
PUBLIC HEALTH	
Public Health	18
Public Protection	44
Bereavement	8
Total Public Health	70
CONTINGENCIES	
ICT Contingency	20
Advisory Contingency	30
Fraud Contingency	200
Unplanned Audit Contingency	50
Other non-audit chargeable work	266
Total Contingencies	566
Total Shropshire Council	2030
External Clients	226
Total Audit Plan	2256



2018/19 Audit areas of high priority for which no provision is made in this year's Internal Audit plan – management assurances may be sought by the Committee

Chief Executive	Director of Place and Enterprise	Director of Children's Services
<p>Finance, Governance and Assurance</p> <p>Benefit Options Team Comino Document Management System Application Single Person Discount Counter Fraud Business Continuity and Disaster Recovery - non IT Online Bankline</p> <p>Human Resources</p> <p>Communications Credit Union Client ViceVersa Pro (Backup for Digital Images) Human Resources / Workforce Planning Mobile Working HR Policies Application Development Management Arrangements Bacstel-IP BT Contract Monitoring CALM CASPAR Data Centres and Infrastructure Database Access / Admin / Management Education Technology Services (ETS) e-Forms & search engine Encryption End User Computing - Mgt Arrangements Hardware Inventories Home and Flexible Working Arrangements ICT Project Financing and Recharges Intranet and Website ISO 27001 IT Security IT Code of Practice Networks and Connectivity Oracle Privileged User Security Telecommunications - Contracts, Procurement and Monitoring UNIX Virtual Desktop BluPrint - Equitrac Survey Monkey</p> <p>Legal Services</p> <p>Members Allowances Modern.Gov</p>	<p>Host Operator Processing System (HOPS) Arcview GIS Application Highways Maintenance - Roads & Bridges Highways Transfer of Maintenance Contracts to Town and Parishes TOMS-ITU Waste - Bulky Waste e-Procurement Procurement Strategy Corporate Landlord External Catering Contracts</p>	<p>CHARMS Adoption Service (IT) Safeguarding Support Service - Administration & Monitoring Section 11 Agreements Respite Care SIMS - Schools Use & Control Arrangements Education Welfare Service Albrighton Primary School Broseley CE Primary School Harlescott Junior School St Martin's Long Mountain Primary School Longnor C E Primary School Market Drayton Infant and Nursery School Market Drayton Junior School Martin Wilson School Mereside Primary School Shawbury Primary School St George's Junior School, Shrewsbury St John's Catholic Primary School St Laurence CE Primary School, Ludlow St Peter's CE (Controlled) Primary School Sundorne Infant School Whitchurch C E Infant School Woodfield Primary School Worfield Endowed C E Primary School Belvidere School - A Technology College Meole Brace School Science College</p>

2018/19 Audit areas of high priority for which no provision is made in this year's Internal Audit plan – management assurances may be sought by the Committee

Case management IKEN court bundling Information Governance Arrangements IT Security Management Review Transparency Agenda		
Director of Adult Services Counter Fraud Work Housing Tenancy Homepoint Contract Personal Budgets / Care Assessments START Sustainability and Transformation Plan (STP) Transforming Care Partnerships (TCP) Four Rivers Nursing Home	Director of Public Health Drug and Alcohol Misuse Contract Public Health Projects Review of funding/cross over & supporting processes School Nursing Service ShropDoc Services Registrars Booking System Zipporah Application	

2018/19 De Minimis Audit areas where managers will seek and provide any necessary assurance		
<p>Chief Executive</p> <p>Inventories Management Benefits Administration Grant Employee Authentication Service Tell Us Once Processes Asbestos Health & Safety Legionella Job Evaluation ARIS Register of Electors Security Management and Cyber Response</p>	<p>Director of Place and Enterprise</p> <p>Performance Management & PI's Performance Plus Online Register Datawright Planning Development One App Online Planning Portal Application PLUMS - Planning Policy Control Public access mapping server/e-planning Ecology & Biodiversity Historic Environment & Listed Buildings Tree Safety AONB (Areas of Outstanding Natural Beauty) - Craven Arms Arts Developments & Grants Community Working Flood Risk Management Arrangements Highways Development Control Highways Land Search Land Drainage NRSWA - Road Openings & S278 Bishops Castle SpArC Centre - Joint Use Idsall Sports Centre - Joint Use Joint Use Leisure Facilities Positive Activities Projects - Youth Service Rhyn Park School Sports Centre Roman Road Sports Centre - Joint Use Albrighton Library Bayston Hill Library Bishops Castle Library Bridgnorth Library Broseley Library Church Stretton Library Cleobury Mortimer Library Craven Arms Library Ellesmere Library Gobowen Library Highley Library Libraries General Library Fines & Charges Library HQ Library Procurement through WM Consortium Library Stock Management & Control Ludlow Library Market Drayton Library Much Wenlock Library Oswestry Library</p>	<p>Director of Place and Enterprise</p> <p>Pontesbury Library Schools Library service Shifnal Library Wem Library Whitchurch Library Countryside Access General Parks & Countryside Sites General Severn Valley Park North Shropshire Countryside Rangers Community Transport Initiatives (SCOTI, OCTI ect) Local Bus Network Passenger Transport Efficiency Operations Public Transport - Publicity Special Transport/ Routing Arrangements Surplus Seats Traffic Management & Regulation Acton Scott Working Farm Museum Arts Festivals & Events Culture & Leisure Business Development Culture & Leisure Grants Culture & Leisure Marketing and Performance Ludlow Museum & Resource Centre Museum on the Move Museums & Audience Development Grant Arrangements Records Management Recruitment & Management of Volunteers Shropshire Archives Bio Digester Waste - Statistics & Administration Fishing and Sporting Rights Shirehall Lettings SLA's & Invoicing Arrangements Smallholdings Estate SMR - Sites & Monuments Record Carbon Management Plan Furniture Design Group & County Furniture Group Pump House Sustainability Cleaning DSO General Systems Cleaning Equipment Maintenance Internal Catering arrangements Shirehall Restaurant</p>

2018/19 De Minimis Audit areas where managers will seek and provide any necessary assurance

Director of Public Health	Director of Adult Services	Director of Children's Services
<p>Regulation of Investigatory Powers Act (RIPA) Fair Trading & Education Management & Control of CCTV Operations Road Safety Contaminated Land Environmental Enforcement & Byelaws Pest Control Street Scene - Dog Wardens Animal Health & Welfare Coroners</p>	<p>Occupational Therapy Personal Allowances Shropshire Partners in Care (SPIC) Social Care & Health Training Abbots Wood Comforts Fund Albert Road Day Centre Comforts Fund Aquamira Comforts Fund Avalon Comforts Fund Four Rivers Nursing Home Comforts Fund Greenacres Rural Unit Comforts Fund Helena Lane / Friars Walk Day Centre Comforts Fund Wayfarers Comforts Fund Abbots Wood Day Opportunities Helena Lane Day Centre Wayfarers Day Opportunities Greenacres Rural Unit Trading Account</p>	<p>Shropshire Youth - Central Administration The Gateway Education & Arts Centre Whitchurch Training Centre Chelmaren Comforts Fund Haven Brook Comfort Fund Shropshire Children's Trust Multi Agency Teams School Census Schools Advisory Service - Administration Shrewsbury Training & Development Centre Shropshire Music Service Surestart</p>