

TITLE	Internal Audit and Investigations Plan 2015/16
FOR CONSIDERATION BY	Audit Committee on 10 February 2015
WARD	None specific
DIRECTOR	Catherine Hickman, Service Manager Shared Audit and Investigations Service

OUTCOME/ BENEFITS TO THE COMMUNITY

The Council's Internal Audit and Investigations Plan details the Internal Audit and Investigations activity and seeks to:

- provide all key stakeholders with independent assurance that the risks within the Council's fundamental systems and processes are being effectively and efficiently managed;
- allow the Council to demonstrate it is complying with the relevant legislation and applicable professional standards;
- demonstrate the Council's commitment to good governance and a zero tolerance approach towards fraud and corruption; and
- set out that the team's resources are being properly utilised;

RECOMMENDATION

That the Audit Committee

- 1) Approve the proposed Internal Audit and Investigations Plan for 2015/16.
- 2) Approve the decision to **not** complete any of the reviews that comprise the Optional Plan.

SUMMARY OF REPORT

The outcomes from internal audit and investigations work in the proposed plan underpin the Service Manager, Shared Audit and Investigations Service's Annual Opinion on the overall adequacy and effectiveness of the Council's internal control environment. This opinion supports the Council's Annual Governance Statement (AGS) which is a statutory report.

We have set out the overall planning framework which incorporates a core plan of 734 days. This we have labelled the core plan (Section 1) and is deliverable within the current resource allocation. In order to assist the Audit Committee in determining if this provides adequate assurance we have detailed a list of the next audits that we would complete with additional resources up to 873 days (Section 2).

The 2015/16 Internal Audit Plan is intended to demonstrate how Internal Audit supports the overall aims and objectives of the Council. Consultations have been undertaken with internal stakeholders and the key external stakeholder will also be consulted. The Audit

Plan focuses efforts / cost on only those audits that feed directly into:-

- the regulated external audit which would result in higher external audit costs if not done internally.
- other regulated reporting, but only the minimum effort necessary to deliver compliance, including the AGS.
- facilitating the provision of an overall opinion each year for the Audit Committee on the operation of the Council's internal control environment, risk management arrangements and governance framework.
- other CLT / Audit Committee / strategic & tactical priorities which are at high risk from changes in customer needs, funding, processes or resourcing.
- areas identified by External Audit as requiring improvement.
- the audit or investigation of areas which are deemed to be 'important' to support operating objectives.
- cutting out all other 'housekeeping' activities not directly driven by the above.
- the Audit Plan is aligned with the Council's objectives and Corporate Risk Register (CRR).

Whilst a number of audit reviews within the Internal Audit Plan are effectively considered as mandatory (key financial systems, particularly high risk items etc), others enter or leave the Audit Plan based on the CRR rating and the views of officers and Members. As such, the Internal Audit Plan is fluid and is regularly realigned to accommodate changes to the CRR, thereby ensuring that it remains current and focussed on the key risks affecting the Council. Any changes made to the Audit Plan during the year will be reported to CLT and the Audit Committee.

In producing the 2015/16 Internal Audit and Investigations Plan, the high-level areas where we expect to utilise our resources are set out. The Chief Executive, Directors and the Chair of the Audit Committee have been consulted.

Background

The planning approach is to prioritise high risk areas of the Council's operation. This is balanced by the need to provide assurance over key financial systems that are fundamental to the successful operation of the Council. The plan needs to balance the competing needs of Internal Audit stakeholders and strike the appropriate balance between core assurance that internal control, governance and risk management is functioning effectively and seeking value added activity valued by management.

The plan is aligned to the Council's Corporate Risk Register and provides coverage over the top eight risks (rated as high risk areas). It also provides coverage over areas of key strategic, reputational and financial risk.

Analysis of Issues

The key issue for consideration is whether the Internal Audit and Investigations Plan has the appropriate high-level coverage and is focused on the key areas of risk facing the Council. The Audit Committee should ensure that there is adequate coverage to provide appropriate assurance.

Key considerations:

- Is the risk appetite and resource allocation appropriate given the level of risk the council is currently facing?
- Are there any high risk areas that are not being covered by the plan?
- Is there appropriate balance between assurance and advisory work to ensure the effective utilisation of internal audit and investigations expertise?
- Is there sufficient contingency to enable a flexibility of response to changing needs?
- Is there the right balance between short term and medium term planning horizons?

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

Other financial information relevant to the Recommendation/Decision

None.

Cross-Council Implications

None.

Reasons for considering the report in Part 2

Not applicable.

List of Background Papers

- Accounts and Audit Regulations 2011
- Public Sector Internal Audit Standards

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Appendix A Shared Audit and Investigations Service
Wokingham Borough Council
Proposed Internal Audit Plan 2015/16

			<u>2015/16</u>
<u>Mandatory Key Systems</u>			
Finance and Resources	Payroll		15
Finance and Resources	Debtors		10
Finance and Resources	Creditors		10
Finance and Resources	General Ledger		7
Finance and Resources	Cash & Bank Reconciliation		7
Finance and Resources	Cashiers		5
Finance and Resources	Treasury Management		10
Finance and Resources	Housing Rents		12
Finance and Resources	Benefits/CTRS		15
Finance and Resources	Council Tax & NNDR		15
Finance and Resources	Capital Programme, Accounting, Expenditure Monitoring		12
Finance and Resources	Budgetary Control and Reporting		15
<u>Governance Building Blocks</u>			
Cross Cutting	Performance Management and Balanced Scorecard		10
Cross Cutting	Procurement including Procurement Strategy and Procurement Cards		10
Cross Cutting	Risk Management		15
Cross Cutting	Corporate Governance including Corporate / Service Planning		15
Cross Cutting	Major Corporate Projects		20
Cross Cutting	Information Governance		10
<u>Key Corporate Risks</u>			
Corporate Risk 7	Safeguarding Vulnerable Children		10
Corporate Risk 8	Safeguarding Vulnerable Adults		10
Corporate Risk 15	Judicial Review		10
Corporate Risk 18	Loss of Confidential Data		10
Corporate Risk 19	Strategic Infrastructure Provision		10
Corporate Risk 23	Health and Safety		10
Corporate Risk 28	Social Care Act		15
<u>Operational Risks</u>			
Chief Executive	Town Centre Regeneration		12
Children's Services	School financial controls		20
Children's Services	Material schools		5
Children's Services	Local Children's Safeguarding Board & QA Framework outcomes		15
Children's Services	Implementation of Children and Families Act		20
Children's Services	CS Health & Safety (Corporate Manslaughter)		12
Children's Services	Troubled Families/Family First Grant Certification (twice a year)		10
Cross Cutting	Outcomes for looked after children Whole Council Approach		15
Cross Cutting	Contract Management		20
Cross Cutting	Business Continuity Planning		15
Cross Cutting	Contract Auditing		10
Environment	Community Infrastructure Levy Operation/\$106		12
Environment	Integrated Transport IT Block & Integrated Transport Maintenance Block		7
Finance and Resources	Fixed Asset Register		7
Finance and Resources	Govenance of the Local Authority Trading Companies (Holding, Optalis and WHL).		20
Governance and Improvement	Elections Preparation		2
Health and Wellbeing	HWB Strategic Response to Increased Demand		10
Health and Wellbeing	Care Act - Better Care Fund (Link to CRR 28)		10
Health and Wellbeing	Adult Social Care - Personal Budgets		10
Health and Wellbeing	Decent Homes and Twyford Orchards grant		7
Health and Wellbeing	Deputyship and Appointeeship		10
Health and Wellbeing	Housing Repairs and Adaptation		10
Health and Wellbeing	Leisure Trust - C-Salt		10
<u>IT Audit</u>			
	Software Licences & IT Asset Management		10
	IT Implementation of IT Mixed Economy		10
	Framework Security and Access Controls		10
	IT Project - Gateway Reviews (IT Mixed Economy)		10

Servicing the Business

Cross Cutting	Facilitating the AGS/Corporate Governance	15
Cross Cutting	Development of New Systems / Special Projects	20
Cross Cutting	Effectiveness of System of Internal Audit	7
Cross Cutting	Advice on Demand	25
Cross Cutting	Contingency (including Management / Member requests)	50
Cross Cutting	Follow ups (High Risk Only)	20
Corporate Investigation days		455
Total Days		1189

The above days are directly attributable and do not include management or review time etc.

Internal Audits 2015/16 Potential Audits

Optional Audits (Not part of the IA&I Plan with current level of resources)

Finance & Resources	VAT	10
Finance & Resources	BACS	5
Governance & Improvement	Corporate/Service Planning	10
Governance & Improvement	Elections Lessons Learnt Review	7
Chief Executive	Coaching Culture Embeddedness Review	15
All	Council wide approach to Temporary Staff (use of corporate agency contract)	20
Finance & Resources	Out of Hours Service	5
Finance & Resources	Recruitment and Retention	10
All	Benchmarking with RBWM	25
Children's Service	Adoption Board	10
Children's Service	Early Years	10
Children's Service	Pupil Premium	12
	Total	139