

AUDIT COMMITTEE

20 MARCH 2015

REPORT OF THE DIRECTOR OF FINANCE & CORPORATE SERVICES – H. JENKINS

SECTION A – MATTERS FOR DECISION WARDS AFFECTED – ALL

INTERNAL AUDIT PLAN FOR THE PERIOD 1 APRIL 2015 – 31 MARCH 2016

1. Purpose of Report

The purpose of this report is to agree the Internal Audit Plan for 2015/16.

2. Audit Plan 2015/16

The Audit Plan has been prepared following consultation with Directors and Heads of Service. The items included in the plan are a combination of audits that are carried out annually, audits that are the subject of service level agreements and some that have been requested by service managers, Heads of Service and Directors. There are also some audits that have arisen from findings of previous audit work.

In addition to the specific audits there are allowances put in place for such items as special investigations that arise during the year, contingencies and for advice and guidance. The plan has to be flexible in order to allow for unexpected items during the years that require audit input.

3. Recommendation

It is recommended that Members approve the Internal Audit Plan for 2015/16 as set out in Appendix 1.

4. Reason for Proposed Decision

To ensure compliance with the terms of reference of the Audit Committee.

List of Background Papers

Audit Files

Appendix

Appendix 1 –Internal Audit Plan for the period 1 April 2015 – 31 March 2016.

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COMPLIANCE STATEMENT

INTERNAL AUDIT PLAN FOR THE PERIOD 1 APRIL 2015 – 31 MARCH 2016

(a) **Implementation of Decision**

The decision is proposed for implementation after the 3 day call-in period.

(b) **Sustainability Appraisal**

Community Plan Impacts:

Economic Prosperity	Positive
Education and Lifelong Learning	Positive
Better Health and Well Being	Positive
Environment and Transport	Positive
Crime and Disorder	Positive

Other Impacts:

Welsh Language	Neutral
Sustainable Development	Neutral
Equalities	Positive
Social Inclusion	Positive

(c) **Consultation**

There has been no requirement under the Constitution for external consultation on this item.

NEATH PORT TALBOT COUNTY BOROUGH
COUNCIL

Finance & Corporate Services Directorate

Internal Audit Service

INTERNAL AUDIT PLAN
FOR THE PERIOD
1ST April 2015 – 31st March 2016

Issue Date March 2015

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**AUDIT PLAN IN RESPECT OF THE PERIOD
1 April 2015 TO 31 March 2016**

1. INTRODUCTION

- 1.1 I outline in this plan details of the Internal Audit Service involvement in Council services/functions for the period 1st April 2015 to 31st March 2016.
- 1.2 The plan has been prepared using the following assumptions and methodology.
- 1.3 As a result of budget savings which had to be made a staffing complement of 7.31 (FTE) has been used which is reduced from 7.81 (FTE) in the previous financial year. One part time Auditor post has been lost due to the post holder opting to take voluntary redundancy.
- 1.4 An allowance has been made for special investigation type work i.e. fraud, theft, general malpractice issues in relation to employees and clients of Council services, along with requests for advice and guidance from service managers.
- 1.5 The risk factors noted against each audit heading are based on a formula that calculates the scores using 12 different variables. The scores against each variable are provided by Internal Audit staff based on their experience on each of the audit areas.
- 1.6 Other items of note included in the plan are:
- Ongoing review of non-financial Corporate Governance issues, along with issues such as risk management and data protection.
 - Despite the fact that the service has lost 0.5 of an Auditor post the number of days available in this year's plan for planned work remains the same as those available last year. This has been achieved by a reduction in the allowance made for vacancies and staff training, and a reduction in overhead type areas.
- 1.7 The plan details the areas that are due to be audited during 2015/16. However, the audit plan is almost invariably subject to change as issues arise during the year. This flexibility is vital to ensure that new or increased risks are assessed and reported upon in order that assurance can be provided to Members. Any changes to the plan will be reported to Audit Committee throughout the year.

2. INTERNAL AUDIT SERVICE PERFORMANCE MONITORING

Updates in line with corporate guidelines will continue to be given to the Council's Audit Committee and where required to the relevant Scrutiny Committee. Information will also be outlined in our performance indicator results. The section's work will also follow the requirements of the Public Sector Internal Audit Standards.

3. AUDIT COMMITTEE

Since this Committee was established as a 'stand-alone' entity in May 2002, numerous reports on a variety of topics have been submitted and this has assisted Members' awareness of their role i.e. effective compliance with the laid down Terms of Reference of the Committee.

The Committee broadly undertakes its duties in line with the guidance given in the Code of Practice for Internal Audit in Local Government in the UK. This Code was formally adopted by the Audit Committee on 21st January 2004 as the basis for an "adequate and effective system of internal audit" within the Authority. At this meeting the aim and objectives of the Service were approved together with the linkage to the Authority's Corporate Aims and Values. Also approved was a high level strategy advocated by the Code.

This make up and operation of the Committee will also now fall in line with the requirement of the Local Government (Wales) Measure 2011.

4. THE YEAR AHEAD

As for every year to date, a number of challenges lie ahead:

- Provide an adequate level of audit coverage given the reduced resources available to the section;
- Provide assurance to Members on the adequacy and effectiveness of internal controls on systems that have been affected by the budget reductions faced by the Authority;
- The requirement to further improve the assessment of risk in audit work;
- Continuing with the progress made to date in improving and enhancing the role of the Audit Committee;
- Continuing to work closely with service managers to improve the effectiveness of audit work, particularly with regard to the increasing emphasis on corporate governance issues;

- Continuing to work closely with Wales Audit Office to maximise the effectiveness of audit work for the Authority.

In terms of ongoing requirements, there is a need to constantly monitor and review the progress being made in connection with the various assignments contained within the Audit Plan (aided by a computerised Audit Management System which has been developed in-house for our purposes). The 3 monthly progress reports will continue to be presented to Audit Committee. In addition, our External Auditors report on the performance of Internal Audit in terms of compliance with the Public Sector Internal Audit Standards on an annual basis in line with their statutory responsibility and this report in its entirety will be submitted to the Audit Committee.

Finally, this Internal Audit Plan is submitted to the Audit Committee for approval at its next meeting scheduled for the 20th March 2015.

H J Jenkins
Director of Finance &
Corporate Services

D Rees
Head of Financial Services

A M O'Donnell
Audit Manager

SECTION 1

LEGISLATIVE REQUIREMENTS RELATING TO THE PROVISION OF THE INTERNAL AUDIT FUNCTION

- 1.1 This section deals with the legislative question and the manner in which compliance is effected by the Authority.
- 1.2 Section 151 of the Local Government Act 1972 requires that “every local authority shall make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs.”
- 1.3 The responsible financial officer in this Authority is the Director of Finance & Corporate Services, and one of the more important ways in which he exercises his statutory responsibility for financial administration is through the work of the Internal Audit Service.
- 1.4 The Accounts and Audit Regulations state “ A Local Government body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices, and any officer or member of that body shall; if the body requires:-
 - a) Make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of the audit; and
 - b) Supply the body with such information and explanation as that body considers necessary for that purpose.” This duty has been devolved to the Director of Finance & Corporate Services in his role as the ‘responsible financial officer’. The Council has also formally confirmed its compliance with the 1991 “Guidance for Internal Auditors” Guideline published by the Auditing Practices Board – this being an integral component in complying with the Regulation outlined above. **In this connection, the role, duties and responsibilities of the Internal Audit Service was reaffirmed at a Strategic Resources Board meeting held on 25th January 2001. (Prior to this the role etc. was agreed at a Finance Committee meeting held on 10th July 1996.) At this meeting, the then new Code of Practice (subsequently revised and updated for Internal Audit in Local Government in the United Kingdom) was formally adopted as a basis for an adequate and effective system of internal audit within the Authority. A report on this issue was submitted to the Audit Committee in January 2004 together with the statement of the aims and objectives of the Internal Audit Service, the linkage with the Council’s Corporate Aims and Objectives and**

an overall Strategy Statement for the Service as advocated by the Code of Practice.

- 1.5 These Accounts and Audit Regulations are supplemented by this Authority's Financial Regulation No 3.4.5 and Financial Procedures Nos. 4.9.8 and 4.9.9 which state:

Financial Regulation 3.4.5 – Audit Requirements

This states that the Accounts and Audit Regulations require every local authority to maintain an adequate and effective internal audit.

Financial Procedure Nos. 4.9.8 & 4.9.9

4.9.8 Responsibilities of the Director of Finance & Corporate Services

- To ensure that internal auditors have the authority to:
 - a) Access all assets, records, documents, correspondence and control systems
 - b) Receive any information and explanation considered necessary concerning any matter under consideration
 - c) Require any employee of the Authority to account for cash, stores or any other Authority asset under his or her control
 - d) Access records belonging to third parties, such as contractors, when required
 - e) Directly access the head of paid service, the executive and Audit Committee

- To ensure that effective procedures are in place to investigate promptly any fraud, irregularity or malpractice.

4.9.9 Responsibilities of Corporate Directors (Chief Officers)

- To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- To consider and respond promptly to recommendations in audit reports
- To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- To notify the Director of Finance & Corporate Services immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources. Pending

investigation and reporting, the Corporate Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

SECTION 2

INTERNAL AUDIT PLAN 2015/16 CALCULATION OF AVAILABLE DAYS

- 2.1 The total number of days included in the Plan is based on a total of 7.31 (FTE) staff.
- 2.2 A number of allowances have to be made to the total number of days available to allow for annual leave, public holidays, sickness, training etc. An estimate also has to be made for staff vacancies arising from the possibility of staff turnover occurring over the year.
- 2.3 These allowances result in a total number of 'available' days to the section of 1,415. From this is deducted a number of days to allow for the general supervision and management of the Section and other 'non-chargeable' items such as attendance at seminars, team meetings etc. The total number allocated to these overhead type areas is 265 days.
- 2.4 This leaves a total of 1,150 days available for planned work. This is the same number as was available last year due a decrease in the number of days allocated to allowances.

<u>Service area</u>	<u>Days Allocated</u>	<u>Risk Factor*</u>
<u>Finance & Corporate Services</u>		
Revenue Collection		
Council Tax	20	M
NNDR	10	M
Sundry Debtors	20	H
Cash collection	10	H
Benefit Administration		
Housing Benefits	20	M
Attendance at Prosecution Panel	10	N/A
Exchequer		
Payroll	15	M
Creditor Payments	20	H
Creditor cut off testing	10	M
Travel & Subsistence Allowances	10	M
Accountancy		
Treasury Management	10	H
Bank Reconciliation	5	M
Other		
Review of write offs	20	N/A
Legal Services		
None		

Total number of days=180

<u>Service area</u>	<u>Days allocated</u>	<u>Risk Factor*</u>
<u>Chief Executive's</u>		
Internal/Public Information	15	L
Electoral Registration	5	M

Total number of days=20

*H=high, M=medium & L=low

<u>Service area</u>	<u>Days allocated</u>	<u>Risk Factor*</u>
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Environment

Stores/equipment	5	H
Streetcare	25	H
Bus service operators grant	5	M
Fleet	15	M
Grants	10	M

Total number days=60

Social Services, Health & Housing

Social Services

Hillside Secure Unit	15	M
Trem Y Mor	5	M
Safeguarding:		
DOLS	10	M
POVA	10	M
Escalating Concerns protocol	10	M

Public Protection

Trading Standards	20	M
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Housing

Social Lettings Agency	10	M
Disabled Facility Grants	15	M

Contingency	15	N/A
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Total number days=110

*H=high

M=medium

<u>Service area</u>	<u>Days allocated</u>	<u>Risk Factor*</u>
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Cross Directorate

Special Investigations	200	N/A
Corporate Governance	20	N/A
Advice & Guidance	65	N/A
IT Audit	35	N/A
Contract Audit	35	N/A
Officer Declarations	15	M
Petty Cash	15	H
Procurement Cards	15	H
Honoraria Payments	10	M
Settlement Agreements	10	M
NFI	40	N/A
DBS Checks	20	H

Total number of days= 480

Other Commitments

Banking Administrator	10	N/A
Attendance at working Parties	20	N/A
Servicing Audit Committee	20	N/A
West Glam Blind Welfare	5	L
SWTRA	10	N/A
Review of Accounting Instructions	5	N/A
FOI Requests	5	N/A
Contingencies	35	N/A

Total number of days=110

Total number of days for 2015/16=1150

*H=high, M=medium & L=Low