**Pwyllgor Archwilio a Sicrwydd Risg Comisiwn y Cynulliad**

**Assembly Commission Audit & Risk Assurance Committee**

**Date:** 20 March 2017 **Time:** 10.15-12.15 **Venue:** Conference Room 4B, Tŷ Hywel **Author:** Gareth Watts, Head of Internal Audit

**ACARAC (02-17) Paper 6 (Item 5)**

**Internal Audit Plan 2017-18**

## Purpose

* 1. The Internal Audit Plan for 2017-18 is attached for consideration and approval by the Assembly Commission Audit and Risk Assurance Committee (the Committee). The plan has been prepared with input from the Chief Executive and other senior managers in the National Assembly for Wales Commission.

## Discussion

## Internal Audit Resources

* 1. The provision of internal audit services is the responsibility of the Head of Internal Audit.
  2. The Commission contracts with an external provider to undertake work identified in the Audit Plan in tandem with the Head of Internal Audit to provide sufficient coverage of the operations of the Commission.
  3. TIAA currently supports the Head of Internal Audit with up to 40 days internal audit service provision per year. This current contract will run until 31 July 2017.
  4. The Head of Internal Audit is currently working with procurement colleagues to develop a specification and procurement strategy with the aim of going to the market in March and April 2017 and looking to award a new contract in June 2017.
  5. The Head of Internal Audit retains responsibility for, and ownership of, the audit reports generated. Details of the division of responsibilities between the Head of Internal Audit and the co-sourced partners are in the Internal Audit Charter.
  6. For the size of the organisation, a co-sourced arrangement has been cost-effective, enabling the Assembly Commission to tap into a variety of specialist audit skills provided by an outsourced firm whilst maintaining an on-going presence through the in-house Head of Internal Audit.
  7. The Governance and Audit team provides administrative support to Internal Audit.
  8. The needs, skills and on-going capacity requirements of Internal Audit is regularly reviewed by the Head of Internal Audit. Currently, the Head of Internal Audit is discussing with a member of the Governance Team, the possibility of them undertaking internal audit training and providing additional in-house support to Internal Audit in the future.

## Internal Audit Planning Approach

* 1. The overall objective of Internal Audit is to provide independent assurance on the adequacy and effectiveness of the systems of controls, financial management and others, which have been established to manage the risks of the organisation to enable the achievement of organisational goals and ensure accountability for public funds.
  2. Within this broad objective, it is Internal Audit’s responsibility to review, appraise and report upon:

1. the soundness, adequacy and application of the organisation’s financial and other internal controls;
2. the extent of compliance with the organisation’s objectives, policies and procedures;
3. the degree to which the organisation’s assets and interests are safeguarded;
4. the adequacy of systems in place to ensure that the organisation obtains value for money from its activities;
5. the reliability and adequacy of management information; and
6. the effectiveness of risk management.
   1. The Audit Plan has been scoped taking into account the responsibilities highlighted above.
   2. This includes identifying all the auditable areas. For the Assembly Commission this encompasses all key processes and systems across Service Areas.
   3. The Internal Audit focus for 2017-18 includes areas which are highlighted as risks in corporate and/or service level risk registers, as well as areas highlighted as a concern from previous audit reviews or from discussions with senior management.
   4. The Audit Plan for 2017-18, at Appendix 1, comprises a main programme of new reviews and follow up work, together with other key areas of Internal Audit activity.
   5. There is a significant amount of change on the horizon in the forthcoming year, and indeed in the years beyond that. The Head of Internal Audit will continue to ensure that support and assurance is provided where this is required – by observing on project boards, acting as a critical friend and providing ad hoc assurance as and when this is necessary. With that in mind, Internal Audit will keep the Audit Plan under review and ensure an appropriate balance of internal audit report work and other assurance activities are maintained, and communicate to the Committee should any substantive changes to the Plan become necessary.
   6. I have agreed the plan with the Chief Executive and Clerk and the Directors of Assembly Business, Commission Services and Resources. I will also discuss and review this plan with the incoming Chief Executive and Clerk after she has taken up her post on 24 April 2017.
   7. Currently, the Plan provides indicative timing where this has been agreed but this may be adjusted once the scoping for each audit area has been agreed. The Audit Plan has been developed to reflect current priorities and risks, but as stated above, should remain flexible if events dictate.

## Conclusion and Recommendation

* 1. A detailed breakdown of the Head of Internal Audit’s time for 2017-18 is included with this paper. This includes a range of assurance work including commitments to giving assurance on Assembly Commission projects etc.
  2. In addition to the Head of Internal Audit, there continues to be support from a co-sourced partner who provides an additional 40-50 days coverage per year.
  3. The plan is presented to the Committee for consideration and approval.

| **Activity** | **Outline audit approach** | **Timing** | **Sources** | **In-house/ outsource** | **Estimated Days** | **Target ACARAC Meeting** |
| --- | --- | --- | --- | --- | --- | --- |
| General Data Protection Regulations | * Review of the Assembly Commission’s readiness for the implementation of the new European data protection regulations which will come into force from May 2018. | May 2017 | New Corporate Risk | Outsource | 5 | June 2017 or circulated out of Committee |
| Review of the Assembly Commission’s approach to address significant change | * Review of the procedures in place to manage change. * Validation of the effectiveness of the Assembly Commission’s controls to mitigate against the risks identified in relation to Brexit and future constitutional change. | August/ September 2017 | Corp Risk  *STS008*  Risk of negative reactions to increase in size of the National Assembly.  *STS010*  The Assembly is unable to engage effectively in the process of leaving the EU.  *STS011*  Potential of negative reactions to the change of name of the Assembly. | In-house | 15 | November 2017 |
| New Finance System Controls | * Review of the effectiveness of the controls in relation to the new finance system. * Scope to include controls over all key financial systems of income, expenditure, receivable and payable balances and fixed assets. * The review to also cover a validation of the new procurement controls in place. | October 2017 | Potential issues from new system – staff unfamiliar with processes.  Risk functionality is not realised.  Commitment to review the new procurement controls as a result of the prior year’s procurement audit. | Outsource | 8 | November 2017 |
| Security Review | * Review the conclusions of the Commission’s security restructuring project. * Consideration of how the people and change management elements of the project have been managed. * Validation of the controls in place to mitigate against the threats identified in the corporate risk. | November 2017 | Corp Risk  SEC009  Terrorist threats to Assembly estate. Ensuring that the team is fit for purpose to respond to the changing challenges. | Outsource | 8 | February 2018 |
| Official Languages Scheme | * Review of the effectiveness of procedures over the monitoring of the new OLS within the Assembly Commission. | December 2017 | Service Risk TRS009  Breach of the Assembly Commission's Official Languages Scheme.  Corp Risk GA07  Non-compliance with, or inconsistencies in, applying internal controls, governance framework, policies and procedures.  Findings from 2015 audits. | In-house | 5 | February 2018 |
| Pensions Administration | * Review of the systems, controls and procedures in place of the Commission’s administration of the Assembly Members’ Pension Scheme. | January 2018 | Commitment to undertake review as a result of other pensions work in 2016-17. | Outsource | 5 | February 2018 (although due to distinct governance arrangement the primary target audience for this report will be the Scheme Trustees) |
| Events Review | * Review impact of the results of the Assembly Commission Events Review, which will include the launch of a new service. | February 2018 | Significant organisational change.  Launch of a new service. | In-house | 10 | April 2018 |
| Cyber Security | * Following on from the 2016-17 review, a second review into the arrangements in place over cyber security – focussing on one key area to be determined with ICT. | February 2018 | New Corporate Risk on Cyber Security.  Discussions with Head of ICT and Broadcasting.  ICT Security issues highlighted in WAO Management Letters. | Outsource | 8 | April 2018 |
| Performance Management Development  Reviews (PMDRs) | * Review of the quality and effectiveness of the Assembly Commission’s PMDR arrangements. | March 2018 | Amber rating as per the Assembly Commission Assurance Framework | In-house | 8 | April 2018 |
| Reimbursement of Assembly Member Expenses | * To review and assess the internal control arrangements in place for the reimbursement of Members’ expenses during 2017/18. * The audit seeks assurance that: claims submitted by Members are subject to appropriate checks and controls; payments are only made for valid and complete claims; and that claimants give consideration to value for money. | On-going | Standing part of Internal Audit programme – going forward to provide additional assurance on this sensitive area of Commission spend. | In-house/Outsource | 20 | Throughout the Year. |
| Follow Up of 2016-17 Audits | * Following up the recommendations raised in 2015-16 Internal Audit Reports | On-going | Part of annual Internal Audit rolling programme | In-house | 5 | Throughout the Year |

**Detailed Time Allocation for Head of Internal Audit**

| **Audit Activity** | **Timing** | **Estimated Days** |
| --- | --- | --- |
| Annual Governance Statement and Assurance Framework | January/February and July | 5 |
| Additional control checks quality assurance on draft financial statements/ accounts preparation | May/June 2016 | 5 |
| Legislative Software Replacement Board Attendance and Ad hoc advice on controls and systems | On-going | 5 |
| Audit Advice and Guidance to Management and Teams | On-going | 6 |
| Other Audit and Governance work – including review of Assembly Investment Programme – Review of Effectiveness of Investment and Resourcing Board and on-going governance and assurance support to MySenedd Programme | On-going | 25 |
| Managing Internal Audit Contract and Procurement | On-going | 5 |
| Meeting with Independent Advisors | On-going | 2 |
| Review of TIAA Work | On-going | 10 |
| Audit and Risk Assurance Committee Meetings (preparation, meetings and actions) | Key target dates November, February, April and June | 10 |
| Intra Parliamentary Internal Audit Forum Commitments | September, January and March | 6 |
| Audit Liaison (External – Internal) | On-going | 5 |
| Planning 2017-18 | January – March 2017 | 5 |
| Training and Administration | On-going | 10 |
| Contingency | N/A | 15 |
| Quality Assurance and Improvement Plan | On-going | 5 |
| In-house Work | On-going | 60 |
| Line Management of Governance Team (PMDR, Catch Ups, Team Meetings etc.) | On-going | 20 |
| Head of Service Responsibilities (Management Board, Risk Management etc.) | On-going | 20 |
| Total | N/a | **219** |