

CAERPHILLY COUNTY BOROUGH COUNCIL

INTERNAL AUDIT SERVICES

ANNUAL AUDIT PLAN 2021/22

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) and the Council's own Financial Regulations require that an annual Audit Plan should be prepared to ensure that there is an effective and efficient use of audit resources.
- 1.2 Following on from recommendations made by the Authority's External Auditors the plan has been split to show available man-days per quarter. This has been based on the FTE of staff and current working patterns and it can be seen that there are currently a number of vacant posts which have arisen as a result of staff resignations, retirements and one staff member being on a long-term secondment to Track and Trace. The return of this member of staff and the filling of the vacancies have been put into the man days calculation with the expectation that the team will be back up to full strength by the final quarter of the calendar year.
- 1.3 Paragraph 2.1 below covers staffing resources available in more detail.
- 1.4 In order to evaluate the available man-days per quarter the overheads have been apportioned taking account of the patterns of bank holidays etc. so minor variances will occur between each quarter and year by year.
- 1.5 Other overheads have been estimated to arise evenly over the period, including sickness absence. In view of uncertainty around holidays and travel currently, annual leave has been allocated evenly each quarter for ease of forecasting. Overheads also include other managerial provisions not directly allocated to audit assignments. Obviously, there may be further variances due to unforeseen events which would affect the number of available man days.
- 1.6 Additional overheads have been generated by the granting of a programme of professional study to 2 staff members including the trainee auditor. This has been done with a view to strengthening the capacity and resilience of the section moving forward.
- 1.7 On the basis of the comments above the overheads and available audit days per quarter have been estimated and are shown in the table below.

	1.4.21- 30.6.21	1.7.21- 30.9.21	1.10.21- 31.12.21	1.1.22- 31.3.22	Total for year
Overheads	147	138	191	209	685
Available man days	154	229	307	407	1097
Total	301	367	498	616	1782
No of staff	5 (4.6 fte)	6 (5.6 fte)	8 (7.6 fte)	10 (9.4 fte)	
Vacancies	5	4	3	0	

- 1.8 Priority will always be given to high-risk areas whether known or emerging, as in prior years, although the methods of conducting the audits will continue to be remotely or via desktop interrogations at least until January 2022. However, this will be under constant review as advice relating to safe working practices continues to evolve and will need to adapt should there be any local or national measures introduced. Work is being planned to undertake and extend the use of control risk self-assessments to cover the locations and establishments that cannot be visited but as the main offices begin to open up it is anticipated that office-based corporate systems and financial audits will be able to be undertaken using reports and transactional information gathered from these systems and electronic scanned documents, however this is a constantly evolving situation.
- 1.9 It has been decided that no routine establishment visits will be undertaken to residential care homes or schools at least until January 2022 and limited visits may take place with regard to other locations before that date provided adequate measures are in place and this is in line with advice and guidance. This will be assessed in line with the emerging advice and guidance and as already stated this approach will be under review throughout the year.
- 1.10 There are also a number of time-limited assignments that are required to be undertaken such as grants which have deadlines set by the funding bodies and where known these have been built into the plan.
- 1.11 Due to the current reduced staffing numbers the majority of the time available will initially be applied to prioritise high-risk areas and time limited work. The effect of this being that the 2021/22 plan will continue to evolve over time. Due to this uncertainty and the requirement that audits may need to be responsive to issues that develop and risk that may be identified no specific allocation of time to various service areas has been prepared at this stage.

2. Staffing

- 2.1 The establishment level of the Internal Audit Section for 2020/21 continues to be 10 members of staff, which includes some part-time staff, however there are currently 4 vacant posts and one staff member on a long-term secondment with Track and Trace at least until June 2021. The staffing numbers also includes a fixed-term trainee post that is linked to a professional programme of study. This full complement of staff continues to be in line with the Welsh average, however there is an effect due to the vacant posts. The Head of Financial Services S151 Officer has plans to undertake a review of staffing within Financial Services which will also cover Internal Audit Services. The 2021/22 plan has been devised based on a gradual filling of the vacant posts back to the previous level so any changes in the timescale of that or a restructure will undoubtedly impact on the staffing resources available.

3. Plan

- 3.1 The Audit Section maintains a “list” of all auditable areas called the Audit Universe and this is used as a source upon which to build the plan. This is a dynamic document and is updated to reflect new or changing service areas or establishments.
- 3.2 In prior years due consideration was given to previous years’ coverage, the risk register, input from service areas and directorates, emerging issues and “local factors” as well as

themed areas linked to priorities highlighted in the Public Sector Internal Auditing Standards. However, in view of the impact of the Covid-19 pandemic a different approach has been needed for the 2021/22 financial year in order to maintain adequate coverage of high-risk areas, which will concentrate on areas such as revenues, payroll and exchequer.

- 3.3 Audit time will also be allocated to new or changed process and risks arising from Covid-19, including IT, data protection and PCI.
- 3.4 High-risk corporate areas such as Governance and Safeguarding will also continue to receive coverage and there will also be some work performed on developing a Corporate Risk Strategy. The Acting Internal Audit Manager is also supporting one strand of the Corporate Review in relation to Financial Resilience which will involve a review and refresh of Financial Regulations.
- 3.5 The 2020/21 NFI first set of data matches were released in January 2021. Audit resource will be allocated to investigating these matches when they are published.

Recommendation tracking and reporting

- 3.6 As reported elsewhere the MK Insights system allows the updating of progress on audit recommendations. This is now functional and is in use in all audits although some IT issues have been experienced with the portal. The system will allow recommendations to be tracked and followed up and will identify those that are completed, due and overdue actions. It also has a reporting function to allow reports to be provided to the Governance and Audit Committee that will support and inform the AGS process and provide assurance on an ongoing basis that agreed recommendations are being implemented by managers. Time will be needed on an ongoing basis to further develop this and routinely embed the use of the management information generated.

Establishments

- 3.7 Prior to the Covid-19 pandemic the majority of council establishments would receive a visit over a three to five-year period. However, it is proposed that no routine establishment audits visits take place at least until January 2022. Audit coverage will be maintained by introducing / extending the use of Control Risk Self Assessments supported by some verification on a sample basis where evidence can be provided electronically.

Contract Audit

- 3.8 Data suggests that the need for traditional final account/contract audit is reducing. This is also considered to be a low risk area however a small amount of time may be needed to verify release of contract retentions upon request from the client service areas.
- 3.9 However, Internal Audit staff will continue to work closely with staff from Procurement Services to promote a high level of contract compliance throughout the Council.

Computer Audit

- 3.10 The audit team does not have a dedicated IT audit specialist, and this will be part of the future discussions on what and how much coverage is deemed necessary.

- 3.11 As most systems and processes are IT based the ongoing systems reviews are being updated to include an element of what was previously considered to be IT Audit. The less technical IT systems reviews have been merged into the systems work stream and existing work programmes will be adjusted to cover the new approach.
- 3.12 An audit of user access levels, is planned and also during the year, if further specific issues arise or additional risks are identified consideration will be given to how best to address these issues.