



## **AUDIT COMMITTEE - 8TH MARCH 2017**

**SUBJECT: INTERNAL AUDIT SERVICES ANNUAL AUDIT PLAN**

**REPORT BY: INTERNAL AUDIT SERVICES MANAGER**

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### **1. PURPOSE OF REPORT**

1.1 To seek Members approval of the Internal Audit Services Annual Audit Plan 2017/18.

### **2. LINKS TO STRATEGY**

2.1 The work of Internal Audit Services provides assurance on the robustness of internal controls and the corporate governance arrangements operating within the Authority and identifies areas for improvement. Strong corporate governance arrangements are an essential element of ensuring that the Council's key priorities are effectively delivered and this in turn contributes to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015: -

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

### **3. WELL-BEING OF FUTURE GENERATIONS**

3.1 Strong corporate governance arrangements are a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

### **4. THE REPORT**

4.1 The attached report outlines the internal audit coverage for 2017/18. The approach is broadly similar to previous years but reflects the ongoing development of the plan in terms of coverage and risk identification.

4.2 It should be noted that the resources on which the plan is based have remained as the previous year as no savings were required to be made in 2017/18.

4.3 The Audit Committee will receive a mid year report highlighting progress against the plan and any issues arising.

**5. FINANCIAL IMPLICATIONS**

5.1 There are no financial implications.

**6. PERSONNEL IMPLICATIONS**

6.1 There are no personnel implications other than the approved manpower resource.

**7. CONSULTATIONS**

7.1 Any comments received have been reflected in the report.

**8. RECOMMENDATIONS**

8.1 Members are asked to note and approve the Annual Audit Plan 2017/18.

**9. REASONS FOR THE RECOMMENDATIONS**

9.1 To enable Internal Audit Services to carry out its function.

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Consultees: N Scammell, Acting Director of Corporate Services and Section 151 Officer  
S Harris Acting Head of Corporate Finance

Appendices:  
Appendix 1 Annual Audit Plan 2017/18  
Appendix 2 Summary of Audit Plan 2017/2018  
Appendix 3 Schedule of Planned Visits

**CAERPHILLY COUNTY BOROUGH COUNCIL****INTERNAL AUDIT SERVICES****ANNUAL AUDIT PLAN 2017/18****1. Purpose of the Report**

The purpose of the report is to outline the intended allocation of audit time for the financial year ending 31<sup>st</sup> March 2018.

**2. Introduction**

2.1 The Public Sector Internal Audit Standards 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. The 2017/18 Annual Plan is broadly based on an on-going assessment of risk which makes use of data gathered from various sources including senior management, Heads of Service and Members. The purpose of an annual plan is to outline the resources available and set out the intended allocation of audit time for the forthcoming year. Actual work carried out will be regularly assessed against the Plan and the Audit Committee will receive a mid year progress report.

2.2 During the coming year as the Authority continues to review its operations, its methods of delivery and its performance, the delivery of the internal audit service will flex to accommodate changes to service delivery models and to take account of emerging risks as the Authority reshapes itself. This process will not be confined to the coming year and the level and impact of any flexing cannot be gauged at the present time, however as identified in previous annual plan reports to the Audit Committee resource priority will always be given to high risk areas, new or existing.

2.3 In addition to the Authority wide landscape changes, the internal audit service is in the process of re-aligning its approach in response to the requirements of the new Public Sector Internal Auditing Standards and the developing risk management and governance agendas.

2.4 It is considered that changes or adjustments to either service delivery or coverage will have to be introduced on a rolling basis with a view to maintaining the level of service and keeping operational disruption to a minimum. The effect of this being that the 2017/18 plan will continue to evolve over time as the effect of increased engagement and profile filters through.

**3. Staffing**

3.1 The establishment level of the Internal Audit Section for 2017/18 is 8.2 FTE's which continues to be in line with the Welsh average.

#### 4. Plan

- 4.1 An outline of the 2017/18 Annual Audit Plan showing the audit days allocated to the main service areas is attached as Appendix A. In preparing the Plan, due consideration has been given to previous years' coverage, emerging issues and any "local factors" as well as acknowledging themed areas that are linked to priorities highlighted in the Auditing Standards.

In addition to the above due regard has been made to the following:

#### 4.2 Systems

- 4.2.1 System audits continue to receive a high level of resource allocation with certain high risk corporate systems being reviewed on an annual basis, either by undertaking a full audit or carrying out an "overview" of system controls. This allocation also allows the expansion of the service into cross cutting reviews and specific risk or business related projects as identified on an ongoing basis.
- 4.2.2 As the service continues to align its coverage to areas identified within the risk registers as part of the corporate risk management process, audit value can be increased by the promotion of the skills and knowledge gained during the undertaking of individual systems reviews. The accumulated knowledge of the organisation, its systems and procedures goes a long way to informing the year end process to arrive at an overall assurance opinion. Likewise the numerous grants that now require internal audit review are also seen as an information source to further audit knowledge and understanding which are then used to feed the assurance process.
- 4.2.3 Throughout the year Internal Audit staff will continue to have a role to play in both advising on the introduction of new systems and in undertaking regularity checks to ensure that the risks inherent in systems are minimised.
- 4.2.4 Internal Audit will liaise with the Council's external auditors in order to ensure that fundamental systems receive adequate coverage and to prevent duplication of effort.
- 4.2.5 An action plan review process is in place to monitor the implementation of agreed actions as the final part of the systems audit cycle. This work is regarded as additional to the actual audit as it provides assurance on a corporate basis that agreed recommendations are being implemented by managers.

- 4.2.6 A total of 744 audit days are therefore allocated to systems audit/reviews.

#### 4.3 Establishments

- 4.3.1 The majority of council establishments continue to receive a visit over a three to five year period and a more structured approach to establishment audits

has been established to ensure that audit resources are deployed where most benefit can be achieved. The focus of these audits is under ongoing review with alternative approaches being considered that incorporate a greater link with the governance and risk agendas. A rolling visiting schedule covering all establishments has been set up and a schedule of visits relating to 2017/18 is shown as Appendix B.

4.3.2 In addition to ensuring that the link between the establishments and the “corporate centre” are strengthened, it is hoped that the more structured approach to establishment audits will continue to:

- highlight the need for probity in financial administration;
- deal with problems where advice and assistance are required;
- identify any significant areas where procedures are weak;

and, on a more positive note, continue to promote best practice across a wide range of establishments.

4.3.3 A total of 336 audit days have been allocated to this area.

#### 4.4 Contract Audit

4.4.1 The move to a more pro-active system based approach to contract auditing will continue and will be further developed by moving the focus to auditing schemes as they progress. The more traditional approach of auditing contractors' final accounts will continue and information obtained via the final account audits will be used to complement the systems work.

4.4.2 Internal Audit staff will continue to work closely with staff from Procurement Services to promote a high level of contract compliance throughout the Council. It is also anticipated that during 2017/2018 resource will continue to be focussed on ensuring the Councils Standing Orders for Contracts and Financial Regulations are reviewed and if necessary updated to ensure they remain fit for purpose. There will also be ongoing coverage and support of the arrangements in respect of the WHQS works due to the ongoing recognition of the inherent risks to a satisfactory conclusion of the scheme.

4.4.3 A total 135 days have been allocated to the audit and review of contract systems and procedures.

#### 4.5 Computer Audit

4.5.1 Reliance on IT systems continues to be a critical factor to the ongoing success of the Authority. During the year further consideration will be given to the risks and assurances currently in place with a view to formalising an approach to addressing any areas of concern identified. 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.

4.5.2 During the year as specific issues arise or additional risks are identified consideration will be given to how best to build these into the ongoing plan as would be the case for all emerging issues.

4.5.3 Audit work will still be undertaken to review and report on the central controls for those areas that are within scope of the BSI accreditation.

#### 4.6 Corporate/Other

4.6.1 The Internal Audit Section co-ordinates and contributes work in respect of the National Fraud Initiative and the production of the Annual Governance Statement.

4.6.2 Additionally in order to provide reports to, and address any issues emanating from the Audit Committee, a time allocation has been included to cover off this work.

4.6.3 A total of 108 days have been included in the Plan to cover such topics.

4.6.4 In anticipation of “unplanned” issues arising during the year, such as special investigatory work, and work brought forward from the previous year, days have been allocated as a general contingency. This approach should reduce problems with audits having to be postponed or cancelled and make the audit plan more aligned to actual eventualities. A total of 80 days (5%) has been allowed for this.

#### 4.7 Non-Audit Days

4.7.1 Certain tasks are carried out by the Internal Audit Section that despite providing a valuable insight into emerging issues do not fall within the precise definition of internal auditing. For ease of administration and corporate benefit these tasks are at the present time carried out by internal audit staff.

4.7.2 The following list is indicative of those tasks:

- Co-ordination / monitoring of anonymous letters received.
- Returned cheques - control and administration.

4.7.3 A total of 115 days have been allocated to these tasks.

#### 4.8 Overheads

4.8.1 For 2017/18 the allocated overhead is 625 days. The largest element of this figure relates to bank holidays and annual leave which in total stands at 313 days. The remaining balance consists mainly of managerial provisions but some indicative figures include a training provision of 20 days, a sickness

provision of 32 days, an audit planning provision of 40 days, a time recording provision of 20 days.

## **5. Summary**

- 5.1 The report has dealt with the allocation of audit resources and highlighted the main areas of coverage.
- 5.2 The plan continues to reflect a proactive and constructive approach to Audit matters.
- 5.3 The desire to “continually improve” will have an impact on the way audit functions in that there is a continuous need to ensure that we provide a service of the highest quality at the most competitive cost.
- 5.4 In the coming months efforts will continue to build on existing practices and procedures in order to meet the requirements of the new auditing standards and the service will be working with the Audit Committee to reset the focus of the audit coverage and realign the direction of travel to improve the service to meet the constantly changes demands placed upon it.
- 5.5 Additionally consultation will take place with audit “clients” and our External Auditors throughout the year and their views and future requirements will be taken on board in the ongoing development of audit service provision.
- 5.6 Audits which due to unforeseen reasons were not carried out in the current year will be re-assessed and prioritised and if considered appropriate will be included in the new plan. Similarly, areas for audit included in the 2017/18 Annual Plan which, due to unforeseen circumstances, are not audited within the forthcoming year will be assessed for inclusion in future year plans. The Plan must therefore be viewed as a fluid document which not only addresses traditional or historic areas but is also able to respond to new or emerging issues.

Richard M Harris, Internal Audit Manager,  
Internal Audit Services  
March 2017

## APPENDIX 2

**Caerphilly County Borough Council****Summary of the Audit Plan 2017/2018**

<b>Service area</b>	<b>Main Areas covered</b>	<b>Days</b>
Education	Establishment reviews	210
	Central systems	67
Social Services	Establishment visits	50
	Central systems	95
Engineers	Central systems & compliance	55
Planning/ Regeneration	Central systems & compliance	45
	Establishment visits	14
Community & Leisure	Establishment visits	56
	Central systems	40
Public protection	Central systems	15
Housing	Central systems	100
	Establishment visits	6
Corporate Services		
	Legal, governance and members services	15
	Procurement	20
	Human Resources	70
	ICT & Citizen engagement	5
	Property	30
	Corporate finance / Central systems	258
	Corporate / cross cutting / non audit	262
	Action Plan reviews	25
Contingency	incl. General advice	80
<b>SUBTOTAL</b>	Allocated work	1518
	Overheads	625
<b>TOTAL</b>		<b>2143</b>



**Caerphilly County Borough Council****INTERNAL AUDIT SERVICES****Schedule of planned visits 2017/2018****Primary Schools**

Rhiw Syr dafydd Primary  
 Tynywern Primary  
 Twyn Primary  
 Pengam Primary  
 Fleur De Lys Primary  
 White Rose Primary  
 Nant Y Parc Primary  
 Hendre Infants

Hendredenny Park Primary  
 Ysgol Gynradd Gymraeg Caerffili  
 Abertysswg Primary  
 Hendre Junior  
 Graig Y Rhacca Primary  
 Bryn primary  
 Markham Primary  
 Waunfawr Primary

Ysgol Gynradd Gymraeg Y Castell  
 Cwn Glas Infants  
 Cwmaber Infants  
 Coed Y Brain primary  
 Ysgol Gymraeg Gilfach Fargoed  
 St James Primary

**Comprehensive Schools**

St Cenydd  
 Lewis Girls  
 Heolddu

St Martins  
 Risca  
 Cwmcarn High

**Leisure Centres**

Pontllanfraith  
 St Cenydd  
 Risca

Heolddu  
 Newbridge  
 Caerphilly

Centre of Sporting Excellence

**Other**

Parc Cwm Darran  
 Blackwood Miners Institute

**Social Services**

Min Y Mynydd Resource centre  
 Markham Resource centre  
 Brodawel Resource centre

Montclair Respite Home  
 Ty Gwilym Respite Home  
 Tywncarn Day Centre