

# **CAERPHILLY COUNTY BOROUGH COUNCIL**

## **INTERNAL AUDIT SERVICES**

### **ANNUAL AUDIT PLAN 2013/14**

#### **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 2014.

#### **2. Introduction**

2.1 The Auditing Practices Board guidelines (endorsed by the Chartered Institute of Public Finance and Accountancy) and the Council's own Financial Regulations require that an Audit Plan should be prepared to ensure that there is an effective and efficient use of audit resources. At a previous Audit Committee a Five Year Strategic Plan based around an ongoing risk assessment was presented and approved. The 2013/14 Annual Plan is based on the Strategic Plan and 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.

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 may have to 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 the Strategic Plan resource priority will always be given to high risk areas, new or existing.

#### **3. Staffing**

3.1 The establishment level of the Internal Audit Section for 2013/14 is 10.04 FTE's which is in line with the Welsh average.

#### **4. Plan**

4.1 An outline of the 2013/14 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 the Five Year Strategic Plan/Risk Assessment, previous years' coverage and any "local factors".

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. The Five Year Strategic Plan has highlighted the requirement to review certain “high risk” systems on an annual basis, either by undertaking a full audit or carrying out an “overview” of system controls. The Annual Plan reflects this risk.
- 4.2.2 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.
- 4.2.3 Internal Audit will liaise with the Council’s external auditors in order to ensure that fundamental systems receive adequate coverage to satisfy the External Auditors’ “managed audit” requirement and prevent duplication of effort.
- 4.2.4 A total of 872 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-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. A rolling three-year visiting schedule covering all establishments has been set up, and a schedule of visits relating to 2013/14 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 298 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 2013/2014 resource will be focussed on ensuring the successful implementation of revised Standing Orders and Financial Regulations.

4.4.3 A total 204 days have been allocated to the audit and review of contracts.

#### 4.5 Computer Audit

4.5.1 Computer auditing continues to be an area of concern due to the speed and complexity of developments in the IT arena.

4.5.2 In an effort to ensure that resources are used in the most effective way a comprehensive computer audit needs assessment was carried out during 2000/1, which was re-assessed as part of the recent wider audit risk assessment process. The needs assessment has formed the basis of a rolling programme for computer audit coverage which is constantly reviewed and updated to address emerging issues and varying priorities.

4.5.3 In addition to the above the designated computer auditor is working closely with staff within the IT Section to design and build control mechanisms into all new IT applications / environments. The auditor will also continue to contribute to the IT Section's Security Standard.

4.5.4 A total of 175 audit days have been allocated to this area. This allocation of time is additional to the time spent reviewing computer based systems.

#### 4.6 Corporate/Other

4.6.1 An action plan review process is in place to monitor the implementation of agreed actions as the final part of the 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. Additionally in order to provide reports to, and address any issues emanating from, the Audit Committee, a time allocation has been included.

4.6.2 The Internal Audit Section also co-ordinates work in respect of, the National Fraud Initiative, the production of the Annual Governance Statement and the updating of Standing Orders for Contracts and Financial Regulations.

4.6.3 A total of 109 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 90 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 do not technically fall within the precise definition of internal auditing, but for ease of administration and corporate benefit 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 145 days have been allocated to these tasks.

### 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 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.

5.5 Audits which due to unforeseen reasons were not carried out in the previous year have been re-assessed and prioritised and if considered appropriate have been included in the Plan. Similarly, areas for audit included in the 2013/14 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 is able to respond to new or emerging issues.

Richard M Harris, Internal Audit Manager,  
Internal Audit Services  
March 2013