

CAERPHILLY COUNTY BOROUGH COUNCIL**INTERNAL AUDIT SERVICES****ANNUAL AUDIT PLAN 2020/21****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 plan covers the 2 remaining quarters of the financial year.
- 1.3 Paragraph 2.1 below covers staffing resources available in more detail.
- 1.4 As previously reported to the Audit Committee, MK Insights an audit management, planning and reporting system has been introduced. Audit time has been allocated in the plan to facilitate this ongoing development and implementation.
- 1.5 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 year by year.
- 1.6 Overheads have been estimated to arise evenly over the period, including sickness absence. It also includes other managerial provisions not directly allocated to audit assignments. Obviously, there may be variances due to unforeseen events which will affect the number of available man days.
- 1.7 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.
- 1.8 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. It may be opportune to further elaborate on the overheads to further inform the committee. Firstly the Acting Internal Audit Manager's time (127 days) is 100% indirect time and is allocated to overheads, in addition the overhead figures are disproportionately affected by the Covid-19 pandemic on the use of annual leave for the year as many staff members pushed back pre booked holidays into the late Summer which were then affected by national travel restrictions, quarantines and then the CCBC local restrictions.

	1.10.20 - 31.12.20	1.1.21 - 31.3.21	Total for year
Overheads	219	220	439
Available man days	238	237	475
Vacancies	127	127	254
Total	584	584	1168

- 1.9 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 be different this year, and wherever possible audits will be conducted remotely or via desktop interrogations. This approach to audits will need to be developed and will undoubtedly evolve as time progresses.
- 1.10 It has been decided that no routine establishment visits will be undertaken to residential care homes or schools for the remainder of this financial year and this will be revisited before the end of 2020/21 when the 2021/22 plan is being formulated. However, some self-assessment and remote audit work will be undertaken in order to maintain a minimum audit coverage and generate an overall opinion at the end of the financial year.
- 1.11 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.
- 1.12 Taking into account the factors noted above the remainder of the audit plan can be estimated over the year and the individual Directorates. Audit activity can also be allocated against the types of audit assignments such as establishment audits, systems, grants and corporate work etc. However the majority of the time available will be applied to high risk areas. The audit plan time can also be allocated by these activities over the year. Both analyses are shown below:-

Directorate	Days	QTR 1	QTR 2	QTR 3	QTR 4
Education	90	0	0	45	45
Social Services & Housing	90	0	0	45	45
Corporate Services	145	0	0	73	72
Communities	90	0	0	45	45
Corporate & management related	60	0	0	30	30
Total	475	0	0	238	237

Audit type	Days	QTR 1	QTR 2	QTR 3	QTR 4
Establishment	40	0	0	20	20
Systems /high risk	368	0	0	184	184
Grant certification	5	0	0	3	2
Contract	0	0	0	0	0
IT	2	0	0	1	1
Corporate & management related	60	0	0	30	30
Total	475	0	0	238	237

- 1.13 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 2020/21 plan will continue to evolve over time as the effect of increased engagement and profile filters through.

2. **Staffing**

- 2.1 The establishment level of the Internal Audit Section for 2020/21 continues to be 9.2 FTE's (currently with 2 FTE posts vacant). This also includes a fixed-term trainee post that is linked to a professional programme of study. This current level of resource continues to be in line with the Welsh average.

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 remainder of the 2020/21 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 Support and audit input to processes will be given to any Covid-19 related financial grants or expenditure such as the £500 carers grant in order to build in robust controls. This may be extended into other areas if any other similar schemes are announced.
- 3.4 High risk Corporate areas such as Governance and Safeguarding will also receive coverage.
- 3.5 The 2020/21 NFI data match exercise will commence in October 2020 with the initial upload of data and matches due to be released in January 2021. It is anticipated that audit resource will be allocated to investigating these matches when they are published.

Action plan reviews and follow up audits

- 3.6 Resource has been allocated in the plan to complete the implementation of the MK Insights management portal which will facilitate the updating of progress on audit recommendations. The system will also identify overdue actions. It is intended that once this reporting function is operational it will prove valuable in allowing reports to be provided to 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.

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 this year, and audit coverage is maintained by remote or desk top exercises.

Contract Audit

- 3.8 Data suggests that the need for traditional final account/contract audit is reducing. This is not unexpected given the reduction in capital budgets also linked with the fact that the WHQS scheme is due to end in 2020. The member of staff responsible for this area of work retired in February 2020. This is also considered to be a low risk area and as a result no allocation of time has been given to contract audits for the remainder of the 2020/21 financial year.
- 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. As no IT audit coverage is currently in the plan the outcome of this discussion may affect the resource allocation.
- 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 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.
- 3.13 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.