



CYNGOR SIR
YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

INTERNAL AUDIT

**INTERNAL AUDIT STRATEGIC PLAN 2012/2015
AND PERIODIC PLAN 2013/2014**

ISLE OF ANGLESEY COUNTY COUNCIL

DRAFT

Draft Report presented at the Audit Committee of: 23 July 2013

1 Internal Audit Strategic Plan 2012/2015

The current Internal Audit Strategic Plan covers the period 2012/13 to 2014/15 and was approved by the Audit Committee held on 24 May 2012. The Internal Audit Operational Plan 2012/13 was also approved on that date and updates on progress against that Operational Plan have been presented to the Committee during 2012/13.

Internal Audit Plans are living documents and need to be constantly updated as new systems are developed, significant changes to existing systems occur, legislation changes, objectives change and new risks are identified.

Resource issues also affect the analysis on an ongoing basis. Fewer resources than planned will result in the need to prioritise further and reduce the number of reviews, or the coverage of each individual audit. Increased resources will allow more areas to be reviewed or individual planned reviews to be increased in depth.

2 The Audit Needs Assessment Process

Our audit approach is risk based. In order to identify the areas that require internal audit coverage, we need to understand the risks facing the organisation. We have undertaken a revised needs assessment for 2013/14 to 2014/15 using the following processes:

- We reviewed the Council's Corporate Risk Register with specific regard to risks categorised as High risk to the Council;
- We confirmed the core objectives of the organisation and the specific key risks associated with the achievement of those objectives through liaison with the management of the Council;
- We used cumulative knowledge of the organisation from previous internal audit work to identify areas that would benefit from internal audit coverage;
- The Audit Needs Assessment also identified areas of coverage that do not appear as high priority risks but where internal audit coverage can provide a tangible input to assurance, for example:
 - Requirements of Public Sector Internal Audit Standards and the CIPFA Code of Practice for Internal Audit;
 - Work required in order for external audit to place reliance on internal audit work on core financial systems in accordance with the managed audit concept;
 - Areas of concern flagged by management or the Audit Committee;
 - Emerging issues; and
 - Need for ongoing assurance in relation to key aspects of risk management, governance and internal control.

Other documents consulted in developing the Plan included, but were not limited to: IOACC Annual Governance Statement 2011/12; the PWC Audit of Accounting Statements; Corporate Risk Register; IOACC Single Integrated Plan 2013/2025; and liaison with External Audit (WAO), PWC and Scrutiny on their work plans for 2013/14.

Our preferred risk based approach is to use the Council's Corporate Risk Register to drive the Internal Audit Strategic and Operational Plans and to use our limited resources to provide assurance over the greatest risks to the Council where possible and where appropriate. Assurance will then be reported against risks familiar to the management and Members of the Council through their knowledge of corporate risk.

At the time of this Audit Needs Assessment, the Corporate Risk Register was still in development and did not include the controls in place to mitigate the identified risks and, therefore, any residual risk scores after mitigation. Although use was made of the Register, this could only be limited to the identification of potential high risk areas.

A review of the Risk Management framework and of the effectiveness of actions to mitigate the Council's highest risks has been included in the 2013/14 Internal Audit Operational Plan.

3 Annual Operational Internal Audit Plan

For each year of the Internal Audit Strategic Plan, an annual Operational Plan is produced to provide Internal Audit with its work programme for the year. The Audit Needs Assessment is reviewed and the input of Directors, Heads of Function and Heads of Service is sought to identify any risks not currently covered. The revised Audit Needs Assessment is used to direct Internal Audit resources to those aspects of the organisation that are assessed as generating the greatest risk to the achievement of its objectives.

As part of the process of developing the 2013/14 Internal Audit Operational Plan, we have met with the Deputy Chief Executive, the Section 151 Officer and liaised with the other Directors, Head of Function and with Heads of Service to discuss their requirements. The External Auditor (WAO), PWC and the Scrutiny Manager have also been consulted on the proposed Operational Plan for 2013/14.

The proposed Internal Audit Operational Plan at Appendix A reflects the results of this year's review of the Audit Needs Analysis and the resource available to the Internal Audit Service in 2013/14.

4 Resource Issues

The Internal Audit budget for 2013/14 has been based upon a full Internal Audit team complement. The number of programmed audit days has, again, been reviewed to provide a challenging target for the section in 2013/14 and represents a prioritised plan developed to allow coverage across all Departments and Services and include identified new, or enhanced risk areas for 2013/14.

Resource Targeting - The targeting of limited Internal Audit resources is paramount to ensure that resources are utilised where they are most needed. In this respect, Internal Audit uses a number of methods to assist management including: consultancy; compliance; assurance; risk management; governance; internal control and value for money. In order to truly add additional value Internal Audit looks at the key risks, work streams and priorities of the Council and concentrates effort into these areas.

However, this is only possible where an organisation has sound risk management, governance and control frameworks in place and operating effectively. Our work in these areas in the past few years has recorded ongoing development in these areas but has also identified and reported significant areas of weakness in these processes which are still being addressed. Therefore, the limited Internal Audit resources that we have will need to continue to be used in strengthening these frameworks in terms of design of controls, compliance and assurance.

'Additional Value' - There is, therefore, a reduced amount of resource to provide the 'additional value' that the Service has the potential to provide. We have however, been able to include in the Operational Plan areas where we believe that we can assist management and add additional value in relation to Corporate Health; Information Management and the efficiency agenda. We have also included in the 2013/14 Internal Operational Plan additional resource for reviews in Social Services and Education in order to assist with providing assurance on the Council's responses to adverse third party reports in 2012/13 and in providing a way forward to identify and address such issues internally before they are brought to our attention by external regulators.

Referral increases - During 2012/13, the Service received an increasing number of referrals relating to weaknesses in governance and control systems which required a level of Internal Audit involvement. It is envisaged that this level of referral will continue and an element of resources has been allocated for this type of work in 2013/14.

However, it will be necessary during 2013/14 to be more selective in terms of the referrals which we take forward to investigation and report.

5 Annual and Strategic Plans

The Strategic Internal Audit Plan for 2012/13 to 2014/15 which includes the Internal Operational Plan for 2013/14 has been updated and is presented for consideration by senior management and by Members, in accordance with the CIPFA Code of Audit Practice for Internal Audit in Local Government (please see Appendix A). The Strategic Internal Audit Plan can be found at Appendix C and resource issues are detailed at Appendix B.

6 Considerations required of the Audit Committee

- Does the Strategic Internal Audit Plan 2012/13 to 2014/15 continue to reflect the areas that the Audit Committee believe should be covered in the period?
- Does the detailed Internal Audit Operational Plan 2013/14 reflect the areas that the Audit Committee believe should be covered as priority?
- Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?

APPENDIX A

ISLE OF ANGLESEY COUNTY COUNCIL

INTERNAL AUDIT OPERATIONAL PLAN - 2013/2014

The Internal Audit Operational Plan 2013/14 sets out the internal audit coverage planned for the financial year. The plan is based on the Audit Need Assessment and upon the resources available to Internal Audit in the period. The Plan has been compiled after consultation with the Deputy Chief Executive, Directors, Heads of Function and Heads of Service. The Scrutiny Manager, External Auditor (WAO) and PWC were also consulted when compiling the plan to avoid any duplication of audit resource use.

The Council's Corporate Risk Register has been used to identify the highest risks to the Council and to prioritise the work of Internal Audit during the period. Delivery of the Operational Plan will provide a level of assurance to senior management and Members on the adequacy of the internal control framework and procedures in place within the Council to manage these risks effectively.

Other documents consulted in developing the Plan included, but were not limited to: IOACC Annual Governance Statement 2011-12; the PWC Audit of Accounting Statements; Corporate Risk Register; IOACC Single Integrated Plan 2013-2025; and liaison with External Audit (WAO), PWC and Scrutiny on their work plans for 2013/14.

INTERNAL AUDIT OPERATIONAL PLAN - 2013-14

CORPORATE		Version 4	
Auditable Area	Review Source	Review Type	
Risk Management – Action to mitigate SLT Identified Five highest risks & Education PI Action Plan	Top five risks plus	Risk based	
Human Resources Systems – Self Service and Payroll - Contract and Support - Reporting of Corp Health Indicators - Staffing ; sickness; leave; etc.	New System	Risk Based	
Mid Term Financial Plan – Robustness of Efficiency Saving calculations.	Risk YM28 & YM33	Compliance	
Information Management / Governance – Follow Up	Risk YM7 & YM20	Follow Up	
Corporate Recovery, Arrears and Write Off Management and Current Position	IA Assessed	Risk based	
Overtime - Processes and Monitoring - Efficiencies - Include Flexi System	IA Assessed	Risk based	
Partnerships - Governance Arrangements - Liabilities and Assurance (Auditing) - new Committee.	SD & LL Directors	System	
Include: Education Service GWE and Children's and Young People's Partnerships			7
POLICY UNIT			
Auditable Area	Review Source	Review Type	
Corporate Complaints System - after Qtr 2 13-14	Service Request	System	1
HOUSING SERVICES			
Auditable Area	Review Source	Review Type	
Housing Rents	External Assurance	Key Controls	
Housing Management - including Lettings	IA Risk Assessed	System	
Homelessness	IA Cyclical	Risk Based	3

SOCIAL SERVICES			
Auditable Area	Review Source	Review Type	
Out of County Fees – Children’s Services	Service request	System	
Procurement – Providers including Tyddyn Môn – Grant Funded providers - specs front end	IA Cyclical	Compliance - VFM	
Appointees / Deputies Practices	Service request	System	
Direct Payments - Follow Up	Service request	Follow Up	
Client Finance Unit - CIVICA Opportunities - Verification of HR and Finance Data Quality	Service request	System	
Adult Services - Provision and Costings	DCE Request	Risk Based	
Service Continuity Plans - Inc. independent sector and carers- Lists and contacts of providers?	Com Director	System	
Case Files - Compliance - Cross check a sample to ledger and verify	Service request	Compliance	
Thematic - Statutory Key Work Streams - Meeting statutory responsibilities.	Service request	Thematic	9
FINANCE SERVICE			
Auditable Area	Review Source	Review Type	
Cash Collection	External Assurance	Key Controls	
Sundry Debtors	External Assurance	Key Controls	
Creditor Payments	External Assurance	Key Controls	
Financial Ledger & Bank Reconciliation	External Assurance	Key Controls	
Civica Ledger – Post Implementation Review	IA Risk Assessed	PIR	
Housing Benefits	External Assurance	Key Controls	
Treasury Management	External Assurance	Key Controls	
Council Tax	External Assurance	Key Controls	
NNDR	External Assurance	Key Controls	
Payroll - including the payment of non-employees	External Assurance	Key Controls	
Teachers Payroll	IA Risk Assessed	System	
Accounts Closure Timetable – Assurance	Service request	Compliance	
Grant Claim Processes	Service request	Compliance	13
ICT SERVICES			
Auditable Area	Review Source	Review Type	
ICT Health Check - Including Logical access controls / audit trails of key applications / ICT Strategy	HofF Resources Request	Advisory	
Internet Usage Policy and supporting processes	IA Risk Assessed	Risk Based	2
HIGHWAYS & TRANSPORT			
Auditable Area	Review Source	Review Type	
Car Park Fees and Excess Charge Notices - Collaborative	Collaborative	Key Controls	
Waste Disposal – including a look at Trade Waste	DCE Request	Risk Based	
Fleet Maintenance Arrangements - Including VFM of using Council vehicles v own - compliance with current policy	Risk YM6	Risk based	
Blue Badges - Procedures NFI - Does Trading Standards one stop for deceased cover this area?	NFI	Risk Based	4
PLANNING SERVICES			
Auditable Area	Review Source	Review Type	
Property & Environment Grant (PEG) Scheme	IA Risk Assessed	System	1

ECONOMIC DEVELOPMENT			
Auditable Area	Review Source	Review Type	
Post 2013 - European Funding Governance - Matched to work streams?	Service Requested	System	1
Property			
Auditable Area	Review Source	Review Type	
Asset Management - Use of Buildings - Empty Buildings	Referral	Risk Based	1
LIFELONG LEARNING			
Auditable Area	Review Source	Review Type	
Audit Certification – LA sixth form and adult continuing Education	IA Risk Assessed	Compliance	0
LEISURE & COMMUNITY			
Auditable Area	Review Source	Review Type	
David Hughes Leisure Centre - Include percentage of internal / external use by school / community	IA Risk Assessed	Establishment	1
EDUCATION			
Auditable Area	Review Source	Review Type	
Primary school 1	IA Cyclical	School	
Primary school 2	IA Cyclical	School	
Primary school 3	IA Cyclical	School	
Primary school 4	IA Cyclical	School	
Primary school 5	IA Cyclical	School	
Primary school 6	IA Cyclical	School	
Secondary school 1	IA Cyclical	School	
Schools – Follow Up Red and Red/Amber	IA Cyclical	School	
WG Free Breakfast	External Assurance	Key Controls	
Financial Management Arrangements - Review of Schools Audit Methodology - Including meetings re self-assessment in 2014-15	IA Risk Assessed	System	
Ysgol Uwchradd Caergybi - Budget deficit to be made up by Sept 2014 - more lean and mean - Staff utilisation etc.	LL Director Request	Compliance	
School Thematic Review	IA Risk Assessed	System	12

APPENDIX B**Resources****1 Assessing Resource Level Requirements**

Our professional judgement has been applied in assessing the level of resource required for the audits identified in the strategic cycle. The level of resource applied is a product of:

- The complexity of the system in place;
- Factors such as number of locations, number of transactions or frequency of transactions;
- The assurance which can be brought forward from previous year's audits;
- The type of audit undertaken.

2 Available Resources within Internal Audit Section

The available resources in the Internal Audit Service for 2013-14 are based on:

Audit Manager	144 days
Senior Internal Auditor	260 days
Internal Auditor x 2	520 days
Auditors x 2	520 days

Total: 1444

The Plan is based on the above available resources for 2013/14 less an element of 548 non chargeable days relating to annual and sick leave, training, administration Audit Committee work etc. duties that are necessary for the function of the Section but which are not directly involved with audit reviews. A further 210 days has been planned for the undertaking of non programmed work which includes referrals, contingency, advice, follow up etc.

The total number of Internal Audit Days available for programmed Internal Audit work against the 2013/14 Plan is therefore 686 days.

3 Resource Coverage

The allocation of the percentage of audit days available across the Council's activities is detailed below. The allocation reflects the current corporate high risk areas identified from the Audit Needs Analysis. Therefore the highest percentage of days in 2013/14 is scheduled to be spent on reviews in the areas of Finance and ICT, Community and Lifelong Learning.

Council Area	No. of Reviews	% Plan Allocated
Corporate & Central Services	8	14%
Finance and Information Technology	16	29%
Lifelong Learning	13	23%
Community	12	21%
Sustainable Development	7	13%
Total No. of programmed reviews in Plan	56	

4 **Collaboration**

A North and Mid Wales Audit Partnership consisting of the six North Wales local authorities and four other public sector organisations has been created to allow the partner organisations to work more closely together with the aim of increasing efficiency. The intention of the Partnership is to work collaboratively on new and emerging areas of audit interest and to share the results of this work.

The Internal Audit Service also participates in meetings of the Welsh Chief Auditors Group and aims to further develop these links in 2013/14.

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APPENDIX C

Isle of Anglesey County Council

STRATEGIC INTERNAL AUDIT PLAN 2012/13 to 2014/15 AS AT APRIL 2013

Audit Area	Actual 2012/13	Planned 2013/14	Planned 2014/15
CORPORATE AND CENTRAL SERVICES			
Risk Management Framework and Corporate Risk Register - High Risk related reviews			
Human Resources Self Service – including Corporate Health Indicators			
Travel & Subsistence Policy			
Overtime processes including Flexi-time system			
Performance Management			
Outcome Agreements			
Car Loans	Not in Plan		
Members' Allowances			
Information Governance and Data Security			
Data Protection / FOI / Privacy Impact Assessments			
Photocopying - VFM			
Training Allowances			
Inventories			
ICT Disaster Recovery and Business Continuity			
Recommendation Tracking – IA Self Assessments Verification Review		Ongoing	Ongoing
Recommendation Tracking – Non IA			
Corporate Health Review including sickness		See HR Above	
Business Planning Processes			
Record Management & Storage			
Data Security			
Safeguarding Framework Recruitment			
Energy - VFM	Not in Plan		
National Fraud Initiative (NFI) - System			
Corporate Manslaughter – Fleet Management+			
Community Safety			
Gofal Môn			
Mid Term Financial Plan			
Corporate Recovery , Arrears and Write Off Management			
Partnerships – Governance Arrangements			
Electoral Register			
<i>Legal Services</i>			
Complaints process			
SUBTOTAL	8	8	10

FINANCE & INFORMATION TECHNOLOGY			
<i>Finance</i>			
Grant Claim Process			
Civica Ledger Implementation Review			
Civica Ledger – Post Implementation Review			
Accounts Closure Timetable - Assurance			
Teachers Payroll			
NNDR			
Housing Benefit			
Council Tax			
Payroll Including Payment of Non Employees			
Sundry Debtors			
Creditors			
Financial Ledger & Bank Reconciliation			
Treasury Management			
Imprest Accounts & Reconciliation			
Cash Collection			
Budget Setting & Monitoring			
VAT			
Corporate Procurement Cards			
Fixed Asset Report			
Procurement Procedures, Compliance and E-Tendering			
<i>Information Technology</i>			
ICT Health Check			
Internet Access / Usage			
ICT Strategy			
Networks			
SUBTOTAL	13	15	15

LIFELONG LEARNING			
<i>Lifelong Learning & Information</i>			
Oriel Ynys Môn			
Uned Llyfryddol			
Archives			
Plas Arthur Leisure Centre			
Sports Development			
Amlwch Leisure Centre			
Beaumaris Leisure Centre			
Audit Certification – LA Sixth Form			
David Hughes Leisure Centre			
SUBTOTAL	1	2	3

Education			
Ysgol Bodedern			
Ysgol Bodffordd			
Ysgol Llanbedrgoch			
Ysgol Rhosneigr			
Ysgol Goronwy Owen			
Ysgol y Tywyn			
Ysgol y Morswyn			
Ysgol Pencarnisog			
Ysgol David Hughes			
Ysgol Y Bont			
Ysgol Bryngwran			
Ysgol Llanfechell			
Ysgol Llanfairpwll			
Ysgol Kingsland			
Ysgol Llanfawr			
Ysgol Beaumaris			
Ysgol Dwyran			
Ysgol Esceifiog			
Ysgol Gyfun Llangefni			
Ysgol Llanerchymedd			
Ysgol Llanfachraeth			
Ysgol Llangristiolus			
Ysgol Moelfre			
Ysgol Niwbwrch			
Ysgol Ffrŵd Win			
Ysgol Uwchradd Bodedern			
Ysgol Syr Thomas Jones			
Ysgol Uwchradd Caergybi			
SUBTOTAL	8	7	7
Follow up – Schools (All Red or Red Amber in previous year)			
WG - Clothing Grants			
School Meals Income			
Free School Meals			
Schools Thematic Review			
WG – Free Breakfast			
Sixth Form Funding - PLASC / Learning Network	In Schools	In Schools	In Schools
School Transport Income			
Financial Management Arrangements –Including Audit Methodology			
Integration			
Ysgol Uwchradd Caergybi - Budget			
Student Fees			
SUBTOTAL	4	5	6

COMMUNITY			
<i>Housing</i>			
Homelessness			
Housing Grants			
Communities First			
BMU Procurement			
Asbestos Management			
BMU Job Costing			
Housing Management - including Lettings			
Housing Rents			
<i>Social Services</i>			
Out of County Fees - Children's Services			
Adult Services – Provision and Costing			
Service Continuity Plans			
Case Files – Compliance			
Thematic – Statutory Key Work Streams			
Client Finance Unit – CIVICA Opportunities			
Children's Services – Assessment and Monitoring			
Appointees / Deputies			
Beaumaris Day Centre			
Social Services - Procurement			
Canolfan Byron			
Plas Penlan Elderly Home			
Meals on Wheels			
Suspense Accounts & Amenity Funds			
Direct Payments to Clients			
Ucheldre Community Living			
Plas Crigyll Elderly Home			
Garreglwyd Elderly Home			
Hafan Day Care			
SUBTOTAL	6	12	10

SUSTAINABLE DEVELOPMENT			
Blue Badges – Procedures NFI			
Fleet Maintenance / Management			
Asset Management Arrangements			
Post 2013 European Funding Governance			
Waste Contracts			
Excess Charge Notices			
Car Park Fees & Income			
Maritime			
Industrial Units Rent			
Carbon Trading			
Public Transport			
Waste Management Targets			
Highways Rechargeable Works			
Grounds Maintenance			
Highways Fees & Charges			
Markets			
Pavement Term Contract			
Small Holdings Rents			
Economic Development Grants			
Property & Environment Grant (PEG) Scheme			

SUBTOTAL	6	7	5
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OTHER AREAS			
Provision for special investigations			
Provision for ad-hoc requests from Section 151 Officer			
Provision for General Advice to Services			
Follow Up Work			
Contingency			
SUBTOTAL			

TOTAL FOR YEAR	46	56	56
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NB – Six Primaries each year on a risk basis and five Secondaries over a three year period.
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