

ISLE OF ANGLESEY COUNTY COUNCIL

COMMITTEE:	AUDIT COMMITTEE
DATE:	10 APRIL 2014
TITLE OF REPORT:	INTERNAL AUDIT STRATEGIC PLAN 2012/2015 AND PERIODIC PLAN 2014/2015
PURPOSE OF REPORT:	FOR INFORMATION AND ADOPTION
REPORT BY:	AUDIT MANAGER
ACTION:	FOR ADOPTION

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 23 July 2013. The Internal Audit Operational Plan 2013/14 was also approved on that date and updates on progress against that Operational Plan have been presented to the Committee during 2013/14.

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 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 on-going 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 2012/13; 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 all of 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 2014/15 Internal Audit Operational Plan.

- 3. Value for Money (VFM)** – The Audit Committee has identified VFM as a significant gap in their current terms of reference and has asked, via their Workshop held in January 2014, that additional specific Internal Audit work is undertaken in this area in 2014/15.

VFM related reviews should be used to support and monitor how the Council makes best use of reducing resources and should be included in the work of Internal Audit wherever possible with identified cases of non achievement of VFM being reported.

4. 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 Corporate 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 2014/15 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 2014/15.

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 2014/15.

5. Resource Issues

The Internal Audit budget for 2014/15 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 2014/15 and represents a prioritised plan developed to allow coverage across all Functions, Departments and Services and include identified new, or enhanced risk areas for 2014/15.

Absence Cover – As a small Internal Audit Team, the effects of staff absence can impact quite quickly on the ability of the Team to complete its compliment of reviews in period. As such, long terms absences may require to be covered by additional resources from outside of the Team.

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, value for money and reducing the risk of fraud and error. 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 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 complying with our Information Governance responsibilities, efficiency saving agenda and budget setting and monitoring processes, safeguarding arrangements, performance against key performance plans, and the developing Corporate procurement framework.

Referrals – Again during 2013/14, the Internal Audit Service received twenty -six 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 2014/15.

In order to ensure that enough resources are available for the completion of the Internal Operational Plan, the Audit Manager retains the prerogative (in consultation with the Section 151 and Monitoring Officers) to be selective in terms of the referrals which the Service can operationally take forward to investigation and report.

6. Annual and Strategic Plans

The Strategic Internal Audit Plan for 2012/13 to 2014/15 which includes the Internal Operational Plan for 2014/15 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 (see Appendix A). The Strategic Internal Audit Plan can be found at Appendix C and resource issues are detailed at Appendix B.

7. Considerations required of the Audit Committee

- Does the detailed Internal Audit Operational Plan 2014/15 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?

ISLE OF ANGLESEY COUNTY COUNCIL

INTERNAL AUDIT OPERATIONAL PLAN – 2014/15

Internal Audit Operational Plan 2014/15			
Ref	Service	Title	Source
CORPORATE			
1	Corporate	Counter Fraud Arrangements - Service Level Arrangements	Audit Committee AP
2	Corporate	Risk Management Framework and Top 5 Risks – Risk Strategy and Risk Registers	Corporate Risk
3	Corporate	Information Governance - Follow Up of ICO Response Action Plan	Corporate Risk YM31
4	Corporate	Review of Compliance with Information Governance Policies; Y Standard DPA Contracts; Fair Privacy Notices; Data Marking / Classification; Handling of Official Sensitive Documents etc. – Required August 2014	Hof Function (Legal) YM31
5	Corporate	Value for Money - Service Level Arrangements	IA Assessed Risk
6	Corporate	Logical Access Controls & Access Rights (Segregation of Duties) - key corporate systems	IA Assessed Risk
7	Corporate	PIR Processes - Corporate	DCE Request
8	Corporate	Assets and Capital – Including Agile Working Project	DCE / MO Request
9	Corporate	Corporate Assessment – including Scrutiny Effectiveness	DCE Request
10	Corporate	Corporate Complaints Procedure - Qtr 1	MO Request
11	Corporate	Safeguarding Framework - Compliance	Corporate Risk YM16
12	Corporate	Whistle Blowing Procedure and Corporate Overview	MO Request
13	Corporate	Corporate Planning Processes	Section 151 Officer Request
14	Corporate	Corporate PIs – Right ones and set at challenging levels.	Section 151 Officer Request
ECONOMIC & COMMUNITY REGENERATION			
15	Economic	Holyhead Vibrant & Viable Places (VVP) - Governance	HoS Request
16	Economic	Plas Arthur Leisure Centre	Cyclical IA
17	Economic	Sports Development	Cyclical IA
18	Economic	Amlwch Leisure Centre	Cyclical IA
EDUCATION			
19	Education	Primary school 1	Cyclical IA
20	Education	Primary school 2	Cyclical IA
21	Education	Primary school 3	Cyclical IA
22	Education	Primary school 4	Cyclical IA
23	Education	Primary school 5	Cyclical IA
24	Education	Primary school 6	Cyclical IA
25	Education	Secondary school 1	Cyclical IA
26	Education	Schools – Follow Up Red and Red/Amber	Cyclical IA
27	Education	School Thematic Review	Cyclical IA
28	Education	Free School Meals	External Assurance
29	Education	Performance against post Estyn inspection plan	Corporate Risk YM 23
30	Education	School Financial Management Arrangements - Review of Audit Methodology	IA Assessed Risk

RESOURCES			
31	Finance	CIVICA - Operational Compliance - Service and Finance	Corporate Risk YM33
32	Finance	Teachers Payroll	Cyclical IA
33	Finance	Cash Collection	External Assurance
34	Finance	Sundry Debtors	External Assurance
35	Finance	Creditor Payments	External Assurance
36	Finance	Financial Ledger & Bank Reconciliation	External Assurance
37	Finance	Housing Benefits	External Assurance
38	Finance	Treasury Management	External Assurance
39	Finance	Council Tax	External Assurance
40	Finance	NNDR	External Assurance
41	Finance	Payroll - including the payment of non employees	External Assurance
42	Finance	Budget Setting and Monitoring	Corporate Risk YM33
43	Finance	Accounts Closure Timetable - Process Review	S 151 Officer Request
44	Finance	Efficiency Savings Processes and Robustness – 2015/16 Budget and Efficiency Strategy	Corporate Risk YM8
45	Finance	Corporate Procurement Framework	Corporate Risk YM40
46	Finance	Mid Term Financial Plan	S 151 Officer Request
47	ICT	ICT Service review (external commission)	S 151 Officer Request
48	ICT	Disaster Recovery Arrangements	Corporate Risk YM??
ENVIRONMENT & TECHNICAL			
49	Highways	Highways Rechargeable Works	Cyclical IA
50	Transport	Penalty Charge Notices	External Assurance
HOUSING			
51	Housing	Housing Rents	External Assurance
52	Housing	Housing Management - including Lettings and Counter Tenancy Fraud	IA Assessed Risk
53	Housing	BMU – Stock Check Report	Annual
54	Housing	Housing – Rechargeable Works	HoS Request
CHILDREN'S SERVICES			
55	Children	Procurement, monitoring and contract compliance	HoS Request
56	Children	Joint commissioning within Children's Services	HoS Request
ADULT SERVICES			
57	Adult	Ucheldre Community Living	Cyclical IA
58	Adult	Extra Care Housing Scheme	MO Request

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 2014-15 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 2014/15 less an element of 466 days non chargeable 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 allocation of 150 days has been planned for the undertaking of non programmed work which includes referrals, contingency, advice, follow up etc. The number of days available for allocation to the Internal Audit Operational Plan is, therefore, 825 auditor 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 including those corporate risk areas detailed in the Internal Audit Annual Report 2013/14. Therefore, the highest percentage of days in 2014/15 is scheduled to be spent on reviews in the areas of the corporate centre, Finance and ICT and Lifelong Learning (including schools).

Council Area	No. of Reviews	% Plan Allocated
Resources	18	31%
Corporate	14	24%
Learning	12	22%
Economic & Community Regeneration	4	7%
Environment & Technical	2	3%
Housing	4	7%
Children's Services	2	3%
Adult Services	2	3%
Total No. of programmed reviews in Plan	58	100%

4. Collaboration

A North and Mid Wales Audit Partnership, consisting of the six North Wales local authorities and four other public sector organisations, exists 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 2014/15.

Isle of Anglesey County Council

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

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			2
Human Resources Self Service – including Corporate Health Indicators			
Travel & Subsistence Policy			
Overtime processes including Flexi-time system			
Performance Management			14
Outcome Agreements			
Car Loans	Not in Plan		
Members' Allowances			
Information Governance and Data Security			3
Data Protection / FOI / Privacy Impact Assessments			
VFM Arrangements			5
Training Allowances			
Inventories			
ICT Disaster Recovery and Business Continuity			48
Recommendation Tracking – IA Self Assessments Verification Review		Ongoing	Ongoing
Recommendation Tracking – Non IA			
Corporate Health Review including sickness		See HR Above	
Business Planning Processes			13
Record Management & Storage			See IG
Data Security			See IG
Safeguarding Framework Recruitment			11
Energy - VFM	Not in Plan		
National Fraud Initiative (NFI) - System			
Corporate Manslaughter – Fleet Management+			
Community Safety			
Gofal Môn			
Mid Term Financial Plan			46
Corporate Recovery , Arrears and Write Off Management			
Partnerships – Governance Arrangements			
Counter Fraud Arrangements			1
Compliance with Information Governance Polices			4
Logical access controls			6
PIR Process - Corporate			7
Assets and Capital – including Agile working			8
Corporate Assessment			9
Whistle Blowing Procedure			12
Electoral Register			
<i>Legal Services</i>			
Complaints process			10
SUBTOTAL	8	2	16
FINANCE & INFORMATION TECHNOLOGY			
<i>Finance</i>			
Grant Claim Process			
Civica Ledger Implementation Review			
Civica Ledger – Post Implementation Review and ongoing compliance			31
Accounts Closure Timetable - Assurance			43
Teachers Payroll			32
NNDR			40
Housing Benefit			37
Council Tax			39
Payroll Including Payment of Non Employees			41
Sundry Debtors			34
Creditors			35
Financial Ledger & Bank Reconciliation			36
Treasury Management			38
Imprest Accounts & Reconciliation			
Cash Collection			33
Budget Setting & Monitoring			42
VAT			
Corporate Procurement Cards			
Fixed Asset Report			
Efficiency Savings Processes and Robustness			44
Procurement Procedures, Compliance and E-Tendering			45

Information Technology			
ICT Health Check / Service Review			47
ICT DR			DR Above
Internet Access / Usage			
ICT Strategy			
Networks			
SUBTOTAL	13	12	16

LIFELONG LEARNING			
<i>Lifelong Learning & Information</i>			
Oriel Ynys Môn			
Uned Llyfryddol			
Archives			
Plas Arthur Leisure Centre			16
Sports Development			17
Amlwch Leisure Centre			18
Beaumaris Leisure Centre			
Audit Certification – LA Sixth Form			
David Hughes Leisure Centre			
SUBTOTAL	1	1	3

<i>Education</i>	<i>– See IA Operational plan</i>		19-25
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 Llangejni			
Ysgol Llanerchymedd			
Ysgol Llanfachraeth			
Ysgol Llangristiolus			
Ysgol Moelfre			
Ysgol Niwbwrch			
Ysgol Ffrwd 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)			26
WG - Clothing Grants			
School Meals Income			
Free School Meals			28
Schools Thematic Review			27
WG – Free Breakfast			N/A
Sixth Form Funding - PLASC / Learning Network	In Schools	In Schools	In Schools
School Transport Income			
Financial Management Arrangements –Including Audit Methodology			30
Integration			
Ysgol Uwchradd Caergybi - Budget			
Student Fees			
Performance against post Estyn Report			29
SUBTOTAL	8	7	5

COMMUNITY			
<i>Housing</i>			
Homelessness			
Housing Grants			
Communities First			
BMU Stock Check			53
BMU Procurement			
Asbestos Management			
BMU Job Costing			
Housing Management - including Lettings			52
Housing Rents			51
Housing Rechargeable Works			54
<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			57
Plas Crigyll Elderly Home			
Garreglwyd Elderly Home			
Hafan Day Care			
Extra Care Housing Scheme			58
Procurement, monitoring and contract compliance			55
Joint commissioning within Children's Services			56
SUBTOTAL	6	5	7

SUSTAINABLE DEVELOPMENT			
Blue Badges – Procedures NFI			
Fleet Maintenance / Management			
Asset Management Arrangements			
Post 2013 European Funding Governance			
Waste Contracts			
Excess Charge Notices			50
Car Park Fees & Income			
Maritime			
Industrial Units Rent			
Carbon Trading			
Public Transport			
Waste Management Targets			
Highways Rechargeable Works			49
Grounds Maintenance			
Highways Fees & Charges			
Markets			
Pavement Term Contract			
Small Holdings Rents			
Economic Development Grants			
Property & Environment Grant (PEG) Scheme			
Holyhead Vibrant & Viable Places (VVP) - Governance			15
SUBTOTAL	6	4	3
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

50

38

58