

ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	AUDIT COMMITTEE
DATE:	23 FEBRUARY 2015
TITLE OF REPORT:	ANNUAL NEEDS ANALYSIS & INTERNAL AUDIT OPERATIONAL PLAN 2015-16
PURPOSE OF REPORT:	FOR INFORMATION
REPORT BY:	AUDIT MANAGER
ACTION:	N/A

1 Introduction

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 audit needs 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.

At the time of production of the draft Internal Audit Operational Plan 2015/16 a review of the provision of the Internal Audit Service of the Council was in progress. This has meant that it is not possible for the Chief Audit Executive to be able, to provide assurance over the adequacy of the internal audit resources available to the Internal Audit Service in 2015 / 2016.

2 The Audit Needs Assessment Process

The Council adopted the Public Sector Internal Audit Standards in 2013 and the Standards are adhered to by the Internal Audit Service. Standard 2010 relates to audit planning and states that: *‘the chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.’*

In order to identify the areas that require internal audit coverage, we need to understand the risks facing the organisation. We have undertaken an audit needs assessment for 2015/16 using the following processes:

- We confirmed the core objectives of the organisation and the specific key risks associated with the achievement of those objectives through review of the Corporate Business Plan 2012/15 and through liaison with the management of the Council;

- We reviewed the Council's Corporate Risk Register and individual Service level Risk Registers with specific regard to risks categorised as High risk to the Council;
- We used cumulative knowledge of the organisation from previous internal audit work to identify areas that would benefit from internal audit coverage. This included the opinion on the Council's governance, risk management and internal control arrangements to be included in the Chief Audit Executives Annual Report 2014-15;
- 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 by the Audit Committee;
 - Emerging issues; and the
 - 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: Annual Governance Statement 2013/14; the PWC Audit of Accounting Statements; Annual Delivery Plan – Improvement Plan 2014/2015; and liaison with External Audit (WAO), PWC and Scrutiny on their work plans for 2015/16.

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 would 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, as in the past, the Council's risk management framework was not considered developed enough to enable the preferred option to be adopted. Although some use was made of the Register, this could only be limited to the identification of potential high risk areas. Therefore additional use was made of meetings with senior management and review of corporate documentation to assess risk and audit needs. The analysis also included an element of cumulative audit knowledge and experience of the Council's operations, objectives and risks.

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 2015/16 Internal Audit Operational Plan.

3 Annual Operational Internal Audit Plan

The 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 2015/16 Internal Audit Operational Plan, we have consulted 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 2015/16.

The proposed Internal Audit Operational Plan at Appendix A reflects the results of this year's review of the Audit Needs Analysis for 2015/16.

4 Resources

As stated above a review of the provision of the Internal Audit Service of the Council was in progress at the time of reporting. It is envisaged that a separate report concerning how and by whom the Internal Audit Service will be provided from 01 April 2015 will be presented to the Audit Committee by the Section 151 Officer for consideration and approval.

The number of auditor days allocated for the completion of the 2015/16 Operational Plan has been set to provide a challenging target for the Service and represents a resource allowing a prioritised plan with coverage across all Functions, Departments and Services of the Council.

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 available will need to continue to be used in strengthening these frameworks in terms of design of controls, compliance and assurance.

Appendix B includes details of the required internal audit resource to complete the Operational Plan 2015/16.

5 Considerations required of the Audit Committee

- Does the detailed Internal Audit Operational Plan 2015/16 reflect the areas that the Audit Committee believe should be covered as priority?
- Is the level of auditor day 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 - 2015-16

Ref	Service	Title	Source	Planned Auditor Days
DEPUTY CHIEF EXECUTIVE				850
CORPORATE				
1	Corporate	Counter Fraud Arrangements - Service Level Arrangements	Audit Committee AP	15
2	Corporate	Risk Management Framework and Top 5 Risks – Risk Strategy and Risk Registers	Corporate Risk	10
3	Corporate	Review of Compliance with Information Governance Policies; - Standard DPA Contracts; Fair Privacy Notices; Data Marking / Classification; Handling of Official Sensitive Documents etc.	Hof Function (Legal) YM31	15
4	Corporate	Value for Money - Service Level Arrangements	IA Assessed Risk	15
5	Corporate	Assets and Capital – Including Agile Working Project	DEC / MO Request	15
6	Corporate	Safeguarding Framework - Compliance	Corporate Risk YM16 / SLT Request	15
7	Corporate	Whistle Blowing Procedure and Corporate Overview	MO Request	10
8	Corporate	Partnerships - Governance and Performance	Audit Committee	15
9	Corporate	Agency Staff Arrangements and Utilisation - Follow Up	IA Assessed Risk	10
10	Corporate	Equal Pay	EA Request	10
11	Corporate	Job Evaluation - implications	EA Request	10
12	Corporate	Business Continuity -Including ICT DR	Cyclical IA	15
13	Corporate	PIR Processes - Corporate	DEC Request	10
14	Corporate	Customer Relationship Management System (CRM) - Development	Annual Delivery Document 14-15	10
HUMAN RESOURCES				

15	HR	Sickness Reporting Arrangements	HofS Consultation	10
16	HR	HR -New System Implementation - Qtr 3-4	HofS Consultation	10
17	HR	Travel and Subsistence - Policy and Compliance	HofS Consultation	10

RESOURCES

18	Finance	Teachers Payroll - Follow Up	Follow Up	10
19	Finance	Cash Collection	External Assurance	10
20	Finance	Sundry Debtors including current performance on aged debt - including Telecare	External Assurance	10
21	Finance	PCID DSS Self Assessment - Oriol - LCs - Cash Offices etc.	Revs & Bens Man Request	10
22	Finance	Creditor Payments	External Assurance	15
23	Finance	Financial Ledger & Bank Reconciliation	External Assurance	10
24	Finance	Housing Benefits	External Assurance	20
25	Finance	Treasury Management	External Assurance	10
26	Finance	Council Tax	External Assurance	15
27	Finance	NNDR	External Assurance	15
28	Finance	Payroll - including the payment of non employees	External Assurance	15
29	Finance	Corporate Procurement Framework Including E-Tendering - Q4 of 15/16	Corporate Risk YM40	15
30	Finance	Monitoring of changes made to employee standing data	EA Request	6
31	Finance	Pensions: sharing of census data with the Gwynedd Pension Scheme and reconciliation of data sets	EA Request	6
32	Finance	Budget Setting and Monitoring for 2016-17 - Qtr 3	Corporate Risk YM33	10
33	Finance	Accounts Closure Timetable - Process Review	IA Assessed Risk	10
34	Finance	Efficiency Savings Processes and Robustness - 2016-17 Budget and Efficiency Strategy	Corporate Risk YM8	10
35	Finance	CIVICA - Data Analytics Exercise - Creditors and Debtors - Q4 of 15/16 or Q1 16/17	IA Assessed Risk	10

INFORMATION & COMMUNICATION TECHNOLOGY

36	ICT	Network - Access and Security- Including remote access effectiveness and security	IA Assessed Risk	10
37	ICT	Disaster Recovery Arrangements	Corporate Risk YM??	10
38	ICT	Remote Access to Corporate systems - Effectiveness and Security	Annual Delivery Document 14-15	10

39	ICT	Automated Services and Self-Service Options	Annual Delivery Document 14-15	10
LIFELONG LEARNING				
LEARNING				
40	Education	Primary school 1	Cyclical IA	6
41	Education	Primary school 2	Cyclical IA	6
42	Education	Primary school 3	Cyclical IA	6
43	Education	Primary school 4	Cyclical IA	6
44	Education	Primary school 5	Cyclical IA	6
45	Education	Primary school 6	Cyclical IA	6
46	Education	Secondary school 1	Cyclical IA	10
47	Education	Schools – Follow Up Red and Red/Amber	Follow Up	10
48	Education	School Thematic Review	Cyclical IA	6
49	Education	Free School Meals	External Assurance	5
50	Education	Oriel Establishment Review	HofS Request	10
51	Leisure	Library and Cultural Heritage Management	Corporate Plan 2013-17	10
52	Libraries	Administration of Education Grants - (Family Grant and Flying Start)	HofS Request	10
53	Education	School Financial Management Arrangements	IA Assessed Risk	10
54	Education	Reading Age Data - School usage and LEA Challenge	Annual Delivery Document 14-15	10

COMMUNITY				
HOUSING SERVICES				
55	Housing	Housing Rents	External Assurance	20
56	Housing	BMU – Stock Check Report	Annual	6
57	Housing	HRAS Project implementation - including planning and forecasting arrangements	IA assessed risk	15
58	Housing	Housing – Rechargeable Works	HofS Request	10
59	Housing	Affordable Housing outcomes	Corporate Business Plan	10
CHILDREN SERVICES				
60	SS	Advice , Information and Assitance	Director Request	15

61	SS	Single Point of Access and Accountability - with Betsi Cadwaladr UHB	Director Request	15
62	CS	Case Management and Assessment processes for Children - including health checks.	Corporate Business Plan / Improvement Plan 2013-14	10
63	CS	Fostering Service - Range and availability of foster carers	Annual Director's Report 13-15	15
64	CS	Corporate Parenting function - compliance / robustness - Qtr 4	Director Request	10
65	SS	Payment Collection - Telecare	Director Request	15
ADULT SERVICES				
66	Adult	Extra Care Housing Scheme - Qtr 3	MO Request	15
67	Adult	Third Sector Partnership Arrangements and Outcomes	Annual Director's Report 13-15	10
68	Adult	Deprivation of Liberty Safeguards Authorisation Arrangements	Annual Director's Report 13-15	10
69	Adult	Domiciliary Care Provision	Annual Director's Report 13-15	15
70	Adult	'Community Hub' - support and services from local communities enhanced and "joined up"	Annual Delivery Document 14-15	10
71	Adult	Commissioning Strategy - Qtr 2	Corporate Risk	10
72	Adult	Performance Indicators for Adult Services - (Quality Framework)	HofS Request	10
SUSTAINABLE DEVELOPMENT				
ECONOMIC & COMMUNITY REGENERATION				
73	Economic	Enterprise Island - Detination Management Planning	Corporate Business Plan	10
74	Economic	Holyhead Vibrant & Viable Places (VVP) - Governance & Grants to Third Parties	Annual Delivery Document 14-15	15
75	Leisure	Leisure Activity Booking and Payment System	Annual Delivery Document 14-16	10
ENVIRONMENT & TECHNICAL				
76	Transport	Penalty Charge Notices - Finance Officer Assurance	External Assurance	5
77	Highways	Procurement and Payment of Utilities (including BT)	IA Assessed	10
PLANNING & PUBLIC PROTECTION				
78	Trading St	Market Administration and income	Cyclical IA	10
		= To be undertaken if possible within resources		

NB – This plan is based on 850 Auditor Days

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

Our professional judgement has been applied in assessing the number of auditor days resource required for the reviews identified in the Operational Plan. 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;
- The likely skills base of the audit resource available.

2 Required Resources

The Operational Plan is based on **850** auditor days (excluding any sick leave, training, administration Audit Committee work etc.) including a proportionate element of Chief Audit Executive time. The resource will need to include diverse skill sets to be able to complete a varied and challenging Operational Plan for 2015/16.

As the method of providing the Internal Audit Service was under review at the time of producing this audit needs analysis it has not been possible to state how these days will be provided in 2015/16 or by whom.

3 Resource Coverage

The Plan has been designed to ensure an adequate resource allocation of the audit days available across the Council's activities. 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 2014-15. Therefore the highest percentage of days in 2015/16 is scheduled to be spent on reviews in the areas of the corporate centre, Finance and ICT. This reflects the results of previous reviews of these areas and the ongoing corporate weaknesses in the governance and risk frameworks.

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 Chief Audit Executive also participates in meetings of the Welsh Chief Auditors Group in order to discuss relevant pan Wales issues.