

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	12 MARCH 2009
TITLE	DRAFT INTERNAL AUDIT PLAN 2009/10
PURPOSE OF REPORT	TO PRESENT THE DRAFT INTERNAL AUDIT PLAN FOR 1 APRIL 2009 - 31 MARCH 2010
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK
ACTION	TO APPROVE THE PLAN CONTAINED IN THE APPENDIX

1. INTRODUCTION

- 1.1 The draft work plan of the Internal Audit Section for the financial year 2009/10 (in Appendix 2) is presented to the Audit Committee for comment and approval.
- 1.2 CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 states (paragraph 7.2.4):
- "The audit committee should approve, but not direct, the internal audit plan."
- 1.3 The remainder of this report explains the factors that were considered and the technical process used to produce the plan that is presented to the Committee.

2. STRATEGIC PLAN

- 2.1 In its meeting on 20 December 2007 the draft 2008-2011 Internal Audit Strategy was presented to the Audit Committee. This strategy forms the basis of Internal Audit work for the period in question, and it explains how Internal Audit work will offer assurance on the internal controls that are in place at Gwynedd Council. Following further consultation, the strategy has been included as Appendix I.
- 2.2 Sections of the Internal Audit Strategy set out how specific pieces of work have been selected for inclusion in the annual audit plan. The Committee's attention is brought to the following sections:

Section	Description	Effect on the plan
2.7-2.8	Fundamental Financial Systems	Work on each specific system is dictated by the last full system audit, matters that have arisen and/or the need for follow-up work.
2.9-2.10	Grants	Time has been allocated for ensuring that grant claims comply with internal procedures. Not only will there be an effort to avoid duplication of the work of the Wales Audit Office, but also to review the control environment in advance of the external auditors' review. The reason for this is to reduce the need for a full review by WAO, thereby ultimately reducing the fees paid by the Council.

Section	Description	Effect on the plan
2.11	Audits that are part of funding conditions	Several specific Assembly grants, in particular in the field of Education, now require direct input from Internal Audit. These include the Community-Focussed Schools Grant, the School Uniform Grant, the Transfer between Key Stages 2 and 3 Grant, the Post-16 Education Grant and, for the first time this year, the Free Breakfast Grant.
2.12-2.16	Schools	Audits on primary schools are undertaken on a themed basis. Also, 5 secondary schools and 3 special schools are to be audited.
2.17	Leisure Centres	Four leisure centres have been included in accordance with the strategy.
2.18	Contract Audit	Specialist work on the authority's contracts, allocated to the relevant audit team in accordance with the strategy.
2.20	Anti-Fraud Work	There will be Anti-Fraud considerations in several audits, in particular at establishments and sites beyond the main offices.
2.21	Project Management	There will be a further review of the e-Procurement Project, to build upon the work of 2008/09.
2.22-2.24	Corporate Governance	Several audits on different aspects of Corporate Governance have been included in the plan.

2.3 The remainder of the plan has been prepared by considering the activity of each business unit within the authority and undertaking a risk assessment on these activities in order to identify areas for auditing.

3. OPERATIONAL AUDIT PLAN

3.1 The draft audit plan for 2009/10 is included in Appendix 2.

3.2 There is a resource requirement of 1,573 audit days in order to complete the audit plan. In addition, the following provisions are in the plan:

- Provision for advising on controls and propriety 64 days
- Provision for responsive work 132 days
- Provision for follow-up 140 days

3.3 The days shown are a reflection of that which has proven necessary in practice.

3.4 The draft plan has been approved by the Head of Finance, and discussions with the other heads of service and relevant managers are ongoing. Where relevant, their comments have been / will be incorporated into the plan.

4. RECOMMENDATION

4.1 The committee is requested to approve the draft audit plan for the period 1 April 2009 to 31 March 2010, subject to minor amendments following further consultation with officers.

GWYNEDD COUNCIL
RESOURCES DIRECTORATE – FINANCE SERVICE
INTERNAL AUDIT STRATEGY 2008-2011

CONTENTS

1. **Internal Audit's Objectives and Outcomes** – *The contribution that Internal Audit aims to make to Gwynedd Council during 2008-2011, and how it will fulfil this*
2. **The Control Environment, the Statement on Internal Control and the Annual Governance Statement** – *how The work to be completed by Internal Audit in order to provide a positive reasonable to allow the Audit & Risk Manager to form an opinion on the control environment to support the annual Statement on Internal Control and Annual Governance Statement*
3. **Identifying and addressing Risks** – *how Internal Audit's work will identify and address significant local and national issues and risks when planning and undertaking its work*
4. **Internal Audit Provision** – *The way in which internal audit and specialist resources will be procured (i.e. internally, externally, or a mix of the two)*
5. **Resources and Skills** – *The approach to recruiting / training / continuing professional development of internal audit staff to ensure that they are suitably skilled to deliver the internal audit service and deliver this strategy*

1. INTERNAL AUDIT'S OBJECTIVES AND OUTCOMES

- 1.1 The aim of the Internal Audit Section is to provide assurance to the Head of Finance, and consequently to the residents of Gwynedd, that those resources which are available are managed and used appropriately, with transparency. It shall do this by providing an independent and objective opinion to the Council on the control environment by auditing all financial systems and internal control procedures within the Authority, performing a combination of risk-based, system-based, regularity, computer and contract audits on a wide range of the Council's business units, in accordance with this strategy and audit plans derived from it.
- 1.2 The Audit and Risk Manager shall ensure that internal audit is provided in accordance with the Code of Practice for Internal Audit in Local Government ("the Code of Practice") as far as practicable. To this end, the Audit and Risk Manager has prepared this audit strategy which outlines the Council's audit needs for the period of the strategy. Annual audit plans will be derived from the strategy and in consultation with Senior Officers, and will be agreed with the Head of Finance before being presented to the Audit Committee to be adopted.
- 1.3 As it plans and undertakes its work, Internal Audit will give particular attention to the Council's stated values and will assist the Council, by undertaking reviews, in ensuring that it is:
- open and responsive
 - sustainable
 - caring
 - inclusive and equal
 - progressive
 - working jointly
 - learning,
- in an appropriate manner that considers all risks and the necessary control arrangements.
- 1.4 The main threat that Internal Audit faces that could prevent it from achieving its objectives is a failure to comply with the Code of Practice because of one or more of the following:
- The Wales Audit Office unable to give assurance on the work of Internal Audit, and reporting as such in their audit of the accounts.
 - Failure to complete an adequate percentage of the plan in accordance with targets.
 - Failure to complete individual audits within the time allowed.
 - A failure to provide the service to an adequate standard, leading to a failure in noting serious control failures or fraud, or giving incorrect guidance.
- 1.5 The Audit and Risk Manager shall be responsible for ensuring that the service continues to be provided in accordance with the CIPFA Code of Practice, by undertaking a self-evaluation review against these standards at least annually.

- 1.6 The performance of the Internal Audit Section will be measured in accordance with the Council's corporate arrangements, under the guidance of the Policy and Performance Service. Internal Audit will not seek to deviate from these arrangements in any way, other than the provision of performance information to the Audit Committee (in addition to, not instead of, the corporate arrangements), as part of the Audit and Risk Manager's Annual Report, which is presented to the Audit Committee in its June meeting.
- 1.7 The Terms of Reference of both Internal Audit and the Audit Committee sets out the reporting arrangements used by Internal Audit. The strategy of the service for the next 3 years shall be to continue to report in the same way.

2. THE CONTROL ENVIRONMENT, THE STATEMENT ON INTERNAL CONTROL AND THE ANNUAL GOVERNANCE STATEMENT

2.1 The CIPFA Code of Practice for Internal Audit in the United Kingdom 2006 ("the Code of Practice") defines Internal Audit as follows:

"Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources."

2.2 The control environment comprises the systems of governance, risk management and internal control, and the scope of Internal Audit's remit includes the organisation's entire control environment – not just financial risks.

2.3 It is not possible to audit every aspect of risk and control every year, but within the risk and control regime there will be some systems of high risk that will require annual review so that internal audit is able to provide the required assurance.

2.4 In general, however, there are few areas that will need a full annual review. The planning of internal audit work will include an assessment of the risks across the entire Council – systematically by business unit – in order to devise a detailed annual work programme that considers the audit resources available. These audits will concentrate on giving assurance that the arrangements in place are effective in mitigating these risks.

2.5 However, in addition to the methodology outlined in paragraph 2.4 above, some areas have been identified as requiring particular attention in this Strategy, namely:

- Fundamental Financial Systems
- Grants
- Audits that are part of Funding Conditions
- Schools
- Leisure Centres
- Contracts
- Use of Resources
- Anti-Fraud Work
- Project Management
- Corporate Governance

2.6 The remainder of this section of the Strategy explains how we shall deal with the above audit areas during 2008-2011.

Fundamental Financial Systems

- 2.7 The Wales Audit Office has identified the following fundamental financial systems that require annual Internal Audit attention:
- The Main Accounting System
 - Payments
 - Debtors
 - Payroll
 - Cash Receipting
 - Treasury Management
 - Bank Reconciliation
 - Local Taxation
 - Benefits
- 2.8 The Internal Audit strategy shall be to conduct a full, detailed system review on these systems every other year, but with a continuous risk assessment. In preparing the annual audit plan, the following shall be considered:
- The audit year of the last full review
 - Developments within the system
 - Specific risk areas that have arisen during the last detailed audit that warrant further review
 - Any matters that it has not been possible, for whatever reason, to review during the latest system audit
 - Developments during the period since the last full audit that have exposed new risks
 - Legislative changes.

Grants

- 2.9 Grants, especially European grants, can be an area of high risk when considering the threat that money can be clawed back by the funding body if concerns arise regarding the administration of the grant.
- 2.10 By following the principle that it is better for any administrative weakness to be highlighted early by Internal Audit, rather than by external auditors when it may be too late, the administration of a sample of grants across the Council shall be audited annually.

Audits that are part of Funding Conditions

- 2.11 In some cases, the body funding particular schemes may stipulate an internal audit review, either annually or occasionally. Most of these will emanate from the Welsh Assembly Government. Specific time will be allocated in the annual audit plan where an Internal Audit review is required as part of the funding conditions.

Schools

- 2.12 After the period of the previous strategy, i.e. 2005-2008, it appears that it would be beneficial to reconsider the allocation of audit resources to schools for the next three years. As assessment of the experiences of the last 3 years suggests that an audit visit to secondary schools every two years may be excessive, but that primary schools should be visited more frequently.
- 2.13 As a result, the strategy of Internal Audit for 2008-2011 will be to conduct "traditional" full establishment reviews on the 14 secondary school and the 3 special schools every three years.
- 2.14 Gwynedd has 106 primary schools. The period of this strategy will be one of major changes in the County's primary school arrangements, which may well affect the risk assessments.
- 2.15 Primary schools will continue to be audited based on themes, which in turn will have been decided on the basis of a risk assessment. The intention is not to randomly select a sample of primary schools for these audits, but rather to aim to visit each primary school every 3 years.
- 2.16 A list of which primary schools are to be visited by Internal Audit and in which year during the lifetime of this strategy will be drawn up before the start of the 2008/09 financial year. This will ensure an Internal Audit visit to each primary school during the period of the strategy.

Leisure Centres

- 2.17 During 2005-08 leisure centres would be audited every 2 years. Whilst these establishments remain areas of high risk, during 2008-2011 these centres will be audited every 3 years, but with more risk areas included in the audit. As a result, although the centres will be audited less frequently, more time will be spent on each individual audit.

Contracts

- 2.18 The strategy for auditing contracts over the period shall be to continue to move away from the more traditional arrangements of conducting internal audits on contract final accounts, and encouraging services to provide a package of working papers with each final account. For the 2008-2011 period, the strategy for planning contract audit work will be:
- Capital Contracts regarding the procurement of Information and Communication Technology – audit work to be undertaken by the Resources and Corporate Audit Team
 - Other Capital Contracts – audit work to be undertaken by the Environment Audit Team
 - Revenue Contracts – audit work to be undertaken by the relevant directorate audit team

Use of Resources

- 2.19 The period 2008-2011 will be three years where substantial financial savings will need to be discovered within the Council, either through improvement in efficiency of by cutting activities. The risks attached to this will be given attention and a high priority when planning internal audit work, including consideration of the internal control systems that will be affected by cuts in services, and conducting value for money audits where appropriate.

Anti-Fraud Work

- 2.20 The discovery of fraud is not the responsibility of internal audit. However, the risk of fraud is real, and something that everyone who deals with public funds needs to be aware of. As part of the 2008-2011 Internal Audit Strategy, specific proactive audits will be included in each year's annual audit plan in order to obtain assurance that the risk of fraud has been considered and mitigated across the Authority.

Project Management

- 2.21 A project management regime has been introduced in the Council, based on the principles of the PRINCE2 methodology. The Audit and Risk Manager will develop procedures for the role of Internal Audit in Project Management in Gwynedd Council, which shall ensure appropriate input to the authority's significant projects.

Corporate Governance

- 2.22 Internal Audit is expected to undertake reviews and provide an opinion on the authority's governance arrangements. These audits will be included in the annual audit plans, including audits in conjunction with the Council's Propriety Unit in accordance with a joint working protocol that has been established. The areas to be audited shall be identified in discussions with the Monitoring Officer and the Propriety Officer.
- 2.23 The requirement for a Statement on Internal Control has been statutory for some years now, with the SIC being approved by the Audit Committee at the same time as the Statement of Accounts.
- 2.24 During the period of this Internal Audit Strategy, it is expected that a requirement for an Annual Governance Statement will come into force. The AGS will incorporate the information and assurance contained within the SIC, but will go further in terms of including information on the authority's corporate governance arrangements. These requirements will be given consideration as part of the Internal Audit work planning process.

3. IDENTIFYING AND ADDRESSING RISKS

- 3.1 The corporate process for identifying opportunities and threats (i.e. risk identification) is part of the authority's business planning process – "Cyflawni". The risks that have been identified during this process by each business unit will be considered as part of the process of planning Internal Audit work (see paragraph 2.4).
- 3.2 The Internal Audit Section is part of the Audit and Risk Unit within the Finance Service. As a result, there will be a close relationship between the service that coordinates management attempts to identify, record and manage their risks, and the service within the Council that is in place to ensure that the controls to mitigate these risks are working effectively.
- 3.3 Separate teams are responsible for implementing the two functions, but the Audit and Risk Manager is responsible for managing the two disciplines within the Council. As a result, it is emphasised:
- That the risk management function within the Council must co-operate in close partnership with the managers of the authority to develop the corporate risk assessment
 - That the corporate risk assessment is in the ownership of the Council's managers, not the Audit and Risk Unit
 - That the involvement of the Audit and Risk Manager does not prevent Internal Audit from providing an independent and objective opinion on the adequacy of risk management in any particular areas.

4. INTERNAL AUDIT PROVISION

- 4.1 Internal Audit's strategy for the 3 years up to 31 March 2011 will be to maintain an in-house service, but procuring specialisms in specific areas. The strategy does not include the undertaking of joint reviews with external review bodies.
- 4.2 Management within the Internal Audit Section will continue to follow a simple hierarchical structure. Each audit team has a team leader who is responsible for arranging, supervising and reviewing the work of their team; the four team leaders are accountable to the Audit and Risk Manager.
- 4.3 Internal Audit shall purchase the service of temporary auditors through specialist recruitment agencies only when this is absolutely necessary, to fill days lost through sickness or vacant posts.
- 4.4 It is expected that the Internal Audit Section will continue to have one external customer, namely the Snowdonia National Park Authority. The section will not seek external customers, and if approached a thorough and comprehensive assessment will be undertaken before reaching a conclusion on the proposal.

Information and Communication Technology

- 4.5 To complement the specialisms already in place, Internal Audit shall continue to use specialists in the field of Information Technology to assist with specific audits, but it is envisaged that this requirement shall be less than in the previous three years due to the development of an internal capacity.

5. RESOURCES AND SKILLS

- 5.1 The structure of the Internal Audit Section consists of 11.5 auditors (full time equivalent), not including the Audit and Risk Manager. These resources have been divided into four audit teams, each one responsible for the audit of one of the council's directorates. The exact number of auditors in each team shall be allocated on the basis of an assessment of the number of audit days required for each directorate, but a level of flexibility shall be maintained in order to ensure that annual audit plans continue to provide the required audit cover. Staff will be rotated amongst audit teams as appropriate.
- 5.2 As part of the process of identifying audit resources, the Audit and Risk Manager shall create a time budget for each auditor that will include an estimate of the time required for matters such as holidays, illness and management.
- 5.3 Every detailed annual plan will contain provision for consultancy/advisory work, responsive audits/special investigations and follow-up work. These provision will be based on historic factors, but including a minimum of 150 days for responsive audits/special investigations and 75 days for consultancy/advisory work.

Training and Skills

- 5.4 The strategy of the Internal Audit Section for the three years to 31 March 2008 will be to continue to develop and reinforce the mix of skills and experience within the service, aided by the use of a "competency matrix" and post-audit reviews, in addition to the corporate staff appraisal scheme. Internal Audit will continue with its objective of ensuring that a minimum of 2 auditors (not including the Audit and Risk Manager) will be qualified with a CCAB body or the IIA, in addition to ensuring that at least one auditor will be receiving training for a professional qualification at any one time.
- 5.5 Internal Audit is committed also to providing training to each auditor. Three courses on auditing skill will be held each year, either internally or jointly with other councils; each auditor will be expected to attend these training sessions. This is above and beyond any specialist training that officers will be expected to receive.
- 5.6 Every auditor that is a member of a professional body will be expected to undertake continuous professional development (CPD) in accordance with the requirements of that professional body.



Internal Audit Plan 2009/10

Audit Name	Days
CORPORATE	
Use of Consultants	20.00
Exemptions from the corporate training arrangements	15.00
Corporate Governance Framework	20.00
Contribution to Preparation of the Annual Governance Statement	20.00
Corporate Governance - Comparative Review	10.00
Contract Management - Site Visits	6.00
Contract Management - Performance Bonds	4.00
Contract Management - SBIG Contracts	10.00
Contract Terms and Tendering Documents	5.00
North Wales Trunk Road Agency	10.00
Environment services Grants less than £100,000	10.00
Budgetary Control	25.00
NFI (National Fraud Initiative)	40.00
Emergency Planning and Business Continuity	16.00
Corporate Performance Indicators	25.00
HUMAN RESOURCES SERVICE	
Health and Safety	
Health and Safety Audits	15.00
CUSTOMER CARE SUPPORT SERVICE	
Communication	
Updating of the website and intranet site	15.00
Customer Care	
Galw Gwynedd Contact Centre	15.00
Information	
Land and Property Register (Information Unit)	10.00
Records Management Unit	10.00
Property Estates	
Asset Management Plan	20.00
Information Technology	
Logging and Monitoring	10.00
Hardware Asset Management	10.00
Arrangements for ordering IT goods	10.00
ICT Contracts	10.00

Audit Name	Days
User Account Management	5.00
FINANCE SERVICE	
Across the service	
Cheque Control	20.00
Finance System Licences	25.00
Payroll	
Mew Personnel-Payroll System	20.00
Central Accountancy	
Bank Tender	12.00
Tax Returns	12.00
Precepts	10.00
Bank Reconciliation	20.00
Pensions	
Pensions	40.00
Treasury Management	
Treasury Management - New Strategy	10.00
Council Tax	
Council Tax System - Formulae and Algorithms	25.00
Local Taxation - Printing Contract	10.00
Non-Domestic Rates	
NNDR - Evaluation list	20.00
Out-of-County Education - Invoicing Arrangements	10.00
PLANNING AND TRANSPORTATION SERVICE	
Countryside and Access	
Public Footpaths	6.00
Planning	
Section 106 Agreements	15.00
Street Care and Integrated Transport	
Traffic Orders	20.00
Public Protection Management and Administrative Support	
Public Protection - Use of Flare; Management	15.00
ECONOMY AND REGENERATION SERVICE	
Community Regeneration	
Cist Gwynedd	15.00
Business Support	
Business Support Loans	15.00
Strategic Planning and Funding	
Final Accounts: Regeneration Unit	5.00

Audit Name	Days
Wales Rural Development Plan	12.00
Youth and Community Services and Student Finance	
Administration of Student Grants and Loans	12.00
Maritime and Parks	
Yr Hafan, Pwllheli	15.00
Maritime Service	20.00
Registration	
Election Arrangements	6.00
Administration of the Electoral Register	10.00
Arrangements for Registering Births, Deaths and Marriages	20.00
Members' Services	
Member Training	8.00
POLICY AND PERFORMANCE SERVICE	
Supporting People	25.00
Procurement	
e-Procurement Project	15.00
North Wales Procurement Partnership	15.00
HIGHWAYS AND MUNICIPAL SERVICE	
Commissioning Unit	
Waste Strategy	20.00
Waste Recycling Centres	15.00
Municipal Provider Unit	
Security of Assets and Stores	30.00
Fleet Management	20.00
HOUSING SERVICE	
Across the service	
"Independence and Wellbeing" Grant	15.00
Communities of Need - intervention and redirection (3 year plan)	15.00
Management and Rent and Supported Housing	
Estate Warden Scheme	12.00
Housing Waiting Lists OR Housing Stock Transfer Arrangements	15.00
Private Sector Housing	
Welfare Adaptions: Monitoring, Control and Enforcement	20.00
Home Improvement Partnership - "Houseproud"	10.00
Arrangements for bringing vacant properties back into use (3 year plan)	12.00
Housing Maintenance Operational Unit	
Final Accounts: Housing	10.00

Audit Name	Days
GWYNEDD CONSULTANCY SERVICE	
Buildings	
Building Services - Prioritisation of Work	15.00
Across the service	
Current Contracts: Gwynedd Consultancy	5.00
Final Accounts: Gwynedd Consultancy	10.00
Gwynedd Consultancy - Selection of Contractors	15.00
SCHOOLS SERVICE	
Ancillary	
Primary Schools Free Breakfast Initiative Grant	10.00
Key Stages 2 to 3 Grant	5.00
Headteacher Assistance for Small Schools Grant	3.00
Post-16 Education Grant	1.00
Special Schools	
Ysgol Coed Menai	6.00
Ysgol Pendalar	6.00
Ysgol Hafod Lon	6.00
Primary Schools	
Primary Schools - Recruitment Arrangements for Auxilliary Staff and Supply Teac	24.00
Arrears of Dinner Money, Primary Schools	25.00
Unofficial Funds	6.00
Primary and Secondary Schools	
School Transport	12.00
Integration	20.00
Secondary Schools	
Ysgol Brynrefail	12.00
Ysgol Y Gader	11.00
Ysgol Y Moelwyn	11.00
Ysgol Y Berwyn	12.00
Ysgol Syr Hugh Owen	12.00
SOCIAL SERVICES	
Across the service	
Devolved Budgets (Joint Review Action Plan)	25.00
Adult Services Spending Patterns (Joint Review Action Plan)	15.00
Formulae for Unit Costs (Joint Review Action Plan)	12.00
Payments to Independent Residential Homes	20.00

Audit Name	Days
Welfare Rights Unit	10.00
Children - Agency Staff Database (3 Year Plan)	20.00
Children's Services - referrals and supervision	25.00
Family Support	15.00
System for planning for the future of children and Young People in Care (3 Year F	12.00
RAISE	15.00
Central (Children and Families)	
Integrated Children's System	10.00
Contracts Unit	
Social Services Contracts and Expenditure (Joint Review Action Plan)	25.00
PROVIDER AND LEISURE SERVICES	
Day and Residential	
Plas Maesincla, Caernarfon	8.00
Plas y Don, Pwllheli	8.00
Plas Hedd, Bangor	8.00
Cefn Rodyn, Dolgellau	8.00
Personal Monies of Home Residents	20.00
Residential Homes - Unofficial Funds	15.00
Leisure and Sports Development	
Bangor Swimming Pool	8.00
Plas Ffrancon Leisure Centre	8.00
Dwyfor Leisure Centre	8.00
Bro Dysynni Leisure Centre	8.00
	<u>1,573.00</u>