

REPORT TO: SCRUTINY COMMITTEE - 13 JUNE 2012

REPORT ON: 2012/13 INTERNAL AUDIT PLAN

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 236-2012

1.0 PURPOSE OF REPORT

To submit to Members of the Scrutiny Committee the Internal Audit Plan for the 2012/13 financial year as detailed at Appendix A.

2.0 RECOMMENDATIONS

Members of the Committee are asked to note the information contained within this report.

3.0 FINANCIAL IMPLICATIONS

None

4.0 MAIN TEXT

- 4.1** The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom lays down the professional standards for internal audit services. Standard 7 covers audit strategy and planning and details best practice in these areas. In broad terms the aim of the strategy is to communicate the contribution that the internal audit service makes to the organisation and includes consideration of such areas as how the service will be provided and the resources and skills required to deliver the strategy. The standard also states that to implement the audit strategy the head of internal audit should prepare a risk-based audit plan outlining the planned programme of work to be undertaken.
- 4.2** Responsibility for risk management and development of the assurance framework lies with senior management. If the risk maturity of the organisation is sufficiently developed internal audit is able to rely on management's assessment of risks contained in the risk registers as the basis for identifying audit coverage. However if this is not the case the CIPFA Code of Practice states that the head of internal audit should undertake their own risk assessment.
- 4.3** A fundamental role of the Council's Internal Audit Service is to provide members and senior management with independent assurance of the organisation's control environment, which comprises of the systems of governance, risk management and internal control and highlight control weaknesses together with recommendations for improvement. The audit plan should therefore include sufficient work to enable the Chief Internal Auditor to give an opinion on the adequacy of the Council's overall control environment. This opinion is included within the Internal Audit Annual Report which is a standing item to be reported to Members.
- 4.4** Key components of the audit planning process are a clear understanding of the Council's functions, associated risks and the range and breadth of potential audit areas. Identification of potential projects for inclusion within the 2012/13 Internal Audit Plan continued to be a challenging exercise due to the ongoing impact of the Council's planned organisational restructure, remodelling of service delivery initiatives, introduction of new working practices and the prevailing economic climate.
- 4.5** In compiling the 2012/13 Internal Audit Plan cognisance was taken of the Council Plan, Departmental Service Plans, reports from external inspection bodies, committee reports and prior audit knowledge. In addition, to capture potential areas of risk and uncertainty more fully key stakeholders were consulted. This consultation was again initiated at the

Strategic Management Team in late January 2012 followed by more detailed discussions with the various Departmental Management Teams and other key stakeholders such as KPMG the Council's newly appointed external auditor. In excess of fifty stakeholders were consulted as part of this exercise.

- 4.6** The proposed portfolio of work included within the 2012/13 Internal Audit Plan is summarised at Appendix A. As part of this year's exercise the format and content of the plan as presented to Committee was reassessed and this has resulted in reviews being grouped into key themes which are integral to the assurance gathering process across the organisation's activities. In addition, for each area included within the plan there is a brief summary of the proposed coverage and the risk rating from an internal audit perspective which is based upon the discussions and background information gathered as part of the audit planning process. It should be noted that at the commencement of each review the detailed scope and objectives will be determined through further background research and consultation with senior management to ensure that the review focuses upon the relevant areas and reflects the current position.
- 4.7** The type of review work which now requires to be carried out by internal audit is varied and demands a diverse portfolio of skills and technical competencies. It is acknowledged however that to deliver the planned reviews contained at Appendix A there is a shortfall between the total resources required and the in-house resources currently available. Given this a partnership approach which utilises both internal and external resources will be pivotal to the delivery of the 2012/13 Internal Audit Plan.
- 4.8** Whilst the 2012/13 Internal Audit Plan, including the estimated resources, has been prepared on the best information currently available it may be subject to amendment to reflect the changing risks and priorities of the organisation arising during the financial year. Any material amendments to the planned work will be reported back to the Scrutiny Committee.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATIONS

The Chief Executive, Director of Corporate Services and Head of Democratic and Legal Services have been consulted on the content of this report.

7.0 BACKGROUND PAPERS

None

Sallie Dailly, Chief Internal Auditor

DATE: 31 May 2012

2012/13 INTERNAL AUDIT PLAN	Proposed Coverage	Risk Rating
<i>Governance Reviews</i>		
Communication Strategy	Assessment of the Council's strategy to effectively and pro-actively communicate with internal and external stakeholders.	Medium
Corporate Complaints	Review of the policy and procedures operated by the Council.	Medium
Corporate Governance Framework	High level review of the arrangements underpinning the annual self assessment under the Council's Local Code of Corporate Governance and compilation of the Annual Governance Statement.	Medium
Data Protection	Review of the controls in place to protect personal information, initiatives to raise awareness and mitigate risks facing the Council in the management of this area.	High
Fraud Governance	Review the existing arrangements within the Council with a view to identifying key development areas to improve robustness of procedures and practices.	Medium
Partnership Arrangements	High level review to assess the adequacy and effectiveness of key partnership arrangements entered into by the Council with outside parties.	Medium
Performance Measures	Assess the effectiveness of the arrangements in place to ensure adequate data quality, monitoring and reporting of performance information.	Medium
<i>ICT Reviews</i>		
ICT Resilience	To provide assurance that there is an appropriate and current strategy in place, which reflects and supports the current business continuity strategy.	Medium
Information Security Management Systems	To evaluate compliance with information security good practice standards to ensure that there is a systematic approach to managing information securely.	Medium
Patch Management	To review the methodology to patch management within the Council's Education network and provide assurance that the risk of potential threats is dealt with appropriately.	Medium
Spreadsheets	Review of the arrangements in place to manage exposure to the risks inherent in spreadsheets used to inform key business critical activities.	Medium
ICT Solutions	Review to assess if ICT solutions purchased and developed by the Council to improve efficiency and effectiveness are being fully utilised by staff and benefits to the organisation are being realised.	Medium

2012/13 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Risk Rating
Systems Reviews		
Business Continuity	Review to assess the status of the business impact analysis for the Social Work Department and arrangements to ensure appropriate plans have been developed and tested.	High
Building Quality Support	Review of the administration procedures within City Development to support the services provided by the Planning Division.	Medium
Business Start-ups	Review to assess the procedures within City Development to provide financial support to new businesses.	Medium
Business Support Managers	To review the roles and responsibilities of this support service currently provided within the Education Department's secondary schools.	Medium
Carbon Reduction Commitment	Annual review of compliance with the CRC Scheme.	Low
Commissioning of Care	To review contract management and commissioning arrangements within the Social Work Department to verify that they are adequately controlled and operating effectively.	Medium
Facilities Management	Review of the arrangements in place for service delivery within the Education Department's school estate.	Medium
Health and Safety Contracts	To assess the controls in place within City Development to ensure compliance with policies and the Council's legal obligations.	Medium
Letting and Voids Management	Review of policies and procedures in place within the Housing Department to manage the Council's housing stock.	Medium
Occupational Road Risk Policy	Review of the Council's approach to ensure that it is in line with recognised good practice in this area.	Medium
People Management	Corporate review of staff employed on a fixed term basis to provide assurance that the systems operated are in line with good employment practice .	Medium
Pre-School Provision	Review of the Education Department's enrolment procedures for children in pre-school education.	Medium

2012/13 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Risk Rating
<i>Procurement / Contract Reviews</i>		
Procurement Cards	To provide assurance over the controls operated in the corporate rollout of cards as part of the procurement to pay strategy.	Medium
Sub-Contractors	To review the procedures operated in respect of the appointment and use of sub-contractors within the Environment Department.	Medium
Tayside Procurement Consortium (TPC)	A review of the governance arrangements over TPC. Fieldwork to be undertaken by Angus Council's Internal Audit Service.	Medium
<i>Financial Reviews</i>		
Grant Certificates	To provide assurance that the Council has complied with the terms and conditions of each grant settlement.	Low
Non-Domestic Rates	Review of the systems and controls in place over the identification and processing of refunds arising from the valuation appeals process.	Low
Payroll	Review the adequacy of the systems and controls for payments made in respect of overtime working.	Medium
Stocks and Inventories	Review of interim and year end arrangements.	Low
Tayside Superannuation Funds	High level review within the Main Fund focussing on key areas of the administrative arrangements.	Medium
<i>Contingency</i>		
Advice and Guidance	Provision of assistance to clients to contribute to the delivery of improvements in the Council's control environment.	N/A
Follow-up Reviews	Specific reviews undertaken by internal audit staff to provide formal assurances that recommendations have been implemented by management.	Medium
Prior year work	To finalise reviews which commenced during the 2011/12 financial year.	Medium

2012/13 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Risk Rating
<i>Contingency (cont'd)</i>		
Progress Reviews	Annual exercise to seek assurances from management that internal audit recommendations have been implemented.	Medium
Specific Investigations	To respond to requests for advice and assistance as required.	N/A

Key for Risk Rating

High
Medium
Low
Not Applicable N/A