

**REPORT TO: SCRUTINY COMMITTEE - 25 JUNE 2013**

**REPORT ON: 2013/14 INTERNAL AUDIT PLAN**

**REPORT BY: CHIEF INTERNAL AUDITOR**

**REPORT NO: 282-2013**

## **1.0 PURPOSE OF REPORT**

To submit to Members of the Scrutiny Committee the Internal Audit Plan for the 2013/14 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 2013/14 Internal Audit Plan continued to be a challenging exercise due to the impact of ongoing initiatives such as the remodelling of service delivery, the introduction of new working practices and the prevailing economic climate.

**4.5** In compiling the 2013/14 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 included detailed discussions with the various Departmental Management Teams and other key

stakeholders such as KPMG, the Council's appointed external auditor. Of the order of forty five stakeholders were consulted as part of this exercise.

- 4.6** The proposed portfolio of work included within the 2013/14 Internal Audit Plan is summarised at Appendix A. The format and content of the plan as presented to Committee is in line with last year's newly introduced approach and the proposed reviews have been grouped into key themes which are integral to the assurance gathering process across the organisation's activities. 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. In line with standard practice 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 focus of the work is based upon the relevant areas and potential risks.
- 4.7** The review work which now requires to be carried out by internal audit is extremely varied and demands a diverse portfolio of skills and technical competencies. In order to deliver the planned reviews contained at Appendix A and to address the shortfall between the total resources required and the in-house resources currently available a partnership approach utilising both internal and external resources will continue to be pivotal to the delivery of the 2013/14 Internal Audit Plan.
- 4.8** Whilst the 2013/14 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: 03 June 2013

2013/14 INTERNAL AUDIT PLAN	Proposed Coverage	Risk Rating
<b><i>Governance Reviews</i></b>		
Communication Strategy	Assessment of the Council's strategy to effectively and pro-actively communicate with internal and external stakeholders	Medium
Community Planning Partnership	Review of the current delivery model to ensure that appropriate and robust governance arrangements have been established and are operating effectively.	Medium
Corporate Governance	High level review to provide assurance that the Council continues to follow and further develop good governance principles and take forward the specific improvements which have been identified.	Medium
Information Governance	Assessment of the information governance framework within the Social Work Department to ensure that policies, structures and practices are in line with good practice.	High
Partnerships	High level review to assess the adequacy and effectiveness of the governance arrangements for key partnerships entered into by the Council with outside parties.	Medium
Performance Information	Assessment of the arrangements in place to compile, validate and report the SOLACE benchmarking suite of performance indicators.	Medium
Tax Governance	High level review of the effectiveness of the Council's arrangements to manage the potential tax risks faced by the organisation.	Medium
<b><i>ICT Reviews</i></b>		
Data Backup	Review of the arrangements for data backup of the Council's IT environment to provide assurance that it is undertaken in a secure and timely manner.	Medium
Disposal of IT Equipment	Review to provide assurance that the decommissioning and disposal of IT equipment minimises potential risks and is in line with the relevant regulations.	Medium
Online Payments	To review the adequacy and effectiveness of security and controls for online payments made through the Council's website.	Medium
Patch Management	To review the approach to patch management for the Council's corporate network and provide assurance that the risk of potential threats is dealt with appropriately.	Medium
Secure Authentication	Review of the framework for the delivery of the Council's online public services to ensure that the authentication process is robust and the potential risks are minimised.	Medium

2013/14 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Risk Rating
<b>Systems Reviews</b>		
Additional Support Needs	Review of the framework operated by the Education Department for the provision of additional support, including compliance with legislation and resource allocation.	Medium
Auto-enrolment	Review of the implementation of newly introduced duties for employers in relation to the automatic enrolment of eligible workers into a pension scheme.	Medium
CeRDMS	Review of the effectiveness of the deployment of CeRDMS, the electronic document and records management system, in the management of employee files.	Medium
Management of Client Finances	Review of the arrangements in place within the Social Work Department for the management of the finances for clients who are deemed to be at risk.	Medium
Early Years Placements	Review of the effectiveness of the management of placements by the Education Department for the early year's sector to ensure that provision is in line with service needs.	Medium
Fuel Management	Review within the Environment Department of the systems, supporting processes and controls operated in respect of the management of fuel.	Medium
Lone Working	Assessment within the Social Work Department of the policy and operational practices in place to deliver a safe working environment for employees.	Medium
Payment for Rewards Programme	Review of the systems and processes to manage the payment of rewards arising from behaviour change programmes such as smoking cessation.	Medium
Performance Indicators	Review of arrangements within the Housing Department which underpin compilation of the indicators required by the Scottish Housing Regulator to assess landlord performance.	Medium
Plant and Equipment	Review of the systems operated within the Environment Department in respect of the management and monitoring of small plant and equipment.	Medium
Special Collections Service	Systems review of end to end process operated by the Environment Department to provide householders with a service to have larger items uplifted for disposal.	Medium
Test Purchases and Seized Goods	Assessment of the adequacy of the systems operated in relation to test purchases and seized goods activities within the Environment Department.	Medium

2013/14 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Risk Rating
<b>Systems Reviews (cont'd)</b>		
Welfare Reform	Review of an area of potential risk arising from the introduction of UK Government's welfare reform agenda and the mitigating action taken by the Council.	Medium
<b>Procurement / Contract Reviews</b>		
Occupational Health	Review to assess the effectiveness of the referral process to the Council's occupational health service provider.	Medium
School Transport	Review of the efficiency and effectiveness of the policy and processes which underpin delivery of school transport contracts for the Education Department.	Medium
<b>Financial Reviews</b>		
Income Collection	Systems reviews focussing on areas which have been modified as part of the operating model redesign initiative of the Council's Changing for the Future Programme.	Medium
Grant Claims	To provide confirmation for specified grant claims that the required terms and conditions have been complied with.	Low
Invoice Processing	Review of the processing of invoices to provide assurance that it is in line with the approved framework and key risks are effectively managed.	Medium
Stocks & Inventories	Review of arrangements in place to ensure that procedures and processes are to the required standards and records are complete and accurate.	Low
<b>Contingency</b>		
Advice and Guidance	Provision of ad hoc support to assist clients in respect of specific queries and 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 to management and Elected Members that recommendations previously agreed have been implemented.	Medium
Prior year work	Finalisation of projects which commenced during the previous financial year.	Medium

2013/14 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Risk Rating
<i>Contingency (cont'd)</i>		
Progress Reviews	Annual exercise to seek formal assurances from management that internal audit recommendations have been implemented.	Medium
Specific Investigations	To respond to requests for advice and assistance as required in respect of cases of suspected fraud, corruption or malpractice.	N/A

**Key for Risk Rating**

High
Medium
Low
Not Applicable    N/A