

## 1. INTERNAL AUDIT OBJECTIVES

- 1.1 Our mission statement is, “To contribute to the achievement of Argyll and Bute Council’s mission and strategic objectives by providing assurance to the Council that financial and operational controls and arrangements for Best Value are functioning efficiently and effectively and that the significant risks to the organisation are being managed.”
- 1.2 To assist the Council and its Strategic Management Team in their governance responsibilities: that is, to support them in creating a mechanism to deliver an effective and efficient risk management and control framework; and to assist them in the corporate governance reporting process.
- 1.3 To provide assurance on the adequacy of control within the Council’s systems and activities: that is to comment on and recommend appropriate changes to mechanisms put in place by management to ensure systems and activities achieve their objectives; and to bring deficiencies therein to the notice of operational management and ultimately to the Audit Committee.
- 1.4 To advise management on cost effective controls for new or modified systems and activities.
- 1.5 To highlight opportunities to reduce costs through greater economy and efficiency within systems and activities.
- 1.6 Internal Audit areas of focus include:
  - Internal control effectiveness;
  - Statutory, procedures and control compliance;
  - Implementation of recommendations;
  - Corporate governance;
  - Systems development;
  - Process improvement; and
  - Value for money and Best Value.

## 2. AUDIT SCOPE

- 2.1 The scope of internal audit includes the examination and evaluation of the adequacy and reliability of the Council’s system of internal control. Internal Audit’s work provides assurance across all of the Council’s activities regarding the extent to which management controls ensure that:
  - Significant risks are identified, assessed and appropriately managed;
  - Objectives are established and achievement against them is monitored;
  - The Council’s assets are safeguarded from significant losses, including those caused by fraud, waste, inefficiency and commercially unsound practices;
  - Relevant laws, rules and regulations are complied with;
  - Operations are conducted effectively, efficiently and economically;
  - Operations are conducted in accordance with Council policies and procedures;
  - Management information systems are reliable and secure;
  - Systems under development are monitored, that appropriate internal controls are built in and are consistent with the organisations’ needs;
  - Major Council projects achieve their objectives; and
  - Throughout the Council’s activities it can demonstrate good governance.

- 2.2 In addition, Internal Audit may perform special reviews requested by the senior management or the Audit Committee. When plans are changed for such reviews, this is reported to the Audit Committee so that it clearly understands the implications on resources and for the assurance it requires about internal controls, and any impact on the delivery of agreed plans.

### **3. AUDIT PLAN DEVELOPMENT 2005 - 2008**

- 3.1 To develop a three-year strategic plan, taking into account management's assessment of risk, internal audit intend to meet the Strategic Management Team and the departmental Strategic Directors and their management teams to present to them the approach to risk assessment. Members of these teams will then be given an information pack, which will contain a form for completion where they can identify risks and give their assessments as to the possible impact of the risk and its probability.
- 3.2 On receipt of these risk assessments internal audit will collate the various responses and return to the management teams to clarify and discuss their assessments. The final stage will be to develop the Audit Needs Assessment (ANA) based on the finalised risk assessments.
- 3.3 The ANA, defines the various areas and topics requiring to be audited, and ranks them in order of priority, thus ensuring that internal audit resources are efficiently and effectively targeted. It further enables the audit committee to review the effect of any decision made regarding audit scope and resources. Additionally, Council management and internal audit are able to determine the level of internal audit work, which is appropriate to enable a reasonable level of assurance to be given on the Council's systems of internal control through identification of the higher risk areas, number of audit days based on the number of internal audit posts.
- 3.4 The strategic and annual internal audit plans translate the results of the needs assessment exercise into a detailed schedule of assignments. Over the planned period, these assignments will address the areas of risk identified by the needs assessment and will allow internal audit to provide an annual assurance statement on the Council's overall control framework.
- 3.5 The annual internal audit plans have two elements to them direct and non - direct audit time. Direct audit work is split into core financial and performance audits. The audits within both of these areas will be allocated a specific number of days and include a proportion of time for Planning, Field Work, Report Writing and Management Review.
- 3.6 In addition to specific audits there are a number of days added in for Special Investigations and Other Areas, which include audit plan management, external and internal audit follow up. The second element of the audit plan is non-direct audit work this includes annual leave, sickness and time used for administration and training to ensure that staff, are supported in their work, etc.

3.7 The timetable for the above process is detailed below:

<b>TASK</b>	<b>START DATE</b>	<b>FINAL DATE</b>
Opening meetings with management teams and issue of information packs.	23 Nov 2004 to	Mid Dec 2004
Collation of individual risk assessments.	Mid Dec 2004 to	Mid Jan 2005
Return to management teams to clarify.	Mid Jan 2005	End of Jan 2005
Development of Audit Needs Assessment and 3-year strategic audit work plan.	Begin Feb 2005	End Feb 2005
Presentation of Strategic audit work plan to the Audit Committee for approval.	-	March 4 <sup>th</sup>

## **4. REPORTING**

- 4.1 Internal Audit reports their findings to the responsible manager of the audited service, the relevant Head of Service, the relevant Strategic Departmental Director, Section 95 Officer and Chief Executive. Audit Scotland the Councils external auditor also receives audit reports.
- 4.2 Internal Audit currently uses a number of indicators to measure performance and these are included in an annual report to the Audit Committee. It is intended to develop a set of balanced indicators that demonstrate performance in terms of cost, service process, customer / client and continuous improvement.

## **5. QUALITY ASSURANCE**

- 6.1 The internal audit section operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. Detailed procedures for the performance of audit work, maintenance of files and working papers and audit management oversight and supervision are contained within the Argyll and Bute Internal Audit Manual.