



Argyll and Bute Council

Annual Audit Plan 2006 - 2007

14th February 2006

Draft for Audit Committee Approval

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Scope & Objectives for areas outlined in the Audit Annual Plan 2006 – 2007

 Core Financial Audits

 Non Financial Audits

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1. Foreword

This annual audit plan has been prepared in conjunction with our Internal Audit partners KPMG. The audit plan for 2006 - 2007 is year 2 of the 3 year strategic audit plan approved by the Audit Committee on the 4th of March 2005 and ensures that Internal Audit resources are effectively planned and controlled. It should be seen as a flexible management tool, which provides the following:

- A clear view of the workload of the internal audit team;
- A base for assessment of the adequacy and future deployment of internal audit resources;
- A yardstick against which progress and performance can be measured;
- Authority to act once it is approved by the Audit Committee; and
- A permanent record of the factors considered and judgements made.

The 2006 – 2007 audit plan has been compiled in accordance with the CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom* ('the Code'). This requires the Internal Audit section to provide an objective assessment of the adequacy, reliability and effectiveness of the Council's internal control system. This strategic audit plan also takes into account the Internal Audit Mission Statement and Terms of Reference both of which have previously been approved by the Audit Committee.

The annual audit plan has 2 categories, core and non financial audits. Within the non financial audit section, account has been taken of the recent Best Value review of the Council by Audit Scotland. Within the attached document is a chart showing when in 2006 – 2007 audits are planned to take place. The timing of audits was discussed with Heads of Service and line managers. However, the audits could be subject to change and timing should only be viewed as an indicator.

2. Internal Audit Resource Days 2006 – 2007

There are 3 elements to the tables:

- Total working days available;
- Non-direct audit days; and
- Direct audit days.

After deductions for annual leave and an allowance for sickness a total of 1,318 working days are available for direct and non-direct audit work. This includes the contribution of audit days from our internal audit partners KPMG.

The non-direct audit day allocation covers tasks such as internal audit management, preparing committee papers, training to ensure that staff are supported in their work and general administration issues. The total day's allocated to non-direct audit for 2006 - 2007 is 238.

Direct audit days are days allocated to both core and non-financial audits. The audit days assigned includes time for Planning, Field Work, Report Writing and Management Review. In addition a number of days have been included for Contingency. The total number of days allocated to direct audits for 2006 - 2007 is 1,080, which represents 82% of total working days available.

Internal Audit Resource Days: 2006 - 2007

| | Audit Manager | Audit Manager | Accountant | Accountant | Senior Audit Assistant | Audit Assistant | Partner | Contract Auditor | Total |
|--|---------------|---------------|------------|------------|------------------------|-----------------|-----------|------------------|--------------|
| Number of Days in full year | 260 | 260 | 260 | 171 | 260 | 260 | 53 | 0 | 1,524 |
| Less: Public Holidays | 12 | 12 | 12 | 0 | 12 | 12 | - | | 60 |
| Annual Leave | 25 | 28 | 20 | 0 | 28 | 20 | - | | 121 |
| Sickness Allowance | 5 | 5 | 5 | 0 | 5 | 5 | - | | 25 |
| Working Days Available | 218 | 215 | 223 | 171 | 215 | 223 | 53 | 0 | 1,318 |
| Non-Direct Audit Work | | | | | | | | | |
| IA Management | 27 | 15 | 5 | 5 | - | - | 28 | - | 80 |
| Planning and Reporting | 20 | 10 | - | - | - | - | - | - | 30 |
| Training, Development & Seminars | 10 | 10 | 10 | 10 | 10 | 10 | - | - | 60 |
| Audit Internal Meetings | 10 | 10 | 6 | 6 | 6 | 6 | - | - | 44 |
| Advisory | 10 | 10 | 2 | 2 | - | - | - | - | 24 |
| Total for Non-Direct Audit Support Work | 77 | 55 | 23 | 23 | 16 | 16 | 28 | - | 238 |
| Time Available for Direct Audit Work | 141 | 160 | 200 | 148 | 199 | 207 | 25 | 0 | 1,080 |

3. Assessments of Audit Days 2006-07

Assessment of Core Audit Days: 2006 – 2007

The core financial audits set out below are those detailed for year 2 of the 3 year strategic audit plan, and were selected using an Audit Needs Assessment methodology of risk ranking. These audits will enable Internal Audit over the next financial year to provide an assurance statement on the Council's overall internal control framework.

| <i>Core financial systems</i> | Risk Ranking | Last Audited | 2006-07 |
|---|---------------------|---------------------|----------------|
| Budgetary control | 1 | 2005-06 | 20 |
| Capital accounting | 1 | 2005-06 | 20 |
| Capital contracts | 1 | 2005-06 | 20 |
| Cash income and banking | 2 | 2005-06 | 30 |
| Car Allowances | 2 | 2004-05 | 20 |
| Contract hire and operating leases | 2 | 2005-06 | 20 |
| Creditor payments | 2 | 2005-06 | 25 |
| Debtor accounts | 2 | 2005-06 | 20 |
| General ledger operations | 2 | 2005-06 | 25 |
| Government & European Grants | 1 | 2005-06 | 30 |
| Treasury management | 2 | 2005-06 | 20 |
| Tendering procedures | 1 | 2005-06 | 30 |
| Payments to voluntary bodies (following the public pound) | 2 | 2005-06 | 20 |
| Council tax and non-domestic rates | 2 | 2005-06 | 30 |
| Purchasing | 2 | 2005-06 | 25 |
| Unified benefits system | 2 | 2005-06 | 30 |
| Payroll | 2 | 2005-06 | 30 |
| Stock taking | 2 | 2005-06 | 25 |
| <i>Subtotal core financial systems</i> | - | - | 440 |

Assessment of Non Financial Audit Days: 2006-2007

The non financial audits set out below are those detailed for year 2 of the 3 year strategic audit plan and were derived from a Heads of Service risk evaluation exercise. The exercise highlighted a number of key operational risks to be included in year 2 of the plan. In addition, the Council has recently been the subject of a Best Value review by Audit Scotland. An action plan has been agreed by the Council to address the points raised in the Audit Scotland report. Internal Audit will be required to provide an independent challenge and review facility. This will aid the process of improvement and change. To reflect this requirement a review has been undertaken to identify the required number of audit days to meet our agreed audit programme. This has provided a number of days that can be assigned to address Best Value report issues.

| Non-financial audits | Risk Ranking | Last Audited | 3 Year Planned Audit Days 2006-07 | 2006-07 Required Audit Days | Balance transfer for Best Value Review |
|---------------------------------|---------------------|---------------------|--|------------------------------------|---|
| Chief Executives | | | | | |
| Policy & Strategy – Best Value | 1 | 2005-06 | 30 | 0 | 30 |
| Community Services | | | | | |
| Care Services | 2 | 2005-06 | 30 | 20 | 10 |
| NPDO – Contract Monitoring | 1 | 2005-06 | 30 | 20 | 10 |
| HMIe | - | 2004-05 | 20 | 20 | 0 |
| Transportation | 1 | 2005-06 | 30 | 20 | 10 |
| Development Services | | | | | |
| Partnership Project Funding | 3 | - | 30 | 20 | 10 |
| Corporate Services | | | | | |
| Risk Management | 3 | 2004-05 | 25 | 20 | 5 |
| ICT – Applications | 2 | - | 25 | 25 | 0 |
| Operational Services | | | | | |
| Roads & Amenity Services | 3 | 2002-03 | 30 | 20 | 10 |
| All Departments | | | | | |
| - Partnership Working | 1 | 2005-06 | 30 | 20 | 10 |
| - Strategic & Asset Management | 1 | 2005-06 | 30 | 15 | 15 |
| - Property Asset Management | 1 | 2005-06 | 30 | 15 | 15 |
| - Business Continuity Planning | 1 | 2005-06 | 30 | 20 | 10 |
| - New Legislation | 1 | 2005-06 | 30 | 20 | 10 |
| - Corporate Governance | 1 | 2005-06 | 30 | 30 | 0 |
| - Performance Indicators | 1 | 2005-06 | 50 | 50 | 0 |
| Sub totals non-financial | - | - | 480 | 335 | 145 |

Assessment of Contingency Audit Days: 2006-2007

Audit days have been included within the annual audit plan for contingency. This is audit time for unforeseen events which, by their nature, cannot be planned for, e.g.:

- Notification of frauds, significant weaknesses or loss;
- Consideration of controls for new or amended systems; and
- Reviews of significant breakdown of internal control.

Clearly, the extent to which any contingency requirement will arise depends on the soundness of the Council's systems of control and the incidence of fraud or irregularity.

| <i>Contingency days</i> | 2006-07 |
|--|----------------|
| Special investigations contingency | 80 |
| Follow-up external & internal audit management letter points | 60 |
| Risk assessment, strategic plan, annual plans | 20 |
| Sub Total | 160 |

4. ANNUAL AUDIT PLAN 2006 – 2007

| Core Financial Systems | | | | Risk Ranking | Last Audited | Audit Days 2006-07 | April | May | June | July | August | September | October | November | December | January | February | March |
|---|-----|------|-------------|--------------|--------------|--------------------|-------|-----|------|------|--------|-----------|---------|----------|----------|---------|----------|-------|
| Budgetary Control | 1 | 2005 | 20 | | | | | | | | | | | | | | | |
| Capital Accounting | 1 | 2005 | 20 | | | | | | | | | | ▶▶ | | | | | |
| Capital Contracts | 1 | 2005 | 20 | | | | | | | | | | | | | ▶▶ | | |
| Cash Income and Banking | 2 | 2004 | 30 | | | | | | | | | ▶▶ | | | | | | |
| Car Allowances | 2 | 2004 | 20 | | | | | | | | | | | | | | | |
| Contract Hire and Operating Leases | 2 | 2003 | 20 | | | | | | ▶▶ | | | | | ▶▶ | | | | |
| Creditor Payments | 2 | 2004 | 25 | | | | | | | | ▶▶ | | | | | | | |
| Debtor Accounts | 2 | 2004 | 20 | ▶▶ | | | | | | | | | | | | | | |
| General Ledger Operations | 2 | 2005 | 25 | | | | | | | | | | | | | | ▶▶ | |
| Government & European Grants | 1 | 2003 | 30 | | | | | ▶▶ | | | | | | | | | | |
| Treasury Management | 2 | 2005 | 20 | | | | | | | | | | ▶▶ | | | | | |
| Tendering Procedures | 1 | 2004 | 30 | | | | | | | | | | | | | | ▶▶ | |
| Payments to Voluntary Bodies (Public Pound) | 2 | 2005 | 20 | | | | | ▶▶ | | | | | | | | | | |
| Council Tax & Non-Domestic Rates | 2 | n/a | 30 | | | | | ▶▶ | | | | | | | | | | |
| Purchasing e-Procurement | 2 | n/a | 25 | | | | | | | | | | | | | | ▶▶ | |
| Unified Benefits System | 2 | n/a | 30 | | | | | | | | | | | ▶▶ | | | | |
| Payroll | 2 | n/a | 30 | | | | | | | | | | | | | | | |
| Stocktaking | 2 | 2005 | 25 | ▶▶ | | | | | | | | | ▶▶ | | | | | ▶▶ |
| Subtotal Core Financial Systems | | | 440 | | | | | | | | | | | | | | | |
| Non-Financial Audits | | | | Risk Ranking | Last Audited | Audit Days 2006-07 | April | May | June | July | August | September | October | November | December | January | February | March |
| Chief Executives Unit – Best Value (days to be allocated) | 1 | 2004 | 145 | | | | | | | | | | | | | | | |
| Community Services – Care Services | 2 | - | 20 | | | | | | | | | | | | | | ▶▶ | |
| Community Services – NPDO Contract Monitoring | 1 | 2003 | 20 | | | | ▶▶ | | | | | | | | | | | |
| Community Services – HME | 4 | 2004 | 20 | | | | | | | | ▶▶ | | | | | | | |
| Community Services – Transportation | 1 | - | 30 | | | | | | | | | | ▶▶ | | | | | |
| Development Services – Partnership Project Funding | 3 | - | 20 | | | | | | | | ▶▶ | | | | | | | |
| Corporate Services – Risk Management Register | 3 | 2004 | 20 | | | | | ▶▶ | | | | | | | | | | |
| Corporate Services – ICT - Applications | 2 | n/a | 25 | | | | | | | | ▶▶ | | | | | | | |
| Operational Services – Amenity & Roads Services | 3 | 2002 | 20 | | | | | | | | | | | ▶▶ | | | | |
| All Depts – Partnership Working | 1 | 2004 | 20 | | | | | | | | | | | | ▶▶ | | | |
| All Depts – Strategic Asset Management | 1 | 2004 | 15 | | | | | | | | | | ▶▶ | | | | | |
| All Depts – Property Asset Management | 1 | - | 15 | | | | | | | | | | ▶▶ | | | | | |
| All Depts – Business Continuity Planning | 1 | - | 20 | | | | | ▶▶ | | | | | | | | | | |
| All Depts – New Legislation | 1 | - | 20 | | | | | | | | | | | | | | | |
| Corporate Governance | 1 | 2004 | 30 | ▶▶ | | | | | | | | | | | | | | ▶▶ |
| Performance Indicators | 1 | 2004 | 50 | | | | | | | | | | | | | | | |
| Sub Total Non-Financial | | | 480 | | | | | | | | | | | | | | | |
| Contingency Days | | | | Risk Ranking | Last Audited | Audit Days 2006-07 | | | | | | | | | | | | |
| Special investigations, Follow-up, Risk Assessment & Audit Planning | n/a | n/a | 160 | | | | | | | | | | | | | | | |
| Sub Total Contingency Days | | | 160 | | | | | | | | | | | | | | | |
| Total | | | 1080 | | | | | | | | | | | | | | | |

APPENDIX 1

Scope and Objectives 2006 – 2007

2006 - 2007 Planned Objectives

The following sections outline the broad scope and objectives for the reviews identified for 2006 - 2007.

1. Core Financial Systems

1.1 Budgetary Control

The specific objectives of this review will assess whether:

- The responsibilities of Officers and Members for the setting and control of budgets are properly defined;
- Budgets are set in accordance with pre-determined approved policy objectives;
- Revenue expenditure and income is properly controlled by the effective periodic monitoring of financial out-turns against detailed budgets;
- Virements are managed and controlled effectively;
- Significant variances are promptly identified, reported and acted upon; and
- The system contributes to the Council's ability to demonstrate that resources are being used in an economical, effective and efficient way.

1.2 Capital Accounting

The specific objectives of this review will assess whether:

- Fixed assets are identified and classified in accordance with the Accounting Code of Practice (ACOP) and compliant with the Prudential Code;
- Movements in the Fixed Asset Register are being identified;
- There is supporting documentation for option appraisal;
- Appropriate Prudential Code indicators have been calculated and approved and regularly reviewed;
- There is written documentation, policies procedures for application of capital charges;
- Fixed assets and capital charges are correctly recorded in the financial ledger; and compliant with the Prudential Code; and
- The system contributes to the economic, effective and efficient management of the Council's assets.

1.3 Capital Contracts

The specific objectives of this audit will assess whether:

- For major capital projects over £1m a proper business case and project appraisal procedure enables effective selection of appropriate projects. The projects chosen for audit will follow discussions with management and could be either building, roads or engineering contracts;
- The design satisfies the original project criteria;
- The tendering process has resulted in the contract being placed with the most suitable contractor at the most advantageous price and is compliant with the Prudential Code with regard to affordability and financing;
- Work is properly project managed, supervised and executed to contract specifications;
- The system ensures the preparation of accurate interim valuations, final accounts and meets the Prudential Code sustainability criteria; and
- All relevant information on the project is collected, evaluated and used to improve future performance.

1.4 Cash Income and Banking

The specific objectives of this audit will assess whether all Schools General Purpose Funds comply with Circular 1.10:

- The exercise commenced in 2005/06 will be completed with an assessment of compliance of Primary Schools with Circular 1.10;
- The recommendations made in the 2005/06 reports will be followed-up.

1.5 Car Allowances

The broad objectives of this audit are to ensure:

- The classification of different types of car users was appropriate;
- The usage of pool cars was maximised;
- The record keeping for pool cars was suitable for monitoring their usage.

1.6 Contract Hire and Operating Leases

The specific objectives of this review will assess whether:

- Proper control procedures are being operated;
- New lease agreements are compliant with the Prudential Code ;
- Advice is sought from the Council's lease advisers before any new agreements are entered into;
- All payments/receipts are made on the due dates; and
- Any extensions to lease agreements are properly negotiated;

1.7 Creditor Payments

The specific objectives of this review will assess whether petty cash controls are adequate:

- Payments are made in accordance with Financial Regulations only for goods and services which are for valid Council services;
- All payments are properly backed-up by receipts or vouchers;
- Payments are made only to valid creditors; and
- Payments are correctly recorded in the financial ledger.

1.8 Debtor Accounts

The specific objectives of this review will assess for selected services as to whether:

- Accounts are properly raised and posted for all chargeable services;
- Accounts are issued promptly; and
- Income is collected timeously.

1.9 General Ledger Operations

The specific objectives of this review will assess whether:

- Data from feeder systems is correctly and timeously transferred to the financial ledger;
- Output is produced in accordance with a prescribed timetable and in a format which contributes to the financial management of the body

1.10 Government & European Grants

Various grants are received by the Council from the European Union for a number of projects under various programmes e.g. European Regional Development Fund (ERDF) and European Social Fund (ESF). The specific objectives of this review will assess whether:

- All applications are made in accordance with grant requirements;
- Grants are only applied to the purposes provided;
- Amounts receivable / received are complete;
- Adequate monitoring and reporting mechanisms are in place for management information.
- Departments maintain proper records which satisfy auditors.

1.11 Treasury Management

The specific objectives of this review will be to assess whether:

- Borrowing and lending transactions are in accordance with statutory powers, approved policy and strategy;
- Appropriate Prudential Code indicators have been calculated and approved and regularly reviewed;
- The following meet the requirements of the CIPFA Code of Treasury Management in Local Authorities;
 1. Annual borrowing requirements and daily balances are properly estimated;
 2. Borrowing and lending transactions are properly controlled;
 3. Loan repayments and interest are paid on the due dates and in respect of valid loans;
 4. Deposits and interest are recalled/repaid on the due dates; and
 5. Borrowing and lending transactions are correctly recorded in bank accounts, the financial ledger, and other subsidiary records (e.g. registers).

1.12 Tendering

The specific objectives of this review will assess whether:

- The new Council Standing Orders reflect the required changes for effective control;
- Procedures for adding to and removing contractors from the Council's standing lists are properly controlled and make effective use of Constructionline services;
- Procedures for selecting tenderers are in accordance with the Council's Financial Regulations;
- Valid submitted tenders are recorded and held securely prior to formal opening;
- Tender opening procedures are properly controlled;
- Tenders comply with European Journal regulations where necessary;
- Only authorised alterations are made to tenders after opening process; and
- Procedures for evaluating tenders and selecting successful tenders are properly controlled.

1.13 Payments to Voluntary Bodies –The Public Pound

The specific objectives of this review will assess whether:

- Grants are classified according to materiality and any monitoring arrangements determined and carried out according to the Council's assessment of risk;
- All grant payments are identified in a register of funding;
- There is a record of the names of members or officers who sit on the boards and committees of external bodies;
- Applications are made in accordance with grant requirements;
- Funding to external organisations is specific and clearly stated;
- Amounts receivable/received are complete, planned and controlled; and
- A monitoring procedure is in place to ensure that available performance measures are collected and reported.

1.12 Stock Taking

The specific objectives of this review will assess whether:

- System for controlling stock is in accordance with Financial Regulations
- Systems are in place for maintaining accurate stock records;
- Stock is held in a secure environment;
- Adequate procedures are in place for management to count stock at year-end.

1.15 Council Tax & Non Domestic Rates

The specific objectives of this review will assess whether:

- Bills are correctly calculated (including discounts, reliefs etc) for all relevant properties;
- An appropriate level of control is maintained during processing to ensure completeness and accuracy of data and back up systems are in place;
- Controls ensure the authorisation, accuracy, completeness, confidentiality and timeliness of output reports and interfaces;
- A complete audit trail is maintained which allows an item to be traced from input through to its final destination; and
- Arrears follow up procedures are properly controlled and write offs, cancellations and refunds are properly controlled;
- Payments received are promptly processed and correctly posted to taxpayers' accounts;

1.16 Purchasing & e-Procurement

The specific objectives of this review will assess whether:

- Only goods and services which are required for the audited body's business are ordered;
- Orders are placed only after costs have been ascertained;

- Orders are placed only with authorised suppliers;
- Invoices are passed for payment to the correct supplier and only for goods/services received;
- Invoices are correctly coded for posting to the financial ledger; and
- The roll out of e-Procurement throughout the Council is properly controlled.

1.17 Unified Benefits System

The specific objectives of this review will assess whether:

Council Tax & Housing Benefits

- Benefit can be awarded only to valid applicants;
- Claims are accurately assessed and benefit calculated in accordance with Regulations;
- Claims are processed and determinations made within the timescales required by Regulations;
- Benefit awards are correctly recorded in the benefits system, the rent accounting system and the financial ledger;
- Adequate steps are taken to prevent and detect fraud;
- Overpayments are recovered, where appropriate; and
- The annual subsidy claim is accurate and complete.

1.18 Payroll

The previous focus for the payroll audit has been to assess the roll out of HR Payroll. In 2006 - 2007, Internal Audit will look at the operation of the Payroll. The specific objectives of the review will be to assess whether:

- Payments are made only to valid employees;
- Payroll budgets are set in accordance with pre-determined approved policy objectives;
- Payments are correctly calculated in accordance with contracts of employment, pay scales, hours worked, other authorised allowances and exception reports produced etc;
- Data (particularly standing data) is accurate, complete, access controlled and secure;
- Arrangements exist for creating back-up copies of data, storing and retaining it securely to enable recovery in the event of failure; and
- The system contributes to the Council's ability to demonstrate that resources are being used in an economical, effective and efficient way.

2. Non-Financial Audits

The non-financial section of the strategic audit plan recognises activities that require to be reviewed on an annual basis. These include corporate governance and statutory performance indicators.

Internal Audit in complying with the CIPFA Code of Practice for Internal Audit, has prepared this section of the report incorporating high risk areas identified by Heads of Service in an operational risk exercise carried out between the Corporate Services Department - Governance & Risk section, Internal Audit and its partner KPMG.

2.1 Best Value Audit

- 2.1.1 Internal Audit will continue to monitor the implementation of the agreed recommendations by management pertaining to Best Value Scrutiny Reviews carried out for Human Resources, Partnerships and Partnership Working, and Legal Services.
- 2.1.2 Internal Audit, following a recent Best Value review of the Council by Audit Scotland, will allocate resources to provide an independent challenge and review facility. This will aid the process of improvement and change as management progress the implementation of points outlined in the agreed Best Value action plan issued by Audit Scotland.

2.2 Community Services – Care Services

- 2.2.1 The Accounts Commission - Audit Scotland issued a national report towards the end of August 2004 entitled, "Adapting to the future". This is a national report and contains the findings of a recent study of Local Authorities and NHS bodies in Scotland.
- 2.2.2 Community Services Departmental management have been progressing the recommendations that arose from the above named national report. In 2005 – 2006 the joint implementation group (JIG) composed of both Council and NHS staff appointed a consultant to look at "Adapting to the future" within a feasibility study on improving service delivery. The resulting report due in March 2006 will detail the actions that must be taken in order for the Council to become compliant with the recommendations of the national report.
- 2.2.3 Internal Audit in 2006 - 2007 will follow up the consultant's report to establish that progress is being made by the joint implementation group to progress the issues raised in the consultants report.

2.3 Community Services – Education NPDO

Internal Audit resources will be allocated to contract monitoring of the Council Education NPDO programme. Consideration will be given to the policy and objectives set, the processes and procedures in place for contract management and reporting.

2.4 Community Services - HMIE

HMIE in 2005 issued a report following their inspection of functions within the Education Service. The report found that Education Service demonstrated good and

improving performance across many different aspects of its work. In order to improve standards further an Action Plan was agreed between Education Service management and HMle. In 2006 – 2007 Internal Audit will carry out an audit to establish that the management implementation addresses the actions agreed in the HMle report.

2.5 Community Services – Transportation

- 2.5.1 As a result of a Heads of Service risk evaluation exercise carried out at the end of January 2005 the above area was identified as a high risk area. This was then followed by the issue of an Internal Audit report in May 2005 which provided a view on the need to identify whether Best Value is presently being achieved. The report highlighted areas for further management investigation.
- 2.5.2 Internal Audit in 2006 - 2007 will follow up the actions of management to establish what progress is being made.

2.6 Development Services – Partnership Project Funding

Audit time has been set aside within annual audit plan to look at the Planning Sections reliance on external funding and its importance in supporting core functions.

2.7 Corporate Services – Risk Management Register

The Council has developed a risk register and at present it is being updated. Internal Audit has set aside time within the annual plan to review the register once the update process is complete.

2.8 Corporate Services – ICT Applications

A risk evaluation exercise carried out at the end of January 2005, highlighted a number of key operational risks that could potentially lead to a problem for the Council, in particular unauthorised access to IT systems resulting in a breach of confidentiality, disruption and lack of system integrity. In co-operation with our partner KPMG audit work in 2005 – 2006 was directed to IT Security. In 2006 – 2007 the audit emphasis will be on IT applications. Discussions are presently taking place with both ICT management, KPMG and Audit Scotland to agree the scope and objectives for the audit.

2.9 Operational Services – Roads & Amenity Services

As part of the 3 year strategic audit plan 2005 – 2008, audit time had been planned for an audit of Waste Management in 2006 – 2007. However, Internal Audit as part of the Grant Funding audit in 2005 – 2006 audited this activity. The Head of Service is currently reviewing other areas where Internal Audit could be of assistance.

2.10 All Services – Common Areas

Set out below are a number of non financial audits identified from a recent Heads of Service risk evaluation exercise. The exercise highlighted a number of key operational risks common to all Heads of Service. Internal Audit in 2005 – 2006 reviewed these areas in order to determine an audit approach for subsequent audits. Resources have been allocated within the annual audit plan and discussions will take place with the Heads of Service as to the best way to address their particular issues. The audit areas are:

- Partnership Working;
- Strategic Asset Management;
- Property Asset Management;
- Business Continuity Planning; and
- New Legislation.

2.11 Corporate Governance Compliance

2.11.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) together published 'Corporate Governance in Local Government – A Keystone for Community Governance'. This is a guidance note to assist Councils in achieving good practice in respect of corporate governance. As per last year an IFCS statement will be produced by internal audit based on our review of both external and internal audit reports and each Director's IFCS. The IFCS identifies any areas of potential weakness in the systems of financial control that have or will need to be addressed by departments.

2.11.2 The broad objective of this review will be to assess the arrangements put in place by the Council to implement good practice guidance.

2.12 Council wide - Performance Indicators, Council PIs

2.12.1 The Council is required to collect record and publish performance indicators to allow benchmarking with other local authorities and against the Council's own past performance. It needs to ensure its systems and processes are robust and operating efficiently and effectively to capture and report such information.

2.12.2 The broad objectives of this review will be to review the processes for reporting key performance indicators. Internal audit will select PIs for review in three ways, the first on variance from previous year's figures of more than 2 %, secondly where PIs are in a Transitional, Change or New status and thirdly those PIs that failed last year. Failed PIs will be reviewed again to assess compliance. The remainder will be the subject of a desktop review. Departments and PI co-ordinators have been advised of the requirement to maintain notes on variances so that back up is available for the auditor to check.

3. Contingency Days 2006 – 2007

Audit days have been included within the strategic audit plan for contingency. This is audit time for unforeseen events which, by their nature, cannot be planned for, e.g.:

- Notification of frauds, significant weaknesses or loss;
- Consideration of controls for new or amended systems; and
- Reviews of significant breakdown of internal control that cannot be accommodated within planned audits.

3.1 Special Investigations

The management of the Council may from time to time request that Internal Audit carry out special investigations on particular issues identified by Council management. Audit days are provided within the annual audit plan for this activity.

3.2 Risk Assessment / Strategic Plan / Annual Plans

Internal Audit will devote time to assessment of risk matters that could affect the audit plan. To develop the audit plan as issues identified by Council Management require input from Internal Audit. In addition Internal Audit will:

- Closely work with Corporate Services – Risk Management Group ; and
- Ensure that the strategic audit plan and annual plans reflect all necessary changes.

3.3 Follow-up of Internal & External Audit Recommendations

The specific objectives of this review will be to assess and report to the Audit Committee on:

- Progress made by management to address agreed recommendations made by both internal and external audit.