

PROJECT DOCUMENTATION

PROJECT INITIATION DOCUMENT

DRAFT

Project brief and project plan for best value review of internal audit

Date: 22 January 2010

Author: Ian Nisbet

Owner: Project Board

Document Number: v1.1

Project brief and project plan for best value review of internal audit

Project Initiation Document
2010

Date: 26 February

Project Initiation Document History

Revision History

Date of this revision: 21/01/10
Date of next revision: 22/01/10
Date of next revision:

Revision date	Previous revision date	Summary of Changes
21/01/10	v0.1	First issue
22/01/10	V1.1	Amended PID - Project Board requested changes to sections of the PID.

Approvals

This document requires the following approvals.
Signed approval forms are filed in the Best Value review files.

Name	Signature	Title	Date of Issue	Version
Ian Nisbet		Project Manager		V0.1
Ian Nisbet		Project Manager		V1.1

Once approved, a signed copy of the document will be held in the Strategic Finance central filing system.

CONTENTS

1. Background 2

2. Project Definition 2

3. Project Objectives..... 2

4. Project Scope 3

5. Method of Approach 3

6. Project Outcomes 3

7. Constraints 3

8. Assumptions 4

9. Project Governance and Organisation..... 4

10. Communications Plan..... 4

11. Project Quality Plan 4

12. Project Controls 5

13. Project Risks..... 5

14. Project Management 5

1. Background

The current operational arrangements in internal audit have been in place for a number of years now including the partnership arrangement with KPMG. These arrangements came about following a review of internal audit in 2000. Internal Audit has had a successful partnership in place with KPMG over the last 8 years. The operating environment of the Council and the future outlook has changed significantly since then.

The increased emphasis on performance management, the adoption of the Planning and Performance Management Framework (PPMF) by the Council, the introduction of Best Value 2, the move from an internal financial controls statement to a wider corporate governance statement in the annual accounts and the challenging financial outlook for the public sector make this an opportune time to carry out a service review of internal audit.

The SMT have agreed to carry out a review of all services over a 3 year period and a review of internal audit would support that programme. The Council's external auditors have identified that the Council has yet to consider and set out a future strategy for internal audit. A review of internal audit will allow the Council to consider the current performance of internal audit and how it needs to change to meet future requirements. Secondly, external audit commented on the management structure within internal audit which still has 2 internal audit managers rather than a chief internal auditor to head the function. Carrying out a service review would address both these points.

The Audit Committee on the 11th of December 2009 agreed the proposed service review as outlined in this Project Initiation Document (PID) with a further report to the March 2010 Audit Committee.

2. Project Definition

It is proposed to carry out a Best Value review of internal audit with the purpose of reviewing the performance of internal audit in order to develop a clear strategy setting out a vision for its future role, remit and structure to meet the new challenges facing local government. It is envisaged the future operating options will include in house delivery, strategic partnership, public sector consortium/shared service and externalisation.

3. Project Objectives

This review will cover the internal audit function. In essence this is:

- Planning, delivery and reporting of internal audit;
- Reviewing overall audit risk;
- Reviewing compliance with corporate government assurance;
- Ad hoc and special investigations;
- Support to Audit Committee; and
- Relationships with the Council Executive, Audit Committee and External Audit;
- Future requirements, clear strategy and delivery arrangements; and
- Consider the role of internal audit in relation to the organisational /cultural changes within the Council.

4. Project Scope

The service review will cover the following areas:

- Environmental scan;
- Good practice review;
- Benchmarking exercise;
- Stakeholder input; and
- Options identification and assessment.

5. Method of Approach

Much of the detailed work will be led by the Project Team with KPMG tasked to complete a good practice review and benchmarking exercise. The involvement of KPMG will provide a level of external challenge/robustness to the good practice assessment and benchmarking exercise. The approach for each area will be:

- The environmental scan will identify future issues and challenges that face the Council;
- The good practice review will be undertaken by KPMG and will compare the internal audit service against the CIPFA Code of Practice for Internal Audit in Local Government, leading practice principles and the CIPFA Financial Management Model.
- Benchmarking exercises will be undertaken by KPMG to establish the performance of the internal audit service in relation to other councils and the other public and private sector organisations. The benchmarking will cover cost, structure, staffing and process;
- Stakeholder input from internal audit staff, senior management, elected members, audit committee and auditees will be carried out through questionnaires and interviews; and
- Options will be identified and assessed to inform the future development of internal audit methodology and preparation of a final report with recommendations.

6. Project Outcomes

The anticipated outcomes of this project are as follows:

- Preparation of a final report that outlines proposed future strategy and objectives for internal audit;
- An appraisal of the operating arrangements for delivery of the strategy and objectives to be adopted;
- A proposed implementation plan for the preferred option; and
- It is envisaged the future operating options will include in house delivery, strategic partnership, public sector consortium/shared service and externalisation.

7. Constraints

- The main constraints are availability of staff within Argyll and Bute Council; and
- Any constraints regarding third party involvement.

8. Assumptions

- Staff availability within the Council to participate in the project; and
- Other organisations will be willing and have the time and information available to participate in benchmarking.

9. Project Governance and Organisation

The Project Board will comprise of the following members:

Name	Title	Role	Organisation/ Dept
Ian Ross	Chairman, Audit Committee	Project Board Member (Chair)	Argyll & Bute Council
Bruce West	Head of Strategic Finance	Project Board Member	Argyll & Bute Council
Christopher Shirley	Quality Standards Manager, Education	Project Board Member	Argyll & Bute Council
Andi Priestman	Chief Internal Auditor	External Project Board Member	Inverclyde Council
Alex Colligan	Internal Audit Manager	Staff Representative	Argyll & Bute Council

The project team will be tasked to complete the review on behalf of the Project Board and will consist of the following members:

Name	Title	Role	Department/ Organisation
Ian Nisbet	Internal Audit Manager	Project Manager	Chief Executive Unit
Mhairi Weldon	Senior Audit Assistant	Project Support	Chief Executive Unit
To be advised	Manager	Project Support	KPMG

10. Communications Plan

Communications will be carried out through the follow up meetings held by the Project Board. Communications will also take place by email correspondence with the Project Board.

11. Project Quality Plan

Once the PID has been agreed and signed off, it will become the baseline upon which future progress of the project is managed and monitored. This will be achieved through the preparation of Progress Reports to the Project Board.

12. Project Controls

The following timescale has been outlined for the project plan.

Project Plan

Stage	Timeline	Responsibility
Environment Scan	January - March	Project Team
Good Practice Assessment	January - March	KPMG
Benchmarking Review	January - March	KPMG
Stakeholder Input	January - March	Project Team
Identify and assess options	April	Project Team
Recommendations	May	Project Team

The Project Board will meet initially to sign off the remit and project plan for the review. There will be 2 further meetings, one at the midway stage and another at the stage of drafting the final report.

13. Project Risks

Key risks for this project are highlighted below:

Risk	Probability	Impact	Mitigation
Unable to identify suitable benchmarking	Medium	High	Start early in identifying suitable benchmarking partners
Work pressures hinder internal staff involvement	High	High	Plan staff involvement in advance
Unable to secure external involvement on Project Board to provide challenge.	Medium	Medium	Compile back-up list of candidates
Generate too much data and unable to draw conclusions/identify way forward.	Low	Medium	Use of CIPFA FM model and proper planning of benchmarking

14. Project Management

The Project Manager will be responsible for the day-to-day running of the Project ensuring that it produces the required outcomes, to the required standard of quality and within the specified constraints of time and resources.