INTERNAL AUDIT
DRAFT
ANNUAL AUDIT PLAN
2013 - 2014
4 March 2013

Contents

1.   ANNUAL AUDIT PLAN 2013 – 2014

In accordance with CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom, known as (the Code) and recommended Internal Audit practice, the draft Internal Audit plan for 2013 – 2014 covers risk, governance, and control effectiveness plus performance management.

As well as being compliant with the Code, the annual audit plan takes account of the Internal Audit Mission Statement and Terms of Reference both of which have previously been approved by the Audit Committee.

2.   INTERNAL AUDIT RESPONSIBILITIES

In preparing the draft annual audit plan Internal Audit has taken consideration of its responsibilities which are as follows:

Section 95 Officer/Head of Strategic Finance

Internal Audit reports directly to the Head of Strategic Finance who is also the Section 95 Officer. Internal Audit report on the effectiveness of the system of internal control operated within the Council.

Chief Executive

Internal Audit has a dotted line responsibility to the Chief Executive, and monthly meetings are held to discuss the progress of the annual audit plan, reports issued and any areas of concern.

Audit Chairman

Internal Audit has a dotted line responsibility to the Audit Chairman; discussions are held on a regular basis covering progress of the annual audit plan.

Audit Committee

The Audit Committee's remit includes agreeing Internal Audit plans and ensuring Internal Audit work is properly planned with due regard to risk, materiality and coverage for the year 2013 – 2014. It is the responsibility of Internal Audit to report on the progress of the annual audit plan, provide extract summary audit reports and action plans from finalised audits. At the culmination of each year's audit work an annual report is prepared by Internal Audit and presented to the Audit Committee along with an annual Governance Statement.

Internal Audit reports to the Audit Committee on progress implementation by management of recommendations. This is done through the internal audit database matched with evidence gathering. In addition to quarterly reporting to the Audit Committee monthly reporting is undertaken for Departmental Management Teams (DMTs) and the Strategic Management Team (SMT).

External Audit

Internal Audit has a responsibility to co-ordinate its activities with external audit. The relationship operated by Internal Audit with Audit Scotland, is one of joint working.

Regular informal consultations are held to co-ordinate work and where appropriate develop a joint audit methodology and strategy.

3.   DIRECT AUDIT DAYS 2013 - 2014

AUDIT PLAN ANALYSIS AND PROCESS

The Code requires that Internal Audit not only audit financial systems controls but also other systems of management control used to ensure the Council's corporate objectives and core values are being addressed. The draft audit plan has therefore been prepared reflecting the current environment in which the Council operates and includes the wider considerations of risk as required by the Code.

The database used to develop the Annual Audit Plan identifies and ranks issues using 4 broad headings:

•   Materiality – is an assessment of financial data;
•   Risk – covers operational and strategic risk registers, the risk associated with a particular activity or reputational risk exposure;
•   Control Effectiveness – is an assessment of External and Internal Audit report agreed recommendations, corporate governance and other external and internal inspection reports which reflect current control levels over inherent risk; and
•   Performance Management – is an assessment of corporate and service plans plus improvement plans.

The development of the database follows the ethos of the Council's External Auditors who have adopted a Priorities and Risk Framework approach for the External Audit of local authorities. This methodology has been adopted to enable auditors to "…identify risks which are unique to individual councils" and "…gain a better understanding of the business priorities and risks facing the organisations they audit"

The output from the database was provided to Heads of Service for their review and discussion. The draft plan was then prepared and discussed with the Executive Director and Heads of Service at Departmental Management Team meetings. Thereafter the annual plan was presented to the Strategic Management Team. This process has allowed the draft plan to be fully discussed and agreed prior to its presentation to the Audit Committee.

Each of the 4 headings used in the database has a maximum weighted total of 30 and a cumulative total of 120 which when divided by 1.2 provide a final percentage figure. All scores from this exercise are set out under the following audit groups:

•   Financial and Control Audits ;
•   Computing Systems Audits; and
•   Corporate/Service Plan Audits.

The 3 groups list audit topic final scores and are ranked highest to lowest with their 'total risk ranking' score. Highest risk totals over 30 are allocated a ranking of 1 and provided a total of 20 direct audit days. Risk totals less than 30 but above 20 receive a risk ranking of 2 with an allocation of 15 direct audit days,

Table 3.1 sets out the audit topic, ranking from the database exercise, the date last audited and direct day allocation for 2013 – 2014.

Table 3.1 – Financial & Control Audits 2013 – 2014

FINANCIAL CONTROL AUDITS	Ranking	Last audited	2013-14 Audit Days
Procurement	1	2012/13	20
Budgetary Preparation and Control	1	2012/13	20
Government & European Grants	1	2012/13	20
Cash & Income Banking	1	2012/13	20
Tendering Procedures	1	2012/13	20
Treasury Management	1	2012/13	20
Capital Contracts	1	2012/13	20
ResourceLink/Payroll	1	2012/13	20
Council Tax	1	2012/13	15
Non Domestic Rates	2	2012/13	15
Debtor Accounts	2	2012/13	15
Universal Credit	2	2012/13	15
Capital Accounting	2	2012/13	15
Contract Operating Leases	2	2012/13	15
Creditors	2	2012/13	15
General ledger operations	2	2012/13	15
Car Allowances & Subsistence	2	2012/13	15
Stock and Work in Progress	2	2012/13	15
Total			310

Table 3.2 provides the direct day allocation for Computing Systems Audits and in Table 3.3 direct audit days for Corporate/Service Plan Audits have been provided by totalling the risk totals for each service by department then audit days allocated. Both of these tables' audits were discussed and agreed with management at DMTs and presented to SMT.

Table 3.2 – Business Systems Audits 2013 – 2014

BUSINESS SYSTEMS	Risk Ranking	Last audited	2013 –2014
IT Strategy	1	-	20
Data Protection	1	2010	20
Pyramid Performance Management	1	2012	20
Care First	1	2012	20
Leisure Management System	1	2012	20
Roads Costing System	1	2012	20
Uniform System	1	2012	20
Fleet Management	2	2012	15
Customer Service Centre	2	2012	15
Total			**170**

Table 3.3 – Corporate & Departmental Audits 2013 – 2014

CORPORATE & DEPARTMENT AUDITS	Risk ranking	Last Audited	2013 - 2014
Corporate	1	2012	55
Community Services	-	-	-
Outwith Authority Placements	1	2012	25
Health & Safety (Leisure)	1	2012	15
Allocating ASN Assistants Process	1	2012	10
Development & Infrastructure	-	-	-
Section 75 Planning Obligations	1	2012	15
Marine Services	1	2012	15
Parking	1	2012	10
Customer Services	-	-	-
Business Continuity	1	2012	15
Corporate Governance Statement	1	2012	15
School Meals	1	2012	10
Chief Executives Unit	1	2012	-
Print and Design	1	2012	20
Community Engagement	1	2012	10
Total			**215**

4.   CONTINGENCY DAYS 2013 - 2014

Audit days have been included within the annual audit plan for contingency as set out in Table 4.1 below. There are 3 areas included in this section of audit activity they are:

Special Investigations

An estimate of direct audit days is made to cover 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.

Recommendation Implementation Progress

Internal Audit reports on a monthly basis to both the Departmental Management Teams (DMTs) and Strategic Management Team (SMT) and on a quarterly basis to the Audit Committee, detailing management progress in implementing agreed audit report recommendations. In 2013 – 2014 as last year 80 days have been estimated in the plan.

National Fraud Initiative (NFI)

This is a statutory requirement and an annual exercise. Good progress was achieved in 2012 – 2013 and in order to maintain this, 40 days have been estimated for this activity.

Table 4.1 – Contingency Direct Audit Days 2013 – 2014

Audit Contingency	2013 - 2014
Special Investigations	100
Recommendation follow up	80
National Fraud Initiative (NFI)	40
Total	**220**

5.   NON DIRECT AUDIT DAYS 2013 – 2014

Overview

Tables 5.1 and 5.2 set out the resources and number of days available for 2013 - 2014. There are 3 elements to the tables:

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

In arriving at the number of working days available for 2013 – 2014, deductions for annual leave and a potential sickness provision have been made, providing a total of 1,080 working days for direct and non-direct audit work.

The non-direct audit day allocation covers tasks such as management; provision of advice and information and continuing professional development (CPD). In addition, internal audit in 2013 – 2014 will commence a 3 year partnership contract with Grant Thornton and CIPFA. This will provide the Council with high level support on development of the internal audit function. This includes advice and support in relation to Internal Audit strategy, compliance with the CIPFA Code of Practice, performance review and improvement, quality and standards, and use of evaluation tools and techniques. The plan therefore includes an estimate of days that will be required for partner discussion and training of 50 days as set out in Table 5.1.

Table 5.1 – Audit Resource Day Calculation 2013 – 2014

		Chief Internal Auditor	Accountant	Accountant	Senior Audit Assistant	Senior Audit Assistant	Total
Number of Days in full year		261	261	261	261	261	**1, 305**
Less:	Public Holidays	8	8	8	8	8	40
	Annual Leave	32	32	32	32	32	160
	Sickness Provision	5	5	5	5	5	25
Days Available		216	216	216	216	216	**1,080**
Less Non-Direct Audit Days							
	IA Management	40	-	-	-	-	40
	Planning and Reporting	40	-	-	-	-	40
	Training, Development &	10	10	10	10	10	50
	Audit Internal Meetings	11	6	6	6	6	35
Total		101	16	16	16	16	**165**
Total Direct Audit Days		**115**	**200**	**200**	**200**	**200**	**915**

Table 5.2 provides the overall allocation of days for 2013 - 2014. The total number of days allocated to direct audits for 2013 - 2014 is 915 which represent 85% of total working days available 1,080. This is compliant with the Code.

Table 5.2 – Total Audit Day Allocation 2013 - 2014

ALLOCATION OF AUDIT DAYS	2013 - 2014
Financial Audits	310
Business Systems	170
Corporate/Departmental Audits	215
Contingency	220
Sub Total	**915**
Non Direct Audit Days	165
TOTAL AVAILABLE DAYS	**1,080**

6.   COUNCIL CORPORATE PLAN OBJECTIVES

The Council's Corporate Plan 2009-2012 lays out four Objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:-

1.   Working together to improve the potential of our people;
2.   Working together to improve the potential of our communities;
3.   Working together to improve the potential of our area;
4.   Working together to improve the potential of our organisation.

The Chief Executive's Service provides a range of functions for internal and front-line customers alike. These functions support the work of the whole Council by assisting them in the delivery of the Council's Corporate Objectives. As a consequence, this report does not specifically relate to one of the objectives, but assists with the delivery of all four.

7.   EQUALITIES ASSESSMENT

An equality impact assessment needs to be carried out for functions, policies, procedures or strategies in relation to race, gender and disability and other relevant protected characteristics. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new and existing policies.

The function, policy, procedure or strategy presented in this report was considered under the Corporate Equalities Impact Assessment process (EqIA) and was assessed as not relevant for the purposes of EqIA.

8.   STRATEGIC ENVIRONMENTAL ASSESSMENT

Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes and strategies, including policies (PPS).

However, no action is required as the Act does not apply to the matters presented in this report. This is because the Committee are requested to note the contents of the report only and the Committee are not being requested to approve, adopt or agree to an action or to set the framework for future decisions.