



INTERNAL AUDIT

ANNUAL AUDIT PLAN

2014-15

June 2014

Contents

1.	INTRODUCTION	1
2.	DEFINING OUR AUDIT UNIVERSE	3
3.	INTERNAL AUDIT PLAN 2014-15	5
4.	MONITORING PERFORMANCE	10
	APPENDIX 1: THE COUNCIL'S STRATEGIC PRIORITIES AND RISKS	12
	APPENDIX 2: ARGYLL & BUTE COUNCIL AUDIT UNIVERSE	15

1. INTRODUCTION

BACKGROUND

Under the Public Sector Internal Audit Standards (PSIAS), the Council's internal audit plan must be risk based, and focused on governance, risk and controls to allow the Chief Internal Auditor to provide an annual opinion on the Council's internal control framework, based on the work undertaken during the year. This annual opinion informs the Annual Governance Statement within the Council's annual financial statements.

This report presents the internal audit risk assessment and annual audit plan for Argyll & Bute Council for the 2014-15 financial year.

APPROACH

Our approach to developing the annual plan is based on five stages. The approach is summarised below:

Stage	Our Approach
1. Understand the Council's Risks and Objectives	<p>We have reviewed the Council's key plans, including the Single Outcome Agreement, Corporate Plan, and draft Strategic Risk Register to identify corporate objectives and risks. The key risks and outcomes are summarised in Appendix 1.</p> <p>We have updated the audit universe to identify all of the auditable units within the Council, which are closely aligned with the structure of the Council (Appendix 2). We have also identified a number of cross-cutting, corporate auditable units, as follows:</p> <ul style="list-style-type: none">- Risk management framework- Performance management arrangements- IT control environment- Arrangements for the prevention and detection of fraud and irregularity <p>Auditable units are key functions of the Council, but may stretch beyond organisational boundaries.</p>
2. Assess risk maturity	<p>As part of the 2012-13 internal audit programme, we completed an audit of the Council's risk management arrangements to inform whether we can place reliance on the corporate risk assessment.</p> <p>During the review, we assessed the Council's risk maturity. We found that arrangements for identifying and managing strategic risks were well-developed, and continue to improve. We therefore assessed the Council as being in the early stages of risk managed, although a number of improvement areas were identified.</p> <p>This assessment means that we can place reliance on management's</p>

assessment of risk, and we have therefore drawn upon the strategic risk register to inform the audit plan.

3. Perform risk based assurance planning

We conducted a high level risk assessment on each of the Council's services to determine the required frequency of audit review. The frequency is linked to our requirement to provide an annual assurance opinion to the Audit Committee, and includes factors such as the value and volume of transactions, and the impact on the Council's framework for internal control.

4. Develop audit and risk assessment

We have developed a methodology to determine where and how key risk factors impact the Council, to determine the inherent risk attached to each auditable unit. Risk factors include the potential impact on the Council's corporate outcomes, the financial materiality, links to strategic risks, and key changes within the operating environment such as legislative change.

We have assessed the strength of the Council's internal control framework for managing risk, including the rating of audit recommendations, and implementation of previous audit recommendations to determine the probability of the risk materialising.

We have also mapped the assurance you will receive from other sources, including external audit, other scrutiny bodies and management arrangements during 2013-14.

5. Internal audit plan

Section 3 of this report sets out our internal audit plan, which prioritises the key risks facing the Council, and therefore allows for flexibility within the overall audit resource.

We have also considered additional audit requirements, including the Annual Governance Statement, Scottish Government grant requirements, and unplanned audit reviews and investigations.

2. DEFINING OUR AUDIT UNIVERSE

As part of our risk assessment methodology, we have considered each of the high level auditable units against our requirements to deliver our annual audit opinion. There are three key elements relating to our annual audit opinion:

Opinion requirement	Risk Factors
Financial Controls	Value of transactions Volume of transactions Impact on other services
Corporate Governance arrangements	Corporate policies and procedures Internal control environment Reliance on ICT controls
Strategic Risks	Identified by management as an area of significant risk Significant changes to the operating environment

We have used this assessment, summarised in Table 2.1, to determine the audit frequency across each area of the Council.

Table 2.1: High level audit needs assessment

Auditable Units	Financial	Governance	Risk	Risk Indicator	Review Frequency
Strategic Finance					
SF Corporate Support	●	●	●	Significant	Annual
SF Departmental Support	●	●		Significant	Annual
Treasury Management	●			Moderate	2 years
Community Services					
Learning Disability Services	●			Moderate	2 years
Older Peoples' Services	●		●	Significant	Annual
Mental Health Services	●			Minor	3 years
Children and Families	●	●	●	Significant	Annual
Criminal Justice	●		●	Moderate	2 years
Early years	●			Minor	3 years
Primary School Education	●		●	Moderate	2 years
Secondary School Education	●		●	Moderate	2 years
Quality Improvement Team			●	Minor	3 years
School Support Team			●	Minor	3 years

Auditable Units	Financial	Governance	Risk	Risk Indicator	Review Frequency
Adult Learning and Community Development				Minor	3 years
Leisure and youth services	●			Moderate	2 years
Culture and Libraries				Minor	3 years
Housing Services			●	Moderate	2 years
Customer Services					
Improvement and OD		●	●	Significant	Annual
Human Resources and Payroll	●	●	●	Significant	Annual
Communications			●	Moderate	2 years
Health and Safety		●	●	Moderate	2 years
Area Governance		●		Moderate	2 years
Central Governance		●		Moderate	2 years
Legal – commercial and contract		●	●	Moderate	2 Years
Legal – corporate			●	Minor	3 years
Customer Service Centre		●	●	Moderate	2 years
Procurement, commissioning and creditors	●	●		Significant	Annual
Revenues and benefits	●		●	Significant	Annual
ICT	●	●	●	Significant	Annual
Property Services	●	●		Moderate	2 years
Catering and cleaning		●		Minor	3 years
Integrated transport	●		●	Moderate	2 years
Development and Infrastructure					
Fleet, waste and infrastructure	●		●	Minor	3 years
Amenity Services	●			Minor	3 years
Roads management and maintenance	●		●	Moderate	2 years
Infrastructure design			●	Minor	3 years
Strategic transportation			●	Moderate	2 years
Marine and airports			●	Minor	3 years
Economic development		●	●	Significant	Annual
Projects, renewables and regeneration		●	●	Moderate	2 years
CHORD	●	●	●	Moderate	2 years
Planning			●	Minor	3 years
Development policy			●	Minor	3 years
Building Standards		●	●	Minor	3 years
Regulatory Services			●	Minor	3 years

3. INTERNAL AUDIT PLAN 2014-15

We have conducted a risk assessment using the estimated impact and likelihood of a failure in internal control for each auditable unit within the audit universe.

Table 3.1 sets out the internal audit work planned for 1 April 2014 to 31 March 2015. The plan is cross-referenced to the Council's Long Term Outcomes, Corporate Outcomes and Strategic Risk Register (SRR), as summarised in Appendix 1.

Auditable Unit		Planned Days	Outcome/ Risk Ref (App 1)	Outline Scope
All services	All departments			
Cross cutting	Fraud and irregularity	30	SRR8	Arrangements for the prevention and detection of fraud, including counter fraud.
Cross cutting	Information Security	20	SRR8	Data and Information Security - Governance and Practice
Cross cutting	Pyramid performance management system	18	C04.1 SRR8	Remaining days carried forward from 2013-14, scope includes the completeness, timeliness and accuracy of performance information
Cross cutting	Cash Spot Checks	10		Unannounced spot check of two establishments per year
		78		
Service	Strategic Finance			
SF Corporate Support	Risk management	15		Annual review of the Council's risk management arrangements
SF Corporate Support	General Ledger	15		Review of general ledger controls within updated Oracle system carried forward from 2013-14
SF Corporate Support	Income Maximisation	25	C01.4	Direct Payments including verification and financial monitoring arrangements
SF Departmental Support	Capital Contracts and Operating Leases	30	SRR10	Review of capital programme management guidance and operating leases carried forward from 2013-14 plan
SF Departmental Support	Budgeting	15	CO4.2, SRR10	A review of the effectiveness of management information
		100		
Service	Community Services			

Auditable Unit		Planned Days	Outcome/ Risk Ref (App 1)	Outline Scope
Adult Care	Older Peoples' Services: the Integration of Health and Social Care	25	LO5, CO1.6, SRR7	To include the roles, responsibilities and arrangements for the management and resourcing of joint services.
Adult Care	Homecare Services	15	LO6, SRR9	To include the management of contracts, and financial controls within Homecare Services.
Children and Families	Children and Families: Fostering and Adoption	25	LO4, CO1.1	To review the implementation of national standards, governance, monitoring and quality assurance arrangements.
Community and Culture	Adult Learning and Community Development	25	LO3, CO1.3	Adult Learning policy development and implementation including regeneration, anti-social behaviour, substance misuse etc.
Education	Primary School Education	12		Primary and Nursery school visits (2 per year) to cover key controls including finance, security and administration.
Education	Secondary School	12		Secondary school visits (2 per year), as above.
Education	School Support	20	LO3, CO2.1, SRR2	Arrangements for arranging, managing and paying for NDPO school planned and unplanned maintenance work.
		134		
Service	Customer Services			
Customer and Support Services	Key Financial Controls including Debtors, and Creditors	20		A continuous audit programme will be developed and findings reported to each Audit Committee
Customer and Support Services	Revenue and Benefits	25	CO1.6, SRR4	To cover Housing and Council Tax benefits (incl CT Reduction).
Customer and Support Services	Insurance arrangements	15	SRR14	Arrangements for insurance, including self-insurance

Auditable Unit		Planned Days	Outcome/ Risk Ref (App 1)	Outline Scope
Customer and Support Services	ICT	25	SRR 2	Draws on work commenced on the ICT Strategy in 2012-13 and will include the PSN Code of Connection
Customer and Support Services	Procurement, commissioning and creditors	12		Utility procurement and monitoring
Customer and Support Services	Customer Service Centre	15	SRR8	Administration arrangements and personnel and data.
Facility Services	Asset and Estates Management	25	SRR15	Land and Asset Disposal, including administrative arrangements and links to council/community planning asset management planning.
Governance and Law	Central Governance	15		Records Management, to include compliance with the Public Records (Scotland) Act 2011.
Human Resources and Payroll	Payroll and overtime claims	20		Continuous audit techniques will be used to highlight and investigate significant variances
Human Resources and Payroll	Sickness absence	25	LO5 CO4.2	Review of policies, roles and responsibilities, and timely management information.
Improvement and OD	SPIs and SOLACE benchmarking	20	CO4.1	Annual audit of performance indicator information submitted to Audit Scotland
Communication	Public relations, media and marketing	20	CO2.2 SRR8	To review community engagement arrangements, information provided to the public and links to Corporate and Community Plans.
		237		

Service	Development and Infrastructure
----------------	---------------------------------------

Auditable Unit		Planned Days	Outcome/ Risk Ref (App 1)	Outline Scope
Economic Development	Business Support	30	LO1, CO3.1, SRR1	To review the strategic support to the development and growth of business and tourism in Argyll & Bute.
Economic Development	Employment and training	18	LO3, CO4.2, SRR1	To review key training (including European funded) and work placement programmes to support economic development, including the Council's "grow your own" approach for key professions.
Roads and Amenity Services	Roads management and maintenance	20	CO2.1, SRR2	Flood and landslip control and prevention, include action plan development and monitoring and arrangements for planning and undertaking work.
Economic Development	CHORD	15	SRR1	A review of the progress of the CHORD programme, the impact to date and lessons learned.
Roads and Amenity Services	Roads management and maintenance	20	CO3.3, SRR2	Winter maintenance and emergency response, including the prioritisation of maintenance, progress, budget monitoring and customer satisfaction.
		103		

Annual Assurance Work				
Internal Audit		40		Annual Governance Statement Local Code of Corporate Governance Grant Claims & External Audit Liaison
Economy		20		LEADER Programme FLAG grants
		60		

Planning & Reporting	

Internal Audit	80	-	Annual Risk Assessment & Audit Plan Development of continuous audit programme Internal Audit Annual Report Irregularity Reporting Reports to Senior Management Team Progress Reports to Audit Committee
	80		

Contingency			
Internal Audit	80	-	Contingency days for investigations, ad hoc requests from Services, Audit Committee requests, or to provide additional support to external audit.
	80		
Total Productive Plan Days	872		

4. MONITORING PERFORMANCE

Under the Public Sector Internal Audit Standards, the Internal Audit team continues to develop a Quality Assurance and Improvement Programme.

Progress reports to each Audit Committee will include:

- Progress on Internal Audit Activity's performance relative to this plan, including the number of direct audit days
- A summary of key recommendations arising, including any instances of fraud, significant risk exposures or control issues
- The results of our follow up work on the status of audit recommendations

We have also proposed amendments to the current performance indicators (Table 4.1, below). The revised performance indicators are aligned to the Scottish Local Authorities Chief Internal Audit Group (SLACIAG) Balanced Scorecard measures.

We would welcome views from management and the Committee on the proposed measures, to allow us to monitor and report on our performance in 2014-15 Quarter 1.

Objective	Proposed measure	Proposed target
Align our work to key corporate risks and priorities	Percentage of risks within the Strategic Risk Register audited in reporting period	30%
Maintain an understanding of key stakeholder needs	Quarterly meetings held with Chair of the Audit Committee and Chief Executive/Section 95 Officer	100%
Maintain strong relationships with Departments, and continue to improve the impact of our work	Percentage high satisfaction rates from post-audit surveys (score 4 or 5 in a 5 point ranking system)	80%
Continue to adopt an effective follow up process	Percentage of audit recommendations followed up within reporting period	100% follow up on outstanding points on a quarterly basis
Maintain the highest quality and content in our internal audit reports which effectively communicate key messages and report on the right things	Percentage customer satisfaction with audit reports	80%
To have high quality staff	Percentage qualified staff	All staff to have minimum professional qualifications

Objective	Proposed measure	Proposed target
complement		with recognised bodies
	Training hours per year per auditor	Review training needs based on personal development plan and/or continuing professional development (CPD) requirements

APPENDIX 1: THE COUNCIL'S STRATEGIC PRIORITIES AND RISKS

As part of our development of the risk assessment, we reviewed the Council's vision and key strategic priorities, and the risks that have been identified in achieving these aims. The following key documents are reflected below:

- Argyll & Bute Community Planning Partnership's Single Outcome Agreement
- The Council's Corporate Plan 2013-17
- The Council's Improvement Plan
- The Draft Strategic Risk Register

Single Outcome Agreement

"Argyll & Bute's economic success is built on a growing population"

Long term outcomes	
LO1	▪ The economy is diverse and thriving.
LO2	▪ We have infrastructure that supports sustainable growth.
LO3	▪ Education, skills and training maximises opportunities for all.
LO4	▪ Children and young people have the best possible start.
LO5	▪ People live active, healthier and independent lives.
LO6	▪ People live in safer and stronger communities.

Corporate Plan

Corporate Objective 1- Working together to realise the potential of our people

Corporate outcomes	
CO1.1	▪ Our children are nurtured so that they can achieve their potential.
CO1.2	▪ Our young people have the skills, attitudes and achievements to succeed throughout their lives.
CO1.3	▪ We have a skilled and competitive workforce.
CO1.4	▪ Our people are supported to live more active, healthier and independent lives.
CO1.5	▪ We work with our partners to tackle discrimination.
CO1.6	▪ Vulnerable adults, children and families are protected and supported within their communities.

Corporate Objective 2- Working together to realise the potential of our communities

Corporate outcomes	
CO2.1	<ul style="list-style-type: none"> The places where we live, work and visit are well planned, safer and successful.
CO2.2	<ul style="list-style-type: none"> We create opportunities for our partners and communities to fully engage in the way our services are delivered.
CO2.3	<ul style="list-style-type: none"> The impact of alcohol and drug misuse on our communities, and on the mental health of individuals, is reduced.

Corporate Objective 3- Working together to realise the potential of our area

Corporate outcomes	
CO3.1	<ul style="list-style-type: none"> We create the right conditions where existing and new businesses can succeed.
CO3.2	<ul style="list-style-type: none"> Argyll & Bute has more new businesses operating in the area, creating more jobs.
CO3.3	<ul style="list-style-type: none"> Our transport infrastructure meets the economic and social needs of our communities.
CO3.4	<ul style="list-style-type: none"> We contribute to a sustainable environment.
CO3.5	<ul style="list-style-type: none"> We make the best use of our built and natural environment.

Corporate Objective 4 - Working together to realise the potential of our organisation

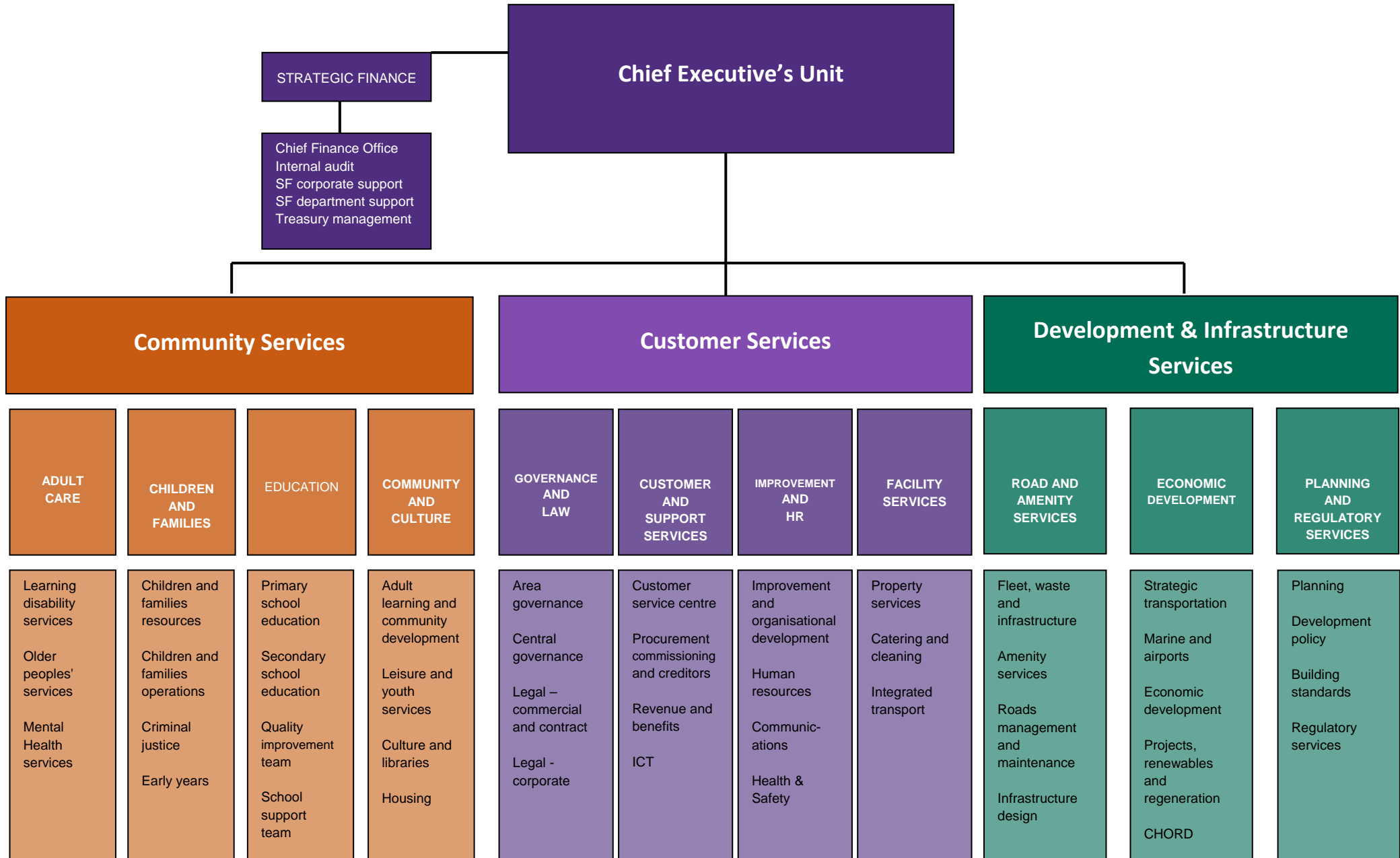
Corporate outcomes	
CO4.1	<ul style="list-style-type: none"> Our services are continually improving.
CO4.2	<ul style="list-style-type: none"> Our employees have the skills and attitudes to deliver efficient and effective services.
CO4.3	<ul style="list-style-type: none"> We provide good customer service.

Strategic Risk Register

Strategic Risks	
SRR1	<ul style="list-style-type: none"> Population and economic decline
SRR2	<ul style="list-style-type: none"> Condition and suitability of overall Council infrastructure and asset base
SRR3	<ul style="list-style-type: none"> External built environment – Non council assets
SRR4	<ul style="list-style-type: none"> Welfare Reform
SRR5	<ul style="list-style-type: none"> Political Leadership
SRR6	<ul style="list-style-type: none"> Finance – Income and Funding
SRR7	<ul style="list-style-type: none"> Health and Social Care integration

Strategic Risks	
SRR8	▪ Reputation
SRR9	▪ Demographic change
SRR10	▪ Finance expenditure
SRR11	▪ Partnership Governance
SRR12	▪ Engagement and alignment of service delivery
SRR13	▪ Leadership and Management
SRR14	▪ Civil contingency and business continuity
SRR15	▪ Management of service and resources

APPENDIX 2: ARGYLL & BUTE COUNCIL AUDIT UNIVERSE



STRATEGIC FINANCE

Chief Executive's Unit

Chief Finance Office
Internal audit
SF corporate support
SF department support
Treasury management

Community Services

Customer Services

Development & Infrastructure Services

ADULT CARE

CHILDREN AND FAMILIES

EDUCATION

COMMUNITY AND CULTURE

GOVERNANCE AND LAW

CUSTOMER AND SUPPORT SERVICES

IMPROVEMENT AND HR

FACILITY SERVICES

ROAD AND AMENITY SERVICES

ECONOMIC DEVELOPMENT

PLANNING AND REGULATORY SERVICES

Learning disability services
Older peoples' services
Mental Health services

Children and families resources
Children and families operations
Criminal justice
Early years

Primary school education
Secondary school education
Quality improvement team
School support team

Adult learning and community development
Leisure and youth services
Culture and libraries
Housing

Area governance
Central governance
Legal – commercial and contract
Legal - corporate

Customer service centre
Procurement commissioning and creditors
Revenue and benefits
ICT

Improvement and organisational development
Human resources
Communications
Health & Safety

Property services
Catering and cleaning
Integrated transport

Fleet, waste and infrastructure
Amenity services
Roads management and maintenance
Infrastructure design

Strategic transportation
Marine and airports
Economic development
Projects, renewables and regeneration
CHORD

Planning
Development policy
Building standards
Regulatory services