

---

<b>Report To:</b>	<b>Audit Committee</b>	<b>Date:</b>	<b>26.04.11</b>
<b>Report By:</b>	<b>Corporate Director Regeneration and Environment</b>	<b>Report No:</b>	<b>AC/23/11/AF/APr</b>
<b>Contact Officer:</b>	<b>Andi Priestman</b>	<b>Contact No:</b>	<b>01475 712251</b>
<b>Subject:</b>	<b>INTERNAL AUDIT - ANNUAL PLAN 2011-12</b>		

---

### 1.0 PURPOSE

1.1 The purpose of this report is to present the Internal Audit Annual Plan for 2011-12.

### 2.0 SUMMARY

2.1 Since April 2008, Internal Audit follows a risk assessment approach and operates to an Annual Audit Plan only, with rotational coverage of the top 20-25% of the Audit Universe.

2.2 The Audit Universe contains all areas that have been identified for review and an assessment has been undertaken of the risk relating to each area based on a number of criteria. Account has been taken of the risks identified in the Council's Corporate, Directorate and Service Risk Registers and risks identified by external scrutiny bodies through the Shared Risk Assessment: Assurance and Improvement Plan 2010-13.

2.3 It is intended that audit work will be focused on areas of greater risk taking into account management's own view of risk and meetings have been held with Corporate Directors and Heads of Service as appropriate. Each area has been assessed against a broad range of risk criteria and a risk score has been generated based on probability factors such as current control environment, results of last audit and time since the last audit.

2.4 In addition, the risk assessment has also taken account of where Internal Audit activity can be proactive ie seeking to identify and reduce risks before they cause significant damage, for example key projects/corporate initiatives.

2.5 Furthermore, to meet the requirements of External Audit, the Annual Plan will include limited scope reviews of financial systems that are not subject to a full scope review or will not be covered in the External Audit Annual Audit Plan to maximise audit coverage and reduce duplication.

2.6 The proposed Annual Audit Plan for 2011-12 is attached at Appendix 1. The Plan contains a contingency provision that will be utilised during the year in response to unforeseen work demands that arise eg special investigations and ad hoc advice.

2.7 The risk scoring system is maintained on a real-time basis and is altered as circumstances change. Regular reviews of the risk scores allow Internal Audit to address the changing risk exposure of the organisation more effectively and ensure audit effort is focused on those areas identified as higher risk.

### **3.0 RECOMMENDATIONS**

3.1 It is recommended that members approve the Internal Audit Annual Plan for 2011-12.

**Aubrey Fawcett  
Corporate Director  
Regeneration and Environment**

## 4.0 BACKGROUND

- 4.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising governance, risk management and control by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 4.2 The requirement for an Internal Audit function derives from local government legislation, including Section 95 of the Local Government (Scotland) Act 1973, which requires authorities to make arrangements for the proper administration of their financial affairs. Proper administration includes Internal Audit.
- 4.3 Internal Audit operates to an Annual Audit Plan. The Audit Universe is risk assessed each year to determine the Annual Audit Plan and ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk.
- 4.4 Each area within the Audit Universe is assessed for impact against a number of broad risk categories as follows:

<b>Risk</b>	<b>Description</b>
• Strategy	Risks associated with the setting and achievement of strategic objectives.
• Economy	Risks associated with the economy in which Inverclyde Council operates.
• Reputation	Risks associated with threats to Inverclyde Council's name and standing in the sector.
• Customer	Risks associated with customer relationships.
• Legal/Regulatory	Risks associated with the requirement to comply with a wide range of statute.
• Financial	Risks associated with financial loss or inefficiency.
• Technology	Risks associated with application systems, their integrity, security and development.
• Management Info	Risks associated with the provision of information for decision-making purposes.
• Human Resources	Risks associated with people, eg recruitment, succession, development, motivation and morale etc.
• Operations	Risks associated with the business operating process.
• Business Continuity/ Resilience	Risks associated with disaster scenarios which would threaten the continuing operation of Inverclyde Council.
• Security	Risks associated with security over customer and Inverclyde Council's assets.
• Stakeholder	Risks associated with management of stakeholder expectations (eg Government or local communities)

#### 4.5 Outlined below are the current risk factors influencing our proposed audit coverage for 2011-12:

- CHCP – During 2010, the Council formed a Community Health and Care Partnership with Greater Glasgow and Clyde NHS. The Partnership will manage a wide range of local services delivered in health centres, clinics, schools and homes with the overall aim of improving services. Internal Audit will provide support and input to the project and review the adequacy and effectiveness of the project management arrangements to ensure successful delivery of the planned outcomes. The Chief Internal Auditor has been in regular discussions with the NHS Internal Audit Manager to ensure the audit coverage is appropriately co-ordinated and any overlaps are minimised where possible.
- The Council has recognised that significant improvements require to be made in relation to procurement practices across all Services and is in the process of developing and implementing a new procurement manual which takes cognisance of the Council's Standing Orders Relating to Contracts, Scottish Government procurement best practice and EU Rules where appropriate. Internal Audit will review the operational impact of the new procedures to ensure that these are adequate and effective to ensure compliance with relevant regulations.
- On 19 October 2009, the Operating Model implemented the first phase of modernising a number of service processes throughout the Council and identifying any deficiencies or duplication in the control environment through the creation of the Customer Service Centre. Internal Audit will review the risk management, governance and control procedures that are in place to ensure that these are adequate and effective.
- As part of the budget exercise for 2011/13, a number of services within the Council will be reduced or will no longer be provided. This has led to a number of staff posts being identified for removal from existing service establishments. Internal Audit will review the workforce planning processes which are in place to ensure the quality and effectiveness of existing services are not adversely impacted.
- The Registration Office is responsible for the registration of births, marriages and deaths, and the issuing of birth, marriage and death certificates, for the Inverclyde district. The Office also performs Marriage Ceremonies at the Registration Office or at Approved Venues, Citizenship Ceremonies, Naming Ceremonies, Renewal of Vows Ceremonies. Internal Audit will review the risk management, governance and control procedures that are in place to ensure these are adequate and effective.
- The Community Wardens Service carries out a range of environmental enforcement and community safety duties. The service aims to make a significant improvement to the environment to deliver a cleaner and safer Inverclyde. Internal Audit will review the adequacy and effectiveness of these arrangements.
- The ICT Service Desk team provides first line support to all desktop support issues. Internal Audit will review the adequacy and effectiveness of these arrangements.
- In 2010, the Council procured a new fleet management system which will provide a range of management information in relation to the availability and utilisation of Council vehicles. Internal Audit will review the logical access, program change and back up control procedures in place to ensure these are adequate and effective and ensure timely delivery of accurate and relevant MI.

## 5.0 IMPLICATIONS

5.1 Legal: None  
Finance: None  
Personnel: None  
Equalities: None

## 6.0 CONSULTATIONS

6.1 Audit Scotland has been consulted on the 2011-12 Annual Audit Plan. There will be regular ongoing discussion to ensure respective audit plans are reviewed to minimise duplication of effort and maximise audit coverage for the Council.

6.2 Scottish Government and Scottish Enterprise will be consulted on the arrangements for the review of Riverside Inverclyde to ensure respective audit plans are reviewed to co-ordinate the audit coverage and minimise any overlaps/duplication.

## **7.0 LIST OF BACKGROUND PAPERS**

7.1 Internal Audit Annual Plan 2011-12. By Andi Priestman, Chief Internal Auditor

## INTERNAL AUDIT ANNUAL PLAN 2011-12

Audit Area	Service	Risk Score	Staff Days
<b>Risk-Based Reviews</b>			
Procurement Compliance – Pre-Contract Stage	Corporate	8190	35
Customer Services	ICT and Customer Service	4992	30
Elderly Care Payments	Community Care	4692	30
Registration Process – Births, Deaths and Marriages	Environment and Commercial Services	4131	30
Workforce Planning – Managing a Reduced Workforce	OD HR and Performance	4032	30
Community Warden Service	Safer and Inclusive Communities	3672	30
ICT Service Desk	ICT and Customer Service	3366	25
Fleet Management System	Environment and Commercial Services	2925	30
		<b>Total</b>	<b>240</b>
<b>Limited Scope Financial System Reviews</b>			
General Ledger	Finance	-	25
Council Tax	Finance	-	25
Debtors	Finance	-	25
		<b>Total</b>	<b>75</b>
<b>Arms Length Organisation Reviews</b>			
Riverside Inverclyde – Corporate Governance Arrangements		4836	20
		<b>Total</b>	<b>20</b>
<b>Corporate Governance Reviews</b>			
SSIFC (10/11)	Corporate	-	10
		<b>Total</b>	<b>10</b>
<b>Projects/Key Change Initiatives</b>			
CHCP	Social Work	6708	50
Operating Model	Corporate	5440	20
SWIFT Financials Module	Social Work	4800	10
		<b>Total</b>	<b>80</b>
<b>Regularity Audits</b>			
Control Self Assessment - Education	Schools	-	30
		<b>Total</b>	<b>30</b>
<b>Performance Audits</b>			
Statutory Performance Indicators	Corporate	-	30
		<b>Total</b>	<b>30</b>
<b>Other Work</b>			
Contingency for unplanned work eg special investigations, ad hoc advice	Corporate	-	40
Audit follow up	Corporate	-	50
C/f from 2010-11 Audit Plan	-	-	40
		<b>Total</b>	<b>130</b>
<b>Total Staff Days</b>			<b>615</b>

## INTERNAL AUDIT ANNUAL PLAN 2011-12

<b>The following audits may also be undertaken subject to an additional 0.5 FTE Internal Audit Assistant being recruited.</b>			
<b>Regularity Audits</b>			
Control Self Assessment – Social Care	CHCP	-	30
<b>Risk-Based Reviews</b>			
Printing and Design	Chief Executive	3366	25
Intranet/Internet Maintenance	Corporate Communications	2925	30
<b>Total</b>			<b>85</b>