
Report To:	Audit Committee	Date:	29.05.12
Report By:	Corporate Director Environment, Regeneration and Resources	Report No:	AC/42/12/AF/APr
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Subject:	INTERNAL AUDIT - ANNUAL PLAN 2012-13		

1.0 PURPOSE

1.1 The purpose of this report is to present the Internal Audit Annual Plan for 2012-13.

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 2012-13 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 2012-13.

Aubrey Fawcett
Corporate Director
Environment, Regeneration and Resources

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:

Risk	Description
• 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 2012-13:

- A review of Business Continuity Management in 2008 identified that the process had still to be fully implemented and embedded at Inverclyde Council. A significant amount of work has now taken place to address the gaps identified by the review and Internal Audit will follow up on the action taken and highlight any residual risks in the process.
- In 2009, the Council procured a performance management system - Inverclyde Performs. The system will help the Council and its community planning partners to monitor progress in taking forward key corporate plans and strategies such as Inverclyde's Single Outcome Agreement, the Community Plan, Corporate Plan and Directorate Plans. Internal Audit will review the risk management, governance and control processes to ensure that these are adequate and effective.
- Software copyright and licensing in the UK is governed by The UK Copyright, Designs and Patents Act, 1988. Internal Audit will review the control procedures which are in place to ensure compliance with legislation.
- Through the Control Self Assessment process carried out in Education establishments in 11/12, a range of issues were highlighted in relation to Supply Teacher management due to recent changes in process for paying supply teachers and increased in service demands as a result of Curriculum for Excellence. Work is ongoing to address these issues and Internal Audit will review the adequacy and effectiveness of the control processes being put in place to address these issues.
- Inverclyde Council as a licensing authority, carries out the administration of licensing in relation to activities for which licences are required, including the licensing of taxis, private hire cars, their drivers along with a large amount of other activities as specified in the Civic Government (Scotland) Act 1982. Internal Audit will therefore review the adequacy and effectiveness of control processes in place to meet the legislative requirements.

5.0 IMPLICATIONS

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

6.0 CONSULTATIONS

6.1 There will be regular ongoing discussion with External Audit to ensure respective audit plans are reviewed as circumstances change in order to minimise duplication of effort and maximise audit coverage for the Council.

7.0 LIST OF BACKGROUND PAPERS

7.1 Internal Audit Annual Plan 2012-13. By Andi Priestman, Chief Internal Auditor

INTERNAL AUDIT ANNUAL PLAN 2012-13

Audit Area	Service	Risk Score	Staff Days
Risk-Based Reviews			
Business Continuity Management	Corporate Review	6240	35
Performance Management	Corporate Review	5824	30
Software Licensing	ICT	4600	30
Supply Teacher Management	Education	4480	30
Licensing	Legal and Democratic Services	4320	30
Total			155
Limited Scope Financial System Reviews			
Cash Collection	Customer Services	3500	25
Insurance	Finance	3150	25
Total			50
Compliance Reviews			
Carbon Management Plan	Regeneration and Planning	-	30
Total			30
Arms Length Organisation Reviews			
Inverclyde Leisure Trust – Control Risk Self-Assessment		-	40
Total			40
Corporate Governance Reviews			
SSIFC (11/12)	Corporate Review	-	10
Total			10
Projects/Key Change Initiatives			
Fleet Management System	Environmental and Commercial Services	-	20
SWIFT Financials Module	Social Care	-	
Total			30
Regularity Audits			
Control Self Assessment - Education	Schools	-	30
Control Self Assessment – Social Work	CHCP	-	30
Total			60
Performance Audits			
Statutory Performance Indicators	Corporate	-	30
Total			30
Other Work			
Contingency for unplanned work eg special investigations, ad hoc advice	Corporate	-	40
Audit follow up	Corporate	-	50
C/f from 2011-12 Audit Plan	-	-	45
Total			145
Total Staff Days			540