
Report To:	Audit Committee	Date:	23 April 2013
Report By:	Corporate Director Environment, Regeneration & Resources	Report No:	AC/62/13/AF/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	Internal Audit Annual Plan 2013-14		

1.0 PURPOSE

1.1 The purpose of this report is to present the Internal Audit Annual Plan for 2013-14.

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 update 2012-15.
- 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 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 2013-14 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 2013-14.

Aubrey Fawcett
Corporate Director Environment, Regeneration & 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; and
• 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 2013-14:-
- Homecare services are currently going through a number of significant changes. For example, the roll out of reablement and a shift of provision of care from in house delivery to the private sector. Internal Audit will focus resources to target those areas which pose the greatest risk to the Council in relation to Homecare;
 - Through the Control Self Assessment process carried out in Education establishments in 12/13, a range of issues were highlighted in relation to property maintenance. Work is ongoing to address these issues and Internal Audit will review the adequacy and effectiveness of the control processes being put in place;
 - Audit Scotland recently issued a National Report regarding Protecting Consumers which looked at trading standards and food safety services provided by Scottish local authorities. In relation to Trading standards, Audit Scotland have commented that in recent years, they have lost a higher proportion of jobs than other departments and the potential risk that they may not be able to provide an acceptable level of service. Internal Audit will review the adequacy and effectiveness of Trading Standards services to ensure this risk is managed to an acceptable level;

- The Council has entered into a new contract to assist with Debt Recovery Services. Internal Audit will review the adequacy and effectiveness of the debt recovery process; and
- The Scottish Public Services Ombudsman released guidance on Complaint Handling in 2012 and a number of performance indicators will require to be reported on from 2013-14. Internal Audit will review the adequacy and effectiveness of the rollout of the new procedures to ensure the PI reporting requirements will be met.

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 2013-14. By Andi Priestman, Chief Internal Auditor

INTERNAL AUDIT ANNUAL PLAN 2013-14

Audit Area	Service	Risk Score	Staff Days
Risk-Based Reviews			
Homecare	CHCP	7140	40
Property Maintenance	Property Assets and Facilities Management	5750	25
Grounds Maintenance	Environmental and Commercial Services	4896	30
Trading Standards	Safer and Inclusive Communities	4488	25
Maintenance of Client Accounts	CHCP	3978	25
Provision of School Meals	Property Assets and Facilities Management	3672	30
		Total	175
Limited Scope Financial System Reviews			
Debt Recovery	Finance	6075	25
Creditors	Finance	4176	25
		Total	50
Follow Up Reviews			
Corporate Purchase Cards	Corporate Review	5400	20
Corporate Complaints	HR, OD and Communications	4160	20
		Total	40
Arms Length Organisation Reviews			
Inverclyde Leisure Trust – Control Risk Self-Assessment		-	40
		Total	40
Corporate Governance Reviews			
SSIFC/Annual Governance Statement (12/13)	Corporate Review	-	20
		Total	20
Projects/Key Change Initiatives			
Fleet Management System	Environmental and Commercial Services	-	20
SWIFT Financials Module	CHCP	-	10
Solace Indicators	Corporate Review	-	30
		Total	60
Regularity Audits			
Control Self Assessment - Education	Schools	-	30
Control Self Assessment – Social Care	CHCP	-	30
		Total	60
Performance Audits			
Statutory Performance Indicators	Corporate	-	30
		Total	30

INTERNAL AUDIT ANNUAL PLAN 2013-14

Audit Area	Service	Risk Score	Staff Days
Other Work			
Contingency for unplanned work eg special investigations, ad hoc advice	Corporate	-	40
Audit follow up	Corporate	-	50
C/f from 2012-13 Audit Plan	-	-	35
Risk Management – facilitate the ongoing review of risk registers	Corporate	-	70
Total			195
Total Staff Days			
Total Staff Days			670