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<b>Report To:</b>	<b>Audit Committee</b>	<b>Date:</b>	<b>22 April 2014</b>
<b>Report By:</b>	<b>Acting Corporate Director Environment, Regeneration &amp; Resources</b>	<b>Report No:</b>	<b>AC/80/14/AP/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 2014-2015</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to present the Internal Audit Annual Plan for 2014-2015 to Members for approval.

## 2.0 SUMMARY

- 2.1 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 also 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 2013-16.
- 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 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.
- 2.5 The proposed Annual Audit Plan for 2014-15 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, e.g. special investigations and provision of ad hoc advice.
- 2.6 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 2014-2015.

**Alan Puckrin**  
**Acting 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 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.
- 4.4 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. 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 statute.	Risks associated with the requirement to comply with a wide range of
• 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 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.

## 5.0 CURRENT POSITION

- 5.1 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.
- 5.2 Account has also 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 2013-16.

- 5.3 Outlined below are the current risk factors influencing our proposed audit coverage for 2014-15:-
- The CHCP has a statutory complaints process. Internal Audit will review the adequacy and effectiveness of the procedures that are in place for complaints handling;
  - Community Care have recently implemented the CM2000 system. Internal Audit will review the operational effectiveness of the new system as it applies to Homecare services;
  - Quality Assurance procedures have recently been developed for Children and Families Service. Internal Audit will review the adequacy and effectiveness of the procedures as they are implemented during 2014-2015;
  - Environmental and Commercial Services is currently developing a Parks and Open Spaces Asset Management Plan. Internal Audit will review the adequacy and effectiveness of management and maintenance arrangements for Whinhill Golf Course; and
  - The CHCP has a Business Support function which operates across all CHCP services. Internal Audit will review the adequacy and effectiveness of support processes which are in place.
- 5.4 The proposed Annual Audit Plan for 2014-15 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 provision of ad hoc advice.
- 5.5 In relation to the total staff days allocated to the 2014-2015 plan, each member of staff completes a resource allocation spreadsheet for the year which is split between annual leave, public holidays, training days, general administration and operational plan days. For the auditors the operational plan days has been set at 191 days, the corporate risk advisor is 140 days and the audit assistant is 153 days (0.8 FTE). This spreadsheet is reviewed and updated each period by each member of staff against time charged to timesheets. The Chief Internal Auditor does not directly carry out the assignments included in the annual audit plan but provides the quality review and delivery oversight of the overall plan. As such, no direct time is included within the plan. Where there are any resource issues which may impact on delivery of the plan, this will be reported to Audit Committee at the earliest opportunity.
- 5.6 During 2014-2015, the Chief Internal Auditor will assist in the European Election in May and the Referendum in September. This time has not been included within the overall annual audit plan for Inverclyde Council.
- 5.7 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.

## 6.0 IMPLICATIONS

### Finance

- 6.1 The work required to deliver the Annual Internal Audit Plan will be contained in the existing Internal Audit budget.

#### Financial Implications:

##### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Internal Audit	Various	2014-2015	£225,899		

##### Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

## **Legal**

6.2 There are no direct legal implications arising from this report.

## **Human Resources**

6.3 There are no direct HR implications arising from this report.

## **Equalities**

6.4 There are no direct equalities implications arising from this report.

## **Repopulation**

6.5 There are no direct repopulation implications arising from this report.

## **7.0 CONSULTATIONS**

7.1 Discussions have taken place with Corporate Directors and Heads of Service as appropriate in relation to the proposed annual audit plan coverage.

7.2 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.

## **8.0 LIST OF BACKGROUND PAPERS**

8.1 Internal Audit Annual Plan 2014-15. Available from Andi Priestman, Chief Internal Auditor

## INTERNAL AUDIT ANNUAL PLAN 2014-2015

Audit Area	Service	Risk Score	Staff Days
<b>Risk-Based Reviews</b>			
Complaints Handling	Policy, Health Improvement and Commissioning - CHCP	9450	25
Homecare - CM2000 Procedures	Community Care and Health - CHCP	8820	30
Quality Assurance	Children and Families - CHCP	7564	30
Physical Investment Services	Legal and Property Services	5800	25
Libraries and Museums	Education, Culture and Corporate Policy	4725	25
Grounds Maintenance	Environmental and Commercial Services	4536	25
Business Support	CHCP	4416	30
Environmental Health	Safer and Inclusive Communities	4158	25
		<b>Total</b>	<b>215</b>
<b>Limited Scope Financial System Reviews</b>			
Payroll and Expenses	HR OD and Communications	5270	25
Treasury	Finance	4851	25
		<b>Total</b>	<b>50</b>
<b>Follow Up Reviews</b>			
Homelessness	CHCP	6664	20
		<b>Total</b>	<b>20</b>
<b>Arms Length Organisation Reviews</b>			
Inverclyde Leisure Trust – control risk self-assessment		-	40
		<b>Total</b>	<b>40</b>
<b>Corporate Governance Reviews</b>			
Annual Governance Statement (2013/2014)	Corporate Review	-	20
		<b>Total</b>	<b>20</b>
<b>Business Assurance Reviews</b>			
Capital Projects – Authorisation Process	Corporate	-	30
		<b>Total</b>	<b>30</b>
<b>Regularity Audits</b>			
Control Self Assessment - Education	Schools	-	25
Control Self Assessment – Social Care	CHCP	-	25
		<b>Total</b>	<b>50</b>
<b>Performance Audits</b>			
SOLACE Performance Indicators	Corporate	-	30
Technical Services	Legal and Property Services	-	30
Performance Management Process	Environmental and Commercial Services	-	30
		<b>Total</b>	<b>90</b>

## INTERNAL AUDIT ANNUAL PLAN 2014-2015

Audit Area	Service	Risk Score	Staff Days
<b>Other Work</b>			
Contingency for unplanned work eg special investigations, ad hoc advice	Corporate	-	40
Audit follow up	Corporate	-	25
C/f from 2013-14 Audit Plan	-	-	15
Risk Management – facilitate the ongoing review of risk registers	Corporate	-	80
<b>Total</b>			<b>150</b>
<b>Total Staff Days</b>			<b>675</b>