
Report To:	Audit Committee	Date:	21 April 2015
Report By:	Corporate Director Environment, Regeneration & Resources	Report No:	AC/08/15/AF/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	Internal Audit - Annual Plan 2015-2016		

1.0 PURPOSE

- 1.1 The purpose of this report is to present the Internal Audit Annual Plan for 2015-2016 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 Local Scrutiny Plan for 2015-2016.

- 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 2015-16 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.

Appendix 1

- 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 Audit Plan for 2015-2016.

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 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:

Risk	Description
• Strategy strategic	Risks associated with the setting and achievement of objectives.
• Economy Council	Risks associated with the economy in which Inverclyde 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 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 Local Scrutiny Plan for 2015-2016.
- 5.3 Outlined below are the current risk factors influencing our proposed audit coverage for 2015-16:
- HR Operations provide a number of professional services including recruitment and selection, absence monitoring, grievance, termination of employment, policy development and employee relations. Internal Audit will review the adequacy and effectiveness of the procedures that are in place to achieve the key objectives.
 - Learning Disability Services provide a range of support services to adults with learning disabilities which includes assistance with shopping, budgeting and benefits. Internal Audit will review the adequacy and effectiveness of procedures that are in place to mitigate the key risks involved in providing this support.
 - Corporate Health and Safety provide a Health and Safety training programme, auditing and inspection, health and safety advice and support, risk assessment support and Health and Safety Policy development. Internal Audit will review the adequacy and effectiveness of the procedures which are in place to achieve the key objectives.
 - Self-directed Support (SDS) is a major change to the way people with social care needs are supported and aims to improve the impact that care and support has on people's lives by helping them to choose and control what type of social care services they get, when and where they get them, and who provides them. Internal Audit will review the adequacy and effectiveness of procedures that are in place to meet the requirements of SDS.
 - Facilities Management provide cleaning services to the Council. Internal Audit will review the adequacy and effectiveness of the arrangements that are in place for provision of cleaning services.
 - The Council has published its Roads Asset Management Plan (RAMP) and has committed funding to improve the condition of its roads network. A number of collaborative arrangements are in place to implement the plan and Internal Audit will review the adequacy and effectiveness of the contract management arrangements which are in place to deliver the plan.
- 5.4 In relation to the total staff days allocated to the 2015-2016 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.
- 5.5 During 2015-2016, the Chief Internal Auditor will assist in the UK General Election in May. This time has not been included within the overall annual audit plan for Inverclyde Council.
- 5.6 The proposed Annual Audit Plan for 2015-16 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.
- 5.7 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	2015-2016	£232,310		

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 2015-2016. Available from Andi Priestman, Chief Internal Auditor

INTERNAL AUDIT ANNUAL PLAN 2015-2016

Audit Area	Service	Risk Score	Staff Days
Risk-Based Reviews			
HR Operations	OD, HR and Corporate Communications	7140	30
Learning Disability Services – Client Money Arrangements	Inverclyde HSCP	7128	30
Corporate Health and Safety	OD, HR and Corporate Communications	6120	30
Self-Directed Support	Inverclyde HSCP	5328	30
Facilities Services – Cleaning	Environmental and Commercial Services	4977	30
Contract Management – RAMP	Environmental and Commercial Services	4761	30
		Total	180
Limited Scope Financial System Reviews			
Debtors	Finance	2856	25
General Ledger	Finance	2072	25
		Total	50
Post Implementation Reviews			
Parking Enforcement Scheme	Safer and Inclusive Communities	-	30
Vehicle Tracking System	Environmental and Commercial Services	-	30
		Total	60
Arms Length Organisation Reviews			
Inverclyde Leisure Trust – Quality Management System		-	40
		Total	40
Corporate Governance Reviews			
Annual Governance Statement (2014/2015)	Corporate Review	-	30
		Total	30
Regularity Audits			
Education – Budgetary Control	Education	-	30
Control Self-Assessment – Social Care	Inverclyde HSCP	-	30
		Total	60
Performance Audits			
SOLACE Performance Indicators	Corporate	-	30
Technical Services	Legal and Property Services	-	30
		Total	60
Other Work			
Contingency for unplanned work eg special investigations, ad hoc advice	Corporate	-	35
IHSCP Due Diligence Review	Inverclyde HSCP		5
Audit follow up	Corporate	-	40
C/f from 2014-2015 Audit Plan	-	-	40
Risk Management	Corporate	-	120
		Total	195
Total Staff Days			675