

THE HIGHLAND COUNCIL

AUDIT AND SCRUTINY COMMITTEE – 17 APRIL 2008

Agenda Item	

Tactical Plan 2008/09

Report by Head of Internal Audit and Risk Management

SUMMARY

This report provides Members with details of the Internal Audit Section's Tactical Plan for the financial year 2008/09.

1. INTRODUCTION

The CIPFA Code of Practice for Internal Audit requires the Head of Internal Audit and Risk Management to prepare a risk based audit plan which outlines the assignments to be carried out, their respective priorities and the estimated resources needed. The Code also states that this plan should be fixed for a period of no longer than one year.

Details are provided below of the process followed in order to produce the audit plan, and which complies with the requirements of the Code.

2. AUDIT PLANNING PROCESS

The Tactical Plan is produced as follows:

- 2.1 The audit universe is reviewed in conjunction with all Directors. The universe provides details of all possible auditable activities and is updated annually to take account of any new/ obsolete systems and risks faced by the Council.
- 2.2 All auditable activities within the universe are risk scored by senior staff within the Internal Audit Section against pre-determined risk factors including materiality, and assessment of the control environment. In addition, Service Directors are asked to complete the management concerns risk factor for their individual Service.
- 2.3 The process followed at 2.1 and 2.2 above, ensures that the views of Directors are taken into account when updating and scoring the activities. Audit Scotland were also contacted and provided details of a number of key systems where they require annual coverage by Internal Audit. Consequently these key systems have been included in the Plan. This ensures that the Code's requirement that stakeholders are consulted as part of the audit planning process is achieved.
- 2.4 The total risk score for each auditable activity in the audit universe is calculated and then ranked by their total risk score in descending order. This ensures that those with the highest score (and therefore the highest risk) are included in the Tactical Plan.

- 2.5 Days are allocated to the ranked audits according to the available staff resources (see 3. below) until these are fully committed. For 2008/09, any audit with a risk score of 160 or above, has been included in the Plan. The exceptions to this rule are:
- Annual commitments for the provision of audit certificates and the auditing of Statutory Performance Indicators which is undertaken on behalf of Audit Scotland.
 - Audits of the Childcare Voucher Scheme which is currently being piloted and the Money Advice function which has moved to the Finance Service. Both of these audits have been included at the request of the appropriate Managers.
- 2.6 In addition to these planned reviews, there are audits in progress from the 2007/08 Tactical Plan which have not been completed by 31st March. These will be reported as part of the 2008/09 audit work performed and the time required will be met from the contingency allowance for unplanned work. Notable audits include rent accounting and arrears management, council tax, IT compliance and the Social Work CareFirst system.

3. STAFF RESOURCES

- 3.1 This year, the Internal Audit Section has budgeted for operating with less staff resources than normal due to staff vacancies. These are attributed to:
- The retirement of the Head of Internal Audit and Risk Management. Whilst this post is not included in the audit resources as it is wholly management based, it still impacts upon the workload of the Section. This post remains vacant, and in the interim is being covered by the Principal Auditor, with the Senior Auditor undertaking the Principal Auditor's duties. Consequently it has been necessary to allow a higher than normal allocation of management time for both the Principal Auditor and the Senior Auditor.
 - The resignation of an experienced Auditor who left on 24th March 2008. Although arrangements are in hand to recruit a suitable replacement the vacancy also impacts upon the available staff resources. Therefore an allowance has been made for this vacancy when calculating the staff resources.

In order to illustrate the reduced resources, Members should note that the 2007/08 tactical plan consisted of 1,191 available audit days which were planned across 66 audits/ activities. In comparison, the 2008/09 tactical plan has only 1,005 days allocated to 53 audits/ activities. This represents 23.5% coverage of the audit universe (53/226) compared to 25% in the previous year.

- 3.2 These activities which make up the 2008/09 Tactical Plan can be found at Appendix 1 which provides details of the planned audits, their risk score, the scope of the audit and the number of days allocated.

RECOMMENDATION

Members are invited to consider the attached Tactical Plan for 2008/09.

Report Author: Donna Sutherland, Temporary Senior Auditor

Signature:

Designation: Head of Internal Audit and Risk Management

Date: 4th April 2008

Service/ Activity	Audit Name	Proposed Audit Scope for 2008/09	Audit Days	Risk Score
Chief Executives	Appointment of APT&C Staff	Compliance with the Council's recruitment policy. Will include review of the processes of obtaining references, vetting of staff and disclosure checks where required. Will link with the payroll new starts audit.	30	220
Corporate Activity	Corporate Governance	Compliance with Local Code including new CIPFA arrangements and Good Governance Standard for Public Services.	10	220
Corporate Activity	Risk Management	Review of risk management procedures within Services. Maintenance of the risk register including the process for the addition, amendment and deletion of risks.	10	220
Education, Culture & Sport	Schools	Review of the financial systems operating within Schools and the links to other systems/ offices including: purchasing arrangements: adherence to Contract Standing Orders, use of corporate contracts; payment of invoices; income systems; payroll systems; School Funds (linked to information held by Area Offices and School Funds audit).	30	210
Planning & Development	Development Management	Compliance with the Planning Scotland Act 2006 and the changes brought about by the Act including e-Planning and neighbour notification.	20	210
Social Work	Social Work Establishments	Review of the financial systems operating within SW establishments and the links to other systems/ offices including: purchasing arrangements: adherence to Contract Standing Orders, use of corporate contracts; payment of invoices; income systems; payroll systems; and other SW specific systems.	30	210
Social Work	Sensory Impairment Service	Review of the Sensory Impairment Service.	20	210
Central Systems	Revenue Budgetary Control	Annual audit required by Audit Scotland as it is a key system. Review of budgetary control in selected Services (Chief Executives; Education, Culture and Sport; and Housing and Property). To ensure that there is a sound basis to identify and control budget requirements.	40	210
Central Systems	Procurement	Review of the purchasing arrangements within selected Services with regard to the use of Pecos and purchase cards.	20	210
Central Systems	Procurement	Review of the tendering arrangements for supplies and services contracts.	20	210
Corporate Activity	Grant Income (Follow Up)	Follow up of agreed actions arising from previous audit report HL06/001.	5	210
Corporate Activity	Job Evaluation	Implementation of Job Evaluation and Single Status to ensure that it has been completed in terms of the Practice Manual and the assessed payments were correctly applied.	20	210
Social Work	Adoption	Review of the systems for the payment of adoption and residence allowances. This will include examination of the set up of carers, the payment process including regular and ad-hoc payments, monitoring arrangements and budgetary control.	20	194

Service/ Activity	Audit Name	Proposed Audit Scope for 2008/09	Audit Days	Risk Score
Chief Executives	Grants to Voluntary Organisations (Follow Up)	Follow up of agreed actions arising from previous audit report HA27/002.	5	192
Chief Executives	Payment and Recharging of Energy Costs	Examination of the systems for the payment of energy bills, monitoring of energy usage and the subsequent recharges to Services.	20	190
Housing and Property	Capital Contracts - Social Work Capital Programme	Follow up of Pulteney House refurbishment contract, management and control of the SW capital programme.	30	190
Central Systems	Debtors	Annual audit required by Audit Scotland as it is a key system. Review of the system for the creation and approval of credit memos within Accounts Receivable. Arrears and debt recovery procedures including the write off of debts.	15	190
Central Systems	General Ledger	Annual audit required by Audit Scotland as it is a key system. Review of the systems for the control of input into the General Ledger including authorisation of all input and reconciliation of system interfaces.	15	190
Central Systems	Income Systems	Annual audit required by Audit Scotland as it is a key system. Review of income systems including collection, recording, banking, and central monitoring and control of income.	20	190
Central Systems	ACR and EPOS	Application audit covering compliance with ISSF, ISO 27001/ ISO 27002 standards. This will include support and maintenance arrangements; change control procedures; input, processing, output controls; logical and physical access controls; business continuity arrangements; and examination of the audit trail.	20	190
Corporate Activity	Inventory	Review of the systems for the safeguarding and control of valuable assets across the Council.	15	190
Chief Executives	Internet Monitoring	Review of intranet, internet and extranet use. This includes compliance with ISSF, ISO 27001/ISO 27002 standards, monitoring use of internet and e-mail by Council staff, Schools and within Libraries. The Intranet, Internet and Extranet services provided by Fujitsu, Thus and the ECS IT Section will be reviewed.	20	180
Housing and Property	Affordable Housing	Compliance with the policy for the provision of affordable housing by developers.	15	180
Transport, Environmental & Community Services	Private Use of Council Vans (Follow Up)	Follow up of agreed actions arising from previous audit report HH15/003.	5	180
Central Systems	Creditors	Annual audit required by Audit Scotland as it is a key system. Review of the system for the set up and maintenance of suppliers within Oracle.	10	180

Service/ Activity	Audit Name	Proposed Audit Scope for 2008/09	Audit Days	Risk Score
Central Systems	BACS Payments	Compliance with ISSF, ISO 27001/ISO 27002 standards; documented procedures; logical and physical access to BACSAFE device; PIN numbers and BACS files; staff awareness of BACS processing rules; BACS data transfer controls; BACS software support and maintenance; and retention/ disposal of BACS data files.	20	180
Central Systems	Establishment Central Systems	Review of central systems including ordering, payment of invoices, income, payroll and inventory, and their operation in selected establishments.	50	180
Central Systems	Housing Benefit Claim Administration	Annual audit required by Audit Scotland as it is a key system. Review the systems for the processing of Housing Benefit claims.	20	180
Central Systems	Revs and Bens	Application audit covering compliance with ISSF, ISO 27001/ ISO 27002 standards. This will include support and maintenance arrangements; change control procedures; input, processing, output controls; logical and physical access controls; business continuity arrangements; and examination of the audit trail.	20	180
Chief Executives	Contract for Temporary Employees	Review of the Agency Contract for temporary employees with a view to future tendering arrangements.	10	174
Education, Culture & Sport	School Funds	Compliance with School Fund guidelines including income, expenditure, record keeping and accounts within the Schools. Linked with the monitoring and review of School Fund Accounts and records by the Area Offices. To be undertaken in conjunction with Schools audit.	20	174
Chief Executives	Service Points - Income Systems	Review of the systems for the collection, recording and banking of income across selected Service Points.	20	172
Housing and Property	Asset Management	Review of the systems for the planning, control and monitoring of assets.	20	172
Transport, Environmental & Community Services	Corran Ferry Income	Examination of income system in operation at the Corran Ferry. Including the systems for the collection, recording, banking and monitoring of income, and in particular the new arrangements for credit card payments.	5	172
Housing and Property	Repairs and Maintenance	Review of the systems for the reporting, performance, payment, and monitoring of repairs and maintenance. This will cover both Housing and non-Housing repairs.	30	170
Transport, Environmental & Community Services	VFM Review of Grounds Maintenance Arrangements	VFM review of grounds maintenance across the Council.	30	170
Central Systems	Payroll - New Starts	Annual audit required by Audit Scotland as it is a key system. Review of the controls within the payroll system for the input and processing of new starts. Will link with the appointment of APT&C staff audit.	10	170

Service/ Activity	Audit Name	Proposed Audit Scope for 2008/09	Audit Days	Risk Score
Central Systems	Pension Fund Investments	Ensure that the fund arrangements comply with the LAWGAIM guidance recently issued.	15	170
Corporate Activity	Business Continuity Planning	Review of the arrangements for Business Continuity Planning including the production, testing and review of disaster and recovery plans, and compliance with the Civil Contingencies Act.	20	170
Chief Executives	Performance Management	Review of the process for the compilation and publication of the Annual Efficiency Statement including the monitoring of performance of efficiency projects and corresponding savings reported.	15	168
Social Work	Out of Area Costs	Examination of the systems for the out of area placements for children in particular the costs incurred and whether Best Value is obtained.	20	164
Education, Culture & Sport	Sport Centres - Income Systems	Review of income systems operated across selected sports centres and swimming pools. Including the systems for the collection, recording, banking and monitoring of income.	20	162
Transport, Environmental & Community Services	Administration of Fuel Cards	Review of new system relating to fuel cards, administration by area business support staff and the overall monitoring of the management information.	20	162
Transport, Environmental & Community Services	Stores System	Review of the TECS stores function including operation of the upgraded SAGE stores system. This will include the ordering, issue and charging of stock, stock control procedures, write off and adjustments of stock.	30	162
Transport, Environmental & Community Services	Car Park Income	Examination of the systems for the collection, recording, banking and monitoring of car park income.	20	162
Transport, Environmental & Community Services	Harbours	Overview of Harbours operations including recording, billing, collection of berthage, warfage and fuel charges.	20	160
Chief Executives	RIPSA (Follow Up)	Follow up of agreed actions arising from previous audit report HB10/002.	5	134
Education, Culture & Sport	Childcare Voucher Scheme	Review of pilot scheme at Inshes Primary School.	10	N/A

Service/ Activity	Audit Name	Proposed Audit Scope for 2008/09	Audit Days	Risk Score
Central Systems	Money Advice	Review of money advice function following the transfer of this activity from TECS to the Finance Service. Will include consideration of how this function operates with other parts of the Council such as ensuring the maximum uptake of benefits for those on low incomes including SW clients.	10	N/A
Corporate Activity	Verification of Statutory Performance Indicators - 2007-08	Establish that there are appropriate systems in place to ensure that the Statutory Performance Indicator (SPI) data published is, as far as practicable, complete and accurate.	15	N/A
Corporate Activity	Audit Certificates	Allowance for the verification of grant claims and the subsequent provision of audit certificates where these have been requested by Management.	65	N/A

Total Planned Audit Days for Highland Council

1,005