

**THE HIGHLAND COUNCIL**

**Audit and Scrutiny Committee**

**Date: 1<sup>st</sup> October 2009**

Agenda Item	3
Report No	AS/23/09

**Internal Audit Plan 2009/10 – Progress Report**

**Report by Head of Internal Audit & Risk Management**

**Summary**

This report provides Members with details of the progress against the Internal Audit Plan for 2009/10 and details the revisions that have been made.

**1. Introduction**

- 1.1 The Internal Audit Plan for 2009/10 was considered by Members at the meeting on 16<sup>th</sup> April 2009. It was reported then that there were 3 vacant Auditor posts and, on that basis, an allowance was made for these vacancies when compiling the Plan.
- 1.2 Difficulties have been experienced in recruiting staff and these have been reported to this Committee. This report considers the impact that the vacancies have had on the Audit Plan and the measures being taken to achieve as much of the planned audit coverage as possible.
- 1.3 In compiling the Audit Plan, an additional allowance was made for unplanned work, including irregularity/fraud investigations and project work. This report also considers the time that has been spent to date and the impact of this work on the achievement of the Plan.

**2. Staff Resources**

- 2.1 When the Audit Plan was compiled and reported to Members in April 2009, there were three vacant Auditor posts which were currently advertised. It was anticipated that these would be filled from the end of June 2009. However, only one appointment was made. The individual concerned was required to give three months notice to her employers and commences on 28<sup>th</sup> September 2009.
- 2.2 Re-advertising the posts proved to be unsuccessful and the assistance of Recruitment Agencies was therefore used, in conjunction with a further re-advertisement. This measure has now proved to be successful and appointments have been made although the precise starting dates have yet to be determined.

**3. Unplanned Work**

- 3.1 In addition to the available staff resources, a further factor which impacts upon the ability to achieve the Audit Plan is the level of unplanned work, including irregularity/fraud investigations and project work.
- 3.2 In this year's Plan an allowance of 130 days was made for irregularity/ fraud investigations. Due to the level of such work during 2008/09, this allowance was

doubled from 65 days to 130 days.

- 3.3 The current position, after almost six months of the year, is that the Section is still involved in four investigations carried forward from last year. However, these are all close to being concluded. The Section is also involved in four new investigations. A total of 67 days has been spent to date and, on that basis, it would appear that the budget of 130 days should be achieved unless any major investigation is required.
- 3.4 The Audit Plan allowed for 45 days of project work which, predominantly, was provided for the Head of Audit & Risk Management's audit report on Caithness Heat and Power. Although 42 days has been expended to date, this work is now substantially complete. No further project work was anticipated within the Plan beyond the Principal Auditor's involvement in the Education, Culture & Sport Service's review of financial and administrative procedures. It is envisaged that this work will not extend beyond 2 to 3 days.
- 3.5 Overall, the 175 days provided for within the Plan for unplanned work may not quite be sufficient. However, the impact of this on the Audit Plan will be minimal.

#### 4. Addition to the Audit Plan

- 4.1 The Chair of the Audit Committee has recently requested that a review of the Council's procedures relating to Houses in Multiple Occupation be undertaken and reported to this Committee.

#### 5. Revisions to the Audit Plan

- 5.1 In view of the above factors, it has been necessary to make amendments to the Audit Plan. These are referred to as follows:

(i) **Adjustment of Audit Budgets:** all budgets have been reviewed and, where appropriate, have been reduced. This will necessitate the scope of the work being curtailed but will nevertheless provide assurance in the key risk areas.

(ii) **Deletion of Audits:** the following Audits have been deleted from the Plan:

Service	Subject	Notes
Chief Executive's	Occupational Health	Less significant than other Planned Audits in terms of risk.
Chief Executive's	Corporate Governance	Audit work started in 2008/09 and has recently been completed. A draft report has been issued. This was a substantial piece of work and does not require further audit work.
Housing & Property	Anti-Social Behaviour	Less significant than other Planned Audits in terms of risk.
Social Work	Out of Area Costs	Work ongoing within the Service.
TEC Services	Corran Ferry Income Collection	Less significant than other Planned Audits in terms of risk.

The above audits will all be considered for inclusion within the Plan for 2010/11.

(iii) **Addition of Audits**

Service	Subject
TEC Services	Houses in Multiple Occupation

The revised Plan attached at Appendix 1, reflects the above amendments.

**Recommendation**

Members are invited to note the progress against the Internal Audit Plan for 2009/10 and note the adjustments that have been made.

Signature:

Designation: Head of Internal Audit & Risk Management

Date: 22<sup>nd</sup> September 2009

Ref:

Background Papers

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Appendix 1

Service/ Activity	Audit Name	Proposed Scope for 2009/10	Planned Days	Revised Days
Chief Executive	Common Good Funds (Follow Up)	Follow up of management agreed actions arising from audit report HA09/001.	10	10
Chief Executive	ICT Re-procurement Advice	Computer audit advice on ICT re-procurement as part of Internal Quality Team.	35	35
Chief Executive	Grants to Voluntary Organisations (Follow Up)	Follow up of management agreed actions arising from audit report HA27/002.	10	10
Chief Executive	Energy Management (Follow Up)	Follow up of management agreed actions arising from audit report HA30/001. This will also involve staff from the Housing and Property Service.	10	10
Chief Executive	Occupational Health	<del>Review of the occupational health service provided including response times, preventing the occurrence of health problems and how long term sick leave is addressed.</del>	20	0
Chief Executive	Job Evaluation	Review of the implementation of Job Evaluation and Single Status.	30	30
Chief Executive	Corporate Governance	<del>Review of corporate governance arrangements.</del>	40	0
Education, Culture and Sport	Phoenix E1	Implementation audit covering project governance; segregation of duties; training; user acceptance testing; documentation; data conversion process; support and maintenance arrangements; physical/logical access controls; input, processing and output controls; business continuity arrangements and examination of the audit trail.	30	30
Education, Culture and Sport	Wraparound Childcare Income	Review of the systems for the collection, recording, banking and monitoring of income for wraparound childcare provided by Primary Schools. This will also include examination of the provision of "snacks" to pre-school children and the associated income and expenditure systems to ensure that these are applied consistently across the Council.	20	20
Housing and Property	Housing and Property Capital Contracts	Evaluation of compliance with Contract Standing Orders, including a follow up review of the management agreed actions arising from the Pulteney House refurbishment contract audit review.	20	15
Housing and Property	Right to Buy process	Review of performance in the processing of council house sales.	20	15
Housing and Property	Anti-Social Behaviour	<del>Effectiveness of service including establishing areas of good practice operated by other Councils.</del>	20	0
Planning and Development	Business Gateway Service	Review of the operation of the new Business Gateway Service.	15	15
Planning and Development	Leader Programme	Audit of Scottish Government SLA requirements and certification of the associated grant claims.	15	15

<b>Service/ Activity</b>	<b>Audit Name</b>	<b>Proposed Scope for 2009/10</b>	<b>Planned Days</b>	<b>Revised Days</b>
Planning and Development	Development Management	Compliance with the Planning etc (Scotland) Act 2006 and the changes brought about by the Act. This will also include a review of the new e-Planning system.	30	25
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	20
Social Work	Out of Area Costs	<del>Examination of the systems for the out of area placements for children, in particular the costs incurred and whether Best Value is obtained.</del>	20	0
Social Work	Care at Home	Review of operation of the new Care at Home Service.	30	30
TEC 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	20
TEC 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	25
TEC Services	Car Park Income Collection	Examination of the systems for the collection, recording, banking and monitoring of car park income.	20	15
TEC Services	<del>Corran Ferry Income Collection</del>	<del>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.</del>	40	0
TEC Services	VFM Review of Grounds Maintenance	A review of the grounds maintenance arrangements within the Council, including TEC Services and Education, Culture and Sport, to ensure that these provide Best Value.	20	20
TEC Services	Harbours	Review of Harbour operations including recording, billing, collection of berthage, wharfage and fuel charges.	20	20
TEC Services	Houses in Multiple Occupation	Review of compliance with procedures.	0	15
Finance	Creditors	Annual audit required by Audit Scotland as it is a key system. Review of the central arrangements for the payments to creditors including Construction Industry Tax payments.	10	10
Finance	Debtors	Annual audit required by Audit Scotland as it is a key system. The scope is yet to be determined but will focus on either the central control of debtors or the controls exercised by Services over the creation of debtor invoices.	20	15
Finance	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.	25	25

<b>Service/ Activity</b>	<b>Audit Name</b>	<b>Proposed Scope for 2009/10</b>	<b>Planned Days</b>	<b>Revised Days</b>
Finance	Payroll Administration	Annual review required by Audit Scotland as it is a key system. The scope has yet to be determined but will examine the central payroll function.	20	10
Finance	Procurement	Review of the tendering arrangements for supplies and services contracts to ensure that these are in accordance with Contract Standing Orders.	20	20
Finance	Use of Contract Suppliers (Follow Up)	Follow up of management agreed actions arising from audit report HK07/003.	10	10
Finance	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	10
Scrutiny	Efficiency Agenda	Scrutiny of the efficiency agenda within the Council.	30	30
Scrutiny	Looked after Children	Scrutiny of the effectiveness of the Council's corporate parenting role.	30	30