		Agenda Item	4
The Highland Council			
Audit and Scrutiny Committee – 27ᵗʰ March 2014		Report No	AS/2/14

Internal Audit Plan 2014/15

Report by Head of Internal Audit & Risk Management

Summary

This report provides Members with details of the Internal Audit Section's Plan for the financial year 2014/15 and asks for the Committee's approval of the Plan.

1.   Background

1.1   The new Public Sector Internal Audit Standards (the Standards) came into effect on 01/04/13 and details of the main changes brought about by these were provided to Committee on 26/09/13. In accordance with the Standards, the Head of Internal Audit & Risk Management prepares a risk based audit plan which outlines the assignments to be carried out, their respective priorities and the estimated resources needed for the year.

1.2   Details are provided below of the process followed in order to produce the audit plan which complies with the requirements of the Standards.

2.   Audit Planning Process

2.1   The Plan, attached at **Appendix 1**, has been produced following the steps outlined at 2.2 – 2.3 below.

2.2   Meetings were held with the Chief Executive and all Service Directors in January and February of this year in order to discuss and agree their audit priorities. This process also involved review of the individual Service, and the Corporate Risk Registers in order to consider whether any of these risks should be subject to audit activity. Consideration has also been given to new developments and the associated risks faced by the Council and a number of new systems/ processes such as the Council's new Website information and the process for making online payments; new Resource Link processes and operation of the new Property Management system have been included in the Plan.

One of the changes brought about by the Standards is that the "Board" (Audit & Scrutiny Committee) must also be consulted during the audit planning process. To this end, a meeting was also held with the Committee Chair and Vice-Chair to identify possible audits for inclusion in the audit plan. These audits were discussed with the Service Directors and where it was agreed that there were areas of risk and/ or there was a link with the Council's objectives and priorities, they were included in the plan.

2.3   Annual planning meetings are also held with Audit Scotland to discuss their expectations as to the level of Internal Audit coverage of the main financial

systems. A three year rolling plan for the review of all such systems was agreed last year and the audits originally planned for 2014/15 have been incorporated into this year's plan.

Time has also been allowed for work associated with the provision of the Head of Internal Audit & Risk Management's annual opinion which appears within his Annual Report and the Council's governance statement. This work includes a review of the main financial systems to ensure that they are operating as expected, consideration of the Council's control environment including ICT systems. The planned work is considered sufficient to provide the annual audit opinion.

2.4   There are two follow-up audits included in the plan:

- Administration of Fuel Cards (follow-up). This further follow-up was requested at the Committee meeting of 20/06/13 after considering the update report provided by the Head of Internal Audit & Risk Management.
- Corporate Internet Use (follow-up). This follow-up audit was originally in the 2013/14 plan and will now be carried out early in 2014/15.

In addition to this, time has been allowed for the regular "action tracking" of audit recommendations for those audits which are not subject to a full follow-up review. The results of this action tracking process will continue to be reported annually to the Audit & Scrutiny Committee.

2.5   There are audits in progress from the 2013/14 Plan which will not be completed by the year-end. Time has been allowed for this work in progress which will be reported to Committee as part of the 2014/15 audit work undertaken.

2.6   An allowance of 30 days has been made for the programme of Scrutiny reviews. This will allow for 2 reviews to be undertaken, the topics of which and the approach to be taken will be decided by the Audit and Scrutiny Committee following the scrutiny training to be provided on 9th May.

2.7   An allowance of 70 days has also been made for any fraud and irregularity investigations which may arise during the year.

2.8   The audit resources have been calculated on the basis of the staff in post and an assumption has been made that the new staff appointed will start in early May. In addition for the first time, an allowance has been made for staff vacancies equal to 10% of the net available audit days. This approach is considered prudent given the level of vacancies that the Section has previously experienced.

3.   Implications

3.1   There are no implications arising from this report. Any adjustments required to the Plan and any associated implications will be reported to the Committee.

Recommendation

Members are invited to approve the attached audit Plan for 2014/15.

Designation: Head of Internal Audit & Risk Management

Date: 17th March 2014

Author: Donna Sutherland, Audit & Risk Manager

Background Papers: Public Sector Internal Audit Standards
                           Report AS/22/13 reported to the ASC on 26/09/13

Highland Council Internal Audit Plan 2014/15

Service	Audit Name	Audit Scope	Days
Care and Learning	HAD05/001 - SEEMIS	Computer audit review of new management information system to replace Phoenix e1.	15
Care and Learning	HAB01/001 - Review of financial procedures operated in Schools	Review of the operation of financial procedures operated in a sample of Schools.	30
Care and Learning	HAC04/001 - Community Payback Orders	Review of the administration of community payback orders.	15
Care and Learning	HAC05/001 - Mental Health Service	Review of the arrangements for administering the Mental Health Service across the Highlands.	20
Care and Learning	HAC06/001 - Out of Hours Service	Review of the arrangements for administering the Out of Hours service across the Highlands.	15
Care and Learning	HAD06/001 - Highland Instrumental Unit	Review of the administration and financial procedures operated within the Highland Instrumental Unit.	15
Care and Learning	HAD06/002 - Capital Contracts	Review of contract management arrangements.	30
Care and Learning	HAD06/003 - Managing School Rolls	Review of the arrangements for school role forecasting and planning.	20
Care and Learning	HAF02/001 - Integrating Care for the Highlands	Allocation of time for review. Scope of audits to be agreed with the Chair, Director of Finance, Director of Care and Learning and reported back to ASC.	40
Care and Learning	HAF03/001 - Self Directed Support	Review of compliance with policy and procedures for Self Directed Support.	20
Care and Learning	HC13/018.bf - School Lets Arrangements	Review to ensure compliance with policy and ensure that the process is consistent across the Council.	15
Care and Learning	HG05/012.bf - Childcare Income	Review of the systems for the collection, recording, banking and monitoring of childcare income.	20
Corporate Development	HBA01/001 - IT Project Initiation and Implementation (Service Role)	Review of the governance arrangements for initiating and implementing new IT projects.	20
Corporate Development	HBA02/001 - Web Content Management	Review of web content management and ownership including currency of data following migration to new internet site.	15

Service	Audit Name	Audit Scope	Days
Corporate Development	HBA02/002 - Corporate Internet Use (follow-up)	Follow up review to ensure that the management agreed actions from the previous audit (HA20/011.bf) have been satisfactorily addressed.	10
Corporate Development	HBA03/001 - Records Management	Review of records management arrangements to ensure these comply with governing legislation.	20
Corporate Development	HBA04/001 - Review of payments through the Service Centre	Review of new CIP Customer Engagement and Assessment processes including payments for services and compliance with PCIDSS regulations.	20
Corporate Development	HBB01/004 - Human Resource Security	Review as part of the ISO27001 requirement to carry out internal compliance audits.	20
Corporate Development/ Finance	HBB01/001 - Resource Link	Review of the operation of new Resource Link processes as a result of the HR CIP project.	20
Corporate Development	HBB01/002 - Workforce Planning arrangements	Review of the Council's arrangements for workforce planning, taking account of Audit Scotland's National Report "Scotland's public sector workforce" published November 2013.	25
Corporate Development/ All Services	HBB01/003 - Review of corporate control of overtime	Review of the systems for the planning, control and monitoring of overtime within Services. Main emphasis will be within TEC Services which has the highest overtime payments.	20
Corporate Development	HBB02/001 - Verification of Performance Indicators	There are appropriate systems in place to ensure that the Performance Indicator (PI) data published is, as far as practicable, complete and accurate.	25
Corporate Development	HBC01/001 - Corporate Governance Arrangements 2013-14	Annual review of the Council's Corporate Governance arrangements.	10
Corporate Development	HBD01/001 - Corporate Improvement Programme	Allowance of time for advice/ review of CIP projects and liaison with the Project Managers.	10
Corporate Development	HBF03/001 - Community Challenge Fund - Governance Arrangements	Review of governance arrangements.	15
Community Services	HCC03/001 - Administration of Fuel Cards (follow-up)	Follow-up review to ensure that the management agreed actions from the previous report have been satisfactorily implemented by management.	20

Service	Audit Name	Audit Scope	Days
Community Services	HCC05/001 - Harbours	Review of the credit control systems surrounding issue of fuel to vessels.	15
Community Services	HCD01/001 - Management of Housing Voids	Review of the arrangements for the management of void properties to ensure that these are efficient and effective.	25
Community Services	HCE03/001 - Review of Mobile and Flexible Working Arrangements	Review of the Total Mobile Building Maintenance system (Housing staff), looking at the impact and new arrangements from this system and stores implications.	25
Finance	HDB05/001 - Online Payments	Review of the system for making online payments following migration to new website.	15
Finance	HDC04/001 - Continuous Auditing Exercises	Allocation of time for continuous auditing of financial systems with aim of providing assurance that the expected controls are operating and that there is no fraudulent activity.	15
Finance	HDA02/001 - General Ledger	Overall review of controls.	10
Finance	HDA04/001 - Treasury Management	Overall review of controls.	10
Finance	HDA06/001 - Payroll Administration	Overall review of controls.	30
Finance	HDB01/001 - Council Tax - Billing and Collection	Review of controls over the valuation and billing arrangements.	20
Finance	HDB02/001 - Non Domestic Rates - Billing and Collection	Review of controls over the valuation and billing arrangements.	15
Finance	HDB03/001 - Housing Benefit Payments and Council Tax Reduction Scheme 2013/14	Processing of Housing Benefit and Council Tax reduction claims.	20
Finance	HDB04/001 - Scottish Welfare Fund payments	Review of the operation of the Welfare Fund including compliance with policies and procedures, application process, processing of claims, payment process and system reconciliations and budget monitoring.	15
Finance	HDB05/002 - Income Systems	Overall review of controls.	15
Finance	HDB08/001 - Review of National Recruitment Portal arrangements	Review of operation of new system to ensure that appropriate controls are in place.	20

Service	Audit Name	Audit Scope	Days
Finance	HDC03/001 - Matters arising from the Highland Council's Statement of Internal Control 2013-14	Allowance for work to be undertaken in order to support the audit opinion in the HoIA&RM's Statement of Internal Control and the annual governance statement.	30
Finance	HDD01/001 - Procurement	Annual review of Procurement function.	20
Finance	HDC23/001 - Scrutiny Exercises 2014-15	Allowance for annual programme of scrutiny exercises.	30
Development and Infrastructure	HED04/001 - Property Asset Management system	Computer audit review of new Property Asset Management System (Tribal K2).	15
Development and Infrastructure	HEC01/001 - Pulteneytown People's Project	Review of operations to ensure that these are operating efficiently and effectively.	20
Development and Infrastructure	HEC04/001 - Leader Programme 2013-14	Annual audit of SLA requirements and compliance with grant claim conditions. Also follow-up to ensure that the previous audit's management agreed actions have been satisfactorily implemented.	30
Development and Infrastructure	HEC04/002 - EFF Axis 4	Annual audit of SLA requirements and compliance with grant claim conditions. Also follow-up to ensure that the previous audit's management agreed actions have been satisfactorily implemented.	15
Development and Infrastructure	HED01/001 - Capital Projects	Review of contract management arrangements.	30
Development and Infrastructure	HED04/002 - Asset Management	Review of the systems for the planning, control and monitoring of assets. Also the capital accounting arrangements.	25

970