

The Highland Council

Audit and Scrutiny Committee – 26th March 2015

Agenda Item	4
Report No	AS/2/15

Internal Audit Plan 2015/16

Report by Head of Audit & Risk Management

Summary

This report provides Members with details of the Internal Audit Section's Plan for the financial year 2015/16 and asks for the Committee's approval of the Plan.

1. Introduction

- 1.1 In accordance with the Public Sector Internal Audit Standards (the Standards), the Head of 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 in accordance with the Audit Charter, approved by this Committee on 24th September 2014, and following the steps outlined at 2.2 – 2.5 below.
- 2.2 Meetings were held with 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.

In addition, a meeting was also held with the Committee Chair and Vice-Chair to identify possible audits for inclusion in the audit plan
- 2.3 An "Audit Universe" is maintained which contains details of all possible auditable areas. In accordance with the Standards, this has been mapped to the financial materiality of the area, any relevant Corporate and/ or Service risks, and any Programme commitments. In addition, consideration has also been given to any other internal or external assurance that can be relied upon though it is recognised that this needs to be refined further over the course of the next year.
- 2.4 Following the meetings with Service Directors, they were asked to score their auditable areas. The Head of Audit & Risk Management also independently scored the auditable areas. These scores range from 1 – 6 considering the impact of risk from insignificant (1) to critical (6), meaning that all auditable areas have scores between 2 and 12.
- 2.5 Priorities have been attached to the scores as follows:

Score	Priority	Frequency
11-12	Core/ Critical/ Commitment	Annual
9-10	High	Every 3 years
5-8	Medium	Every 5 years
1-4	Low	Infrequent

All of the audits with the priority of “Core/ Critical/ Commitment” have been included in the 2015/16 audit plan. In addition there are a number of audits where the priority is “High” or “Medium” but there is a requirement that this audit is undertaken on an annual basis, examples include Corporate Governance and the LEADER Programme.

- 2.6 As previously agreed with Audit Scotland, a three year rolling plan for the review of the main financial systems is in place and all audits planned for 2015/16 have been incorporated into this year’s plan. These audits have not been scored but have are shown under the priority of “Core/ Critical/ Commitment” against the year in which they are due to be audited.
- 2.7 Time is also allowed for work associated with the provision of the Head of 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 (where these are not subject to a more detailed review in this year) to ensure that they are operating as expected and consideration of the Council’s control environment including ICT systems. This planned work is considered sufficient to provide the annual audit opinion.
- 2.8 There are audits in progress from the 2014/15 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 2015/16 audit work undertaken.
- 2.9 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.
- 2.10 An allowance of 40 days has also been made for any fraud and irregularity investigations which may arise during the year.
- 2.11 The audit resources have been calculated on the basis of a full complement of staff. However, 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.
- 2.12 The Plan was presented to and approved by the Executive Leadership Team at their meeting on 16th March 2015.

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 2015/16.

Designation: Head of Internal Audit & Risk Management

Date: 16th March 2015

Author: Donna Sutherland, Audit & Risk Manager

Background Papers:

Appendix 1

Highland Council Internal Audit Plan 2015/16

Service	Audit Ref and Name	Audit Scope	Priority	Planned Days
Care & Learning	HAB01/006 - School ICT capacity and storage arrangements	Review of the arrangements for the storage of ICT data within Schools.	High	20
Care & Learning	HAA02/001 - Family Teams	All systems review of financial and administrative systems operated by the children and family teams.	Core/ Critical/ Commitment	25
Care & Learning	HAB01/003 - Review of financial procedures operated in Schools	Annual review of the operation of financial procedures operated in a sample of Schools.	High	30
Care & Learning	HAB01/004 - Inspection of equipment in Schools (follow-up)	To ensure that the management agreed actions from the previous audit report have been satisfactorily implemented.	High	10
Care & Learning	HAB01/005 - School off-site excursions (follow-up)	To ensure that the management agreed actions from the previous audit report have been satisfactorily implemented.	High	10
Care & Learning	HAC01/001 - Integrating Care in the Highlands	Annual allowance of time.	High	30
Care & Learning	HAD01/001 - Care & Learning Capital Programme - review of the reasons for the programme underspends	Review of the reasons for the underspends in the Care & Learning Capital Programme and what lessons can be learned to ensure that maximum use is made of the available programme budget.	High	30
Corporate Development	HBA01/002 - PSN compliance	Review of the efficiency of the process of obtaining PSN compliance.	Core/ Critical/ Commitment	20
Corporate Development	HBA01/003 - Pathfinder North arrangements	Review of the efficiency and effectiveness of the new partnership/ consortium arrangements.	Core/ Critical/ Commitment	20
Corporate Development	HBA01/004 - Sharepoint	Review of access controls and security.	Core/ Critical/ Commitment	20

Service	Audit Ref and Name	Audit Scope	Priority	Planned Days
Corporate Development	HBA01/005 - Cloud Computing	Review of the business justification for using the cloud and the appropriateness of information security assurances and contract terms.	Core/ Critical/ Commitment	20
Corporate Development	HBA01/006 - Managing third party services	Review of the arrangements over the relationship with ICT suppliers to ensure this complies with the guidance set out in ISO 27002.	Core/ Critical/ Commitment	20
Corporate Development	HBA02/001.bf - Web Content Management	Review of web content management and ownership including currency of data following migration to new internet site.	Core/ Critical/ Commitment	20
Corporate Development/ Finance	HBB01/001.bf - Resource Link	Review of the operation of new Resource Link processes as a result of the HR CIP project.	Medium	20
Corporate Development	HBB02/002 - Review of Performance Indicators 2014-15	Review of the arrangements for the collection and reporting of performance data across the Council including improvement measures for 2014-15.	High	15
Corporate Development	HBC01/002 - Review of Corporate Governance Arrangements 2014-15	Annual review of corporate governance arrangements.	High	10
Corporate Development	HBD01/003 - Transformation Programme Projects	Review of Transformation Programme projects including arrangements for the projects to meet agreed efficiency and service improvement targets.	Core/ Critical/ Commitment	30
Community Services	HCC03/002 - Tranman	Computer audit review of the application, including access controls; processing controls and utilisation.	Medium	19
Community Services	HCE04/001 - Housing Information System	Computer audit review of the application, including access controls; processing controls and utilisation.	Medium	20

Service	Audit Ref and Name	Audit Scope	Priority	Planned Days
Community Services	HCA02/001 - Housing Rents	Review of the process for the charging of tenant's rents and accounting for the income received to ensure that this is complete and accurate.	High	20
Community Services	HCA02/002 - Managing tenancy fraud risk	Review of the arrangements for the prevention of tenancy fraud.	High	15
Community Services	HCA03/001 - Homelessness	Review of the arrangements for the procurement and subsequent payment to organisations who provide services for clients who are either homeless or have issues with sustaining their tenancy.	Medium	20
Community Services	HCC03/003 - Private use of vehicles	Review of the arrangements to ensure compliance with the Council's policy on the Private Use of Vehicles.	Medium	15
Community Services	HCD05/001 - Grass Cutting contract - monitoring and contract payment arrangements (follow-up)	To ensure that the management agreed actions from the previous audit report have been satisfactorily implemented.	Medium	10
Finance	HDB01/002 - Council Tax - Valuation arrangements	Review of the arrangements for the valuation of Council Tax properties.	Core/ Critical/ Commitment	15
Finance	HDB02/002 - Non Domestic Rates - Valuation arrangements	Review of the arrangements for the valuation of NNDR properties.	Core/ Critical/ Commitment	15
Finance	HDB03/002 - Housing Benefit Payments and Council Tax Reduction Scheme	Review of the systems for the processing of Housing Benefit and Council Tax reduction claims.	Core/ Critical/ Commitment	20

Service		Audit Ref and Name	Audit Scope	Priority	Planned Days
Finance/ Services	All	HDB05/003 - Review of the Council's arrangements for the charging for services	Review of the arrangements within the Council for the charging of services to ensure that this is in accordance with the Corporate Charging Policy. Also to ensure the Council's arrangements accord with best practice as set out in the Audit Scotland publication "Charging for services: are you getting it right?"	Medium	20
Finance		HDB06/001 - Debtors	Review of the systems for the central control of debtors including debt recovery arrangements.	Core/ Critical/ Commitment	15
Finance		HDB08/001.bf - Review of National Recruitment Portal arrangements	Review of operation of new system to ensure that appropriate controls are in place.	Medium	20
Finance		HDC03/002 - Matters Arising from the Highland Council's Statement of Internal Control 2014-15	Allowance for work to be undertaken in order to support the audit opinion in the annual Statement of Internal Control.	Core/ Critical/ Commitment	25
Finance/ Services	All	HDC04/002 - 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.	Core/ Critical/ Commitment	60
Finance		HDD01/002 - Procurement	Allowance of time for the annual review of the Procurement function.	Core/ Critical/ Commitment	20
Finance		HDC15/005 - Assurance Mapping	Allowance of time to undertake assurance mapping exercise.	Not Applicable	30
Finance		HDC23/003 - Scrutiny Exercises 2015-16	Allowance for annual programme of scrutiny exercises.	Core/ Critical/ Commitment	30
Development Infrastructure	&	HED04/001.bf - Property Asset Management system	Computer audit review of new Property Asset Management System (Tribal K2).	Medium	15

Service	Audit Ref and Name	Audit Scope	Priority	Planned Days
Development Infrastructure &	HEB01/001 - Capital projects	Review of delivery of capital projects for infrastructure works (road improvements, flood prevention works, ferries & harbours, landfill sites).	Medium	30
Development Infrastructure &	HEC01/002 - LEADER Programme 2014-15	Annual review of the administration of the LEADER Programme to ensure that this is undertaken in accordance with the relevant regulations and legislation.	Medium	25
Development Infrastructure &	HEC01/003 - EFF programme 2014-15	Annual review of the administration of the EFF Programme to ensure that this is undertaken in accordance with the relevant regulations and legislation.	Medium	20
Development Infrastructure &	HED01/002 - Capital Projects	Contract audits of capital projects.	Medium	30
Development Infrastructure &	HED02/002 - Compliance with the Carbon Reduction Commitment Energy Efficiency Scheme 2014-15	Annual review of compliance with CRCEE Scheme.	Medium	15
Development Infrastructure &	HEE03/001 - Rental Income	Review of the systems for the identification and collection of lease/ rental income due to the Council.	Medium	20
Chief Executive's Office	HFB03/001 - Data Protection	Review of data sharing practices to ensure that they comply with Best Practice.	High	15
Chief Executive's Office	HFA04/002 - Common Good Funds - Rental Income	Review of the systems for the identification and collection of rental income due to the Common Good Fund to ensure that this is collected completely and accurately. Will also ensure that rent reviews are correctly applied.	Medium	25

Total Days

934