

Angus Council Internal Audit



Annual Internal Audit Plan 2016-17

April 2016

Allan Munn
Audit Manager
Chief Executive's Unit

Contents Page

Introduction.....	3
2016-17 Audit Plan – Detailed Outputs.....	9
2016-17 Outputs to Scrutiny and Audit Committee.....	14
Conclusion	14
Appendix 1 – Summary of Corporate Risk Register as at March 2016	15

Introduction

1. The primary role of internal audit is to provide independent assurance and opinion on the effective operation of the council's risk management, governance and internal control processes. Internal Audit can also provide consultancy services, where management have more input to the core objectives of the assignment.
2. Management are responsible for establishing the risk, governance and internal control processes and systems as well as their ongoing monitoring. Management are also responsible for managing fraud risks and ensuring that internal control systems are designed to guard against fraud and misappropriation. Internal audit is not a substitute for these management responsibilities. Rather it is the review function which will challenge current practices and recommend best practice and improvements to lead to a strengthening of the control environment and therefore assisting the council in achieving its objectives.
3. Professional practice in relation to the provision of internal audit service from 1 April 2013 is defined by The Public Sector Internal Audit Standards (PSIAS) issued by the relevant authorities (CIPFA for local government). These new standards are exacting in relation to the organisation's governance of internal audit and internal audit's own arrangements and practices.
4. An External Quality Assessment (EQA) performed in late 2014 by CIPFA confirmed that Internal Audit was fully compliant with the requirements of the PSIAS. An annual self-assessment is undertaken to confirm continuing compliance with the Standards.
5. Given that 2016-17 will continue to be another year of change for the council, the plan should be considered to be flexible and will be periodically reviewed and amended as required to reflect any new requirement or significant change to Council risks. Any amendments will be brought to the Scrutiny and Audit Committee for approval.
6. Our Internal Audit plan will be delivered in accordance with the Internal Audit Charter that was approved by the Scrutiny & Audit Committee in September 2015. This sets out the role, professional requirements, independence and overall responsibilities of Internal Audit.
7. The authority, access rights and reporting arrangements for the Internal Audit function are also contained within the Internal Audit Charter. This details the functional reporting arrangements for the Audit Manager to the Scrutiny and Audit Committee and Chief Executive as well as, for contract management purposes, the Service Manager – Governance and Consultancy. The Charter requires annual approval and will be presented to the Scrutiny and Audit Committee in September 2016.
8. In discharging the internal audit role, the Audit Manager is required to set a risk based audit plan sufficient to provide the required assurances to members and officers in relation to corporate governance, risk management and internal controls. These

assurances will be provided throughout the year. We will present the results of individual audit reviews through Internal Audit Update reports to each Scrutiny and Audit Committee. The activity related to the Counter Fraud Team will be reported bi-annually. In June 2017, the Audit Manager will also present an overall summary of the effectiveness of governance, risk and the internal control environment as well as an opinion on the corporate governance of the Council in the Annual Report.

The Planning Approach

9. The audit planning process for developing a risk based audit plan is well established within the Council.
10. The process involves determining the potentially auditable areas of the Council and updating these each year. The auditable areas are identified from a number of sources including:-
 - Consultations with Council Members (incl. Scrutiny and Audit Committee)
 - Consultations with the Council Management Team (incl. the Head of Corporate Improvement and Finance)
 - Knowledgebase within Internal Audit
 - Council plans and policy documents
 - Corporate and departmental risk registers
 - External inspection reports
 - Internal service, efficiency reviews etc.
 - Liaison with external auditors
 - Any matters arising from the work of the Scrutiny and Audit Committee
11. This then establishes the audit universe for the upcoming year from which the specific individual areas of audit will be chosen, based on the risk assessment methodology discussed below.

The Risk Assessment Model

12. Once the auditable areas are identified they are separately risk assessed in accordance with the model which considers aspects of corporate importance and sensitivity of the area and the control and inherent risk. This then allows the elements of the audit universe to be classified into Critical, High, Medium or Low risk. There are also a number of 'core' areas which are reviewed every year, regardless of the risk classification.

13. Each of the risk assessed areas within the “universe” is then allocated to a “headline area” as follows:-

- Corporate Governance
- Financial Governance
- Information Technology Governance
- Internal Controls
- Asset Management
- Legislative and other compliance

The headline areas are subject to a high level risk assessment model which looks at the relative risk and relative risk maturity of the headline areas to work out a broad allocation of the available audit days. This is not considered a rigid calculation but more a guide to the balance of the plan which can be amended to reflect specific needs and drivers.

14. The high level risk assessment takes into consideration the local risks contained within the corporate risk register as well as known risks at a national level.

The Audit Plan

15. The final step in the development of the annual plan is to identify the individual audits from the audit universe which will sit below each of the headline areas and form the plan for the year. This choice is determined by a number of factors including:-

- The assessed risk from the audit universe
- The time lapse since last audit
- Review of Corporate Risk Register
- Known problems or issues arising in previous audits/inspections etc.
- Reviews being undertaken by other assurance providers (e.g. External Audit)
- Special requests

16. In addition, a portion of the plan has been reserved for contingency activity. Contingency resource will be available to fulfil reviews at the request of the Scrutiny and Audit Committee and management. This can relate to specific assignments where the objectives are set jointly by Internal Audit and by the Committee/ Management or can be advisory or project assurance roles.

The 2016-17 Internal Audit Plan

17. The 2016-17 Internal Audit plan has been developed on the basis of the above model plus specific management requests.

18. The Internal Audit team has a dedicated resource of 3.6 FTE, comprising one Senior Auditor and three Auditors (2.6 FTE). The Internal Audit team is complemented by a co-source arrangement which provides 110 days for 2016-17 with 80 days dedicated to the Audit Manager role and 30 days to deliver specific audits and assistance within the plan. The Governance and Consultancy Team has three Counter Fraud Officers (2 FTE) and will be responsible for the delivery of that work.
19. An Internal Audit capacity plan was developed to establish the number of days available within the team to deliver core audit work.
20. The total number of productive days available from the Internal Audit team has taken into consideration the following:
 - Maximum number of available days
 - Professional development for staff
 - Annual leave
 - Internal administration activities
21. This year the Plan incorporates reference to the Counter Fraud Team to reflect its contribution to the Council's governance arrangements and to reflect that potential Internal Audit work may result from the findings of the Counter Fraud Team. In the forthcoming year, the risk of the Council being subject to fraud and corruption is not likely to reduce. To ensure that the Council maintains its strong counter fraud arrangements, the Counter Fraud Team (as part of the Governance and Consultancy Team) will continue to carry out data matching exercises to identify fraud and error; publicise, promote and enforce the Counter-Fraud and Corruption Strategy and framework; continue to develop joint working arrangements with colleagues in Housing; and will liaise with other local authorities to identify areas of best practice. The team input is equivalent to 2 FTE staff.
22. The Council's participation in the National Fraud Initiative (NFI) continues to be an integral part of the corporate approach to the prevention and detection of fraud and errors. A national report on the 2014/15 NFI exercise is due for publication later this year. The Governance and Consultancy Manager will submit reports to this committee, together with a summary of the local outcomes.
23. This year the Audit Plan also includes work carried out in relation to Angus Alive. Internal Audit will agree with the Angus Alive Board a specific plan for Angus Alive. Apart from one audit (listed below) where both the Council and Angus Alive have interests, the output from these audits will be prepared for the Angus Alive Board

24. The overall Internal Audit resource and allocation is included in the table below:

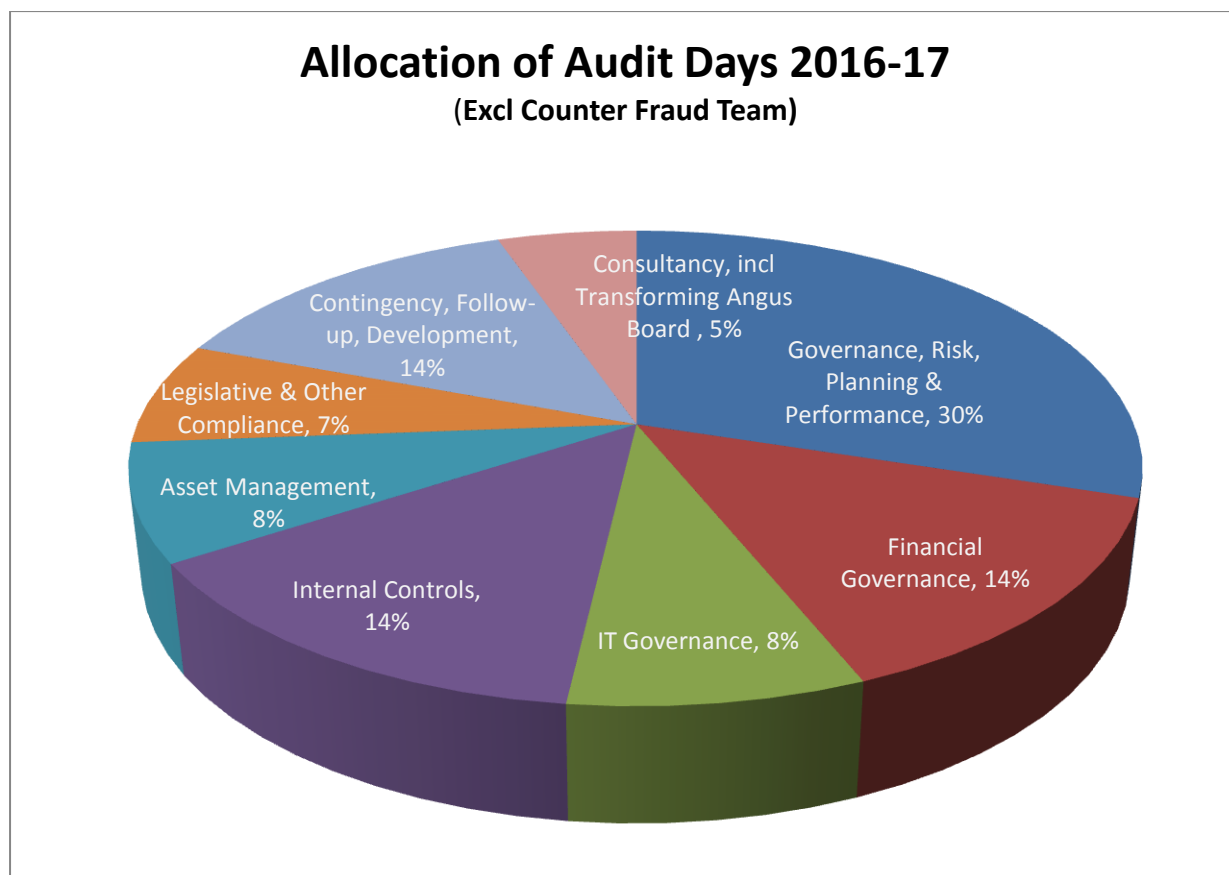
Areas	Audit Days
Productive days available from: Internal Audit team	674
Counter Fraud Team (Governance and Consultancy)	436
Co-source provision	110
Less: Angus Alive provision	(40)
Total available days	1,180
Allocated as follows	
Audit plan (see 2016-17 Detailed Outputs below)	664
Counter Fraud Team (Governance and Consultancy)	436
Sub-total	1,100
Audit Management	80
Total allocated days	1,180

25. The current resource availability is sufficient to allow me to produce my Annual Internal Audit Opinion as well as provide the required assurances to Scrutiny & Audit Committee Members as well as the Head of Corporate Improvement & Finance in his role as Section 95 Officer.

26. The high level initial allocation of the available days in delivering the audit plan is shown below:

Headline Area	Audit days 2016-17
Governance, Risk, Planning & Performance	200
Financial Governance	95
IT Governance	50
Internal controls	95
Asset Management	50
Legislative & Other Compliance	45
Follow-up, PSIAS Review, Contingency	55
Consultancy inc Transforming Angus boards	34
Staff and Team Development	40
Fraud Prevention and Detection - Carried out by Counter Fraud Team, managed by Governance and Consultancy Service Manager.	436
Total	1,100

27. The diagram below illustrates the percentage allocation of audit days for 2016-17:



28. The above allocation of days highlights that 44% of our planned audit coverage relates to matters of corporate and financial governance as well as risk management. We believe that this allocation is appropriately aligned to risk profile and will address the assurance needs of the Council in 2016-17.

29. It should be noted that at this stage, the days per headline area can only be an early indicative estimate and will require to be firmed up once more detailed scoping work has been carried out. The outputs detailed in the '2016-17 Audit Plan – Detailed Outputs' section below include all the outputs which will be provided by both internal audit and our co-sourcing partner, who are considered to be an extension to the internal audit team.

30. All audit work will be conducted by the Internal Audit team under the guidance and direction of the Audit Manager and Senior Auditor. Where any team member has a perceived or actual conflict of interest in relation to an Internal Audit assignment or investigation, they will not be permitted to have any involvement in that piece of work. In addition, Internal Audit staff who are represented on Transforming Angus workstream programme boards will not be permitted to be involved in any internal audit work that is directly related to the programme board(s) they sit on.

2016-17 Audit Plan – Detailed Outputs

The table below sets out the individual audits to be conducted during the 2016-17 financial year as well as the output that will be generated from each. We have also included this year, where relevant, a link to those risks contained within the Corporate Risk Register (CRR ref.) as at March 2016 (see Appendix 1). This allows Members and management to identify where Internal Audit can provide assurance on the effectiveness of the controls implemented to mitigate risks.

Audits	Output	Commentary	CRR ref.
--------	--------	------------	----------

Corporate Governance

Corporate Governance annual review – 2015-16	Management letter	Review of the self-assessment process and progress with action plans.	10
Risk Management	Report	As this area has previously been subject to audit review in 2012 and followed up in 2015, the review will focus on the process for identifying and managing risk at projects level. Scope to be further discussed with the Corporate Risk Officer.	2
Agile Working	Report	Review aspects of project delivery and implementation.	5
Review of Corporate Culture	Report	Review to provide assurance that organisational values, behaviours and perceptions are consistent with the corporate strategy.	2
Health & Social Care Integration	Report	Joint working with FTF (as appointed lead auditor) to provide assurance to IJB.	15
Information Governance – Information Management	Report	Review will assess the extent of compliance with good information management practice.	7,10

Audits	Output	Commentary	CRR ref.
Corporate Governance (cont'd)			
Strategic and Operational Planning	Report	Review to evaluate how the Council plans for both short and medium term incorporating changes brought about by legislation and service transformation.	1,2,3,5,6,8,10
Culture & Leisure Trust - Monitoring	Report to both Scrutiny and Audit Committee and Angus Alive Board	Review to assess the adequacy of processes for assuring that the Culture & Leisure Trust is delivering the services as agreed.	Council Risks 1, 2, 3, 4 and Angus Alive Risk

Financial Governance

Schools' Funds - Governance	Report	Review of processes in place to manage Schools' funds.	1
Corporate Budgeting and Financial Accounting	Report	Review of the processes related to the budget process from creation through to approval and the end of year preparation of final accounts process.	1, 2, 4
NNDR (National Non-Domestic Rates)	Report	Review of processes to ensure appropriate administration of NNDR and application of incentives.	1,10
Payments Processing – Service Redesign	Report	Review of internal financial controls following the service redesign work to be done on removing payments from ACCESS Offices.	10

Audits	Output	Commentary	CRR ref.
IT Governance			

IT Change Management	Report	Review of arrangements for managing changes to IT systems.	7,10
IT System Development	Report	Review of IT projects to gain assurance that there is adequate risk assessment and testing before the release of external systems developments	1, 3, 10
IT User Access Management	Report	Review of user access management for corporate systems	3,7,10

Internal Controls			
--------------------------	--	--	--

Absence Management	Report	Review to ensure appropriate and consistent processes applied and performance effectively monitored and reported. (As a follow up to proposed Scrutiny Review)	2,4,6
Staff Development and Appraisal	Report	Review to assess the application of and effectiveness of the staff development and appraisal system.	2,4,6

Audits	Output	Commentary	CRR ref.
Development of CAATs (Computer Audit Assisted Techniques)	Annual Report	This audit work will be based on identifying particular data anomalies related to payroll and accounts payable processing. The approach will be to establish regular data access and review the data throughout a significant period. This approach may also contribute to the audit of NNDR. The outcomes will be reported together at the year end.	10

Asset Management

Stocks (year end)	Management letter	Annual stock checks	10
IT Asset Management	Report	Review of asset records, movements tracking, marking and disposal (esp. mobile equipment).	7,10
Fleet Management	Report	Review to assess how the Council utilises its fleet to achieve VFM and also how it manages acquisitions and disposals via Tayside Contracts.	1,3,5,6

Legislative and Other Compliance

LEADER - European Maritime Fisheries Fund (Rural Funding)	Report	Annual review of LEADER programme.	N/A
Carbon Reduction	Report	Annual review of Carbon Reduction return	N/A
Interreg (European Funding)	Management Letter	6 monthly review of compliance with grant terms	N/A

Audits	Output	Commentary	CRR ref.
Other			
Follow-up of previous recommendations	Quarterly update	Continuing work to identify progress in implementing agreed audit actions.	N/A
Staff and Team Development	Nil	Ensuring staff have knowledge and expertise to perform reviews in new areas and that Internal Audit meets relevant standards and achieves best practice. A Lean review of Internal Audit will contribute to this area.	N/A
PSIAS (Public Sector Internal Audit Standards) Review and Contingency	Report	As required	N/A

Consultancy – Advice/Specific

Attendance at Transforming Angus Programme Boards	Advisory	As agreed by the Transforming Angus Programme Board	3
Consultancy support for specific Member and/or management advisory work	Advisory	As required by events	N/A

Counter Fraud Team

Fraud Prevention and Detection	Bi-annual Report by Governance and Consultancy Manager	The team will carry out various reviews to proactively detect and prevent fraudulent activity. This work will include the use of data analytics to extend the overall scope of the reviews where possible. The team will also contribute to controls identification and other fraud prevention initiatives.	1
--------------------------------	--	---	---

2016-17 Outputs to Scrutiny and Audit Committee

31. The table below lists the outputs expected to be presented to the Angus Council Scrutiny and Audit Committee until June 2017.

Committee Meeting	Output
June 2016	<ul style="list-style-type: none">• Internal Audit Annual Report 2015-16• Internal Audit Update Report
August 2016	<ul style="list-style-type: none">• Internal Audit Update Report
September 2016	<ul style="list-style-type: none">• Internal Audit Update Report• Approval of Updated Internal Audit Charter
November 2016	<ul style="list-style-type: none">• Internal Audit Update Report
January 2017	<ul style="list-style-type: none">• Internal Audit Update Report
March 2017	<ul style="list-style-type: none">• Internal Audit Update Report• Internal Audit Annual Plan 2017-18
June 2017	<ul style="list-style-type: none">• Internal Audit Annual Report 2016-17• Internal Audit Update Report

Conclusion

32. This report has outlined the audit planning and risk assessment process utilised within the council to develop the annual internal audit plan and presents the proposed audit plan for 2016-17. Members are asked to approve this plan, the discharge of which will be reported to the Scrutiny and Audit Committee at each Committee cycle.

Appendix 1 – Summary of Corporate Risk Register as at March 2016

Risk No.	Description	Current Risk Score	Risk Appetite
1	Maximising use of funding	9	6
2	Cultural Change	12	9
3	Transforming Angus non-delivery	12	9
4	Performance Management	9	6
5	Agile/Mobile/Homeworking	15	9
6	Workforce reductions	10	12
7	Information Governance	12	9
8	Workforce/succession planning	15	9
9	Residual Waste Contract	12	9
10	Core Governance	8	8
11	PSN	10	10
12	Business Continuity	6	6
13	Health & Safety	9	6
14	Welfare Reform	9	6
15	Health and Social Care Integration	12	9
16	Public Protection	10	8
17	Constitutional Change	4	9
18	Legislative change	6	9