

Angus Council Internal Audit



Revised Annual Internal Audit Plan 2017-18

June 2017

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Contents Page

Conclusion	1
Introduction.....	1
The 2017-18 Internal Audit Plan.....	1
2017-18 Audit Plan – Detailed Outputs.....	4
2017-18 Outputs to Scrutiny & Audit Committee.....	15
Appendix 1 – Summary of Corporate Risk Register as at March 2017	16

Conclusion

1. This report outlines proposed changes to the 2017/18 Internal Audit plan approved in March 2017 (report 104/17 refers) to take account of resource constraints within the Internal Audit team. Members are asked to note the resource position of the Internal Audit team and approve this revised plan.

Introduction

2. 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.

The 2017-18 Internal Audit Plan

3. The Internal Audit plan for 2017/18 was approved by the Scrutiny & Audit Committee in March 2017.
4. The agreed plan was based on a full complement of staff (3.6 FTE staff plus 110 days of co-sourced time). The report to committee noted that there were two vacant full time posts, which had been filled by contractors for delivery of the 2016/17 plan and that it was intended to review and address the staffing resource requirements prior to the end of March 2017. Following an internal recruitment process the Senior Auditor post will be filled from mid-June 2017. The auditor post, which is vacant as the result of a secondment due to end on 31 March 2018, had no applications and it is now proposed to leave this post vacant until 31 March 2018.
5. The impact of the vacancies is to reduce overall available audit time for delivery of the 2017/18 audit programme by 242 days. This report summarises the proposed changes to deal with this. Information on audit protocols and processes contained in the initial plan remains relevant to the conduct of the 2017/18 audit plan but has not been repeated here.
6. 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. My revision to the plan has taken risk into account and I am content that the revised plan will allow me to provide the required assurances; however this is on the basis that the reduction is a one-off occurrence for this year only and the audit staffing returns to normal in 2018/19 and beyond.

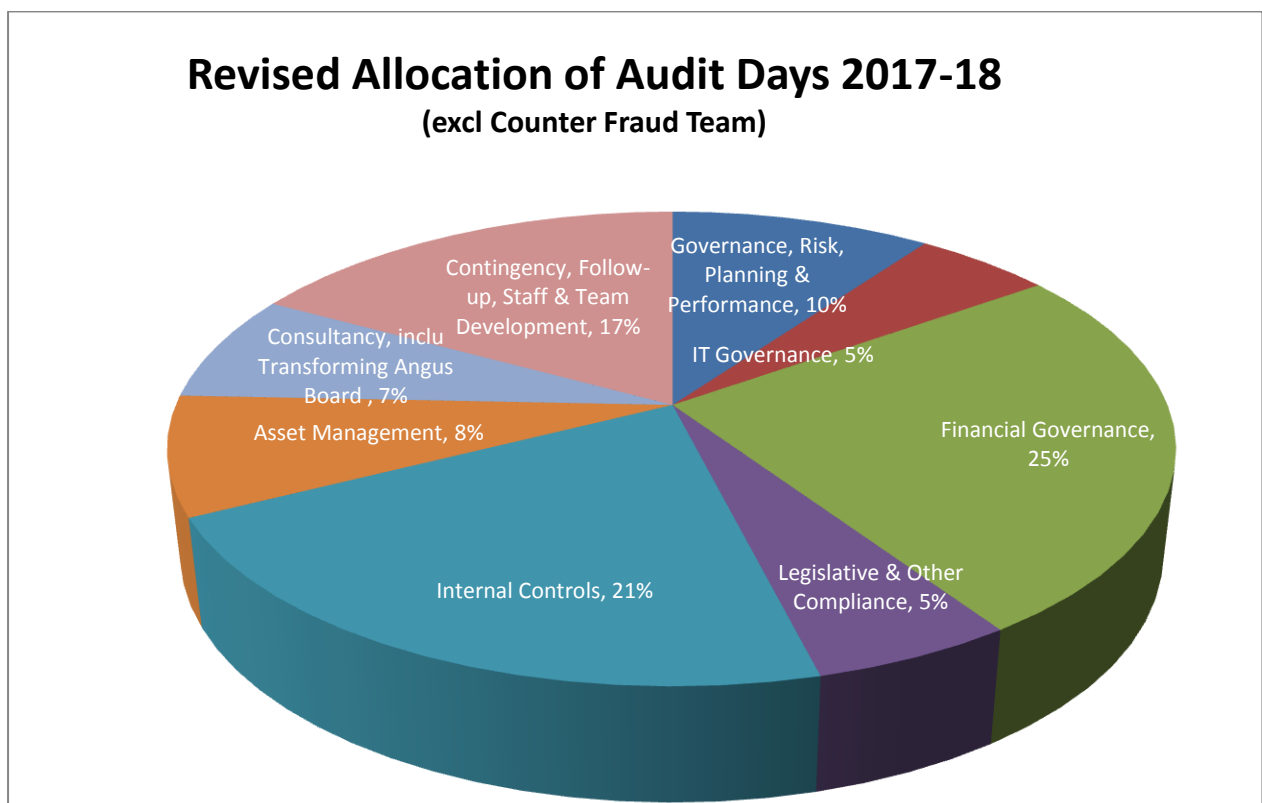
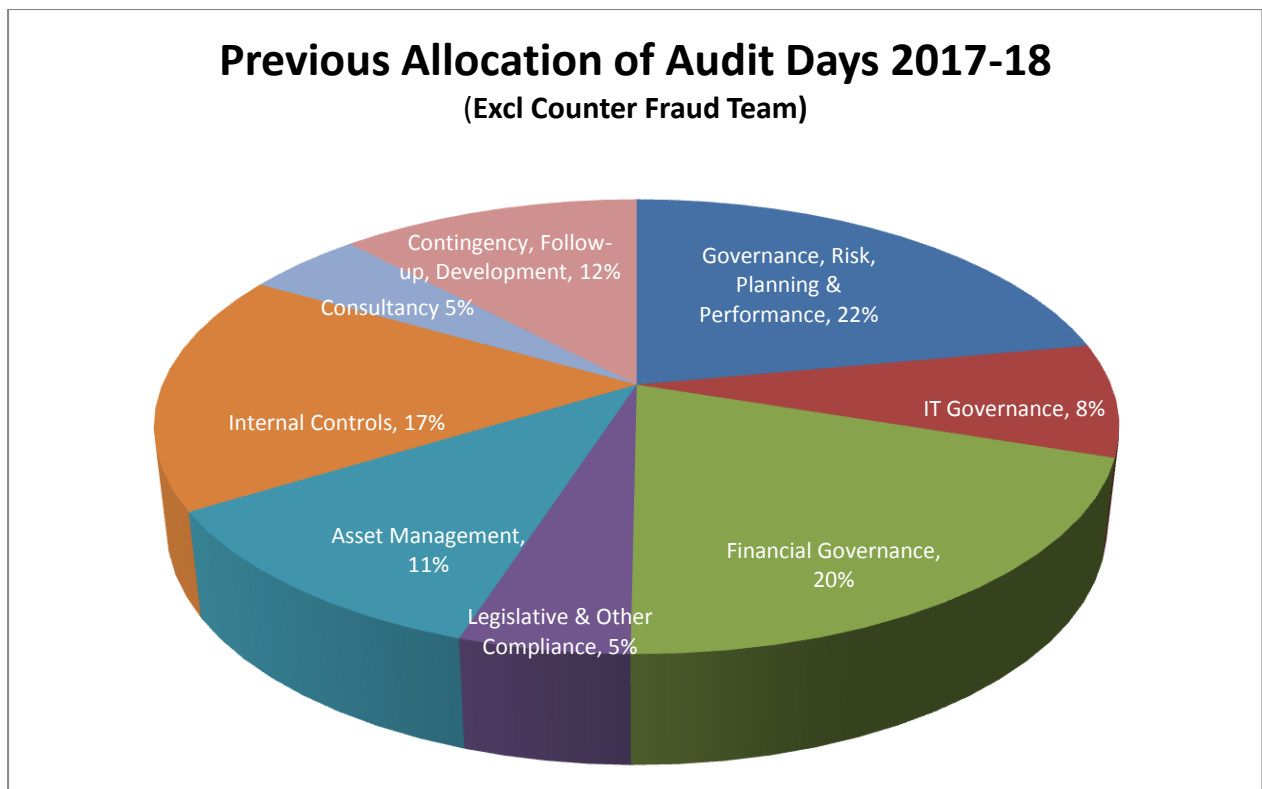
7. The Audit Plan continues to include work carried out in relation to Angus Alive and the IJB. Internal Audit will agree specific plans with the Angus Alive Board and the IJB Chief Internal Auditor. Outputs from these audits will be prepared for the Angus Alive and IJB Board and if relevant for the Council Scrutiny & Audit Committee.
8. The original and revised overall Internal Audit resource and allocation is included in the table below:

Areas	Original Audit Days	Revised Audit Days
Productive days available from: Internal Audit team	674	432
Counter Fraud Team (Governance and Consultancy)	436	436
Audit Manager (and supplementary) co-source provision	110	110
Total available days	1,220	978
Allocated as follows		
Audit plan (see 2017-18 Detailed Outputs below)	624	382
Counter Fraud Team (Governance and Consultancy)	436	436
Angus Alive	50	50
Angus Health and Social Care Partnership	30	30
Audit Management	80	80
Total allocated days	1,220	978

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

Headline Area	Audit days 2017-18	Revised days
Governance, Risk, Planning & Performance	135	38
Financial Governance	125	97
IT Governance	50	20
Internal controls	110	82
Asset Management	70	31
Legislative & Other Compliance	30	21
Follow-up, PSIAS Review, Contingency	50	40
Consultancy inc Transforming Angus boards	29	28
Staff and Team Development	25	25
Sub-total:	624	382
Fraud Prevention and Detection - Counter Fraud Team, managed by Governance and Consultancy Service Mgr.	436	436

10. The diagram below illustrates the percentage allocation of audit days for 2017-18:



11. 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.

2017-18 Audit Plan – Detailed Outputs

12. The table below sets out the initial agreed plan, including, where relevant, a link to those risks contained within the Corporate Risk Register (CRR ref.) as at March 2017 (see Appendix 1).
13. It is proposed to remove items in red from the 2017/18 plan. There is also one additional item included in green. The scope of items coloured orange will be adjusted, and/or the level of detailed testing reduced, to allow work to be completed in fewer days than originally planned.

Audits	Output	Commentary	CRR ref.	Comments on change to plan
Corporate Governance				
Retained as originally planned				
General Data Protection Regulations (GDPR) Readiness	Report	To review corporate arrangements for compliance with new data protection legislation that will be enacted May 2018.	6,8	No reduction to allocated time as this area is new and risks associated with non-compliance are very high. This work will consider Data Sharing arrangements, detailed work on which has been removed from later in the plan.
Revised allocation and scope				

Audits	Output	Commentary	CRR ref.	Comments on change to plan
Corporate Governance annual review – 2016-17	Management letter	Review of the self-assessment process and progress with action plans.	10	Reduce detailed testing
Public Accountability	Report	This review will assess the Council's response to Audit Scotland's Best Value report identifying public accountability as an area for improvement.	8	Reduce scope of work to high level check on activity
Corporate Governance				
Revised allocation and scope				
Performance Information	Report	This review will assess the Council's response to Audit Scotland's Best Value report identifying performance management as an area for improvement.	8	Reduce scope of work to high level check on activity
Removed from 2017/18 plan				

Audits	Output	Commentary	CRR ref.	Comments on change to plan
Information Governance – (Locality Hubs)	Report	The review will assess the extent of compliance with good information security management practice. The work will include a review of physical security at a sample of the new locality hubs. To be planned for 2018.	6,8	Move this item to 2018/19 plan. Report 46/17 to Council (9 February) gives go-live date for locality hubs in 2018.
Freedom of Information	Report	We will assess the processes to service freedom of information requests and ensure compliance with legislation.	6	Remove from plan. No requirement to audit annually. Information about FOI activity is reported to CMT and there are no particular concerns at present.

Financial Governance				
Retained as originally planned				
Schools' Funds – Governance (primary schools)	Report	Review of processes in place to manage primary schools' funds. Informed by findings of 2016/17 review on secondary school funds governance.	1	

Audits	Output	Commentary	CRR ref.	Comments on change to plan
Revised allocation and scope				
Central Administration Recharging	Report	Review of processes related to the recharging of central administration costs	1,8	The scope will be adjusted, and/or the level of detailed testing reduced, to allow work to be completed in fewer days than originally planned.
Data Analysis – Payroll and Accounts Payable	Report(s)	Data analytics will be used to review the applications' data to identify trends, as well as missing or anomalous transactions.	1,8	The scope will be adjusted, and/or the level of detailed testing reduced, to allow work to be completed in fewer days than originally planned.
Corporate Tendering Process	Report	The review will ensure the administration of the corporate tendering process is compliant with good practice and internal policies.	1	The scope will be adjusted, and/or the level of detailed testing reduced, to allow work to be completed in fewer days than originally planned.

IT Governance				
Revised allocation and scope				
IT User Access Administration	Report	As the administration of user access to IT systems is devolved to local managers a core financial system will be selected for review.	6	The scope will be adjusted, and/or the level of detailed testing reduced, to allow work to be completed in fewer days than originally planned.
Removed from 2017/18 plan				

Audits	Output	Commentary	CRR ref.	Comments on change to plan
Data Sharing	Report	Review of controls and processes in place to ensure the Council is compliant with legislation and achieving best practice when sharing data with 3 rd parties.	6	This can be covered by work on GDPR preparedness so removed from plan
Internal Controls				
Retained as originally planned				
Property Repairs Work Allocation	Report	To review the allocation of work to contractors via the Archimedes system	1,8	
Internal Controls				
New item				
Council oversight of IJB	Report	Review of monitoring framework to ensure all risks are included appropriately.	15	New and developing area with financial and reputational risk for the Council.
Revised allocation and scope				

Audits	Output	Commentary	CRR ref.	Comments on change to plan
Contractual Arrangements	Report	A review of significant supplier spending to review contractual arrangements and delivery of services provided through the contract(s).	1,8	The scope will be adjusted, and/or the level of detailed testing reduced, to allow work to be completed in fewer days than originally planned.
Service Level Agreements	Report	A review of the use of SLAs for the monitoring of services provided to the Council	4	The scope will be adjusted, and/or the level of detailed testing reduced, to allow work to be completed in fewer days than originally planned.
Removed from 2017/18 plan				
Schools' Support Staff Appraisal and Development	Report	The review will focus on Children and Learning support staff as they were not included in the 2016/17 review. The audit will review the implementation of the new process to confirm the effectiveness of the processes.	2	Move to 2018/19 as new corporate appraisal system will be introduced in November 2017

Asset Management				
Revised allocation and scope				

Audits	Output	Commentary	CRR ref.	Comments on change to plan
Stocks (year-end)	Management letter	Annual stock checks	8	The scope will be adjusted, and/or the level of detailed testing reduced, to allow work to be completed in fewer days than originally planned.
Community Asset Transfer Process	Report	The review will consider the impact of the new legislation related to community asset transfer and assess the adequacy of processes established in relation to applications.	8	The scope will be adjusted, and/or the level of detailed testing reduced, to allow work to be completed in fewer days than originally planned.
Fixed Asset Register	Report	We will assess the controls and processes in place over the Council's fixed asset register and progress made in responding to the issues identified in Audit Scotland's Annual Audit Report regarding fixed assets.	1	Reduce scope of work to high level check on activity. External Audit will review this as part of 2017 accounts audit. Re-consider for 2018/19 if this is reported by them again.
Legislative and Other Compliance				
Retained as originally planned				

Audits	Output	Commentary	CRR ref.	Comments on change to plan
LEADER - European Maritime Fisheries Fund (Rural Funding)	Report	Annual review of LEADER programme expenditure.	8	Annual sign off required
Legislative and Other Compliance				
Revised allocation and scope				
Carbon Reduction	Report	Annual review of Carbon Reduction return	1,4,8	The scope will be adjusted, and/or the level of detailed testing reduced, to allow work to be completed in fewer days than originally planned.
Interreg (European Funding)	Report	Review of processes and procedures relevant to payment of claims prior to external assessment (i.e. excl 1 st level controller role).	8	Limit input to review of first claim prior to submission.
Other				
Retained as originally planned				
Follow-up of previous recommendations	Quarterly update	Continuing work to identify progress in implementing agreed audit actions. Maintain quarterly update when new recording system established.	N/A	

Audits	Output	Commentary	CRR ref.	Comments on change to plan
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.	N/A	
Other				
Revised allocation and scope				
PSIAS (Public Sector Internal Audit Standards) Review and Contingency	Annual Report	Annual internal quality assessment and compliance with standards as required	N/A	The scope will be adjusted, and/or the level of detailed testing reduced, to allow work to be completed in fewer days than originally planned.

Consultancy – Advice/Specific				
Retained as originally planned				

Audits	Output	Commentary	CRR ref.	Comments on change to plan
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 determined by requests.	N/A	

Counter Fraud Team				
Retained as originally planned				
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	No change to planned work

2017-18 Outputs to Scrutiny & Audit Committee

14. The table below lists the outputs expected to be presented to the Angus Council Scrutiny & Audit Committee until June 2018.

Committee Meeting	Output
June 2017	<ul style="list-style-type: none"> • Internal Audit Annual Report 2016-17 • Internal Audit Update Report • Counter Fraud Report
August 2017	<ul style="list-style-type: none"> • Internal Audit Update Report
September 2017	<ul style="list-style-type: none"> • Internal Audit Update Report • Approval of Updated Internal Audit Charter
November 2017	<ul style="list-style-type: none"> • Internal Audit Update Report
January 2018	<ul style="list-style-type: none"> • Internal Audit Update Report • Counter Fraud Report
March 2018	<ul style="list-style-type: none"> • Internal Audit Update Report • Internal Audit Annual Plan 2018-19
April 2018	<ul style="list-style-type: none"> • Internal Audit Update Report
June 2018	<ul style="list-style-type: none"> • Internal Audit Annual Report 2017-18 • Internal Audit Update Report • Counter Fraud Report

Appendix 1 – Summary of Corporate Risk Register as at March 2017

Risk No.	Description	Current Risk Score	Risk Appetite
1	Securing Financial Sustainability	12	6
2	Cultural Change	12	9
3	Transforming Angus non-delivery	12	6
4	Performance Management	9	6
6	Workforce fit for the future	10	12
7	Information Governance	12	8
9	Residual Waste Contract	12	9
10	Core Governance	8	8
15	Health and Social Care Integration	12	9
16	Public Protection	10	8
17	Constitutional Change	12	9
18	Legislative change	9	9