

**To: Audit, Scrutiny and Petitions Board**

**On: 20 March 2017**

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**Report by: Chief Auditor**

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**Heading: Annual Internal Audit Plan 2017/2018**

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**1. Summary**

- 1.1 In line with the requirements of the Public Sector Internal Audit Standards, a risk based internal audit plan for 2017/18 has been developed. The audit plan takes into account the outcomes of the internal corporate and service risk identification and evaluation processes, and the current business environment. In addition to undertaking work which will provide assurance on the robustness on key internal controls, the plan seeks to reflect the key priorities and challenges for the council.
- 1.2 A number of methods have been employed to facilitate production of the risk based audit plan for 2017/18:
- Consultation with all Directors and their Senior Management Teams,
  - Senior management from the associate bodies and Audit Scotland;
  - Benchmarking with other Local Authorities;
  - Review of corporate and service risk registers;
  - Cumulative audit knowledge and experience;
  - Review of key external audit and inspection reports.
- 1.3 The following influencing factors have been considered in our assessment of the current business environment and the priority areas of audit:
- Financial stability;
  - Enterprise Resource Planning;
  - Opportunity management;
  - Serious organised crime, insider threat and corporate fraud;

- Delivering key outcomes with strategic partners;
- Raising attainment, and
- Facilities and environmental infrastructure.

- 1.4 The total available resource is 1283 days, the operational audit time available for 2017/18 has been identified as 993 days (77%). The remaining 290 days relates to training, service development, administration and management. Coverage of the plan is achieved through the use of in-house staff and where relevant commissioned from other providers. A copy of the plan is attached at Appendix 1.
- 1.5 Operational and non-operational time has been calculated in accordance with CIPFA benchmarking criteria. Non-operational time includes provision for training, performance management and service development. In addition to the internal audit assurance function the Chief Auditor has managerial responsibility for risk management, insurance and corporate counter fraud which are excluded from the calculation of available operational audit resources.
- 1.6 Delivery of the risk based annual audit plan supports effective member scrutiny of the council's internal financial and other control mechanisms.

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## 2. **Recommendations**

- 2.1 Members are asked to approve the content of the risk based audit plan for 2017/18.
- 2.2 Members are asked to note that the progress of the 2017/18 annual audit plan and summaries of the findings from each audit assignment will be reported to the Board on a quarterly basis.

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## **Implications of the Report**

1. **Financial** - None
2. **HR & Organisational Development** - None
3. **Community Planning – Safer and Stronger** - effective internal audit is an important element of good corporate governance.
4. **Legal** - None
5. **Property/Assets** - None

6. **Information Technology** - None
7. **Equality & Human Rights** - None
8. **Health & Safety** – None
9. **Procurement** - None
10. **Risk** - The subject matter of this report is the risk based Audit Plan for 2017 – 2018.
11. **Privacy Impact** – None

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**Renfrewshire**  
Council



# **Annual Internal Audit Plan 2017/18**



## **Finance & Resources Internal Audit**

Date	March 2017	



# Renfrewshire Council

## Annual Internal Audit Plan 2017/18

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# Audit Plan Overview

## 1. Introduction

- 1.1 In line with the requirements of the Public Sector Internal Audit Standards, a risk based internal audit plan for 2017/18 has been developed. In formulating the audit plan a risk assessment has been undertaken giving consideration to the following sources of information:

Risk assessment	(1) Risk assessment and prioritisation of all auditable activities (audit universe).
	(2) Corporate Risk Register.
	(3) Service Risk Registers.
Consultation	(4) The Chief Auditor has met with each member of the CMT and their senior management teams to ascertain any changes to operational practice and national policy and to determine their priorities and risks.
	(5) Senior Management from the associate bodies and Renfrewshire Leisure have been consulted to ascertain their priorities and risks.
	(6) The Chief Executive has been consulted on what she sees as the council's priority and risk areas for the forthcoming year.
	(7) Feedback from, and the expectations of, the Audit, Scrutiny and Petitions Board are identified through the regular meetings with the members of the board.
	(8) The Chief Auditor has met with Audit Scotland to ascertain where assurance on key internal controls is required.
Benchmarking	(9) Other Local Authority internal audit plans.
	(10) Discussion with other Chief Auditors through the Scottish Local Authority Chief Auditors Group.
Review of key internal reports	(11) A Better Future, A Better Council – Council's plan
	(12) The results of internal audit work in 2016/17 and in previous years.
Review of key external reports	(13) Audit Scotland: Renfrewshire Council - Report to Members and the Controller of Audit on the 2015/16 Audit.
	(14) Audit Scotland: Best Value reports issued during 2016/17.
	(15) Accounts Commission: Local Government in Scotland – Financial Overview 2015/16.

- 1.2 On the basis of the above, the audit engagements planned for 2017/18 is set out in Appendix 1 and shows the planned engagements in the following categories of audit activity:

- Assurance,
- Governance,
- Contingency,
- Planning and Reporting

- 1.3 It is the responsibility of management to ensure that they have good governance, risk management and internal control arrangements over the functions they are responsible for. It is internal audit's role to provide an independent, objective assurance and consulting activity. The scope of the internal audit plan encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes; as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. Delivery of the internal audit plan supports the requirement for the

Chief Auditor to provide an annual opinion which is used to inform the annual governance statement.

- 1.4 The Chief Auditor shares information and coordinates activities with other internal and external providers of assurance and consulting services, as appropriate, to ensure proper coverage and minimise duplication of effort. Internal audit may place reliance on the work of other providers of assurance and the ability to do so will be considered during each audit engagement.
- 1.5 The plan also includes provision for managing and developing the internal audit activity including audit planning, reporting, periodic quality assessments and for following up on previous recommendations and reactive investigative work. The plan includes contingency time to allow for completion of work carried forward from 2016/17 and provides for consultancy engagements to be undertaken where these can improve the council's operations, add value and improve the management of risks. Contingency time also provides for sufficient flexibility to accommodate changing risks and priorities during the course of the year. More detail on each of these elements is set out in sections 4 to 7 of this plan.

## **2. The current business environment and key risk areas**

- 2.1 To ensure that the audit activity supports the achievement of the council's objectives, the audit plan, detailed in Appendix 1, has been aligned with the themes contained in the council plan and the community plan.
- 2.2 There are a number of significant risks, arising from the external and internal environment, which could impact on the council's ability to achieve its objectives. The most significant risks and the risk control measures to manage these risks, have been identified through the council's corporate risk management process. The key corporate risks taken into account in formulating this audit plan are detailed below:

### **(1) Financial stability**

The council is continuing to face significant financial pressures. Consequently the financial sustainability risk remains very high and continues to be subject to significant and regular scrutiny. The council is developing a range of projects for the next phase of the better council change program to deliver transformational change to service delivery and savings:

- a review of programme management arrangements, focusing on the pace and effectiveness of the change programme;
- a review of workforce planning arrangements;
- a review of the arrangements for client charging and payments
- contingency time to participate in internal project work which supports the better council change programme, as required.

### **(2) Enterprise Resource Planning**

The council is planning to implement an Enterprise Resource Planning (ERP) product which will change a number of key financial processes. The 2017/18 audit plan includes:

- provision of consultancy support in relation to process redesign during the implementation stage;
- sufficient time to review key financial controls in order to provide an opinion on the financial internal control environment in place for those systems included within the roll out of ERP.

### (3) Opportunity Management

The council is investing in a number of high profile regeneration programmes/projects including City Deal and the development of the 2021 City of Culture bid as a means of supporting business growth and the creation of jobs. There can be significant reputational and financial risks involved in major investment projects. The 2017/18 audit plan supports this agenda by including:

- a review of contract management arrangements;
- reviews of compliance with external funding grant conditions;
- working with the appointed internal auditors for City Deal.

### (4) Serious Organised Crime, Insider Threat and Corporate Fraud

The council has over the last year strengthened its resilience to the threats posed by serious and organised crime, corruption and fraud. The 2017/18 audit plan includes time for:

- participation in the council's integrity group;
- co-ordination of the National Fraud Initiative;
- revision of counter fraud and corruption policies and procedures.

### (5) Delivering Key Outcomes with Strategic Partners

The council is engaged with Strategic Partners in the delivery of key services and outcomes. The partnerships must work together effectively otherwise there will be a risk in relation to performance and reputation around the ability to effectively deliver strategic plans, community and financial outcomes and partnership aims and objectives. The 2017/18 audit plan includes:

- 35 days of audit resource for the Internal Audit function of the Integration Joint Board (Appendix 3)
- a post implementation review of the health and social care integration arrangements.

### (6) Raising Attainment

It is a strategic priority of the council to improving attainment for all young people and close the attainment gap. Targeted funding is available to focus and accelerate targeted improvement activity in literacy, numeracy and health and wellbeing. The 2017/18 audit plan includes:

- a review of the deployment, accountability and responsibility for targeted funds.

### (7) Facilities and Environmental Infrastructure

The council has a duty to ensure its assets are safe and fit for purposes for employees and service users. The 2017/18 audit plan includes:

- a review of housing statutory compliance arrangements.

## 3. Allocation of Resources

- 3.1 In addition to the internal audit assurance function the Chief Auditor has managerial responsibility for risk management, insurance and counter fraud investigations which are excluded from the calculation of available operational audit resources.
- 3.2 Operational and non-operational time has been calculated in accordance with CIPFA benchmarking criteria. The calculation of operational staff time has been based on 6.25 full time equivalent employees. Non-operational time includes provision for training, performance management and service development.
- 3.3 Resources from any unfilled elements of posts and other available audit resource will be used flexibly to ensure that the audit plan commitments are met, through the engagement of

temporary staff and other audit service providers where appropriate. Where engagements are undertaken by the other audit service providers, these can provide an opportunity for benchmarking and training and development. Sufficient resources are available to engage specialist contractors where necessary to address the additional risks faced by the council.

- 3.4 The total available resource is 1283 days; the operational audit time available for 2017/18 has been identified as 993 days (77%). The remaining 290 (23%) days relates to training, service development, administration and management.
- 3.5 The following paragraphs provide an overview of how audit time has been allocated to audit categories. A summary of the operational time by audit category is detailed in table 1 below. The analysis of non-operational audit activity is detailed in the table 2 below. The planned operational/non-operational time for 2016/17 is given for comparative purposes.

Category of audit	2016/17		2017/18	
	Planned Days	% of Operational Time	Planned Days	% of Operational Time
GOVERNANCE	283	24%	113	11%
ASSURANCE	457	39%	431	44%
CONTINGENCY <sup>note 1</sup>	309	27%	337	34%
AUDIT PLANNING / REPORTING	111	10%	112	11%
<b>TOTAL OPERATIONAL TIME</b>	<b>1160</b>	<b>100%</b>	<b>993</b>	<b>100%</b>

**Table 1**

**Notes**

1. This category includes time for the finalisation of the previous year's audits, corporate exercises, investigations, significant project consultancy activities and emerging priorities.

Activity	2016/17		2017/18	
	Planned Days	% of Non - operational Time	Planned Days	% of Non - operational Time
TRAINING	115	33%	95	33%
STRATEGIC MANAGEMENT	29	8%	28	10%
TEAM ADMINISTRATION	112	32%	97	33%
DEVELOPMENT <sup>note 1</sup>	93	27%	70	24%
<b>TOTAL NON-OPERATIONAL TIME</b>	<b>349</b>	<b>100%</b>	<b>290</b>	<b>100%</b>

**Table 2**

**Notes**

1. This category includes time allocated to development activities to support the implementation of the upgrade to the audit management system and the external peer review process.

#### **4. Governance (11% of operational time)**

- 4.1 Internal Audit must evaluate the risk exposures relating to the council's and associate bodies governance arrangements including the arrangements for the prevention and detection of fraud and corruption. The engagements within this category form the basis for the Chief Auditor's annual audit opinions and support the annual governance statements.
- 4.2 The results of the risk assessment are detailed at Appendix 1, Part A in respect of the current year, with a total of 113 days being allocated to these engagements for 2017/18.

## **5. Assurance (44% of operational time)**

- 5.1 A risk based assessment has been undertaken of all auditable areas taking into account the risk management framework and the expectation of senior management and the Audit, Scrutiny and Petitions Board. The engagements within this category also form the basis for the Chief Auditor's annual opinions and support the annual governance statements. Time is also allocated to following up on the implementation of prior year audit recommendations.
- 5.2 The results of the risk assessment are detailed at Appendix 1, Part B in respect of the current year, with a total of 431 days being allocated to these engagements for 2017/18.

## **6. Contingency (34% of operational time)**

- 6.1 This category includes time allocations for finalisation of the 2016/17 audit plan, undertaking reactive investigations of theft, fraud or other malpractice and provides for post-report work which includes attending disciplinary or appeal hearings, employment tribunals and court, as required.
- 6.2 The council is also undergoing a significant period of change and although these changes represent significant priorities and risks for the council, the arrangements may not be sufficiently well established to be suitable for evidence based audit reviews. In recognition of this, the 2017/18 audit plan includes provision for the on-going and anticipated involvement in significant project consultancy activities, including the better council change programme, implementation of the Enterprise Resource Planning product, City Deal and counter corruption risk assessments, as well as smaller scale internal control reassessment by services.
- 6.3 The allocation of time for this category is an estimate based on prior experience and available resources. However this will be monitored during the course of the year to ensure that internal audit continue to be in a position to respond to other priority areas which emerge during the course of the year, and, if necessary, revise the audit plan accordingly. Appendix 1, Part C details the indicative time of 337 days allocated across the contingency heading.

## **7. Audit Planning / Reporting (11% of operational time)**

- 7.1 This category includes annual planning activity and reporting arrangements to the Audit Panel and the Audit, Scrutiny and Petitions Board, the Integration Joint Board Audit Committee and the Boards of the other bodies we provide internal audit services to under a service level agreement. Appendix 1, Part D details the time of 112 days allocated to planning and reporting activities.

## **8. Analysis of Plan by Service**

- 8.1 Appendix 2 shows the amount of operational audit time allocated to individual services in 2017/18 and compares it to the planned days for 2016/17.
- 8.2 The planned days allocated to all services relates to work which is cross-cutting rather than service specific as well as time which is allocated out to services as the year progresses, such as contingency and investigations.
- 8.3 The high level of coverage in Finance and Resources compared to other services continues to reflect the expected reliance placed on transactional finance processes by Audit Scotland and that the majority of the ICT audits are focused on the ICT service.

## 9. Conclusion

- 9.1 The annual internal audit plan for 2017/18, based on the strategic risk assessment reflects the current priorities and challenges for the council, and demonstrates that the internal audit service continues to deliver added value while continuing to improve the service in line with best practice.
- 9.2 The allocation of internal audit resources are sufficient to allow for flexibility to deal with emerging priorities and provide adequate coverage of governance, risk management and internal control to inform the annual assurance statement.
- 9.3 The plan may be subject to amendment during the course of the year due to the emergence of issues of greater priority, or other unforeseen circumstances. We will report changes to the Audit Panel and the Audit, Scrutiny and Petitions Board.

**Chief Auditor**  
**March 2017**

Internal Audit Annual Plan 2017/18

Entity	Engagement Title	Service	Council Plan Theme <sup>1</sup>	Days Allocated	Strategic & Corp Risk
<b>Part A – Governance</b>					
Corporate Governance	Corporate Governance Framework	Corporate - All Services	C	20	No
Council Reporting	IJB Post Implementation Review	Corporate - All Services	B	20	Yes
Prevention and Detection of Fraud and Corruption	Prevention and Detection of Fraud and Corruption	Corporate - All Services	A	50	Yes
IJB - Governance Arrangements	Integration Scheme Compliance	IJB	N/A	23	N/A
<b>Part B – Assurance</b>					
Charging and Payments	Financial Accounting Arrangements	Adult Services	B	25	Yes
CM - Other Systems	On Line Booking System	Associate Bodies - CMPA	N/A	15	N/A
RVJB		Associate Bodies - RVJB	N/A	20	N/A
SE - Contracts	Contract Management Model - Bravo	Associate Bodies - SE	N/A	20	N/A
Schools Procedures	Education Funding	Children's Services	B	20	Yes
Public Protection	Community Safety	Community Resources	A	25	No
Procurement	Contract Management - Economic Development	Corporate - All Services	C	20	Yes
Procurement - Service Controls	Corporate Purchase Cards	Corporate - All Services	C	25	No
Follow Up	Follow Up	Corporate - All Services	C	40	N/A
Programme Management	Transformation Programme	Corporate - All Services	C	25	Yes
HR Policies and Procedures	Workforce Planning	Corporate - All Services	C	20	Yes
Culture Trust - Other Systems	Leisure - Staffing	Culture Trust	N/A	23	N/A
External Funding Applications	Grants	D&HS	B	15	No
Facilities Management	Housing Statutory Inspections	D&HS & CR	A	20	Yes
Housing Benefit/CTRS	Housing Benefit/CTRS	FAR	B	20	No
ICT	ICT	FAR	C	30	No
				<b>113</b>	
				<b>431</b>	

<sup>1</sup> A: Better Future – Place, B: Better Future – People, C: Better Council

Entity	Engagement Title	Service	Council Plan Theme <sup>1</sup>	Days Allocated	Strategic & Corp Risk
Internal Controls & Compliance	Key Financial Controls	FAR	C	33	Yes
Payroll	Salary Sacrifice Schemes	FAR	C	20	No
Non Domestic Rates	Non Domestic Rates	FAR	C	15	No
<b>Part C – Contingency</b>				<b>337</b>	
Contingency	Contingency	Associate Bodies	N/A	17	N/A
Contingency	Contingency	Corporate - All Services	N/A	110	N/A
Contingency	Corporate Groups	Corporate - All Services	N/A	80	N/A
Contingency	Investigations	Corporate - All Services	N/A	130	N/A
<b>Part D – Planning &amp; Reporting</b>				<b>112</b>	
Planning & Reporting	Planning & Reporting	Associate Bodies	N/A	12	N/A
Planning & Reporting	Planning & Reporting	Corporate - All Services	N/A	100	N/A

<sup>1</sup> A: Better Future – Place, B: Better Future – People, C: Better Council



## Appendix 2

### Analysis by Service

Service	2016/17		2017/18	
	Planned Days	% of Operational Time	Planned Days	% of Operational Time
All Services <sup>note 1</sup>	637	55%	640	64%
Chief Executive's Service	20	2%	0	0%
Finance & Resources	195	17%	118	12%
Children's Services	40	3%	20	2%
Adult Services	20	2%	25	2%
Community Resources	47	4%	25	3%
Development & Housing Services	60	5%	35	4%
<b>COUNCIL TOTAL</b>	<b>1019</b>	<b>88%</b>	<b>863</b>	<b>87%</b>
Scotland Excel	28	3%	23	2%
North Strathclyde Community Justice Authority	3	0%	2	0%
Clyde Muirshiel Park Authority	23	2%	18	2%
GCVSDPA	3	0%	3	0%
Renfrewshire Valuation Joint Board	23	2%	23	2%
Renfrewshire Health & Social Care Integration Joint Board	35	3%	35	4%
Cultural Trust	26	2%	26	3%
<b>TOTAL</b>	<b>1160</b>	<b>100%</b>	<b>993</b>	<b>100%</b>

#### Notes

- 1 Planned time includes Follow up Audit, Performance, Contingency, Planning and Reporting and an element of Cross cutting Assurance and Governance Audits and is allocated against services during the course of the year

## Appendix 3

### Annual Audit Plan 2016/17 – Integration Joint Board

<b>Audit Category</b>	<b>Engagement Title</b>	<b>No. of days</b>	<b>Detailed work</b>
Assurance	Governance	23	<ul style="list-style-type: none"> <li>• Compliance with the Integration Scheme</li> <li>• Conduct a follow up review of previous audit recommendations to ensure they have been implemented</li> </ul>
Planning & Reporting	Annual Plan, Annual Report and Audit Committee reporting & Training	6	The Chief Auditor is required to prepare an annual plan and annual report for the Audit Committee, summarising the work undertaken by Internal Audit during the year and using this to form an opinion on the adequacy of the control environment of the IJB.
Contingency	Ad-hoc advice and Consultancy	6	Any relevant issues raised by NHSGGC and Renfrewshire Council in relation to the operational delivery of services.