
To: Audit, Scrutiny and Petitions Board

On: 30 March 2015

Report by: Chief Auditor

Heading: Annual Internal Audit Plan 2015/2016

1. Summary

- 1.1 In line with the requirements of the Public Sector Internal Audit Standards, a risk based internal audit plan for 2015/16 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 2015/16:
- Consultation with all Directors and their Senior Management Teams, Senior management from the associate bodies, Renfrewshire Leisure Ltd 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;
 - Transformational Change – Better Council Programme
 - Regeneration and Investment
 - Public protection;

- Organisational development and workforce planning;
- Governance and control;
- Communications.

- 1.4 The total available resource is 1609 days, the operational audit time available for 2015/16 has been identified as 1238 days (77%). The remaining 371 days relates to training, service development, administration and management. Coverage of the plan is achieved through the use of in-house staff and the private sector. 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 benefit investigation 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.

2. **Recommendations**

- 2.1 Members are asked to approve the content of the risk based audit plan for 2015/16.
- 2.2 Members are asked to note that the progress of the 2015/16 annual audit plan and summaries of the findings from each audit assignment will be reported to the Board on a quarterly basis.

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**
 - (a) The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety – None**
9. **Procurement - None**
10. **Risk -** The subject matter of this report is the risk based Audit Plan for 2014 – 2015.
11. **Privacy Impact – None**

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Renfrewshire
Council



Annual Internal Audit Plan 2015/16



Finance & Resources Internal Audit

Date	March 2015	



The Government's Standard

Renfrewshire Council

Annual Internal Audit Plan 2015/16

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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 2015/16 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 Limited 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 and the arrangements for review of statutory performance indicators.
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 - Renfrewshire Council's plan for action, 2014-17
	(12) The results of internal audit work in 2014/15 and in previous years.
Review of key external reports	(13) Audit Scotland: Renfrewshire Council - Report to Members and the Controller of Audit on the 2013/14 Audit (September 2014).
	(14) Audit Scotland: Best Value reports issued during 2014/15.

- 1.2 On the basis of the above, the audit engagements planned for 2015/16 is set out in Appendix 1 and shows the planned engagements in the following categories of audit activity:

- Assurance,
- Governance,
- Contingency and,
- 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 2014/15 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

Due to effective financial planning, the council is well placed to address the financial challenges forecast over the shorter term, however there are significant and rising pressures forecast from 2014/15 onwards over the course of the next spending review period. Consequently the risk remains very high and continues to be subject to significant and regular scrutiny. Internal audit will test the risk control measures in place over a number of key financial systems to provide assurance over the financial management arrangements. The 2015/16 audit plan includes:

- reviews of key financial systems, including capital accounting, payroll, council tax and debt management;

(2) Transformational Change – Better Council Programme

The current strategic and transformational change agenda makes for a highly complex and challenging environment. The Better Council change programme has been designed to deliver significant financial savings, which, if not co-ordinated and managed effectively across all aspects of the council's business, could result in benefits not being delivered and impact significantly on future service delivery and the longer term effectiveness of the organisation. Therefore, the 2015/16 audit plan includes:

- a review of the implementation of strategic council decisions, focusing on the arrangements in place to deliver, monitor and track the expected outcomes arising from the better council change programme;
- a review of programme management arrangements, focusing on options appraisal processes;

- contingency time to participate in internal project work which supports the better council change programme, as required.

(3) Regeneration and Investment

Supporting and growing businesses and creating jobs are vital to both the economic and social well-being of Renfrewshire. Getting the right infrastructure and investment in place for the economic development of our towns and villages is vital to promote sustainable growth in our economy. The 2015/16 audit plan includes:

- a review of the arrangements for compliance with the conditions of external funding agreements supporting the delivery of the Heritage Strategy;
- a review of the arrangements for roads maintenance.

(4) Public protection

The Council has a public protection role relating to child and adult protection and offending behaviour. Effective partnership working with key agencies such as the police is critical to ensuring risk to and from individuals is effectively managed. The audit plan for 2015/16 includes:

- a review of community payback orders.

(5) Organisational Development and Workforce Planning

Workforce planning and organisation development are complex activities. Restructuring arising from the better council change programme and other governance and organisational developments will change the shape and size of the organisations workforce. Supporting and developing people through a period of change and innovation is a major priority. A number of Audit Scotland best value reviews have highlighted that workforce planning is underdeveloped in some councils. The 2015/16 audit plan, therefore includes:

- a review of workforce planning arrangements;
- a review of supporting attendance arrangements.

(6) Governance and control

Governance arrangements are important and provide an essential framework for decision-making. Elected members and officers have a role to play promoting a culture of good governance. The council has in place a local code of corporate governance based on the CIPFA/SOLACE framework. The internal audit function needs to deliver assurance over the council's key controls, risk management and corporate governance framework in order to be in a position to provide those charged with governance with the annual assurance statement. The audit plan for 2015/16 suitably reflects these priorities and challenges and specifically includes:

- support for members with the provision of training on good governance, internal control and risk management;
- an examination of a number of the council's key financial controls;
- an annual review of the local code of corporate governance;
- an examination of compliance with elements of the local code of corporate governance.

(7) Communications

Effective information flow, across services and with our employees, provided through well timed communications can result in increased employee commitment, good crisis response management, better service delivery, more engaged consultation, better policy development and improve the organisation's reputation. The 2015/16 audit plan includes:

- a review of internal corporate communication 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 8 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 the private sector where appropriate. Where engagements are undertaken by the private sector 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 as dependency on ICT systems increases.
- 3.4 The total available resource is 1609 days; the operational audit time available for 2015/16 has been identified as 1238 days (77%). The remaining 371 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 2014/15 is given for comparative purposes.

	2014/15		2015/16	
Category of audit	Planned Days	% of Operational Time	Planned Days	% of Operational Time
GOVERNANCE	107	9%	145	12%
ASSURANCE	721	58%	680	55%
CONTINGENCY ^{note 1}	294	24%	306	24%
AUDIT PLANNING / REPORTING	106	9%	107	9%
TOTAL OPERATIONAL TIME	1228	100%	1238	100%

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.

	2014/15		2015/16	
Activity	Planned Days	% of Non - operational Time	Planned Days	% of Non - operational Time
TRAINING	108	27%	103	28%
STRATEGIC MANAGEMENT	50	13%	62	17%
TEAM ADMINISTRATION	127	32%	123	33%
DEVELOPMENT ^{note 1}	109	28%	83	22%
TOTAL NON-OPERATIONAL TIME	394	100%	371	100%

Table 2

Notes

1. This category includes time allocated to development activities to support the implementation of the upgrade to the audit management system.

4. Governance (12% of operational time)

- 4.1 Internal Audit must evaluate the risk exposures relating to the council's 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 opinion and support the annual governance statement.
- 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 145 days being allocated to systems audit for 2015/16.

5. Assurance (55% 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 opinion and support the annual governance statement. 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 680 days being allocated to systems audit for 2015/16.

6. Contingency (24% of operational time)

- 6.1 This category includes time allocations for finalisation of the 2014/15 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 2015/16 audit plan includes provision for the on-going and anticipated involvement in significant project consultancy activities, including the better council change programme, development of the Renfrewshire Leisure Trust, City Deal, welfare reform, tackling poverty, and integrated health and social care, 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 306 days allocated across the contingency heading.

7. Audit Planning / Reporting (9% 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 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 107 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 2015/16 and compares it to the planned days for 2014/15.
- 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 annual areas of reliance agreed with 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 2015/16, 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 2015

Appendix 1

Internal Audit Annual Plan 2015/16

Entity	Engagement Title	Service	Council Plan Theme ¹	Community Plan Theme Ref ²	Days allocated	Corp risk
Part A – Governance						
CJA - Governance Arrangements	Performance management	NSCJA	N/A	N/A	145	
Corporate Policy and Planning	Implementation of strategic council decisions	Corporate - All Services	HPC	7	15	✓
Performance Management Framework	Review of LGBF indications	Corporate - All Services	HPC	7	25	
Information Governance	Freedom of Information	Corporate - All Services	HPC	7	15	
Corporate Governance Framework	Corporate Governance Framework	Corporate - All Services	HPC	7	20	✓
Prevention and detection of fraud and corruption	Prevention and detection of fraud and corruption	Corporate - All Services	BF	4	20	✓
Part B – Assurance						
					680	
Corporate Communications	Corporate Communications	Chief Executive's	BC	5	25	✓
Financial Compliance	Financial Compliance	Corporate	BC	7	15	
Review of internal controls and compliance	Cash income and expenditure - outlying locations	Corporate - All Services	BC	7	20	
Follow up	Follow up	Corporate - All Services	HPC	7	60	
Business Continuity	Schools	Corporate - CS	BF	1	20	✓
Regeneration and Investment	Heritage Asset Strategy	Corporate - D&H	BF	2	25	✓
Supporting Attendance	Supporting Attendance	Corporate - D&H	BC	3	20	✓
External Funding Applications	Leader Programme	Corporate - D&H	BF	2	20	
Roads Operations	Roads Maintenance	CR	BC	2	20	✓
Building Services Operations	Repairs	CR	BF	3	20	
CRSA – Schools	Nurseries	CS	BC	1	20	
Criminal Justice Service	Community Payback Orders	CS	BF	4	20	✓
Renfrewshire Leisure Trust - Other Systems	Museums - Control of artefacts - follow up	Renfrewshire Leisure Trust	N/A	N/A	10	

¹ BF: Better Future, BC: Better Council, HPC: A High Performing Council

² 1: Children and Young People; 2: Jobs and the Economy; 3: Community Care, Health and Wellbeing; 4: Safer and Stronger Renfrewshire; 5: Empowering our Communities; 6: Greener Renfrewshire; 7: Corporate

Entity	Engagement Title	Service	Council Plan Theme ¹	Community Plan Theme Ref ²	Days allocated	Corp risk
Renfrewshire Leisure Trust - Other Systems	Income Collection and Banking	Renfrewshire Leisure Trust	N/A	N/A	20	
Planning Services	Planning and Building control income	D&H	BF	6	20	
Organisational Development & Workforce Planning	Workforce planning	FAR	BC	7	30	✓
Programme management	Option Appraisal	FAR	BC	7	25	✓
Capital Accounting	Capital Accounting	FAR	BF	2	15	✓
ICT Delivery and support	ICT Service Desk	FAR	BC	7	20	
ICT Delivery and support	New Start Deployment of Assets	FAR	BC	7	30	
ICT Acquisition and Implementation	Business Continuity – Cloud Services	FAR	BC	7	20	✓
Insurance Services	Insurance Services	FAR	BC	7	15	
Cash collection and banking	Cash collection and banking	FAR	BC	7	20	
Debt Management	Debt Management	FAR	BC	7	20	✓
Council Tax	Council Tax	FAR	BC	7	20	✓
Non Domestic Rates	Non Domestic Rates	FAR	BC	7	15	
Procurement	Tendering Arrangements	FAR	BC	7	15	
Payroll	Payroll	FAR	BC	7	15	✓
GCVSDPA - Other Systems	Business Continuity Arrangements	GCVSDPA	N/A	N/A	15	
Self Directed Support	Self Directed Support	H&SC	BF	3	15	
HSC – IJB Other Systems	Due Diligence Review	H&SC	BF	3	15	✓
RVJB - Valuation System	Valuation System	RVJB	N/A	N/A	15	
SE - Contract Monitoring	Contract Monitoring	Scot Excel	N/A	N/A	25	
Part C – Contingency					306	
Contingency	Contingency	Associate Bodies	N/A	N/A	14	
Contingency	Contingency	Corporate - All Services	N/A	N/A	117	
Contingency	Corporate Groups	Corporate - All Services	N/A	N/A	75	
Contingency	Investigations	Corporate - All Services	N/A	N/A	100	
Part D – Planning & Reporting					107	
Planning & Reporting	Planning & Reporting	Associate Bodies	N/A	N/A	7	
Planning & Reporting	Planning & Reporting	Corporate - All Services	HPC	7	100	

Appendix 2

Analysis by Service

Service	2014/15		2015/16	
	Planned Days	% of Operational Time	Planned Days	% of Operational Time
All Services ^{note 1}	567	46%	602	49%
Chief Executive's Service	27	2%	25	2%
Finance & Resources	262	21%	275	22%
Childrens Services	N/A	N/A	60	5%
Education & Leisure Services	63	5%	N/A	N/A
Community Resources	67	6%	40	3%
Development & Housing	83	7%	85	7%
Social Work Services	62	5%	N/A	N/A
COUNCIL TOTAL	1131	92%	1087	88%
Scotland Excel	28	2%	28	2.5%
North Strathclyde Criminal Justice Authority	3	0.5%	18	1%
Clyde Muirshiel Park Authority	24	2%	3	0.5%
GCVJSPA	3	0.5%	18	1%
Renfrewshire Valuation Joint Board	13	1%	18	1%
Health & Integrated Social Care Joint Board	N/A	N/A	33	3%
ASSOCIATE BODIES TOTAL	71	6%	118	9%
Renfrewshire Leisure Trust	26	2%	33	3%
TRUST TOTAL	26	2%	33	3%
TOTAL	1228	100%	1238	100%

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