

To: Audit, Risk and Scrutiny Board

On: 19 March 2018

Report by: Chief Auditor

Heading: Annual Internal Audit Plan 2018/2019

1. Summary

- 1.1 In line with the requirements of the Public Sector Internal Audit Standards, a risk based internal audit plan for 2018/19 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 2018/19:
- 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 sustainability;
 - Information Governance;
 - Public Protection;
 - Asset Management, and

- Serious organised crime, insider threat and corporate fraud;

- 1.4 The total available resource is 1330 days, the operational audit time available for 2018/19 has been identified as 1046 days (79%). The remaining 284 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.
- 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 2018/19.
- 2.2 Members are asked to note that the progress of the 2018/19 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
12. **COSLA Implications** - None

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Annual Internal Audit Plan 2018/19



Finance & Resources Internal Audit

Date	March 2018	

Renfrewshire Council
Annual Internal Audit Plan 2018/19

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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 2018/19 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, Risk and Scrutiny 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 2017/18 and in previous years.
Review of key external reports	(13) Audit Scotland: Renfrewshire Council - Report to Members and the Controller of Audit on the 2016/17 Audit.
	(14) Audit Scotland: Best Value Assurance Report – Renfrewshire Council
	(15) Audit Scotland: Best Value reports issued during 2017/18.

- 1.2 On the basis of the above, the audit engagements planned for 2018/19 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 2017/18 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.
- 1.6 The internal audit service is delivered and developed in accordance with its purpose which, as set out in the Internal Audit Charter, to provide assurance by independently reviewing the council's risk management, control and governance processes.

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.
- 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. Subject to the overall flexibility of the Audit Plan, priority will be given to audit engagements which provide assurance in relation to the council's corporate risks. The key corporate risks taken into account in formulating this audit plan are detailed below:

(1) Financial Sustainability

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 has developed a range of projects to deliver transformational change to service delivery and savings. The 2018/19 audit plan includes time for:

- review of the contract management arrangements for home care services;
- sufficient time to review key financial controls in order to provide an opinion on the financial internal control environment in place;
- contingency time to participate in internal project work which supports the better council change programme, as required.

(2) Information Governance

Legislative changes due to come into force during 2018/19 places new duties on the council in relation to the information it holds on individuals. There are significant financial penalties for organisations that do not comply with the new duties. The 2018/19 audit plan includes time for:

- compliance with the General Data Protection Regulations (GDPR);
- information security within Education establishments.

(3) Public Protection

Public protection is a wide-ranging agenda relating to the protection of vulnerable people, communities, businesses and organisations. The council's community safety and public protection role, delivered within an integrated partnership model is critical to ensuring child and adult protection. The 2016/17 audit plan includes:

- a review of the procedures for trading standards;
- a review of the arrangements in place for undertaking employee disclosure checks.

(4) Asset Management

If the council's significant assets are not of the right complement or fit for purpose there is a risk around the safety and effectiveness of council services and efficiency of resources. The council has a duty to ensure its assets are safe and fit for purposes for employees and service users. The 2018/19 audit plan includes:

- roads inspection and monitoring arrangements;
- arrangements for cloud services.

(5) Serious Organised Crime, Insider Threat and Corporate Fraud

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

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

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 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 plus 60 days to be provided from other service providers. The internal audit team is appropriately resourced with 4.25 qualified and 2 non-qualified staff. 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 1330 days; the operational audit time available for 2018/19 has been identified as 1046 days (79%). The remaining 284 (21%) days relates to training, service development, administration and management. Resources are assessed as being sufficient to provide an evidenced based opinion.
- 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 2017/18 is given for comparative purposes.

	2017/18		2018/19	
Category of audit	Planned Days	% of Operational Time	Planned Days	% of Operational Time
GOVERNANCE	113	11%	163	16%
ASSURANCE	431	44%	421	40%
CONTINGENCY ^{note 1}	337	34%	351	33%
AUDIT PLANNING / REPORTING	112	11%	111	11%
TOTAL OPERATIONAL TIME	993	100%	1046	100%

Table 1

Notes

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

	2017/18		2018/19	
Activity	Planned Days	% of Non - operational Time	Planned Days	% of Non - operational Time
TRAINING	95	33%	89	31%
STRATEGIC MANAGEMENT	28	10%	28	10%
TEAM ADMINISTRATION	97	33%	97	34%
DEVELOPMENT ^{note 1}	70	24%	70	25%
TOTAL NON-OPERATIONAL TIME	290	100%	284	100%

Table 2

Notes

1. This category includes time allocated to development activities to support continuous improvement activities.

4. Governance (16% 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 and 2, Part A in respect of the current year, with a total of 163 days being allocated to these engagements for 2018/19.

5. Assurance (40% 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, Risk and Scrutiny Board. The engagements within this category also form the basis for the Chief Auditor's annual opinions and support the annual governance statements. For each engagement internal audit will consider whether there are any available external sources of assurance can be relied upon to deliver the plan. 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 and 2, Part B in respect of the current year, with a total of 421 days being allocated to these engagements for 2018/19.

6. Contingency (33% of operational time)

- 6.1 This category includes time allocations for finalisation of the 2017/18 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 2018/19 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 Business World product, City Deal and counter corruption work in conjunction with the Integrity Group, 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 and 2, Part C details the indicative time of 351 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, Risk and Scrutiny 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 and 2, Part D details the time of 111 days allocated to planning and reporting activities.

8. Analysis of Plan by Service

- 8.1 Appendix 3 shows the amount of operational audit time allocated to individual services in 2018/19 and compares it to the planned days for 2017/18.
- 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 time has been allocated to the ICT service.

9. Conclusion

- 9.1 The annual internal audit plan for 2018/19, 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 is 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. The Chief Auditor will report changes to the Audit Panel and the Audit, Risk and Scrutiny Board.

Chief Auditor
March 2018

Council Internal Audit Annual Plan 2018/19

Entity	Engagement Title	Service	Council Plan Theme ¹	Days Allocated	Strategic & Corp Risk
Part A – Governance				140	
Corporate Governance	Corporate Governance Framework	Corporate - All Services	5	25	No
Prevention and Detection of Fraud and Corruption	Prevention and Detection of Fraud and Corruption	Corporate - All Services	2	45	Yes
Information Governance	GDPR Compliance	Corporate - All Services	5	20	Yes
Corporate Risk Management	Risk Management Arrangements	FAR	5	20	No
Information Governance	Educational Establishments - Information Security	Childrens Services	2	20	Yes
Performance Measurement Framework	City Deal	D&HS	1	10	Yes
Part B – Assurance				360	
Follow Up	Follow Up	Corporate - All Services	5	40	No
Administration of grants	Award of grants	Corporate - All Services	2	20	No
Supporting Attendance - All Services	Absence Management	Corporate - All Services	5	20	No
Disclosure Checks - All Services	Disclosure Checks - Review Arrangements	Corporate - All Services	2	20	Yes
Procurement - Service Controls	Procurement Cards & Stock control	E & C	5	25	No
Trading Standards	Trading Standards procedures	E & C	2	20	Yes
Roads Operations	Roads Inspection & Monitoring	E & C	1	20	Yes
Review of Internal Controls and Compliance	Key Financial Controls	FAR	5	25	Yes
Payroll	Payroll	FAR	5	20	No
ICT Delivery and Support	Cloud Services	FAR	5	20	Yes
Non Domestic Rates	Non Domestic Rates	FAR	5	15	No
Members Payroll and Expenses	Members expenses	FAR	5	20	No

¹ 1: Reshaping our place,our economy and our future, 2: Building strong, safe and resilient Communities, 3:Tackling equality, ensuring opportunities for all, 4:Creating a sustainable Renfrewshire for all to enjoy, 5:Working together to improve outcomes.

Entity	Engagement Title	Service	Council Plan Theme ¹	Days Allocated	Strategic & Corp Risk
Energy Management	Energy Management	FAR	4	20	Yes
ICT Delivery & Support	Corporate System Access	FAR	5	20	Yes
Home care	Contract Management	Adult Services	2	20	Yes
External Funding Arrangements	Leader/SPTE etc	D&HS	1	15	No
Homelessness Service	Homelessness procedures	D&HS	2	20	No
Part C – Contingency				335	
Contingency	Contingency	Corporate - All Services	N/A	140	N/A
Contingency	Corporate Groups	Corporate - All Services	N/A	65	N/A
Contingency	Investigations	Corporate - All Services	N/A	130	N/A
Part D – Planning & Reporting				100	
Planning & Reporting	Planning & Reporting	Corporate - All Services	N/A	100	N/A

Appendix 2

Other Bodies Internal Audit Annual Plan 2018/19

Entity	Engagement Title	Service	Days Allocated
Part A – Governance			23
Corporate Governance	Corporate Governance Framework	IJB	23
Part B – Assurance			61
SE - Contracts	Contract Management Arrangements	Associate Bodies - SE	20
RVJB - Valuation System	RVJB - Valuation System - Non Domestic Rates	Associate Bodies - RVJB	18
RLL - other systems audits	Employee Resourcing	Culture Trust	23
Part C – Contingency			16
Contingency	Contingency	Associate Bodies	16
Part D – Planning & Reporting			11
Planning & Reporting	Planning & Reporting	Associate Bodies	11

Appendix 3

Analysis by Service

Service	2017/18		2018/19	
	Planned Days	% of Operational Time	Planned Days	% of Operational Time
All Services ^{note 1}	640	64%	625	60%
Chief Executive's Service	0	0%	0	0%
Finance & Resources	118	12%	160	15%
Children's Services	20	2%	20	2%
Adult Services	25	2%	20	2%
Environment & Communities	25	3%	65	6%
Development & Housing Services	35	4%	45	4%
COUNCIL TOTAL	863	87%	935	89%
Scotland Excel	23	2%	23	2%
Clyde Muirshiel Park Authority	18	2%	3	0%
GCVJSPA	3	0%	3	0%
Renfrewshire Valuation Joint Board	23	2%	21	2%
Renfrewshire Health & Social Care Integration Joint Board (Appendix 4)	35	4%	35	4%
Cultural Trust	26	3%	26	3%
TOTAL	993	100%	1046	100%

Notes

- 1 Planned time includes Follow up Audit, 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 4

Annual Audit Plan 2018/19 – Integration Joint Board

Audit Category	Engagement Title	No. of days	Detailed work
Assurance	Governance	23	<ul style="list-style-type: none">• Governance Arrangements• Review of adequacy and compliance with the Local Code of Corporate Governance
Planning & Reporting	Annual Plan, Annual Report and Audit Committee reporting & Training	6	The Chief Internal 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.