



To: Audit, Scrutiny and Petitions Board

On: 21 March 2016

Report by: Chief Auditor

Heading: Annual Internal Audit Plan 2016/2017

1. Summary

- 1.1 In line with the requirements of the Public Sector Internal Audit Standards, a risk based internal audit plan for 2016/17 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 2016/17:
- 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;
 - Tackling Poverty

- Community safety and public protection;
- Serious organised crime, insider threat and corporate fraud;
- Delivering key outcomes with strategic partners.

- 1.4 The total available resource is 1509 days, the operational audit time available for 2015/16 has been identified as 1160 days (77%). The remaining 349 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.

2. **Recommendations**

- 2.1 Members are asked to approve the content of the risk based audit plan for 2016/17.
- 2.2 Members are asked to note that the progress of the 2016/17 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 2016/17



Finance & Resources Internal Audit

Date	March 2016	

CUSTOMER
SERVICE
EXCELLENCE



Renfrewshire Council

Annual Internal Audit Plan 2016/17

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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 2016/17 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 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 – revised Council's plan, 2016-17
	(12) The results of internal audit work in 2015/16 and in previous years.
Review of key external reports	(13) Audit Scotland: Renfrewshire Council - Report to Members and the Controller of Audit on the 2014/15 Audit (September 2015).
	(14) Audit Scotland: Best Value reports issued during 2015/16.
	(15) Accounts Commission: Local Government Overview 2014/15.

- 1.2 On the basis of the above, the audit engagements planned for 2016/17 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 2015/16 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 facing increasingly difficult financial pressures. Consequently the financial sustainability risk remains very high and continues to be subject to significant and regular scrutiny. The council is seeking new ways of providing services and some key enablers are the better council change program and the development of the revised ICT operating model. The 2016/17 audit plan includes:

- a review of programme management arrangements, focusing on options appraisal processes;
- a review of the revised ICT operating model;
- a review of rental income;
- 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 2016/17 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 2016/17 audit plan supports this agenda by including:

- a review of co-ordination and oversight arrangements for external funding applications;
- reviews of compliance with external funding grant conditions;
- working with the appointed internal auditors for City Deal.

(4) Tackling Poverty

The Tackling Poverty Commission published its recommendations in March 2015. The council has committed to a number of short and longer term initiatives aimed at breaking the cycle of poverty in Renfrewshire. In 2016/17, internal audit will continue to work with services to ensure that these initiatives are subject to suitable and proportionate internal controls to protect the council's resources without putting barriers on accessibility.

(5) Community Safety and Public Protection

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 arrangements for adults with incapacity;
- a review of the civil contingencies unit;
- a review of the arrangements for trading standards.

(6) 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 2016/17 audit plan includes time for:

- participation in the council's integrity group;
- a review of recruitment vetting arrangements;
- revision of counter fraud and corruption policies and procedures.

(7) 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 2016/17 audit plan includes:

- a review of the governance and reporting arrangements for arms length external organisations.

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 6.9 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.
- 3.4 The total available resource is 1509 days; the operational audit time available for 2016/17 has been identified as 1160 days (77%). The remaining 349 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 2015/16 is given for comparative purposes.

Category of audit	2015/16		2016/17	
	Planned Days	% of Operational Time	Planned Days	% of Operational Time
GOVERNANCE	145	12%	283	24%
ASSURANCE	680	55%	457	39%
CONTINGENCY ^{note 1}	306	24%	309	27%
AUDIT PLANNING / REPORTING	107	9%	111	10%
TOTAL OPERATIONAL TIME	1238	100%	1160	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.

Activity	2015/16		2016/17	
	Planned Days	% of Non - operational Time	Planned Days	% of Non - operational Time
TRAINING	103	28%	115	33%
STRATEGIC MANAGEMENT	62	17%	29	8%
TEAM ADMINISTRATION	123	33%	112	32%
DEVELOPMENT ^{note 1}	83	22%	93	27%
TOTAL NON-OPERATIONAL TIME	371	100%	349	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 and the external peer review process.

4. Governance (24% 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 283 days being allocated to these engagements for 2016/17. The high proportion of days allocated to this category reflects the requests by associate bodies to provide independent assurance over their governance arrangements rather than

focusing on operational internal control arrangements, consequently the assurance category detailed below has been reduced to reflect this focus.

5. Assurance (39% 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 457 days being allocated to these engagements for 2016/17.

6. Contingency (27% of operational time)

- 6.1 This category includes time allocations for finalisation of the 2015/16 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 2016/17 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, the tackling poverty agenda and continued development of 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 309 days allocated across the contingency heading.

7. Audit Planning / Reporting (10% 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 111 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 2016/17 and compares it to the planned days for 2015/16.
- 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 2016/17, 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 2016

Appendix 1

Internal Audit Annual Plan 2016/17

Entity	Engagement Title	Service	Council Plan Theme ¹	Community Plan Theme Ref ²	Days allocated	Corp risk
Part A – Governance						
SE- Governance Arrangements	Governance Arrangements	Scotland Excel	N/A	N/A	283	
CMPA- Governance Arrangements	Governance Arrangements	Clyde Muirshiel	N/A	N/A	25	N/A
IJB – Governance Arrangements	Strategic/Financial Plan	HSCP - IJB	N/A	N/A	20	N/A
RVJB – Other Systems	Records Management	RVJB	N/A	N/A	25	N/A
CRSA - Schools	School Fund Procedures	Children's Services	N/A	N/A	20	N/A
Performance Management Framework	Review of LGBF indicators	Corporate - All Services	C	1	20	No
Information Governance	Records Management	Finance & Resources	C	7	15	No
Corporate Governance Framework	Corporate Governance Framework	Corporate - All Services	A	7	20	Yes
			C	7	20	No
Council Reporting	Governance of ALEO's	Corporate - All Services				
Prevention and Detection of Fraud and Corruption	Prevention and detection of fraud and corruption	Corporate - All Services	A	7	25	Yes
Culture Trust - Governance	Governance Arrangements	Culture Trust	A	4	50	Yes
Policies and Procedures	Human Resources – Recruitment vetting procedures	Finance & Resources	N/A	N/A	18	N/A
			A	4	25	Yes
Part B – Assurance						
					457	
Public Protection	Adults with Incapacity	Adult Services`				
Procurement	Tendering Arrangements	Chief Executives	A	3	20	Yes
Schools Procedures	Examination and Assessment Procedures	Children's Services	C	7	20	No
			B	1	20	No
Follow up	Follow up	Corporate - All Services				
Contract Audit	Contract Monitoring Arrangements	Corporate - All Services	C	7	50	No
			C	7	20	Yes
External Funding Applications	External Funding Applications	Corporate - All Services	A	2	20	Yes

¹ A: Better Future – Place, B: Better Future – People, C: Better 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
Programme Management	Options appraisal	Corporate - All Services	A	7	20	Yes
Civil Contingencies Unit	Business Continuity	Corporate - All Services	A	4	25	Yes
Trading Standards	Trading Standards	Community Resources	A	4	20	Yes
Catering Income	Catering Checks	Community Resources	C	7	7	No
Culture Trust – Other Systems	Spa – Stock Control	Culture Trust	N/A	N/A	5	N/A
Rental Income	Rental Income	Development & Housing	C	7	20	Yes
Economic Development	Grants	Development & Housing	B	2	20	No
External Funding Applications	Leader Programme	Development & Housing	B	2	20	No
Facilities Management	Statutory Compliance Procedures	Community Resources	A	4	20	Yes
Review of Internal Controls & Compliance	Finance Systems – Key Controls	Finance & Resources	C	7	20	No
Charging & Payments	Charging & Payments for Adult Services	F&R/Adult Services	C	7	25	No
Payroll	Pension Auto Enrolment	Finance & Resources	C	7	20	No
Energy Management	Carbon Management	Finance & Resources	A	6	20	Yes
Health & Safety	Health & Safety Arrangements	Finance & Resources	C	7	20	Yes
ICT Development	ICT Operating Model	Finance & Resources	C	7	25	Yes
Housing Benefit & Council Tax Reduction	Housing Benefit & Council Tax Reduction	Finance & Resources	C	7	20	No
Part C – Contingency					309	
Contingency	Contingency	Associate Bodies	N/A	N/A	17	N/A
Contingency	Contingency	Corporate - All Services	N/A	N/A	117	N/A
Contingency	Corporate Groups	Corporate - All Services	N/A	N/A	75	N/A
Contingency	Investigations	Corporate - All Services	N/A	N/A	100	N/A
Part D – Planning & Reporting					111	
Planning & Reporting	Planning & Reporting	Associate Bodies	N/A	N/A	11	N/A
Planning & Reporting	Planning & Reporting	Corporate - All Services	N/A	N/A	100	N/A

Appendix 2

Analysis by Service

Service	2015/16		2016/17	
	Planned Days	% of Operational Time	Planned Days	% of Operational Time
All Services ^{note 1}	602	49%	637	55%
Chief Executive's Service	25	2%	20	2%
Finance & Resources	275	22%	195	17%
Children's Services	60	5%	40	3%
Adult Services	N/A	N/A	20	2%
Community Resources	40	3%	47	4%
Development & Housing	85	7%	60	5%
COUNCIL TOTAL	1087	88%	1019	88%
Scotland Excel	28	2.5%	28	3%
North Strathclyde Criminal Justice Authority	18	1%	3	0%
Clyde Muirshiel Park Authority	3	0.5%	23	2%
GCVJSPA	18	1%	3	0%
Renfrewshire Valuation Joint Board	18	1%	23	2%
Health & Social Care Integrated Joint Board	33	3%	35	3%
Cultural Trust	33	3%	26	2%
TOTAL	1238	100%	1160	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