

To: Audit, Risk and Scrutiny Board

On: 18 March 2019

Report by: Chief Auditor

Heading: Annual Internal Audit Plan 2019/2020

1. Summary

1.1 In line with the requirements of the Public Sector Internal Audit Standards, a risk based internal audit plan for 2019/20 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 2019/20:

- 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:

- Brexit
- Financial sustainability;
- Information Governance;
- Public Protection;

- Serious organised crime, cyber crime and corporate fraud;
- Community Empowerment; and
- Cultural Regeneration.

- 1.4 The total available resource is 1258 days, the operational audit time available for 2019/20 has been identified as 991 days (79%). The remaining 267 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.

2. Recommendations

- 2.1 Members are asked to approve the content of the risk based audit plan for 2019/20.
- 2.2 Members are asked to note that the progress of the 2019/20 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** - 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

Author: Andrea McMahon – 01416187017



Renfrewshire
Council



Annual Internal Audit Plan 2019/20



Finance & Resources Internal Audit

Date	March 2019	

Renfrewshire Council

Annual Internal Audit Plan 2019/20

Index

	Page
Audit Plan Overview	1 - 9
 Supporting Appendices	
1 Annual Council Internal Audit Plan 2019/20	10 – 11
2 Annual Other Bodies Internal Audit Plan 2019/20	12
3 Analysis of plan by service	13
4 Annual Audit Plan 2019/20 – Integration Joint Board	14

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 2019/20 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) Strategic and 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 their approach to the statutory audit where assurance on key internal controls could be provided to avoid any duplication of effort.
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 2018/19 and in previous years.
Review of key external reports	(13) Audit Scotland: Renfrewshire Council - Report to Members and the Controller of Audit on the 2017/18 Audit.
	(14) Audit Scotland: Best Value Assurance Report – Renfrewshire Council
	(15) Audit Scotland: Best Value reports issued during 2018/19.

1.2 On the basis of the above, the audit engagements planned for 2019/20 are set out in Appendix 1, 2 and 4, detailing the planned engagements for the Council, Associate Bodies and the Integration Joint Board 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 2018/19 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) Brexit

The council needs to corporately and effectively prepare for Brexit and specifically a no deal Brexit, working alongside key partners, otherwise there is a risk of disruption to service provision, an increase in workforce and financial pressures and difficulty in responding effectively to impacts on the public. Given the current uncertainty on the impact of Brexit in relation to the council's internal procedures, no specific audit engagements have been identified, although the audit plan remains sufficiently flexible and will be kept under review to incorporate any new or amended statutory duties or significant risk exposures.

(2) 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 2019/20 audit plan includes time for:

- review of key financial systems which have moved over to the Business World environment, specifically the general ledger and payroll;
- review of the recently introduced online payments systems; and
- review of the quick quote procurement processes;
- contingency time to participate in internal project work which supports the better council change programme, as required.

(3) 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 2019/20 audit plan includes time for:

- compliance with payment card industry standards;
- information security within adult social care establishments.

(4) Public Protection

Public protection is a wide-ranging agenda relating to the protection of vulnerable people, communities, businesses and organisations. The 2019/20 audit plan includes:

- a review of the arrangements in place for undertaking employee disclosure checks.

(5) Serious Organised Crime, Cyber Security and Counter Fraud

The council needs to protect its business resources from the threats posed by serious and organised crime, corruption and fraud. Cyber threats have increased over the past decade and continue to rise and as a Government agency, the public sector is specifically targeted by cyber criminals. Should cyber security attacks target the council internet, IT network or data communications there is a risk of loss of control, integrity or availability of IT resources; loss of confidential data and information assets; and a failure in compliance obligations. The 2019/20 audit plan includes time for:

- review of the cyber security arrangements;
- participation in the council's integrity group;
- co-ordination of the National Fraud Initiative.

(6) Community Empowerment

Legislative changes arising from the Community Empowerment (Scotland) Act 2015, places a wide range of requirements on local authorities. The Act is intended to empower community bodies through the ownership or control of land or buildings and by strengthening the voice of communities in the planning and delivery of public services. The 2019/20 audit plan includes time for:

- review of the governance arrangements for aspects of the legislative requirements for community empowerment;
- review of the arrangements for grant administration.

(7) Cultural Regeneration

The Council has ambitious plans to develop Renfrewshire's cultural assets and investment in securing the cultural legacy with an enhanced events and marketing programme to support regeneration across the area. The 2019/20 audit plan includes time for:

- selected reviews of contract management and monitoring arrangements;
- a review of the governance arrangements for events management.

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 full time equivalent employees plus 60 days to be provided from other service providers. The internal audit team is appropriately resourced with 4 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 any specific risks faced by the council.
- 3.4 The total available resource is 1258 days; the operational audit time available for 2019/20 has been identified as 991 days (79%). The remaining 267 (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 2018/19 is given for comparative purposes.

Category of audit	2018/19		2019/20	
	Planned Days	% of Operational Time	Planned Days	% of Operational Time
GOVERNANCE	163	16%	128	13%
ASSURANCE	421	40%	399	40%
CONTINGENCY ^{note 1}	351	33%	345	35%
AUDIT PLANNING / REPORTING	111	11%	119	12%
TOTAL OPERATIONAL TIME	1046	100%	991	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.

Activity	2018/19		2019/20	
	Planned Days	% of Non - operational Time	Planned Days	% of Non - operational Time
TRAINING	89	31%	74	28%
STRATEGIC MANAGEMENT	28	10%	30	11%
TEAM ADMINISTRATION	97	34%	94	35%
DEVELOPMENT ^{note 1}	70	25%	69	26%
TOTAL NON-OPERATIONAL TIME	284	100%	267	100%

Table 2

Notes

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

4. Governance (13% 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 128 days being allocated to these engagements for 2019/20.

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 399 days being allocated to these engagements for 2019/20.

6. Contingency (35% of operational time)

- 6.1 This category includes time allocations for finalisation of the 2018/19 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 2019/20 audit plan includes provision for the on-going and anticipated involvement in significant project consultancy activities, including implementation of the Business World product, participation in corporate groups, 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 345 days allocated across the contingency heading.

7. Audit Planning / Reporting 12% of operational time)

- 7.1 This category includes annual planning activity and reporting arrangements to the Corporate Management Team 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 119 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 2019/20 and compares it to the planned days for 2018/19.

- 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.

9. Conclusion

- 9.1 The annual internal audit plan for 2019/20, 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 CMT and the Audit, Risk and Scrutiny Board.

Chief Auditor
March 2019

Council Internal Audit Annual Plan 2019/20

Entity	Engagement Title	Service	Council Plan Theme ¹	Days Allocated	Strategic & Corp Risk
Part A – Governance				123	
Corporate Governance	Corporate Governance Framework	Corporate - All Services	5	23	No
Legislation Management	Community Empowerment – Community Asset Transfers	Corporate - All Services	2	20	Yes
Administration of Grants	Governance Arrangements	Corporate - All Services	5	20	Yes
Disclosure Checks - All Services	Disclosure Checks - Review Arrangements	Corporate - All Services	2	20	Yes
ICT Monitoring	Payment Card Industry Standards	FAR	5	20	Yes
Information Governance	Information Security	Adult Services	5	20	Yes
Part B – Assurance				320	
Follow Up	Follow Up	Corporate - All Services	5	40	No
Supporting Attendance - All Services	Supporting Attendance	Corporate - All Services	5	15	No
Contract Audit	Contract Management	Corporate - All Services	1	20	Yes
Procurement – Service Controls	Quick Quote Processes	Corporate - All Services	5	20	Yes
External Funding Arrangements	Leader	CE	1	15	No
Marketing	Events Management	CE	1	20	Yes
Roads Operations	Compliance Processes	E & I	1	20	No
School Meals income Monitoring	On Line Payments (Catering)	E & I	5	20	Yes
School Procedures	On Line Payments (School Funds)	Children's Services & FAR	3	20	Yes
Fostering, Adoption, Community Parents & Link Carers	Payments	Children's Services	2	20	No
General Ledger	General Ledger Processes	FAR	5	20	Yes
Payroll	Payroll	FAR	5	20	No
Registration System	Registration System	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
ICT Planning & Organisation	Cyber Security	FAR	2	20	Yes
Non Domestic Rates	Non Domestic Rates	FAR	5	15	No
Community Learning Service	Community Learning Service	CHAPS	3	15	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

Other Bodies Internal Audit Annual Plan 2018/19

Entity	Engagement Title	Service	Days Allocated
Part A – Governance			5
Corporate Governance	Corporate Governance Framework	IJB	5
Part B – Assurance			79
Integration Joint Board – Other Systems	Integration of Services	IJB	18
SE - Contracts	Contract Strategy Arrangements	Associate Bodies - SE	20
RVJB – Budgetary Control	RVJB – Budget Monitoring Arrangements	Associate Bodies - RVJB	18
RLL - Establishments	Cash Collection & Banking Arrangements	RLL	23
Part C – Contingency			10
Contingency	Contingency	Associate Bodies	10
Part D – Planning & Reporting			19
Planning & Reporting	Planning & Reporting	Associate Bodies	19

Appendix 3

Analysis by Service

Service	2018/19		2019/20	
	Planned Days	% of Operational Time	Planned Days	% of Operational Time
All Services ^{note 1}	625	60%	613	62%
Chief Executive's Service	0	0%	35	4%
Finance & Resources	160	15%	115	12%
Children's Services	20	2%	40	4%
Adult Services	20	2%	20	2%
Environment & Infrastructure	65	6%	40	4%
Community, Housing & Planning	45	4%	15	2%
COUNCIL TOTAL	935	89%	878	89%
Scotland Excel	23	2%	24	2%
Clyde Muirshiel Park Authority	3	0%	3	0%
Clydeplan	3	0%	3	0%
Renfrewshire Valuation Joint Board	21	2%	22	2%
Renfrewshire Health & Social Care Integration Joint Board (Appendix 4)	35	4%	35	4%
Renfrewshire Leisure Limited	26	3%	26	3%
TOTAL	1046	100%	991	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 2019/20 – Integration Joint Board

Audit Category	Engagement Title	No. of days	Detailed work
Assurance	Integration of Services	18	The purpose of the audit was to review the arrangements in place for the integration of specific services and provide assurances on the actions taken and on the model used to enable lessons learned to be taken account of.
Governance	Local Code of Corporate Governance	5	Annual review of the adequacy and compliance with the Local Code of Corporate Governance to inform the governance statement.
Planning & Reporting	Annual Plan, Annual Report and Audit Committee reporting & Training	7	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	5	Time for advice and consultancy on relevant priorities and risks or change related projects.