

## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	26 February 2015
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit Plan 2015/16
REPORT NUMBER	N/A
CHECKLIST COMPLETED	Yes

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### **1. PURPOSE OF REPORT**

The purpose of this report is to seek approval of the attached Internal Audit plan for 2015/16.

### **2. RECOMMENDATION**

It is recommended that the Committee approve the attached Internal Audit Plan for 2015/16.

### **3. FINANCIAL IMPLICATIONS**

There are no financial implications arising as a result of this report.

### **4. BACKGROUND/MAIN ISSUES**

4.1 It is one of the functions of the Audit, Risk and Scrutiny Committee to review the activities of the Internal Audit function, including the approval of the Internal Audit Plan. The plan for 2015/16 is attached as appendix B.

4.2 All audits included in the attached plan, as well as those in future plans, will help familiarise Internal Audit with the Council's control environment and governance arrangements, allowing assurance to be provided regarding those arrangements. Where opportunities for improvement in controls and their application, or improvements in value for money, are identified these will be reported along with recommendations for management to consider.

4.3 A small number of audits contained in the attached plan are to be undertaken across both Aberdeen City and Aberdeenshire Councils. Where appropriate a single report will be issued whilst others will be reported separately to each Council. Where possible, it is planned that these audits will be undertaken simultaneously so that good practice can be shared through the audit process.

- 4.4 The plan for Aberdeenshire is being consulted on and will be presented to that Council's Scrutiny and Audit Committee on 1 April 2015. The time allocation for all audits assumes that systems to be reviewed are adequately documented, detailing the controls put in place by management, and that testing identifies that these controls are being complied with. If this is not the case, there will be an impact on the time taken to review planned areas and on the plan's achievability.
- 4.5 It is planned to have rolling three year plans in future, with those of both Councils linked as far as possible to improve efficiency and help share best practice.
- 4.6 The plan has been discussed with Service Directors to ensure that they are aware of what Internal Audit is planning to audit and to allow them to identify areas which they consider to be of risk to their business operations which Internal Audit has not identified. Each audit has been allocated to a quarter in the year and most of these have been confirmed with Services.
- 4.7 The above considerations, and those detailed in Appendix A, have resulted in a draft Internal Audit plan being produced (Appendix B). The plan details what Internal Audit expects to be able to review in the year, assuming stability in resources available to the Section. The plan is flexible and can be amended to reflect changes in priority or because of new risks being introduced or identified.
- 4.8 In order to undertake the attached plan, Internal Audit has an establishment of thirteen posts and an annual budgeted cost for 2015/16 of £550,000. It is anticipated that this will be split between Aberdeenshire and Aberdeen City Councils on a 2:1 ratio.

## **5. REPORT AUTHOR DETAILS**

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## **Appendix A**

### **INTERNAL AUDIT PLAN 2015/16 STRATEGY AND RISK ASSESSMENT**

This document details the process adopted for developing the Internal Audit plan for 2015/16. It is a requirement of the Public Sector Internal Audit Standards that the Internal Audit plan is based on a risk assessment. Many Internal Audit Sections will define the whole audit universe (all auditable Services or systems) and apply a score against each component for various criteria including the inherent risk in the system, and the quality of management and mitigating controls in place.

Whilst an audit universe has been identified, based on previous work undertaken by Internal Audit in Aberdeenshire, to apply scores against various criteria is considered, by Internal Audit, to be too subjective and adds little value to the process. Assessment of the quality of management and mitigating controls, especially in the first years of any new Internal Audit arrangements will be more subjective than in later years and would be based on an insufficient knowledge base.

In developing the plan consideration was given to the Council's risk registers, the Council's Strategic Priorities, the Assurance and Improvement Plan 2014-17, and a listing of previous audits undertaken within Aberdeenshire Council, and the outcome of these. Where possible, discussions were held with relevant senior officers to help inform the areas to review. However, the overriding consideration for year one of Aberdeenshire Council providing Internal Audit services to Aberdeen City Council was for an overall understanding of the Council's control environment to be gained whilst being able to provide sufficient assurance to allow an annual opinion to be expressed, whilst also being able to consider value for money and efficiency.

In order to achieve its strategic priorities and outcomes, the Council allocates its budget to Service Directorates and enables service delivery through delegated authority detailed in its governance arrangements.

For Internal Audit to fulfil its objective of providing assurance over the Council's control environment, the internal controls put in place to protect the Council's assets have to be evaluated and tested. Taking this into account, along with the contents of the documents detailed above, Internal Audit considers that the main risks to the Council's control environment and achieving its Strategic Priorities and Outcomes relate to the key areas detailed in the following table.

Key Area	Risk	Risk
Corporate Governance	Failure to have arrangements in place that specify the overall control environment and delegated authority across the whole Council.	High
	Failure to comply with the requirements of the corporate governance arrangements including Financial Regulations, the Officers Scheme of Delegation, and other Council Policies.	High
Budget Setting	Failing to ensure that a sustainable budget is set which allows for delivery of a defined service including everything that will be required to deliver that service.	High
Budget Monitoring	Failing to ensure that budgets are monitored with the involvement of Service staff involved in service provision.	Medium
Budget Management	Failing to ensure that budgets are used only for service provision and are not spent because they exist.	High
	Failing to have outcome measures to demonstrate service provision.	Medium
	Failing to achieve Best Value / Value for Money.	High
Procurement	Failing to comply with procurement legislation.	High
Payments	Failing to ensure that the correct suppliers are paid for services or goods supplied.	Low
	Failing to ensure that payment of statutory benefits are controlled in accordance with legislative requirements.	High
Payroll	Failing to ensure that employees are paid correctly.	Medium
Income	Failing to collect statutory income (Council Tax, Business Rates, Housing Rent).	High
	Failing to identify and recover sundry debts due to the Council.	Medium
	Failing to control cash income received.	Medium
Assets	Failing to ensure that assets are managed, recorded and protected.	Medium

**Risk:**

High	There is a high probability, before mitigating controls are applied, of errors being made which would expose the Council to an unacceptable level of risk which may impact on the Council's finances and or reputation, and its ability to achieve its Strategic Priorities.
Medium	There is a risk, before mitigating controls are applied, of errors being made which would expose the Council to an element of risk which may impact on the Council's finances and or reputation, and its ability to achieve its Strategic Priorities.
Low	There is a low probability, before mitigating controls are applied, of errors being made which would expose the Council to an unacceptable level of risk which may impact on the Council's finances and or reputation, and its ability to achieve its Strategic Priorities.

**Internal Audit Plan 2015/16**

Having considered the above issues, and looking to the future when it is anticipated that conjoined three year plans covering Aberdeenshire and Aberdeen City will be produced, it has been determined that audits will be developed in the detailed Internal Audit plan to ensure that periodic assurance is provided over the following areas as detailed.

Various aspects of procurement, payroll, and income collection will be reviewed on an annual basis.

Various aspects of Budget Setting, Monitoring and Management will be covered across all Services on a rolling basis throughout the three year period.

The main financial and business systems of the Council (Financial Ledger, Council Tax System, Business Rates, Receivables, Housing Rents, Payroll, Payables, Housing Benefit, Care First, etc) will each be covered once in the three year period.

Audits will be designed to audit specific key areas across Services or the Council, whilst Service or location oriented audits will also be undertaken to test a range of key areas. In doing so, assurance will be gained as to whether controls in place are operationally effective and efficient, and whether they are being complied with. Whilst undertaking audits, Internal Audit will consider opportunities to improve systems and processes, effect change and achieve value for money.

All audits will feed into an overall evaluation of the Corporate Governance arrangements and compliance.

## Appendix B

### INTERNAL AUDIT PLAN 2015/16

#### CROSS SERVICE AUDITS

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Corporate Policies and Procedures	Corporate Policies and Procedures in Aberdeen City and Aberdeenshire Councils (joint audit)	To undertake a "stock take" of the policies and procedures in existence within Aberdeen City and Aberdeenshire Councils with a view to ascertaining the scope for standardisation and rationalisation.	Q1
Risk Registers	Risk Registers	Council-wide review of procedures in place to consider whether risks are identified and adequately managed.	Q1
Recruitment Procedures	Procedures across all Services (excluding Teaching staff)	Consider whether all Services are complying with Policy relating to recruitment and document retention, and that recruitment is being undertaken in the most efficient manner.	Q1
ALEOs	ALEOs	To review the governance arrangements in place between Aberdeen City Council and its ALEOs, including determination of sources of assurance regarding risk management, internal controls, and staff and information governance.	Q2
Compliance with Procurement related Legislation and Financial Regulations.	Payments made via Creditors System.	To review payments made via the Creditors System on a six-monthly basis to ensure that a sample of payments in excess of £5,000 (incl VAT) have been made in full compliance with Legislation and Financial Regulations and that, where appropriate, Value for Money has been achieved by challenging management regarding the purchase. This review will also include a review of files of paid invoices to ensure compliance in relation to lower valued payments.	Q2+4
Timesheets / Allowances	Timesheets and Allowance claim forms	Consider whether terms and conditions are being complied with and that timesheets submitted for payment are accurate. Where appropriate, confirm claims to Service documentation and challenge management regarding overtime / additional hours worked.	Q3
Following the Public Pound	Grants	Review arrangements in place to ensure that public funds are awarded against set criteria which complies with the principles of following the public pound requirements.	Q3
Data Protection	Data Protection	Review arrangements in place across the Council to consider whether Data Protection legislation is complied with.	Q3

## CORPORATE GOVERNANCE

### Commercial and Procurement Services

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Creditors System	Creditors System	Consider whether appropriate control is being exercised over the Creditors System, including contingency planning and disaster recovery, and that interfaces to and from other systems are accurate and properly controlled.	Q1

### Finance

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Budget Setting Process	Council Budget	Review procedures used in setting the Council's budget.	Q1
Council Tax	Council Tax billing, payments and arrears recovery.	Consider whether billing and collection arrangements are robust and adequately applied.	Q2
Bank Reconciliations	Main Council bank accounts	Review procedures to ensure that accurate, timely reconciliations are produced using a robust methodology.	Q3
VAT	VAT	Consider whether VAT returns are accurately and timeously prepared and that appropriate reconciliations are completed to ensure accuracy.	Q3
Budget Monitoring	Budget Monitoring	Review procedures used for monitoring the Council's revenue budget.	Q4
Benefits	Rent Allowances, Rebates and Council Tax Reduction	Consider whether benefits being paid to claimants are supported by appropriate documentary evidence, that the calculation of benefit is accurate, and that it has been properly recorded for subsidy purposes. To use Audit Scotland documentation to allow specific reliance to be placed on work done.	Q4

### Human Resources and Organisational Development

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Payroll System	Payroll System	Consider whether appropriate control is being exercised over the payroll system, including contingency planning, disaster recovery and interfaces, and that payments made by the system are accurate. To include system data reconciliations.	Q1

## EDUCATION AND CHILDREN'S SERVICES

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Recruitment Procedures	Teachers	Consider whether Service is complying with Policy relating to recruitment of teaching staff, and that recruitment is being undertaken in the most efficient manner.	Q2
Academy Visits	Selection of Academies	Consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.	Q3
Family and Community Support	Family Centres	Consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.	Q3
Teachers Payroll including Supply Teachers	Teachers Payroll including Supply Teachers	Consider whether all aspects of payroll administration are adequately controlled and that payment is being made accurately to bona-fide employees.	Q4
Out of Authority Placements	Out of Authority Placements	Consider whether system used to make placements is robust and that alternatives are considered before decisions are made which commit expenditure.	Q4

## COMMUNITIES, HOUSING AND INFRASTRUCTURE SERVICES

### Housing

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Rent Assessment	Rent Assessment Scheme	Consider whether the scheme is robust and is operating satisfactorily in relation to rent setting.	Q1
Rent Collection	Rent Collection	Consider whether rent collection and arrears processes are robust and are being complied with.	Q1
Building Maintenance	Procurement	Consider whether adequate control is in place regarding procurement of materials.	Q2
Sheltered Housing	Implementation of revised arrangements	To review the implementation of revised arrangements following the January 2013 report on Housing for Varying Needs Review.	Q2

## Transportation

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Vehicles	Vehicle and Driver records	Ensure that the procedures put in place to address concerns raised by the Traffic Commissioner have been implemented and are operating in a satisfactory manner. To include random, unannounced visits to check vehicles.	Q3
Crematorium	Crematorium	Ensure that procedures put in place to address concerns raised in 2014/15 have been embedded in the Crematorium and ascertain where assurance over operation will be obtained from in future.	Q3
Tendering Procedures	Internal Transport	Consider whether robust tendering procedures are in place and are operating satisfactorily.	Q4

## Public Infrastructure and Environment

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Trade Waste	Trade Waste	Consider whether adequate control is in place covering income and expenditure, that appropriate agreements and other paperwork is in place, and that accounting arrangements are robust.	Q2

## ADULT SOCIAL WORK / INTEGRATION JOINT BOARD

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Social Work Tendering	Commissioning Team	Consider whether robust, documented procedures are in place to adequately control tendering and selection processes.	Q1
Self Directed Support	Self Directed Support	Consider whether adequate control is exercised over direct payments made in advance to clients.	Q3
Integration of Health and Social Care	Health and Social Care Partnership	Internal Audit provision for Health and Social Care Partnership to include consultancy on arrangements being introduced covering risk management, staff and information governance, and provision of assurance to stakeholders.	As Required

## PENSION FUND

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Investment Strategy	Investment Strategy	Review of compliance with pension fund investment strategy.	Q2
Investment Management	Investment Management	Review of arrangements in place to monitor the performance of investment managers.	Q4

## GENERAL

SUBJECT	SCOPE	OBJECTIVE	Indicative Quarter
Follow up of agreed recommendations.	Follow up of recommendations agreed in previously issued Internal Audit reports.	To provide assurance that agreed actions have been implemented. Reporting will be by way of regular updates to Audit, Risk and Scrutiny Committee.	Continuous
Reporting Internal Audit outputs to Audit, Risk and Scrutiny Committee.	Reporting Internal Audit outputs to Audit and Risk Committee.	To provide Audit, Risk and Scrutiny Committee with assurance regarding the areas examined by Internal Audit.	Continuous
Commercial and Procurement Services - PACE Projects	PACE Projects (joint allocation of time between Aberdeenshire and Aberdeen City).	To provide consultancy regarding issues arising from proposed projects.	As Required
Shared Services	Shared Services as they arise (joint allocation of time between Aberdeenshire and Aberdeen City).	To provide consultancy regarding issues arising from shared service proposals.	As Required
Contingency	Investigations and additional works.	To undertake investigations and additional works as they arise during the year and to provide a contingency should systems subject to audit not be adequately documented by Services prior to audit.	As Required