

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	9 March 2016
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit Plan 2016/17
REPORT NUMBER	N/A
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to seek approval of the attached Internal Audit plan for 2016/17.

2. RECOMMENDATION

It is recommended that the Committee approve the attached Internal Audit Plan for 2016/17.

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 2016/17 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 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 30 March 2016. 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 target Committee date.
- 4.7 Some audits planned to be completed in 2015/16 have been deferred to the 2016/17 plan. The reasons for this are detailed in the Internal Audit Progress report on today's agenda.
- 4.8 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.
- 4.9 In order to undertake the attached plan, Internal Audit has an establishment of thirteen posts and an annual budgeted cost for 2016/17 of £582,000. 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 2016/17 STRATEGY AND RISK ASSESSMENT

This document details the process adopted for developing the Internal Audit plan for 2016/17, which is the same as approved by the Audit, Risk and Scrutiny Committee on 26 February 2015 in relation to the 2015/16 Internal Audit Plan.

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.

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	Internal Audit's Inherent Risk Assessment Before Mitigating Controls Applied	Internal Audit's Risk Assessment Based on Evaluation of Mitigating Controls
Corporate Governance	Failure to have arrangements in place that specify the overall control environment and delegated authority across the whole Council.	High	Low
	Failure to comply with the requirements of the corporate governance arrangements including Financial Regulations, the Officers Scheme of Delegation, and other Council Policies.	High	Medium
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	Medium
Budget Monitoring	Failing to ensure that budgets are monitored with the involvement of Service staff involved in service provision.	Medium	TBC
Budget Management	Failing to ensure that budgets are used only for service provision and are not spent because they exist.	High	TBC
	Failing to have outcome measures to demonstrate service provision.	Medium	TBC
	Failing to achieve Best Value / Value for Money.	High	Medium
Procurement	Failing to comply with procurement legislation.	High	Medium

Key Area	Risk	Internal Audit's Inherent Risk Assessment Before Mitigating Controls Applied	Internal Audit's Risk Assessment Based on Evaluation of Mitigating Controls
Payments	Failing to ensure that the correct suppliers are paid for services or goods supplied.	Low	Low
	Failing to ensure that payment of statutory benefits are controlled in accordance with legislative requirements.	High	High
Payroll	Failing to ensure that employees are paid correctly.	Medium	Medium
Income	Failing to collect statutory income (Council Tax, Business Rates, Housing Rent).	High	Low
	Failing to identify and recover sundry debts due to the Council.	Medium	Medium
	Failing to control cash income received.	Medium	Medium
Assets	Failing to ensure that assets are managed, recorded and protected.	Medium	Medium

NOTE – Internal Audit's risk assessment based on evaluation of mitigating controls is based on Internal Audit work undertaken during 2015/16, a review of Internal Audit work completed in previous years (in particular Continuous Financial Controls work), and external audit work on Benefits and the associated annual subsidy return.

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 2016/17

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 2016/17

CROSS SERVICE AUDITS

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Council Owned Land and Property	Council Owned Land and Property	Review systems / procedures in place across the whole Council estate for ensuring that the Council has surety over the land and buildings it owns including title.	February 2017
ALEOs	ALEOs	Consider how Services manage their ALEOs including payments and performance.	February 2017
Compliance with Procurement related Legislation and Financial Regulations.	Payments made via Creditors System.	To review payments made via the Creditors System to ensure that a sample of payments in excess of £5,000 have been made in 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 focus on orders placed close to year end deadlines to ensure that they represent essential spend.	September 2016
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.	February 2017
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.	June 2016
Data Protection	Data Protection	Review arrangements in place across the Council to consider whether Data Protection legislation is complied with.	June 2016

CORPORATE GOVERNANCE

Commercial and Procurement Services

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Infosmart System	Infosmart System	Consider whether appropriate control is being exercised over the system, including contingency planning and disaster recovery, and its data input, and that interfaces to and from other systems are accurate and properly controlled.	September 2016

Finance

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Budget Setting Process	Council Budget	Review procedures used in setting the Council's budget.	November 2016
Treasury Management	Treasury Management	Consider whether the Council's Treasury Management Policy complies with the CIPFA Code of Practice and if the Policy is complied with.	February 2017
Business Rates	Business Rates	Consider whether billing and collection arrangements are robust and adequately applied.	November 2016
Cash Receipting System	Cash Receipting System	Consider whether appropriate control is being exercised over the system, including contingency planning and disaster recovery, and that interfaces to and from other systems are accurate and properly controlled.	November 2016
Scottish Welfare Fund	Scottish Welfare Fund	Consider whether administration arrangements are robust and being complied with.	September 2016
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.	April 2017

Human Resources and Organisational Development

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Disclosure Checks	Disclosure Checks	Consider whether arrangements in place to ensure that appropriate employees / volunteers have been checked are adequate. Specific testing will be targeted at staffing groups working with particularly sensitive groups.	April 2017
Agency Staff	Agency Staff	Ensure that agency staff are being appointed through appropriate channels and that arrangements for their induction are robust. Partial follow up to a previous audit and extended to include roads specifically.	November 2016

IT and Transformation

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Public Records (Scotland) Act	Public Records (Scotland) Act	The scope of a previous IA review was restricted due to limited progress having been made by the Council in some respects of implementation. This review will consider whether arrangements in place to ensure compliance with the Act are adequate.	September 2016

EDUCATION AND CHILDREN'S SERVICES

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Commissioning of Children's Social Work Services	Commissioning of Children's Social Work Services	Consider whether arrangements in place are adequate.	April 2017
Primary School Visits	Selection of Primary Schools	Consider whether income and expenditure, payroll records, inventories, and computer security are adequately controlled and completed.	February 2017
Fostering and Adoption Allowances	Fostering and Adoption Allowances	Consider whether adequate procedures are in place to control calculation, award and payment of allowances, that correct rates are applied and any overpayments are recovered timeously.	April 2017

Note: Internal Audit will be reviewing school transport tendering procedures in Aberdeenshire Council and, whilst the full details will not be released to Aberdeen City Council, assurance will be able to be taken from this work.

COMMUNITIES, HOUSING AND INFRASTRUCTURE SERVICES

Housing

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Building Maintenance	Procurement	Consider whether adequate control is in place regarding procurement of materials.	June 2016

Land and Property Assets

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Cleaning Payroll	Cleaning Payroll	Consider whether adequate controls and procedures are operating in relation to new starts / leavers and levels of additional / overtime hours. To include the co-ordination of additional hours to minimise overtime costs.	June 2016

Transportation

SUBJECT	SCOPE	OBJECTIVE	Target Committee
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.	February 2017
Tendering Procedures	Internal Transport	Consider whether robust tendering procedures are in place and are operating satisfactorily.	April 2017

Public Infrastructure and Environment

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Roads Payroll	Roads Payroll	Consider whether adequate controls and procedures are operating in relation to new starts / leavers and levels of additional / overtime hours.	September 2016

ADULT SOCIAL WORK / INTEGRATION JOINT BOARD

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Purchasing and Creditors	Purchasing and Creditors	Consider whether robust documented procedures are in place and are satisfactorily complied with throughout the service. Consider whether Value for Money is being achieved.	June 2016
Carefirst	Carefirst	Consider whether appropriate control is being exercised over the system, including contingency planning and disaster recovery, and its data input, and that interfaces to and from other systems are accurate and properly controlled.	November 2016
Integration of Health and Social Care	Health and Social Care Partnership	Post Integration review of Health and Social Care Intervention as required by Integration Resource Advisory Group (IRAG) Guidance.	February 2017
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

GENERAL

SUBJECT	SCOPE	OBJECTIVE	Target Committee
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
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