

## ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 February 2017
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit Plan 2017/18
REPORT NUMBER	IA/17/002
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 2017/18.

### **2. RECOMMENDATION**

It is recommended that the Committee approve the attached Internal Audit Plan for 2017/18.

### **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 2017/18 is attached as appendix B.
- 4.2 All audits included in the attached plan, as well as those in future plans, will help inform Internal Audit regarding 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 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.

- 4.4 When the shared Internal Audit Service was introduced between Aberdeenshire and Aberdeen City Councils it was planned to have rolling three year plans, with those of both Councils linked as far as possible to improve efficiency and help share best practice. This has not, at present, been possible to achieve.
- 4.5 During the planning process, Internal Audit reviewed each Service's approved Risk Register and consulted with Service Directors to ensure that areas which Services consider to be of risk to their business operations were considered for inclusion in the plan. Each of the planned audits has been allocated to a target Committee date. However, it should be noted that these dates may change following discussion with the External Auditor as they may wish to place reliance on certain reviews. This could result in the outputs from these reviews being later than anticipated due to the period that testing will be required to cover.
- 4.6 One audit planned to be completed in 2016/17 has been deferred to the 2017/18 plan and two further audits deferred to 2018/19. The reasons for this are detailed in the Internal Audit Progress report on today's agenda.
- 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. The annual budgeted cost for 2016/17 was £582,000 and it is anticipated that the budget for 2017/18 will provide for a similar level of resource. 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 2017/18 STRATEGY AND RISK ASSESSMENT**

This document details the process adopted for developing the Internal Audit plan for 2017/18, which is the same as approved by the Audit, Risk and Scrutiny Committee previously when it considered plans for previous years.

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 and Aberdeen City, 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 both Aberdeenshire and Aberdeen City Councils, and the outcome of these. Service Directors were requested to provide input to the planning process through discussion with their management teams to help ensure that the right areas were targeted for review.

Prior to commencing each planned audit, Internal Audit will discuss the area with Service management to further develop the scope of the review. However, if areas are identified through testing that fall outwith that scope, which impact on governance, they will still be reported on.

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 independent assurance over the Council's control environment to those charged with governance (the Audit, Risk and Scrutiny Committee), 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	Medium
	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	Low
Budget Monitoring	Failing to ensure that budgets are monitored with the involvement of Service staff involved in service provision.	Medium	Medium
Budget Management	Failing to ensure that budgets are used only for service provision and are not spent because they exist.	Medium	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	High

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	Low
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
Bond Governance	Failing to ensure that the Council has appropriate governance arrangements and practice to minimise the risk to the Council.	High	TBC
	Failing to ensure compliance with the London Stock Exchange requirements.	High	TBC
Cyber Security	Failing to have adequate arrangements in place to safeguard the Council's ongoing business arrangements.	High	TBC
Health and Safety	Failing to have adequate arrangements in place to safeguard the Council's workforce and clients.	High	TBC

Key Area	Risk	Internal Audit's Inherent Risk Assessment Before Mitigating Controls Applied	Internal Audit's Risk Assessment Based on Evaluation of Mitigating Controls
Business Operations	Failing to have appropriate measures in place to ensure that services are provided in accordance with regulatory requirements.	Medium	TBC

**NOTE** – Internal Audit's risk assessment based on evaluation of mitigating controls is based on Internal Audit work undertaken previously, 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 2017/18**

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.

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 these 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 2017/18

#### CROSS SERVICE AUDITS

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Attendance Management	Attendance Management	To test corporate compliance with the attendance management policy and determine if it is having a positive effect on attendance.	September 2017
Capital Plan	Capital Plan	Consider whether robust mechanisms are in place for setting, progressing and monitoring the capital plan. It is understood that Council officers are undertaking a review of this area and the outcome of this will help inform Internal Audit's opinion.	April 2018
Travel Costs	Travel Costs	Ensure that travel arrangements and claims are made in accordance with the Council's Travel Policy, Procedure and Guidance.	November 2017
Business Continuity Planning	Business Continuity Planning	Ensure that Business Continuity Plans are in place as required by the Business Continuity Policy and that arrangements adequately manage identified risks.	June 2017
Bond Governance	Bond Governance	Consider whether arrangements have been put in place to ensure compliance with the London Stock Exchange requirements and safeguarding the Council's credit rating.	February 2018

#### CORPORATE GOVERNANCE

##### Commercial and Procurement Services

SUBJECT	SCOPE	OBJECTIVE	Target Committee
PECOS System	PECOS System	Consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled.	September 2017



## Finance

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Fixed Asset Register	Fixed Asset Register	Consider whether procedures for ensuring timely recording of the acquisition / disposal of assets are adequate and that revaluations are undertaken in accordance with recognised best practice. Ensure that a sample of recorded assets exist and those that should be recorded are.	November 2017
Financial Ledger System	Financial Ledger System	Consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled.	February 2018

## Human Resources and Organisational Development

SUBJECT	SCOPE	OBJECTIVE	Target Committee
YourHR	YourHR	Consider whether appropriate control is being exercised over the system and that interfaces to and from other systems are accurate and properly controlled.	February 2018

## IT and Transformation

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Major IT Business Systems	Major IT Business Systems	Ensure that the risk of major IT Business Systems failure is adequately managed.	February 2018

## Legal and Democratic Services

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Training for Councillors	Post-Election Training for new Council	Ensure that appropriate arrangements were made for training Councillors following the May 2017 Local Government Elections, that training was delivered and was effective.	February 2018

## EDUCATION AND CHILDREN'S SERVICES

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Out of Authority Placements	Out of Authority Placements	Review progress with implementing the Inclusion Review and consider whether system used to make and review on-going out of authority placements is robust and that alternatives are considered before decisions are made which commit expenditure.	April 2018
Nursery Education	Pre-School Commissioned Places	Consider whether statutory obligations are being delivered and that adequate control is exercised over expenditure. To include consideration of plans in place to deliver the Scottish Government's expansion in early education and childcare which comes into force in August 2020.	February 2018
Placing requests	Placing requests	To review decision making processes and consider whether these are adhered to.	November 2017
Health and Safety - SSERC	Application of Health and Safety measures and practices in schools	Consider whether arrangements in place adequately manage risk responsibility in relation to: hazard information, handling and disposal of chemicals; safety in microbiology; material of living origin, and routine fume cupboard testing.	June 2017
Care of Children and Young People	Community Care	To obtain assurance that care needs are being identified, planned, and recorded accurately, and that costs charged are appropriate and adequately controlled.	September 2017

## COMMUNITIES, HOUSING AND INFRASTRUCTURE SERVICES

### Housing

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Homeless Persons	Housing Support budget	Consider whether adequate control is being exercised over income and expenditure, and that best value is being obtained.	April 2018
Building Maintenance	Year-end stock take	Attend a selection of locations during 2016/17 year end stock taking and ensure accuracy of process. To include review of stock procedures.	September 2017

### Land and Property Assets

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Craft Workers Payroll	Craft Workers Payroll	Ensure that new Terms and Conditions have been implemented and are being complied with.	April 2018
Corporate Landlord Responsibilities	General Fund Property	Ensure that the Council has systems in place that provide assurance over compliance with the legal requirements in relation to its corporate landlord role.	September 2017
Stores Purchasing	Stores Purchasing	Ensure that appropriate arrangements are in place regarding procurement of stock.	April 2018
Capital Contracts	Capital Contracts	Ensure appropriate arrangements are in place regarding the tendering for and monitoring of a sample of capital contracts and value for money is being obtained.	February 2018

### Public Infrastructure and Environment

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Vehicle Maintenance	Vehicle Maintenance Workshops	Ensure that adequate procedures are in place to control the function and obtain best value in maintaining vehicles.	September 2017
Tendering Procedures	Internal Transport	Consider whether robust tendering procedures are in place and are operating satisfactorily.	April 2018
Vehicle Usage	Vehicle Usage	Ensure that adequate procedures are in place to ensure that vehicles are being used effectively for business purposes and any non-business use is appropriately reported.	November 2017

## ADULT SOCIAL CARE

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Social Work Payroll	Social Work Payroll	Consider whether all aspects of payroll administration (new starts, leavers, timesheet completion and authorisation, overtime approval, etc) are adequately controlled.	November 2017
Financial Assessments	Social Work Financial Assessments	Consider whether adequate arrangements are in place across the Service to undertake financial assessments in an accurate and efficient manner.	November 2017
Care Management	Care Management	To obtain assurance that care needs are being identified, planned, and recorded accurately, and that costs charged are appropriate and adequately controlled.	February 2018
Social Work Transport	Social Work Transport	Consider whether appropriate arrangements are in place to secure transportation in a cost effective and well managed way.	June 2017

## 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
Assurance Mapping	As appropriate	To consider areas where assurance mapping exercise identifies gaps in assurance.	As Required

## FOR INFORMATION

Internal Audit work relating to the following areas will be approved by the Aberdeen City Council Pension Committee and the Aberdeen City Council Integration Joint Board Audit and Performance Systems Committee

### North East Scotland Pension Fund

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Pensions System	Pensions 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.	Pensions Committee

### Integration Joint Board

SUBJECT	SCOPE	OBJECTIVE	Target Committee
Integration and Change Funding	Integration and Change Funding	Ensure appropriate governance is in place to manage delivery of funded projects and use of the funds.	IJB