WEST DUNBARTONSHIRE COUNCIL

INTERNAL AUDIT PLAN
2014-15

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<u>**Appendix 1**</u>

Chart of Audit Resource Allocation 2014/15

1   Introduction

1.1   Definition of Internal Audit

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

Public Sector Internal Audit Standards

The Standards (applying the Institute of Internal Auditors International Standards to the UK Public Sector) have been agreed to be adopted from the 1st April 2013 by the relevant public sector Internal Audit Standard setters. Elements of the Standards are based on the Chartered Institute of Internal Auditors International Professional Practices Framework. Standard setters are; HM treasury; Scottish Government; Department of Finance and Personnel Northern Ireland; Welsh Government; department of Health; and the Chartered Institute of Public Finance and Accountancy.

In accordance with the Standards an Audit Charter is in place which defines the internal audit activity's purpose, authority and responsibility.

1.2   Authority

All Local Authorities in Scotland are subject to Section 95 of the Local Government Act (Scotland) 1973, and should make provision for Internal Audit, in accordance with the Public Sector Internal Audit Standards issued 2013 (The Standards).

1.3   Audit Planning

Internal Audit complies with the requirements of The Standards, per Section 2010 (Planning):

'The chief audit executive (WDC – Audit and Risk Manager) *must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.'*

2   The Audit Planning Process

2.1   Risk Assessment - Systems

A risk-based audit needs assessment has been carried out by Internal Audit staff. This assessment of needs identifies all operations, resources, services and responsibilities, and prioritises key systems being operated, and key services provided. Senior Management have been consulted on priority areas for review, while cognisance has been taken of the plans of External Audit and other Statutory Agencies, in order to avoid duplication, and increase potential for cross reliance. The audit needs assessment is based upon a matrix taking account of scores for each potential audit area in respect of:-

- Control risk
- Materiality
- Sensitivity
- Management concerns

The matrix gives an overall "score" for each area that is used to prioritise the audit reviews.

The risk process recognises the materiality of core financial systems by applying a weighting based on transaction value. In addition, the process ensures that major systems will be covered over a rolling programme by applying a weighting factor based on the date of the previous audit.

This process ensures that Internal Audit independence is maintained in the formation of the plan.

2.2   Systems Based Auditing

The systems based audit approach developed by the Chartered Institute of Public and Finance and Accountancy (CIPFA) will continue to form the basis for testing controls within each system, in line with good practice.

2.3   Strategic Risks

The Strategic Risk Register records the Council's own assessment of the most potentially damaging risks and their likelihood of occurrence. This document is used to inform the Audit Plan.

2.4   Corporate Strategic Plan

As well as considering risk when formulating the plan, considerable attention has been paid to the strategic priorities and success factors contained in the Council's Strategic Plan 2012/17 in order to ensure there is a spread of audit coverage across these key areas. It is considered that all five Corporate Themes are supported by Audit Work in this plan. This is shown in italics in the appropriate schedules of this document.

2.5   Other Issues

Other factors which influence the plan are discussions with Senior Management, consideration of current issues arising, major computer systems being introduced, and recommendations from recently completed audits.

2.6   Contingency / Irregularity

Allowance has been made for matters arising requiring investigation, and ad-hoc work, based upon levels experienced in the past.

3   Resourcing the Plan

The Audit Section has an establishment of 6.5 FTE including 2 professionally qualified staff. Computer Audit will be carried out alongside systems review, continuous auditing and by the ICT Security Officer. Available Audit Days have been calculated as 1251 days, following the deduction of Administration, Management and Planning, Training and Leave.   Within this overall resource, 80 days has been included for the Audit and Risk Manager's time to reflect the contribution he makes to the activities of the Audit Section. The Audit and Risk Manager is professionally qualified to fulfil an audit role.

Through an assessment of the mix of knowledge, skills and experience of the Audit Team it is considered that the available resources are sufficient to achieve the work outlined in the plan.

The Council's External Auditors work in conjunction with Internal Audit so that resources are optimised in providing overall assurance on the financial statements and the adequacy of the internal control environment. Towards the end of 2014/15, External Audit will advise on which areas of Internal Audit work it will place reliance upon for the year as outlined in its annual "Review of Adequacy of Internal Audit Arrangements" letter.

As described in Paragraph 2.1 above, a risk based audit needs assessment was carried out. The available staffing resources, in terms of Available Audit Days are matched to this and in 2014/15 this has resulted in the 12 highest risk areas being included in the Audit Plan.

The allocation of time to audit category is shown in the table below.

Table 1- Allocation of Audit Time

Audit Category	2014/15	
	Planned Days	**% of Operational Time**
Risk Based Audit	440	35.2%
Computer Audit	90	7.2%
Development	87	6.9%
Investigations	290	23.2%
Regularity/CRSA	95	7.6%
Corporate Governance	91	7.3%
Follow up	34	2.7%
Year end procedures	20	1.6%
Performance Indicators	25	2.0%
Financial Services/Grant Claims	25	2.0%
Contingency	54	4.3%
Operational Time	**1251**	**100%**
Secondment	30	-
Administration	88	-
Management and Planning	92	-
Training	52	-
Leave	323	-
Total	**1836**	**-**

A chart showing the audit resource allocation of operational time for 2014/15 is attached at Appendix 1.

4   Monitoring the Plan

Internal Audit reports performance to the Audit and Performance Review Committee on a quarterly basis:-

- Completion of Risk Based Audits as a percentage of planned
- Action Plans issued during the quarter
- Progress on implementation of audit recommendations

Internal Audit recommendations are now shown in Covalent, the Council's risk and performance management system. This enables both departmental management and Internal Audit to monitor and report on the implementation of recommendations more efficiently and has greatly reduced outstanding audit recommendations.

5   Annual Report

Section 2450 of the Standards states that:

'The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to form its governance statement.'

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

This work underpins the Statement of Internal Financial Control / Annual Governance Statement, which will be published with the Abstract of Accounts, and subject to the scrutiny of External Audit.

6   Quality Assurance and Improvement Programme

Sections 1310 to1312 of the Standards refer to the need for a quality assurance and improvement plan to be developed to include both internal and external assessments.

Internal assessments must include ongoing monitoring of Internal Audit performance and periodic assessments by other persons within the organisation with sufficient knowledge of the work of Internal Audit. It is proposed that Finance Section Accountants will fulfil this role.

External assessments must be conducted at least every five years by a qualified independent assessor. The Scottish Local Government Chief Internal Auditor's Group (SLACIAG) are currently developing a framework for external assessments to be undertaken by member authorities of SLACIAG on a broadly reciprocal arrangement utilising a peer review option. The Council's Internal Audit Section propose to participate in this framework.

In the Development Schedule, time has been allocated within the Audit Plan for 2014/15 to participate in these processes and implement the action plan developed from completion of the checklist for assessing conformance with the Standards.

7   Delivering the Plan

The plan has been developed in line with the approved Internal Audit Charter and will be delivered in accordance with:
- The Standards;
- Relevant codes of ethics standards and guidelines issued by the professional institutes;
- Relevant corporate governance documents, standards, policies and procedures; and
- The Internal Audit Section's own Audit Manual and other internal standards, which will be adhered to by its entire staff including any contracted external specialists where appropriate.

SCHEDULE OF RISK BASED AUDITS		
CORPORATE SYSTEMS		
Audit	Days	Objectives
Enterprise Risk Management *Improve the wellbeing of communities and protect the welfare of vulnerable people*	40	• Establish if WDC complies with risk management (RM) standards and best practice. • Ensure risk assessments are documented. • Determine if potential and actual risks are identified, recorded and addressed. • Assess if relevant staff, contractors, etc are aware of their RM duties and responsibilities. • Establish if the Council's risk appetite and level of RM 'maturity' are known.
Main Accounting System *Improve economic growth and employability*	35	• Ensure final accounts were prepared and presented in a format consistent with relevant accounting recommendations, financial reporting standards and accounting codes of practice. • Review procedures for delivering whole of government accounts. • Review capital accounting policy regarding Capital Charges, Valuations and Depreciation to confirm that they comply with relevant guidance.
Creditors *Improve economic growth and employability*	25	Review creditor payments in general with particular attention given to controls over the prevention of duplicate payments.
Council Tax Collection & Refunds *Improve the wellbeing of communities and protect the welfare of vulnerable people*	45	• Review currency of regulations, guidance and procedures available to staff. • Review adequacy and efficiency of the procedures in place for income collection. • Confirm that reports of accounts with credit balances are regularly reviewed and promptly investigated. • Check reconciliations and confirm that they were undertaken on a regular basis by an independent employee. • Review actual performance against targets. • Assess the security of data.
Payroll *Improve economic growth and employability*	10	• Ensure that there are satisfactory procedures in place to ensure that leaver forms are prepared and processed correctly and timeously. • Test check leavers final pay calculations. • Ensure that official internal transfer forms are completed and the correct procedures are followed timeously for transfers between posts within WDC. • Check details on transfer forms agree with payroll and personnel systems.
NDR Recovery & Enforcement *Improve economic growth and employability*	30	• Review currency of regulations, guidance and procedures available to staff. • Ensure compliance with timetable for issue of reminders and referral to sheriff officers. • Review controls over sheriff officer collections. • Check system to monitor recovery performance against targets. • Check write-offs comply with financial regulations.
Housing & CT Benefit Assessment *Improve the wellbeing of communities and protect the welfare of vulnerable people*	40	• Review currency of regulations, guidance and procedures available to staff. • Check supporting documentation in relation to claims; liability, residency and identity; income; households and non-dependents and rents payable. • Check calculations (& start days) for backdated claims

SCHEDULE OF RISK BASED AUDITS CORPORATE SYSTEMS		
		and extended payments, etc.
Audit	Days	Objectives
Tendering and Contracting *Improve economic growth and employability*	30	Review of Capital Contracts: • Variations • Interim Payments (including CIS payments to HMRC) • Completion • Final Contracts • Insurance Cover • Contractual claims • Contract Management • Liquidation and Ascertained Damage • Bankruptcy and Liquidation
Housing *Improve local housing and environmental sustainable infrastructure*	40	• Ensure there is documentary evidence of all acquisitions sales and disposals that supports the existence of all housing stock. • Check there is documentary evidence to support all right to buy applications/transactions. • Ensure that all terminations, transfers and exchange of tenancies are in accordance with legislation and WDC policy and are supported by documentary evidence.
CHCP/Leisure Trust Debtors *Improve care for and promote independence with older people*	40	• Ensure debtor procedures comply with legislation and WDC policies & procedures. • Check there is documentary evidence to support all transactions. • Determine if all debtor invoices provide sufficient information of debt, all relevant records and accounts are updated and all transactions are processed. • Check that sums due are calculated correctly, transactions are posted to correct financial codes and debts are monitored. • Ensure transactions are initiated and recorded timeously and debt recovery is undertaken promptly. • Ensure that adequate controls and separation of duties are in place for processing and write-off of debt. • Assess if adequate controls are in place to protect information and data from unauthorised access.
CT & NDR Valuation – New Properties *Improve local housing and environmental sustainable infrastructure*	25	• Review currency of regulations, guidance and procedures available to staff. • Review the procedure for identifying new and amended properties and confirm that they are satisfactory.
Health and Safety Units – Repairs and Maintenance *Improve local housing and environmental sustainable infrastructure*	40	• To ensure Health & Safety (H & S) legislation is complied with. • Confirm H & S risk assessments are documented. • Assess if staff are aware of their H & S responsibilities. • Confirm potential and actual H & S risks are identified. • Establish if incidents and accidents are promptly recorded and addressed. • Ensure preventative H & S measures are taken.
Management Review (of above audits)	40	n/a

SCHEDULE OF RISK BASED AUDITS CORPORATE SYSTEMS		
Total	**440**	

SCHEDULE OF COMPUTER AUDITS		
Audit	Days	Objectives
Computer Audits relating to Risk Based Audits	10	Coverage of computer audit elements of risk based audits, including application controls and compliance with the Corporate Information and Communication Technology Security Policy.
Major Financial Systems – Exceptions Reporting	20	Review of reports from major financial systems highlighting data outwith normal parameters for the transaction or field concerned.
ICT and Security Audit	50	This will include I-Text mass text messaging system and electronic signatures. Other assignments to be determined.
Management Review (of above audits)	10	n/a
Total	**90**	

SCHEDULE OF DEVELOPMENT WORK		
Audit	Days	Objectives
CRSA (Control Risk Self Assessment) *Improve Life chances for children and young people* and *Improve the wellbeing of communities and protect the welfare of vulnerable people*	20	Education Services and CHCP (including residential care and CHCP Area Offices' client accounts)
PSIAS	20	PSIAS improvement action plan.
TeamMate Development	47	Upgrade to current version of TeamMate.
Total	**87**	