WEST DUNBARTONSHIRE COUNCIL

INTERNAL AUDIT PLAN
2019-20

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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, as updated in 2017, (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

A risk-based audit needs assessment has been carried out by Internal Audit staff in which a review of the "audit universe" has been carried out. The audit universe includes all significant activities and systems that contribute to the achievement of the Council's priorities and objectives.

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 Strategic Plan 2017/22

As well as considering risk when formulating the plan, considerable attention has been paid to the strategic priorities and supporting outcomes contained in the Council's Strategic Plan 2017/22 in order to ensure there is a spread of audit coverage across these key areas.

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   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

<u>Internal Audit</u>

The Internal Audit Section has a core establishment of 4.6 FTE including five professionally qualified members of staff. . Available Audit Days have been calculated as 835 days, following the deduction of Administration, Management and Planning, Training / Staff Development and Leave. Within this overall resource, 135 operational days has been included for the Audit and Risk Manager's time to reflect the contribution he makes to the activities of the Internal 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 2019/20, External Audit will advise on which areas of Internal Audit work it will place reliance upon for the year as outlined in their annual Audit Plan document.

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 in 2019/20 in order to determine the areas of work to be included in the Audit Plan.

Planned Internal Audit Activity

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

Category	2019/20	
	Planned Days	**% of Operational Time**
Risk Based Audit	375	44.8
Computer Audit	50	6.0
Development	30	3.6
Investigations	160	19.2
Regularity / CRSA	30	3.6
Governance and Assurance	30	3.6
Follow up	17	2.0
Year-end procedures	5	0.6
Performance Indicators	20	2.4
Advise and Guidance / Grant Claims	35	4.2
Review	30	3.6
Health and Social Care Partnership	20	2.4
Other Bodies	33	4.0
Operational Time	**835**	**100%**
Administration	24	-
Management and Planning	42	-
Training / Staff Development	25	-
Leave	249	-
Non-Operational Time	**340**	**-**
Overall Total	**1175**	**-**

Corporate Fraud

The Corporate Fraud Team has an establishment of 3.8 FTE. Through an assessment of the mix of knowledge, skills and experience of the Corporate Fraud Team, it is considered that the available resources are sufficient to achieve the work outlined in the plan. The Corporate Fraud Team Leader reports to the Audit and Risk Manager.

The Corporate Fraud Team have been given a target to make savings of £225,000 during 2019/20.

It is important that the pro-active work of the Corporate Fraud Team is structured to ensure the information obtained in any data match is current and that there are sufficient resources to deal with the output of the matches.

A large part of the work of the team will remain reactive as they respond to referrals made from members of the public, internal departments, outside agencies and the Joint Working Pilot and cognisance has to be taken of this commitment when planning proactive work.

4. Monitoring the Plan

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

- Action Plans issued during the quarter
- Progress on implementation of audit recommendations

Internal Audit recommendations are shown in Pentana, the Council's risk and performance management system. This enables both service management and Internal Audit to monitor and report on the implementation of recommendations more efficiently.

In addition Elected Members will be advised of progress against the overall Audit Plan 2019/20 through a six month update report and an Annual Report for the full year.

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 Auditors' Group (SLACIAG) has developed 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 has participated in this framework and an external validation of its own self-assessment took place during 2015/16 for which all actions have now been implemented.   The next scheduled external assessment is due to be carried out within the next two years.

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.

8.   Schedule of Risk Based Audits

Audit	Indicative Days	Outline Scope
Cash and Bank (including cash receipting)	25	• Policies and procedures • Cash receipting • Cheque control • Segregation of duties • Security and banking • Income reconciliations • Bank reconciliations
Taxi Licencing	25	• Policies and procedures • Driver checks • Operator checks • Insurance checks • Vehicle checks • Setting of taxi fares
Housing Rents Calculation and Collection	25	• Policies and procedures • Segregation of duties • Rent level reviews • Accuracy of rent charged • Rent collection arrangements • Rent arrears follow up • Write off approvals
Pupil Equity Fund	25	• Framework for pupil equity fund • Governance arrangements • Monitoring of spending • Attainment improvement
Third Party Providers	25	• Selection process • Due diligence • Contract management • Contingency plans
Procurement	25	• Review of compliance levels across the Council • Follow up on implementation of agreed actions following previous audits on procurement
CM2000 functionality	25	• Available functionality compared to actual usage • Compliance levels • Management information

		• Development plans
Members Expenses & Allowances	25	• Policies and procedures • Claims • Payments • Security of Data
Debt Recovery	25	• Policies and procedures • Processes for effective debt recovery • Write off arrangements • Performance indictors
Housing Voids	25	• Policies and procedures • Additional rent generated • Performance indicators

Social Care – Attendance Management	25	• Ascertain compliance with established policy in terms of:
		  o reporting and recording of absence
		  o employee contact by management during absences
		  o return to work meetings
		  o triggers reached
		  o occupational health referrals
		  o attendance review meetings and resulting management actions
		• HR resources to support

Social Work – Case Management	25	• Polices and procedure • Risk assessments • Case reviews • Workload issues • Use of performance management information • Triggers to close cases
Valuation Joint Board – Review of Risk Register	25	• Risk management strategy • Identification of risks • Alignment of risks to strategic objectives • Application of identified internal controls • Review process • Reporting process
Leisure Trust- Review of Risk Register	25	• Risk management strategy • Identification of risks • Alignment of risks to strategic objectives • Application of identified internal controls • Review process • Reporting process
Total	**350**	
Completion of 2018/19 risk based audits	25	
Overall Total	**375**	

9.   **Schedule of Computer Audits**

Audit	Indicative Days	Outline Scope
Cyber Security	25	- Cyber response plan - Risk recognition - Intrusion prevention and detection arrangements - Firewall monitoring - Incident monitoring - Cyber Essentials and Cyber Essentials plus
Access controls on selected corporate systems	25	- Review of user lists - Roles and permissions - Segregation of duties - Administrator roles - Password rules (complexity and expiry interval) - Controls over third party user access - Audit trail
Total	**50**	

10.   **Schedule of Development Work**

Audit	Indicative Days	Outline Scope
Audit Programmes	10	Development of audit programmes
PSIAS	10	Annual self-assessment and internal review process
TeamMate Development	10	Upgrades, audit programme uploads and layout modifications as appropriate
Total	**30**	