

**WEST DUNBARTONSHIRE COUNCIL**

**INTERNAL AUDIT PLAN  
2013-14**

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### Appendix 1

Chart of Audit Resource Allocation 2013/14

## **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)*

The Standards (applying the Institute of Internal Auditors International Standards to the UK Public Sector) have been agreed to be adopted from the 1<sup>st</sup> 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.

The Standards require an Audit Charter to be in place which defines the internal audit activity's purpose, authority and responsibility. The Council's Internal Audit Section does have an Audit Charter and this will be reviewed during 2013/14.

### **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).

The authority of Internal Audit is set out in the Council's Financial Regulations, Section I.

### **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.'*

The process followed in the production of this plan is discussed in detail in Paragraph 2.1 below

## **2 The Audit Planning Process**

### **2.1 Risk Assessment - Systems**

A risk-based audit needs assessment has been carried out. 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.

### **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 Priorities**

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. 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 seven FTE including two professionally qualified staff. Computer Audit will be carried out alongside systems review and by continuous auditing. Available Audit Days have been calculated as 1277 days, following the deduction of Administration, Management and Planning, Training and Leave.

In addition, the Audit and Risk Manager, who is also professionally qualified to fulfil an audit role, oversees the activities of the Audit Section, although his time is not included in the Audit Plan. The remit of the Audit and Risk Manager covers:

- Internal Audit
- ICT Security
- Risk Management
- Health & Safety
- Insurance
- Business Continuity
- Civil Contingencies

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. External Audit will in due course advise on which areas of Internal Audit work it will place reliance upon for 2013/14.

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 for 2013/14 this has resulted in eleven high risk areas being included in the Audit Plan.

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

Table 1- Allocation of Audit Time

Audit Category	2013/14	
	Planned Days	% of Operational Time
Risk Based Audit (2013/14)	420	32.9%
Risk Based Audit (2012/13) – completion of planned work from previous year	65	5.1%
Computer Audit	65	5.1%
Development	70	5.5%
Investigations	269	21.1%
Regularity/CRSA	125	9.8%
Corporate Governance	82	6.4%
Follow up	35	2.7%
Year end procedures	20	1.6%
Performance Indicators	30	2.3%
Grant Claims	20	1.6%
Contingency/Whistleblowing	76	6.7%
<b>Operational Time</b>	<b>1277</b>	<b>100%</b>
Administration	90	-
Management and Planning	65	-
Training	52	-
Leave	343	-
<b>Total</b>	<b>1827</b>	<b>-</b>

A chart showing the audit resource allocation of operational time for 2013/14 is attached at Appendix 1.

#### 4 Monitoring the Plan

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

- Actual time spent on audits against the plan
- 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 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 Council to form its annual 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 to 1312 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.

In the Development Schedule, time has been allocated within the Audit Plan for 2013/14 to consider the Standards, within which the Quality Assurance and Improvement Programme will be considered.

<b>7. SCHEDULE OF RISK BASED AUDITS CORPORATE SYSTEMS</b>		
<b>Audit</b>	<b>Days</b>	<b>Objectives</b>
PPP Schools <i>Improve life chances for children and young people</i>	30	<ul style="list-style-type: none"> <li>• Review controls surrounding payment of the Unitary Charge.</li> <li>• Check penalties applied for contractor failure to meet availability and performance standards.</li> <li>• Check calculations for inflationary increases.</li> </ul>
Carefirst System <i>Improve care for and promote independence with older people</i>	40	<ul style="list-style-type: none"> <li>• Review compliance with ICT Security Policy</li> <li>• Check access by authorised staff only.</li> <li>• Ensure data and documentation held securely.</li> <li>• Ensure data input is complete, accurate, on time and properly authorised.</li> </ul>
Main Accounting System <i>Strong financial governance and sustainable budget management</i>	30	<ul style="list-style-type: none"> <li>• Review controls to ensure budget prepared in accordance with budget cycle.</li> <li>• Ensure budget approved formally by Council.</li> <li>• Agree budget per estimates summary to ledger.</li> <li>• Check sample of budgets with working papers and any policy changes.</li> <li>• Check compliance with "Financial Management and Control Code of Practice".</li> </ul>
Council Tax Recovery & Enforcement <i>Strong financial governance and sustainable budget management</i>	30	<ul style="list-style-type: none"> <li>• Review currency of regulations, guidance and procedures available to staff.</li> <li>• Ensure compliance with timetable for issue of reminders and referral to sheriff officers.</li> <li>• Review controls over sheriff officer collections.</li> <li>• Check system to monitor recovery performance against targets.</li> <li>• Check write-offs comply with financial regulations.</li> </ul>
Housing Benefit Performance <i>Improve the wellbeing of communities and protect the welfare of vulnerable people</i>	30	<ul style="list-style-type: none"> <li>• Review currency of regulations, guidance and procedures available to staff.</li> <li>• Confirm performance targets include best value and DWP indicators.</li> <li>• Review claims processing statistics, accuracy statistics, overpayment statistics, check calculations and confirm standards met.</li> <li>• Review PI statistics for security of administration, counter fraud activities and sanctions, check calculations.</li> </ul>
NDR Billing <i>Strong financial governance and sustainable budget management</i>	40	<ul style="list-style-type: none"> <li>• Review currency of regulations, guidance and procedures available to staff.</li> <li>• Check demand notices and payment methods comply with legislation.</li> <li>• Review controls on accuracy of bills and system parameters.</li> <li>• Check controls over amendments, revisions and suppressions.</li> <li>• Check compliance with Security of Data legislation.</li> </ul>



Treasury Management <i>Strong financial governance and sustainable budget management</i>	30	<ul style="list-style-type: none"> <li>Review the TM policy and confirm compliance with Cipfa Code of Practice.</li> <li>Review controls over lending and borrowing procedures to maximise returns without exposure to unacceptable risks and losses.</li> <li>Confirm adherence to TM indicators required by the Prudential Code.</li> <li>Review reconciliations between TM records and financial ledger during the year and year end.</li> <li>Review performance measurement reports for effectiveness of investment returns or borrowing costs and benchmarking/comparison arrangements.</li> </ul>
Housing Insurance <i>Improve the wellbeing of communities and protect the welfare of vulnerable people</i>	20	<ul style="list-style-type: none"> <li>Ensure insurance arrangements for housing stock in accordance with legislation and financial regulations.</li> <li>Ensure level of insurance is adequate, records up to date.</li> <li>Check claims submitted are legitimate and appropriate.</li> </ul>
Housing Tenancy Allocations & Lettings <i>Improve the wellbeing of communities and protect the welfare of vulnerable people</i>	40	<ul style="list-style-type: none"> <li>Review procedures operated in accordance with legislation and Council's Allocations policy.</li> <li>Ensure adequate documentary evidence to support applications.</li> <li>Check tenancy allocations and letting of all properties is legitimate, appropriate and timely.</li> </ul>
Procurement – Appointment of Consultants <i>Strong financial governance and sustainable budget management</i>	20	<ul style="list-style-type: none"> <li>Review procedures for appointment of consultants across departments.</li> <li>Check compliance with Corporate Procurement Manual and Standing Orders.</li> </ul>
Procurement- Corporate Function <i>Strong financial governance and sustainable budget management</i>	30	<ul style="list-style-type: none"> <li>Confirm Procurement policy aligned to corporate objectives approved by CMT.</li> <li>Review policies / procedures for Procurement Function</li> <li>Review procurement activities' performance.</li> <li>Review sustainability and procurement policies for repair and replacement issues.</li> <li>Review controls and countermeasures for risk responses.</li> <li>Review BCM recovery and resumption plan and check key activities included.</li> </ul>
Procurement – Scheme of Delegation <i>Strong financial governance and sustainable budget management</i>	30	<ul style="list-style-type: none"> <li>Review scheme of delegation document</li> <li>Check application of scheme of delegation in departments</li> <li>Review authorisation levels within major systems</li> </ul>
<b>Total</b>	<b>370</b>	
<b>Management Review of Assignments</b>	<b>50</b>	
<b>Overall Total</b>	<b>420</b>	

<b>8. SCHEDULE OF COMPUTER AUDITS</b>		
Audit	Days	Objectives
Computer Audits relating to Risk Based Audits	20	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 / Continuous Auditing	35	Review of reports from major financial systems highlighting data outwith normal parameters for the transaction or field concerned.
Management Review (of above audits)	10	n/a
<b>Total</b>	<b>65</b>	

<b>9. SCHEDULE OF DEVELOPMENT WORK</b>		
Audit	Days	Objectives
CRSA (Control Risk Self Assessment)	10	Further development work
Update Audit Guidance Circulars	10	Bring audit guidance up to date in line with changes to Council systems, policies and procedures.
TeamMate	15	Maintenance and review of audit management and documentation system.
Risk Management	10	Evaluate effectiveness of risk management processes and links between the Audit and Risk Sections
Public Sector Internal Audit Standards	25	Evaluate adherence of the Internal Audit Section to the new Public Sector Internal Audit Standards
<b>Total</b>	<b>70</b>	