

REPORT TO THE AUDIT COMMITTEE – 20 MARCH 2019

INTERNAL AUDIT PLAN 2019/20

1. Recommendations

1.1 The Committee is requested to review, discuss and comment on the contents of this report and the attached appendices, and thereafter approve the 2019/20 Internal Audit Plan.

2. Discussion

- 2.1 It is one of the functions of the Audit Committee to review the activities of the Internal Audit function, including its annual work programme. This report presents the Internal Audit plan for the period April 2019 to March 2020 which is attached as Appendix B to this report.
- 2.2 The starting point for the 2019/20 plan was to review progress against the 2018/19 annual plan and determine whether those audits which had not been undertaken should be included in the following year's plan. More detail regarding Internal Audit's progress against the 2018/19 plan will be presented to the Audit Committee on 23 May 2019 as part of Internal Audit's Annual Report.
- 2.3 There are a number of systems within the Council that are reviewed on an annual basis whilst others are reviewed on a cyclical basis dependent on the perceived risk to the organisation should these systems fail. For example, cash handling, purchasing and payroll systems are reviewed annually due to the level of devolved authority and perceived high level of risk involved. Other systems are audited every second or third year (the main financial systems – creditors, debtors, council tax, ledger, etc) due to the high volume and materiality of transactions and their impact on the Council. Others are reviewed as and when deemed appropriate in order to provide appropriate coverage and assurance. More detail relating to the matters considered is shown in Appendix A.
- 2.4 In preparation for the 2019/20 plan, Internal Audit wrote to all Directors and Heads of Service to ascertain if there were areas that they considered to be of risk to their business operations which they would wish to be considered for inclusion. The External Auditor, Risk Manager, and Chair and Vice Chair of the Audit Committee were also invited to comment. Proposals received were considered and, where Internal Audit considered the suggestion appropriate, these have been included.
- 2.5 The Council's current Risk Registers were reviewed to determine whether identified issues had been covered by Internal Audit recently or should be included in the current work plan. The registers reviewed were, in large part, the same as those reviewed when setting the Internal Audit plan for 2018/19. Most of the areas identified had either been covered in recent or were included in the 2018/19 plan.

- 2.6 The time allocation to 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.
- 2.7 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.
- 2.8 All audits included in the attached plan, will help inform Internal Audit regarding the adequacy and effectiveness of the Council's framework of governance, risk management and control, 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.
- 2.9 In following the above process, it is anticipated that all the major risks which might impact on the Council will be identified and reviewed over time. All Services have had the opportunity to discuss the contents of the plan detailed in Appendix B to this report which was discussed and agreed by Strategic Leadership Team on 13 February 2018.
- 2.10 In order to undertake the attached plan, and that relating to Aberdeen City Council through the existing shared service arrangements, both of which incorporate the associated Integration Joint Boards, Internal Audit has an establishment of thirteen posts. The annual budgeted cost for 2019/20 is £577,000. It is anticipated that this will be split between Aberdeenshire and Aberdeen City Councils on a 2:1 ratio, which reflects the balance of work planned to be undertaken in each Council.
- 2.11 During 2018/19, three (out of ten) Assistant Auditors left the Section. Two have been replaced by staff on temporary contracts, whilst a recruitment exercise is underway relating to the final post. The attached plan assumes, as stated at paragraph 2.7, stability of resources available to Internal Audit in providing a Service to both Aberdeenshire and Aberdeen City Councils and their associated Integration Joint Boards. The Aberdeen City Council Internal Audit Plan was approved by that Council's Audit Risk and Scrutiny Committee on 14 February 2018 and is based on the same resource assumptions as above.
- 2.12 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report. Any comments made have been incorporated within the report and they are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3. Scheme of Governance

- 3.1 The Committee is able to discuss this item in terms of Sections G.1.1.d and G.1.4 of the List of Committee Powers in Part 2A of the Scheme of Governance as the Committee is responsible for Internal Audit matters and reviewing the activities of Internal Audit, including its annual work programme.

4. Equalities, Staffing and Financial Implications

- 4.1 An equality impact assessment is not required because the reason for this report is for Committee to discuss, review and comment on the Internal Audit Plan for 2019/20 and there will be no differential impact, as a result of this report, on people with protected characteristics.
- 4.2 There are no staffing or financial implications arising directly from this report.

CHIEF INTERNAL AUDITOR

Report prepared by David Hughes, Chief Internal Auditor.
5 March 2019.

Appendix A

INTERNAL AUDIT PLAN 2019/20 STRATEGY AND RISK ASSESSMENT

This document details the process adopted for developing the Internal Audit plan for 2019/20. 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, to apply scores against various criteria is considered, by Internal Audit, to be too subjective and adds little value to the process.

In developing the plan, consideration was given to the Council's risk registers, the Council's Strategic Priorities, and a listing of previous audits undertaken within both Aberdeenshire and Aberdeen City Councils, and the outcome of these. Service Directors and Heads of Service were requested to provide input to the planning process to help ensure that the right areas were targeted for review.

The Council's Strategic Priorities as detailed in the Council Plan 2017 – 2022, and are:



Support a strong, sustainable, diverse and successful economy



Have the best possible transport and digital links across our communities



Provide the best life chances for all our children and young people by raising levels of attainment and achievement



Work with parents and carers to support children through every stage of their development



Encourage active lifestyles and promote well-being with a focus on obesity and mental health



Have the right mix of housing across all of Aberdeenshire



Support the delivery of the Health and Social Care strategic plan



Work to reduce poverty and inequalities within our communities



Deliver responsible, long-term financial planning



Have the right people, in the right place, doing the right thing, at the right time



Protect our special environment, including tackling climate change by reducing greenhouse gas emissions

In order to achieve these 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 to those charged with governance (the Audit Committee), the internal controls put in place to protect the Council's assets have to be evaluated and tested. Taking this into account, and having considered the contents of the Council Plan and the factors that contribute to its delivery, 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.

NOTE – Internal Audit's risk assessment based on evaluation of mitigating controls in the following table is based on Internal Audit work undertaken previously. The areas of risk identified are generic in nature and are relevant to the system of control and application thereof, on which Internal Audit bases its annual opinion.

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.

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 (due to compliance)
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	Low
Budget Management	Failing to ensure that budgets are used only for service provision and are not spent because they exist.	High	Low
	Failing to have outcome measures to demonstrate service provision.	Medium	Medium
	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	Low
Payroll	Failing to ensure that employees are paid correctly.	Medium	Medium (due to compliance)
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	Low
Assets	Failing to ensure that assets are managed, recorded and protected.	Medium	Medium
Cyber Security	Failing to have adequate arrangements in place to safeguard the Council's ongoing business arrangements.	High	Medium
Health and Safety	Failing to have adequate arrangements in place to safeguard the Council's workforce and clients.	High	Medium
Business Operations	Failing to have appropriate measures in place to ensure that services are provided in accordance with regulatory requirements.	Medium	Medium

Internal Audit Plan 2019/20

Having considered Service risk registers, the Council's Strategic Priorities, the listing of previous audits along with progress against the current plan and emerging issues, 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 across all Services on an annual basis.
- Various aspects of Budget Setting, Monitoring and Management will be covered across all Services on a rolling basis throughout a 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 each 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 adequacy and effectiveness of the Council's framework of governance, risk management and control.

APPENDIX B

**ABERDEENSHIRE COUNCIL
INTERNAL AUDIT PLAN 2019-20**

CROSS SERVICE AUDITS

SUBJECT	SCOPE	OBJECTIVE	Last Review	Indicative Quarter
Code of Corporate Governance	Code of Corporate Governance	To provide assurance that the Council's Code of Corporate Governance is being complied with and reported as appropriate.	N/A (deferred from 2018/19 Q4)	Q1
Charging Policy	Charging Policy	To provide assurance that the requirements of the Council's Charging Policy are being complied with.	N/A	Q1
Complaints Procedure	Complaints Procedure	To provide assurance that the Council's complaints procedure is being complied with and that data generated is used by Services to monitor and improve performance.	N/A	Q1
Learning and Development	Learning and Development spend across the Council	To provide assurance that spend on learning and development across the Council is approved as required and that anticipated outcomes are monitored.	N/A	Q1
Recruitment Procedures	Recruitment Procedures	To provide assurance that Services are complying with the Council's Policy relating to recruitment and document retention.	2016/17	Q2
Consultants	Consultants engaged by all Services	To provide assurance that consultancy is adequately defined and that spend on consultants is approved as required and that anticipated benefits / outcomes are achieved, including value for money.	N/A	Q2
Compliance with Procurement related Legislation and Council Regulations.	Payments made to a sample of suppliers.	To review payments made to a sample of suppliers to ensure that appropriate arrangements are in place for the commodities procured. Where any failure to comply with Procurement Legislation / internal governance arrangements are identified, to ascertain the reasons for this.	2018/19	Q3
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.	2018/19	Q4

SUBJECT	SCOPE	OBJECTIVE	Last Review	Indicative Quarter
Accident and Incident Reporting	Accident and Incident Reporting	To provide assurance that the Council's accident and incident reporting procedure is being complied with.	N/A	Q4

BUSINESS SERVICES

SUBJECT	SCOPE	OBJECTIVE	Last Review	Indicative Quarter
Treasury Management	Treasury Management	To provide assurance that the Council's Treasury Management procedures follow best practice and are being complied with.	2016/17 (deferred from 2018/19 Q4)	Q1
Business Rates	Billing, reliefs, payments and arrears recovery.	To provide assurance that billing and collection arrangements are robust and adequately applied and that reliefs awarded are appropriately supported.	2014/15 (deferred from 2018/19)	Q1
Ledger System and Budget Monitoring	Ledger System and Budget Monitoring	To provide assurance that appropriate control is being exercised over the financial ledger system (including access controls, contingency planning and business continuity) and that budget monitoring procedures are robust.	2016/17	Q2
Collection Offices	Establishment visits to offices which operate the cash receipting system. To include review of procedures and awareness relating to Money Laundering Regulations.	Consider whether all income sources, income handling procedures, and inventories are adequately controlled and completed.	2016/17	Q2
Councillors Payroll & Expenses	Controls over the system of making payments to Elected Members	To provide assurance that there is adequate control over the processing of the Members payroll including expenses claims.	2012/13	Q2
Licensing	Income from all types of licensing administered by Legal and Governance	Consider whether income from licensing is adequately controlled and reconciled to licenses issued.	2014/15	Q2
Creditors System	Creditors System	To provide assurance that appropriate control is being exercised over the Creditors System, including access controls, contingency planning and disaster recovery, and that interfaces to and from other systems are accurate and properly controlled.	2016/17	Q3

SUBJECT	SCOPE	OBJECTIVE	Last Review	Indicative Quarter
Northgate Revenues and Benefits System	Northgate Revenues and Benefits 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.	2016/17	Q3
Procurement	Procurement of Computer Hardware and Software.	To provide assurance that computer hardware and software is being procured in accordance with policy Council-wide and whether value for money is being achieved.	2011/12	Q3
Unlicensed / Unauthorised Software	Unlicensed / Unauthorised Software	Consider whether procedures in place for monitoring are sufficient and that identified breaches are dealt with and reported.	2014/15	Q4
Rental Income	Industrial and Commercial Premises	Consider whether adequate procedures are in operation to control the letting, charging and collection of income, arrears procedures and void management for premises.	2015/16	Q4
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, that it has been properly recorded for subsidy purposes, and that the requirements of the Verification Framework are being complied with.	2018/19	Q4

EDUCATION AND CHILDREN'S SERVICES

SUBJECT	SCOPE	OBJECTIVE	Last Review	Indicative Quarter
Nursery Education	Pre-school commissioned places	To provide assurance that 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.	2015/16 (deferred from 2018/19)	Q1
Business Unit	Business Unit	To review the process used for establishing the Business Unit and determining its governance arrangements, including the impact of the SLA set up between Council support services and Live Life Aberdeenshire, and to provide assurance over the Unit's performance management system to ensure that appropriate measures of success have been implemented that demonstrate whether the Unit is achieving its objectives.	N/A	Q3
Academy Visits	Selection of Academies	To provide assurance that income and expenditure, budget monitoring, payroll records, inventories, compliance with off-site excursions requirements, and security of premises are adequate.	2017/18	Q3
SEEMIS	SEEMIS	Consider whether appropriate control is being exercised over the system, including contingency planning and disaster recovery, data input, and that any interfaces are accurate and properly controlled.	2015/16	Q3
Museums	Selection of museums	Consider whether adequate procedures are in place covering income, expenditure, stocks, inventory, payroll, etc.	2013/14	Q4
Following the Public Pound	Arrangements in place to administer and control grant payments.	To provide assurance that grant payments made comply with the Council's Scheme of Governance and Following the Public Pound Policy.	2011/12	Q4
Out of Authority Placements	Out of Authority Placements	To provide assurance that the rapid improvement activity which commenced in April 2018 relating to this area has been implemented and is achieving desired objectives.	2010/11	Q4

INFRASTRUCTURE SERVICES

SUBJECT	SCOPE	OBJECTIVE	Last Review	Indicative Quarter
Year-end stock takes	Building Maintenance	Attend a selection of locations during year-end stock taking and ensure accuracy of process.	2016/17	Q1
European Agricultural Fund for Rural Development Grant Claim	European Agricultural Fund for Rural Development	Audit of grant claim to support report to The Scottish Government Rural Payments and Inspections Directorate.	2016/17	Q2
Rent System	Northgate System	Consider whether adequate control is exercised over the Rent System, that interfaces both to and from it are properly controlled, and that reconciliations are being carried out timeously.	2016/17	Q2
Housing Rent	Impact of Universal Credit on rent collection.	To provide assurance that appropriate arrangements have been put in place to manage the impact of Universal Credit on rent collection including intervention relating to identified vulnerable cases.	N/A (deferred from 2018/19)	Q2
Gas Servicing	Gas Servicing Procedures	Consider whether appropriate procedures are being consistently applied to ensure that the Council complies with the requirements of legislation.	2017/18	Q2
Income	Development Management and Building Standards	Consider whether control over income is robust.	2015/16	Q2
Void Control	Council Housing	Consider whether adequate procedures are in operation relating to the control of void properties.	2014/15	Q3
VMS	VMS	Consider whether adequate control is exercised over the function.	2009/10	Q3
Sign Shop	Sign Shop	To provide assurance over income, expenditure and value for money of service.	2009/10	Q3
Sheltered Housing	Sheltered Housing	To provide assurance that income, expenditure, inventories and tenant's records are adequately controlled.	2012/13	Q4
Waste Strategy	Waste Strategy	To provide assurance that progress is being made with implementing the Council's Waste Strategy 2019 - 2023.	N/A	Q4
Bus Service Operators Grant	Bus Service Operators Grant	Audit of various grant claims before submission for payment	On-going	As required
Interreg Projects	HyTrEc2, Civitas Portis (if required), and G-Patra (if required)	<i>There will be no specific reporting to management and / or the Audit Committee in relation to these grant claims unless a significant issue is identified.</i>		

ABERDEENSHIRE HEALTH AND SOCIAL CARE PARTNERSHIP

SUBJECT	SCOPE	OBJECTIVE	Last Review	Indicative Quarter
Purchase Cards	Purchase Cards	To provide assurance that the use of purchase cards in the Partnership is adequately controlled and complies with corporate procedures.	N/A	Q1
Self-Directed Support	Self-Directed Support Payments	To provide assurance that payments made relating to Self-Directed Support are adequately controlled.	2015/16	Q3
Fostering and Adoption Allowances	Fostering and Adoption Allowances	To provide assurance that adequate procedures are in place to control the calculation, award and payments of allowances.	2015/16	Q4
Care of the Elderly	Home Care Service	To provide assurance over that adequate control is exercised over income and payroll / travel and subsistence costs. Consider whether employees have been issued with adequate guidelines for dealing with clients.	2015/16	Q3
Commissioned Services	Contract Monitoring	To provide assurance that contract monitoring arrangements relating to Social Care Commissioned Services are adequate.	N/A	Q4

GENERAL

SUBJECT	SCOPE	OBJECTIVE	Last Review	Indicative Quarter
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 the Audit Committee.	On-going	On-going
Reporting Internal Audit outputs to the Audit Committee.	Reporting Internal Audit outputs to The Audit Committee.	To provide the Audit Committee with assurance regarding the areas for which they are responsible.	On-going	On-going
Contingency	Completion of previous year's planned audits.	Completion of previous year's planned audits.	N/A	Q1
Contingency	Investigations and additional works.	Investigations and additional works.	N/A	As Required

FOR INFORMATION

INTEGRATION JOINT BOARD

**Internal Audit work relating to the following area will be approved by the
Aberdeenshire Council Integration Joint Board Audit Committee**

SUBJECT	SCOPE	OBJECTIVE	Last Review	Indicative Quarter
Data Legislation	Compliance with data legislation	To provide assurance that the IJB has implemented appropriate arrangements to ensure the security of data and that they are being complied with. (Risk ID 1989 / IJB5)	N/A	Q1
Service Standards	Service Standards	To provide assurance that the IJB has implemented appropriate arrangement to manage performance. (Risk ID 1589 / IJB10)	N/A	Q2
Partnerships Governance	Arrangements in place to ensure that partner organisations are working effectively together.	To provide assurance that appropriate arrangements have been put in place that ensure the IJB's partner organisations are working effectively together (taking account of national document "Progress Under Integration"). (Risk ID 2296 / IJB8)	N/A	Q3