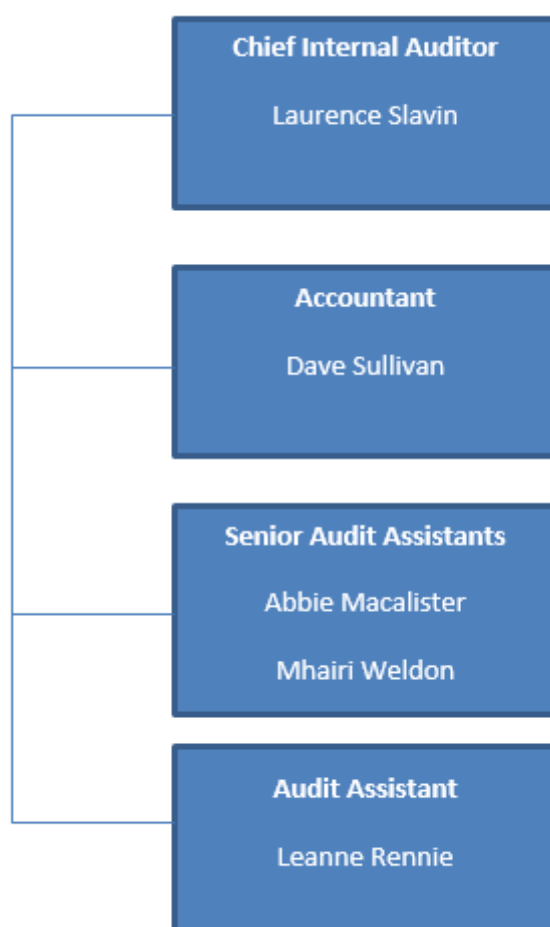


# Argyll and Bute Council

## Internal Audit Plan

### 2019/20

### DRAFT



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## Definition of Internal Audit

1. 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.

*Source: Section 4: Definition of Internal Auditing: Public Sector Internal Audit Standards*

## Purpose of Internal Audit

2. The main objective of internal audit is to provide a high quality, independent audit service to Argyll and Bute Council (the Council) which provides annual assurances in relation to internal controls and overall governance arrangements. In addition to this primary assurance role, internal audit will also:
  - support the Head of Strategic Finance (S95 Officer) and the Audit & Scrutiny Committee (the Committee) in the discharge of their duties
  - support the Council's Monitoring Officer
  - support the Council's anti-fraud and corruption arrangements
  - provide guidance on control implications for new or changed systems where appropriate
  - support the Council and the Strategic Management Team during key transformational / change projects.

## Public Sector Internal Audit Standards (PSIAS) Requirements

3. PSIAS sets out the requirement for the:
  - Chief Internal Auditor (CIA) to prepare a risk-based audit plan which takes into account the Council's strategic objectives, associated risks and the views of senior management and the Committee
  - CIA to review and adjust the plan as necessary in response to changes in the Council's business, risks, operations and priorities
  - audit plan to incorporate or be linked to a strategic or high-level statement of how internal audit will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.

## Risk Assessment

4. Internal audit's approach to annual audit planning is risk-based with all areas which may be subject to audit review are contained within an audit universe which is subject to formal review, at least annually. The audit universe includes all significant activities and systems that contribute to the achievement of the Council's priorities and objectives.
5. The audit universe is risk assessed each year to help determine the annual audit plan and ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk. Note however that that the audit universe, whilst a key factor, is not the only consideration

when determining the audit plan. Senior management have been consulted on priority areas for review, and cognisance is taken of the plans of external audit and other statutory agencies, in order to avoid duplication, and increase potential for cross reliance.

6. The audit universe risk assessment is based upon a matrix taking account of scores for each potential audit area in respect of:
  - materiality (based on expenditure)
  - sensitivity (based on whether a service is a statutory duty, statutory power or non-statutory, is customer facing and whether it features as a specific challenge in the Council's service plans)
  - time elapsed since it was last subject to review
  - overall audit assessment when it was last subject to review.
7. The matrix gives an overall "score" for each area that is used to prioritise audit reviews.

## Strategic Risks

8. 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 annual audit plan with identified reviews cross referenced to the strategic risk register. An abridged version of the strategic risk register (version dated October 2018) is included in appendix 3 for reference.

## Resourcing the Plan

9. Internal audit has a core establishment of five full time equivalent officers including three professionally qualified members of staff. Available audit days have been calculated as 890 days, including 90 days of management and administration time, following the deduction of annual leave, training and a small provision for sickness. This 890 days total includes the CIA's input to audit reviews and the running of the internal audit team and also a contingency of 60 days. In addition, there are 90 days planned to deliver scrutiny work.
10. Given the range and complexity of areas to be reviewed it is important that suitably qualified, experienced and trained individuals are appointed to internal audit positions. The CIA, in compliance with PSIAS holds an appropriate professional qualification (CIPFA). Also within the internal audit section we have one CIMA qualified team member, one AAT qualified member who is also training for IIA and one training for CIPFA.
11. Internal audit officers identify training needs as part of their annual appraisal process and are encouraged to undertake appropriate training, including in-house courses and external seminars as relevant to support their development.
12. 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.

## Confirmation of Independence

13. PSIAS requires internal audit to communicate, on a timely basis, all facts and matters that may have a bearing on our independence. We can confirm that the staff members identified to

complete the reviews in the 2019/20 annual audit plan are independent and objectivity is not compromised.

## 2019/20 Internal Audit Plan

14. Appendix 1 presents the internal audit plan for 2019/20. As our internal audit approach is informed by risks, where appropriate, the plan is cross-referenced to the strategic risk register contained at appendix 3. Appendix 3 also demonstrates the strategic risks that were subject to audit in 2018/19 and those we are projecting to cover in the period 2019/20-2020/21. This provides assurance to the Committee that all strategic key risks are subject to audit coverage over a three year cycle. Note that the projected timescales in appendix 3 are provisional as these may change to reflect changes in the Council's risk environment.
15. Appendix 2 presents the 2019/20 internal audit plan in a different format to provide assurance to the Committee that it provides appropriate coverage across all the Council's directorates and head of service's areas of service delivery.

## Monitoring the Plan

16. Internal audit reports on performance to the Committee on a quarterly basis including full copies of audit reports issued, progress implementing audit recommendations, performance against agreed performance indicators and a summary of all internal audit activity in the previous quarter.

## Quality Assurance and Improvement Programme

17. The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment.
18. 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 team has participated in this framework and an external validation of its own self-assessment took place during 2018/19 which concluded that we demonstrated overall compliance with PSIAS with many areas of strong practice. It also identified areas for improvement, all of which have been implemented. The next scheduled external assessment is not due for at least four years.
19. The internal audit team maintain a quality assurance and improvement programme which they review on a quarterly basis and report to the Committee as part of the standard agenda item 'Internal Audit Summary of Activities.' The programme details all improvement activity being progressed by the team.

## Appendix 1 – 2019/20 Internal Audit Plan

Directorate	Service	Topic	Days	High Level Scope	Strategic Risk
Cross Cutting	Council Wide	Risk management	15	Assess adequacy of risk management arrangements	
		Logical access (key systems)	15	Assess key system logical access rights to ensure they are commensurate to officer responsibilities	
		System interface & reconciliations	20	Ensure appropriate controls are in place over key system interfaces	
Cross Cutting	Continuous Monitoring Programme  Council and Live Argyll	Fraud	15	Participation in National Fraud Initiative	
		Budgeting	15	Internal control environment	
		General Ledger	15	Internal control environment	
		Creditors	15	Internal control environment	
		Debtors	15	Internal control environment	
		Payroll	20	Internal control environment	
		Treasury management	15	Internal control environment	
		Council Tax and NDR	15	Internal control environment	
		Imprests	10	Internal control environment	
		VAT	15	Internal control environment	
		School Funds	20	Internal control environment	
		Follow-up	30	Compliance	
Chief Exec	Strategic Finance	Capital monitoring	20	Assess adequacy of policies, procedures and controls	SRR02
	Strategic Finance	Following the Public Pound (FTPP)	25	Assess Council compliance with the principles of FTPP	
Customer Services	Governance & Law	Business continuity planning	20	Ensure that business continuity plans are in place and that arrangements adequately manage identified risks	SRR08
	Governance & Law	Information asset registers	20	Confirm arrangements for managing information assets are robust	
	Improvement and HR	Contract management / Health and safety	25	Ensure health and safety is appropriately considered in relation to contract tendering and safety impact assessments	
	Customer and Support Services	Cyber security	25	Assess controls and procedures established to manage cyber security risks	SRR11

Directorate	Service	Topic	Days	High Level Scope	Strategic Risk
	Facility Services	Council premises cleaning	20	Review of control environment and compliance with relevant policies and procedures	
	Facility Services	Legionella improvement plan	20	Assess progress against the legionella improvement plan and compliance with, appropriate policies and procedures	
	Education - Lifelong Learning & Support	Additional support needs	30	Assess policies and procedures for allocating, and periodically reviewing ASN hours and the mitigating actions highlighted in the ASN red risk in the education operational risk register	
	Education - Learning & Teaching	School attendance	20	Review of control environment and compliance with policies & procedures for managing and following up school absence	
	Education - Learning & Teaching	Pupil equity fund	20	Review the controls over planning, monitoring and reporting of the pupil equity fund	
Development & Infrastructure	Economic Development	Oban airport	15	Assess compliance with the aerodrome operating manual	
	Planning and Regulatory Services	Building standards	25	Review compliance with relevant policies & procedures and assess progress against the two building standards amber risks in the EDI operational risk register	
	Planning and Regulatory Services	Welfare reform	25	Provide assurance in relation to the mitigating actions identified in the Council's 'Welfare reform' strategic risk and associated risks in the Customer Service and Development & Infrastructure operational risk registers.	SRR09
	Roads and Amenity Services	Winter maintenance	25	Assess arrangements in place for the planning and delivery of winter maintenance services including the mitigating actions highlighted in the red risk in the EDI operational risk register	
	Roads and Amenity Services	Grounds maintenance	25	Review of control environment and compliance with relevant policies and procedures	
Health & Social Care Partnership	H&SCP	Contract management	25	Review of governance and contract monitoring across a sample of contracts for care services	

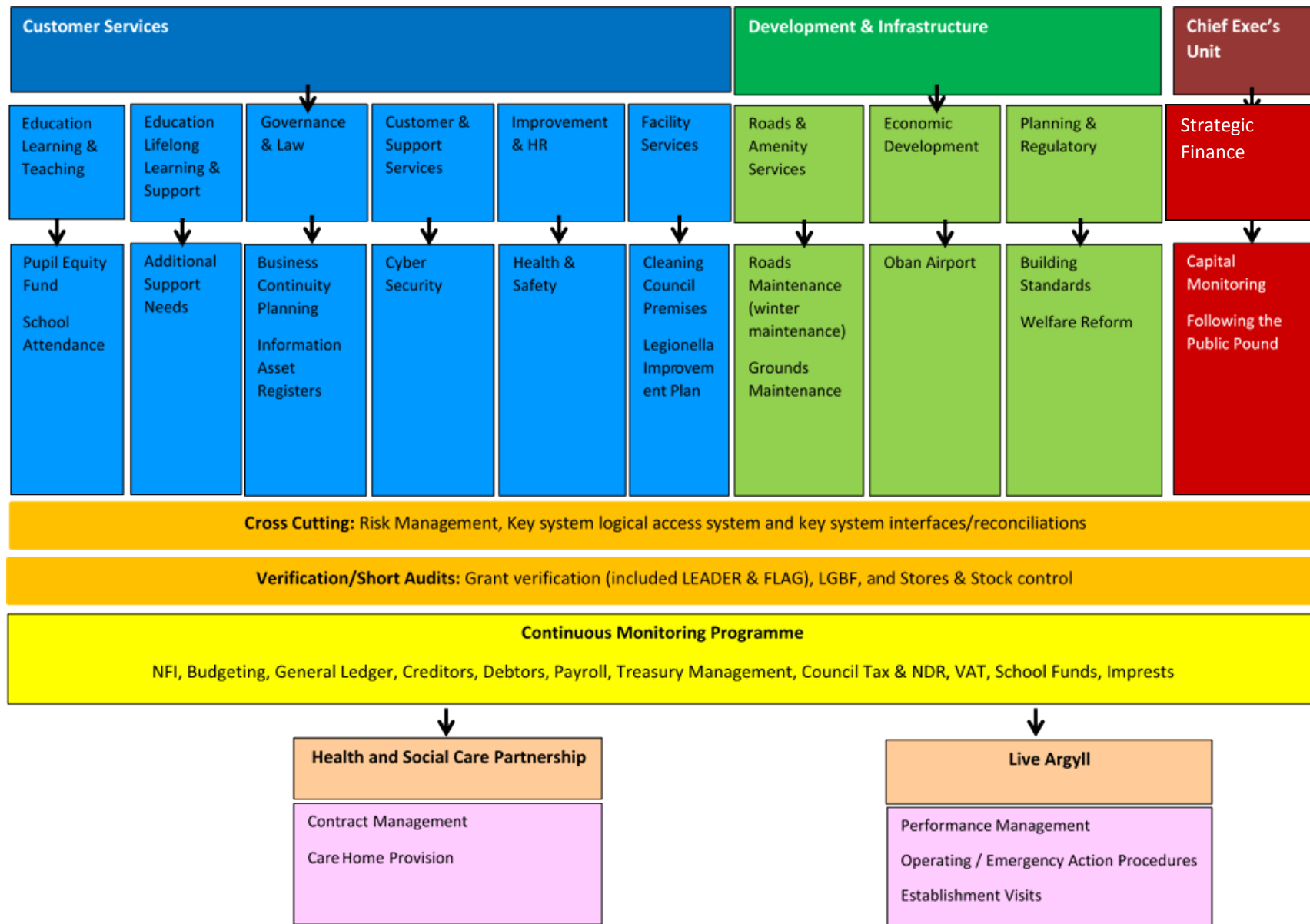
Directorate	Service	Topic	Days	High Level Scope	Strategic Risk
	H&SCP	Care home provision	25	A review of care home provision which will focus on quality of provision and value for money. The scope of the audit will be agreed with the HSCP Chief Officer prior to the audit commencing.	
LiveArgyll	LiveArgyll	Normal operating / emergency action procedures	15	Assess a sample of existing operating procedures to ensure they are robust and being complied with. The procedures to be assessed will be agreed with the LiveArgyll General Manager.	
	LiveArgyll	Performance management	15	Review of performance management arrangements including setting of targets, alignment with business plans and performance monitoring	
	LiveArgyll	Establishment visits	10	Cyclical audit approach to assess LiveArgyll establishment's compliance with physical controls	
Verification Activity /Short Audits	Grant verification	Grant claim review	25	Evidence compliance with award criteria	
	LGBF	Accuracy	10	Accuracy of submission	
	Stores	Stock count	5	Assess stock count procedures	

#### Summary of Days

Area	Number of Days
Cross Cutting – Council Wide	50
Cross Cutting – Continuous Monitoring	200
Chief Executive's Unit	45
Customer Services	200
Development & Infrastructure	115
Health & Social Care Partnership	50
LiveArgyll	40
Verification	40
Contingency	60
<b>Total</b>	<b>800</b>



## Appendix 2 – 2019/20 Internal Audit Plan by Council Directorate



### Appendix 3 – Strategic Risk Register (Abridged)

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions and Deadlines	Audit Coverage
1	<b>Population and Economic Decline</b>  Failure to identify relevant factors contributing to the decline and failure to develop strategies and actions targeting these factors.	20	1. Local outcome improvement plan targets population and economic recovery 2. Economic Forum 3. Maximise external funding opportunities 4. Strategic economic development action plan 5. Strategic infrastructure plan 6. Area economic development action plans 7. Promote and Market Argyll and Bute 8. Maximise social-eco benefits via effective partnership working	16	Treat	1. Deliver Rural Growth Deal (Initial Phase March 2020)	2018/19  2020/21
2	<b>Condition and suitability of Infrastructure &amp; Asset Base</b>  Infrastructure and asset base does not meet current and future requirements and is not being used or managed efficiently and effectively.	16	1. Asset management board 2. Robust capital planning and monitoring 3. Asset management work plan 2018/2019 4. Business case modelling including sustainability, development and strategic change 5. Intelligence and best practice sharing via Heads of Property Group. 6. New schools programme 7. Smarter Places 8. Community Empowerment and Community Asset Transfer – Arrangements in place to evaluate and determine requests. 9. Roads Asset Management Plan 10. Status and Options Report	12	Treat	1. One Council Property Approach 2. Implementation of R&A Services control hub and joint operations team (Dec 2018) 3. Consider implementation of new capital prioritisation process for 2020/21 budget (September 2019)	2018/19  2019/20
3	<b>Financial Sustainability</b>	16	1. Longer term financial planning. 2. Income generation activity	12	Treat	1. SF Service restructure (Dec 2018)	2018/19

No	Risk	Gross	Current Mitigation	Residual	Approach	Key Actions and Deadlines	Audit
	Insufficient resource to meet current and future service requirement. Budget not aligned / does not support business outcomes.		3. Robust budget preparation and budget monitoring protocols 4. Maintaining adequate contingency with reserves. 5. Digital transformation 6. Develop Effective workforce planning model 7. Transformation Programme.			2. Complete annual review of financial strategy (Nov 2018) 3. Reconstructing budget as part of the budget 2019/20 process (Feb 2019) 4. Deliver Rural Growth Deal (Initial Phase March 2020) 5. Review of PIF / Business Outcomes (December 2018) 6. Review of HSCP Scheme of Integration with a focus on the risk sharing arrangements (March 2019)	
4	<b>Governance and Leadership</b>  Governance and leadership arrangements are not conducive to effective working and lead to a lack of strategic direction.	16	1. Administration in place with working majority 2. Members Seminar programmes 3. Mentoring and Coaching Support for policy leads and Senior Management 4. Priorities agreed by Council 5. Corporate Plan sets out objectives 7. Performance Improvement Framework and Service Planning. 8. Leadership development programme. 9. Council constitution regularly reviewed and updated. 10. Established partnership governance arrangements 11. Scrutiny arrangements in respect of Police, Fire and Health. 12. Governance arrangements for scrutiny established	12	Treat	1. Delivery of 2018/19 scrutiny plan' (September 2019) 2. Preparation for BV audit (October 2019)	2018/19
5	<b>Engagement and</b>	12	1. Community Planning partnership	6	Tolerate	1. Finalise Council response to	2018/19

No	Risk	Gross	Current Mitigation	Residual	Approach	Key Actions and Deadlines	Audit
	<b>Understanding the needs of the Community</b>  The Council fails to understand service user needs and emerging demographic trends and does not align service delivery to meet these.		2. Community Engagement Strategy 3. Customer Service Board 4. Operation and development of panels and forums. Young people's plan, citizens panel 5. Budget Consultation 6. Comprehensive Complaints Protocols 7. Demographic and end user analysis 8. Conducted future of public services roadshows Summer 2018			LG review to be submitted to full Council in November 2018	
6	<b>Service Delivery</b>  Insufficient resources to ensure effective service delivery	9	1. Performance Improvement Framework 2. Service Improvement plans 3. Argyll and Bute Manager programme 4. Customer needs analysis Protocols 5. Demographic and end user analysis 6. Workforce Planning 7. Internal and External Scrutiny Arrangements 8. Complaints process	6	Tolerate		2018/19
7	<b>Health and Social Care Partnership</b>  Failure to deliver strategic objectives and integrate Health and Social Care services in an efficient and effective manner exposes the Council,	20	1. HSCP integration scheme approved by Scottish government 2. Strategic Plan in place 3. Performance and Financial reporting arrangements in place 4. Independent audit arrangements in place. 5. Integrated Joint board with elected member representation including Council Leader 6. Chief Officer member of ABC Senior Management Team with co-location of	15	Treat	1. Develop new 3 year strategic plan 2. Enhanced monitoring of HSCP financial position (March 2019) 3. Consider arrangements for voluntary severance	2020/21

No	Risk	Gross	Current Mitigation	Residual	Approach	Key Actions and Deadlines	Audit
	as a key partner, to unacceptable financial and reputational risk.		officers 7. Tripartite leadership agreement				
8	<b>Civil Contingency &amp; Business continuity</b> arrangements are not effective.	8	1. Emergency Planning Test events 2. Critical Activity Recovery Plans 3. Roll out of Community resilience partnership programme 4. Peer review of major exercises undertaken to provide external validation of planning process 5. West of Scotland local resilience partnership 6. Cross sector expertise and partnership working 7. Emergency Management Support Team (EMST) meetings 8. Training	6	Tolerate		2019/20
9	<b>Welfare Reform</b>  Implementation of welfare reform is not managed well resulting in increased poverty and deprivation or short term crisis	20	1. Welfare reform group established. 2. Joint working with DWP, CPP and other agencies. 3. Money Skills Argyll	12	Treat	1. Agree options for restructuring the funding model, revised KPIs, and revised unit costs with BIG and the other lead partners' (Oct 2018) 2. Complete contractual changes with BIG (Dec 2018)	2019/20
10	<b>Waste Management</b>  Unable to dispose of waste in landfill	20	1. Helensburgh and Lomond waste solution available via third party off takers	16	Treat	1. Seek Island impact assessment and funding necessary to achieve compliance 2. Seek derogation from	2018/19

No	Risk	Gross	Current Mitigation	Residual	Approach	Key Actions and Deadlines	Audit
	sites due to the implications of the biodegradable municipal waste (BMW) landfill ban in 2021					Scottish Government for contractual and island waste. 3. Revise waste strategy	
11	<b>Service Delivery - Cyber Security</b> Unable to deliver services to customers because of failure of ICT systems following major cyber security breach	15	1. ICT Security & compliance officer in post, producing weekly threat analyses, member of CiSP 2. PSN and Cyber Essentials Plus accreditations for corporate network 3. Regular patching regimes in place 4. ICT Disaster recovery plans tested regularly 5. All critical activities have recovery plans developed (CARP's)	6	Treat	1. Continued close review and update of disaster recovery plans and associated tests 2. Development of incident response plan 3. Reviewing mirroring between data centres 4. Services to test CARPs regularly	2019/20
12	<b>Withdrawal from the EU</b>  Insufficient preparedness for exit from the European Union	15	1. Establishment of tactical team with direct reports to Chief Executive as Strategic Lead 2. Regular reporting to the Strategic Management Team and the Industry and Regional Development Sounding Board as the strategic group. 3. Tactical team via the Civil Contingencies Manager liaising/ collaborating with Regional Resilience Partnerships and other resilience partners.	10	Treat	1. Development and regular review of dedicated risk register with input from representatives across the organisation and the Health and Social Care Partnership. 2. Preparation of Brexit workplan 3. Standing item on agenda for Strategic Management Team. Deadline - ongoing.	Ongoing – CIA sits on the tactical team