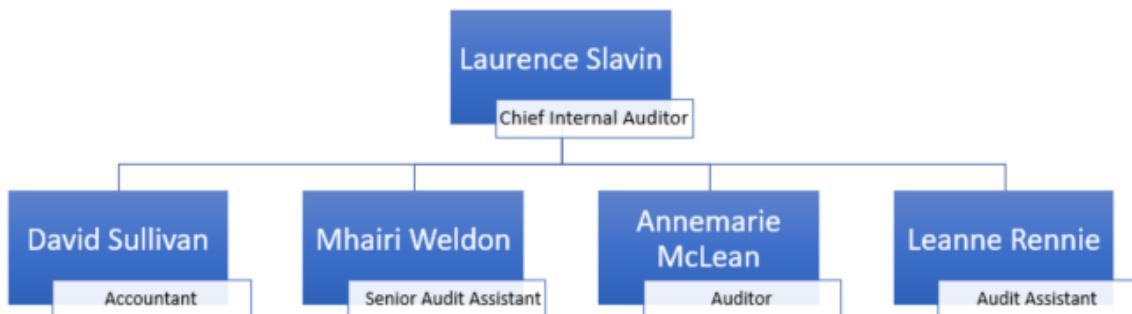


# Argyll and Bute Council

## FINAL Internal Audit Plan



2020/21



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## 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.

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

## Purpose of Internal Audit

- 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 Financial Services (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

- 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

- Internal audit's approach to annual audit planning is risk-based with all areas which may be subject to audit review 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.
- 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 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 2019) is included in appendix 3 for reference.

## Resourcing the Plan

9. Internal audit has a core establishment of five full time equivalent officers including two professionally qualified members of staff. Available audit days have been calculated as 865 days (including 110 days of management and administration time), following the deduction of annual leave, training, a small provision for sickness and 90 days to deliver scrutiny work. This 865 days total includes the CIA's input to audit reviews and the running of the internal audit team and a contingency of 75 days.
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 2020/21 annual audit plan are independent and objectivity is not compromised.

## 2020/21 Internal Audit Plan

14. Appendix 1 presents the internal audit plan for 2020/21. 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 focus in 2019/20 and those we are projecting to cover in the period 2020/21-2021/22. 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 2020/21 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 (QAIP) 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. The next scheduled external assessment will be conducted in 2022.
19. In 2019/20 internal audit carried out an internal self-assessment against PSIAS which was reported to Committee in September 2019. It confirmed the service fully conformed to PSIAS in 11 of the 14 assessment areas. The three areas where they were self-assessed as 'Generally Conforming' is due to the identification of areas for improvement which are fairly minor in nature. These improvements have been built into the service's QAIP.
20. The internal audit team review their QAIP on a quarterly basis and report it 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 – 2020/21 Internal Audit Plan

Directorate Contact	Service	Audit Title	Days	High Level Scope	Strategic Risk
Cross Cutting	Continuous Monitoring Programme	Fraud	15	Participation in National Fraud Initiative	
		Budgeting	15	Cyclical review of key controls over an 18 month programme of audit testing	
		General Ledger	15		
		Creditors	20		
		Debtors	15		
		Payroll	25		
		Treasury management	15		
		Council Tax and NDR	20		
		VAT	15		
		Follow-up	40	Compliance	
Pippa Milne	Strategic Finance	Capital Monitoring	25	Assess the revised capital monitoring procedures and controls	SRR02
	Revenues and Benefits	Scottish Welfare Fund	20	Assess the arrangements for managing the Scottish Welfare Fund Crisis Grants and Community Care Grants	
Douglas Hendry	Education	Primary and Early Years Security	30	Review the controls in place to mitigate the risk of unauthorised access to primary schools and early years establishments and of pupils exiting school premises without authorisation	
	Education	Pupil Work Placements	25	Establish and assess the procedures the Council have for safeguarding school pupils on work experience placements	
	Advice Services	Welfare Rights	25	Assess compliance with statutory requirements and Council policy	
	Trading Standards	Trading Standards	20	Assess the controls relating to the application of statutory requirements and Council policy	
	Procurement, Commissioning and Contracts	Contract Management	25	Review the controls in place to mitigate the risk of the Council not being able to deliver services due to the business failure of a key contracted supplier	SRR06
	Major Project Management	CHORD Project Management	20	Provide audit resource to support a lessons learned review being led by the Head of Commercial Services. This is considered to be consultancy rather than an audit. There will be no formal audit report output however the Chief Internal Auditor will inform the Audit and	SRR02

<b>Directorate Contact</b>	<b>Service</b>	<b>Audit Title</b>	<b>Days</b>	<b>High Level Scope</b>	<b>Strategic Risk</b>
				Scrutiny Committee of any key findings from the review	
	Property Services	Management of Contracts	25	Assess the arrangements for managing and monitoring property contracts	SRR02
Kirsty Flanagan	ICT	Disaster Recovery Planning	25	Assess the adequacy and effectiveness of the Council's disaster recovery arrangements	SRR08
	Human Resources	Sickness Absence	25	Assess the adequacy and effectiveness of the Council's sickness absence arrangements	
	Organisational Development	Workforce Planning	25	Confirm the Council's arrangements for workforce planning and associated processes are appropriate and operating as expected	SRR03 SRR06
	Operations (Roads and Amenity)	Street Cleaning	20	Review of control environment and compliance with relevant policies and procedures	
	Operations (Roads and Amenity)	Warden Service	20	Assess the controls relating to the application of statutory requirements and Council policy	
	Strategic Transportation	Oban Airport	12	Assess compliance with the aerodrome operating manual	
	Economic Development	LEADER	10	Assess compliance with the requirements of the Argyll and the Islands LEADER 2014 – 2020 Service Level Agreement	
	Housing	Homelessness	25	Ensure appropriate arrangements are in place for the provision of accommodation to homeless clients	
Joanna MacDonald	H&SCP	Charging for Non-Residential Services	25	Assess the charging arrangements for non-residential care services	SRR07
	H&SCP	Learning Disability Care Packages	25	Assess the arrangements for managing learning disability care packages	SRR07
Kevin Anderson	LiveArgyll	Intercompany Controls / Budget Monitoring	20	Assess the controls to ensure expenditure and payroll transactions are appropriately split between company 1 (Argyll and Bute Council) and company 2 (Live Argyll)	
	LiveArgyll	Event Management	15	Assess procedures to manage events hosted in Live Argyll venues including controls over revenue, expenditure, risk management and insurance	

Directorate Contact	Service	Audit Title	Days	High Level Scope	Strategic Risk
	LiveArgyll	Establishment visits	10	Cyclical audit approach to assess LiveArgyll establishment's	
Verification Activity	LGBF	Accuracy	8	Accuracy of submission	
	Stores	Stock count	5	Assess stock count procedures	

#### Summary of Days

Directorate Contact	Number of Days
Cross Cutting – Continuous Monitoring	195
Pippa Milne	45
Douglas Hendry	170
Kirsty Flanagan	162
Joanna MacDonald	50
LiveArgyll	45
Verification Activity	13
Contingency	75
<b>Total</b>	<b>755</b>

## Appendix 2 – 2020/21 Internal Audit Plan by Council Directorate / Head of Service

Pippa Milne	Douglas Hendry			Kirsty Flanagan			Joanna MacDonald
Financial Services	Education	Legal & Regulatory	Commercial Services	Customer Support	Roads & Infrastructure	Development & Economic	Health & Social Care Partnership
Capital Monitoring	Primary and Early Years Security	Trading Standards	Management of Contracts	Disaster Recovery Planning	Street Cleaning	Oban Airport	Charging for Care Services
Scottish Welfare Fund	Pupil Work Placements	Contract Management	CHORD Project Management	Sickness Absence	Warden Services	Homelessness	Learning Disability Care Packages
Continuous Monitoring Programme							
Budgeting, General Ledger, Creditors, Debtors, Payroll, Treasury Management, Council Tax & Non-Domestic Rates, VAT							
Live Argyll				Other Activity			
Events Management Intercompany Controls / Budget Monitoring Establishment Visits				NFI Follow Up Local Government Benchmarking Framework			

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

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	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 9. Single Investment Plan	16	Treat	1. Deliver Rural Growth Deal (Initial Phase March 2020) 2. Lobbying activity in pursuit of regional immigration policies and related strategies 3. Consider the findings of the scrutiny review of the economic strategy (March 2020)	2019//20 (Scrutiny) 2021/22

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
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 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 11. R&A Services control hub and joint operations team 12. One Council Property Approach	12	Treat	1. Development of capital strategy (February 2020)	2020/21

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
3	<b>Financial Sustainability</b>  Insufficient resource to meet current and future service requirement. Budget not aligned / does not support business outcomes.	16	1. Longer term financial planning. 2. Income generation activity 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. 8. RPIF / Business Outcomes	12	Treat	1. Implement SF resilience building project including knowledge sharing and development of guidance notes (March 2020) 2. Complete review of financial strategy (March 2020) 3. Development of medium to longer term savings options (Feb 2020) 4. Deliver Rural Growth Deal (Initial Phase March 2020) 5. Review of HSCP Scheme of Integration (June 2020)	2019//20 (Scrutiny)  2020/21  Ongoing via Continuous Monitoring
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	12	Treat	1. Consider the findings of the BV3 review (June 2020)	2019/20

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
			established				
5	<b>Engagement and 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.	12	1. Community Planning partnership 2. Community Engagement Strategy 3. Customer Service Board 4. Operation and development of panels and forums. Young people's plan, citizen's panel 5. Budget Consultation 6. Comprehensive Complaints Protocols 7. Demographic and end user analysis 8. Conducted future of public services roadshows Summer 2018	6	Tolerate		2021/22

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
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		2020/21
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, as a key partner, to unacceptable financial and reputational risk.	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 officers 7. Tripartite leadership agreement 8. Monitoring of HSCP financial position.	15	Treat	1. Develop options to deliver sustainability of future years budgets (March 2020 and ongoing) 2. Deliver the financial recovery plan (March 2020)	2019/20 2020/21  Assurance also taken from IJB internal audit function

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
8	Civil Contingency & Business continuity arrangements are not effective.	8	<ul style="list-style-type: none"> <li>1. Emergency Planning Test events</li> <li>2. Critical Activity Recovery Plans</li> <li>3. Roll out of Community resilience partnership programme</li> <li>4. Peer review of major exercises undertaken to provide external validation of planning process</li> <li>5. West of Scotland local resilience partnership</li> <li>6. Cross sector expertise and partnership working</li> <li>7. Emergency Management Support Team (EMST) meetings</li> <li>8. Training</li> <li>9. EU Withdrawal Tactical Working Group with arrangements for daily reporting to the West of Scotland Resilience Partnership</li> </ul>	6	Treat	<ul style="list-style-type: none"> <li>1. Develop a business continuity policy (March 2020)</li> </ul>	2019/20 2020/21
9	Welfare Reform  Implementation of welfare reform is not managed well resulting in increased poverty and deprivation or short term crisis	20	<ul style="list-style-type: none"> <li>1. Welfare reform group established.</li> <li>2. Joint working with DWP, CPP and other agencies.</li> <li>3. Money Skills Argyll</li> </ul>	12	Treat	<ul style="list-style-type: none"> <li>1. Engage with partners, BIG and other project leads on compliance framework /requirements.</li> </ul>	2019/20

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
10	<b>Waste Management</b>  Unable to dispose of waste in landfill sites due to the implications of the biodegradable municipal waste (BMW) landfill ban in 2025	20	1. Helensburgh and Lomond waste solution available via third party offtakers 2. Waste strategy	16	Treat	1. Seek Island impact assessment and funding necessary to achieve compliance 2. Seek derogation from Scottish Government for contractual and island waste.	2021/22
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. Consider the findings of Internal Audit's Cyber Security Audit (April 2020)	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

