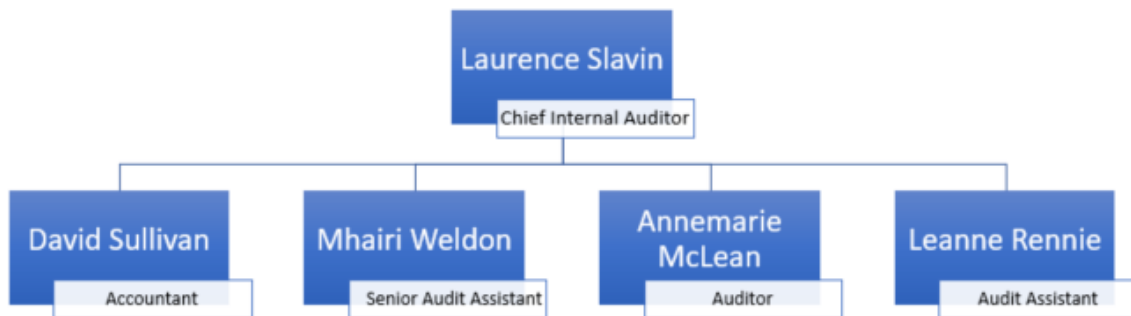


Argyll and Bute Council

Internal Audit Plan

2021/22



Contents

| | |
|--|---|
| Purpose of Internal Audit | 3 |
| Public Sector Internal Audit Standards (PSIAS) Requirements | 3 |
| Risk Assessment | 3 |
| Strategic Risks | 4 |
| Resourcing the Plan | 4 |
| Confirmation of Independence | 4 |
| 2021/22 Internal Audit Plan | 5 |
| Monitoring the Plan | 5 |
| Quality Assurance and Improvement Programme | 5 |
| Appendix 1 – 2021/22 Internal Audit Plan | 6 |
| Appendix 2 – 2021/22 Internal Audit Plan by Council Directorate / Head of Service | 9 |
| Appendix 3 – Strategic Risk Register (Abridged) | 9 |

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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 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 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 2020) 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 789 days (including 85 days of management and administration time), following the deduction of annual leave, training, a small provision for sickness, 90 days to deliver scrutiny work and 50 days to deliver the HSCP internal audit function. This 789 days total includes the CIA's input to audit reviews and the running of the internal audit team and a contingency of 55 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 and CIA qualified member 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 2021/22 annual audit plan are independent and objectivity is not compromised.

2021/22 Internal Audit Plan

14. Appendix 1 presents the internal audit plan for 2021/22. 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 2020/21 and those we are projecting to cover in the period 2021/22-2022/23. 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 2021/22 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 2020/21 internal audit carried out an internal self-assessment against PSIAS which was reported to Committee in December 2020. 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 – 2021/22 Internal Audit Plan

| Directorate Contact | Service | Audit Title | Days | High Level Scope | Strategic Risk |
|---------------------|---------------------------------|-----------------------------|------|---|----------------|
| Cross Cutting | Continuous Monitoring Programme | Fraud | 5 | Handover of participation in National Fraud Initiative, to new Counter Fraud Team | |
| | | 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 | Financial Services | Purchasing Cards | 20 | Review purchase card procedures and spend to assess compliance with Procurement Manual and achievement of Best Value. | |
| | Financial Services | Fixed Asset Register (AIRS) | 25 | Asses the accuracy and completeness of the information that is fed into the Fixed Asset Register, via both IT systems and departmental processes. | |
| Douglas Hendry | Education | School Fund Governance | 30 | Follow up from previous audit report 2018/19. Assess progress implementing Education Management Circular No 1.10 | |
| | Education | ELC Parental Satisfaction | 25 | Review of the parental engagement/ feedback process for provision of 1140 hours expansion rolled out August 2020. | |
| | Education | Education Processes | 25 | Review of processes that feed into the wider pupil transport service with specific reference to ASN/Complex needs | |
| | Legal and Regulatory Support | Civil Contingencies | 25 | Assess compliance with the Civil Contingencies Act | SRR08 SRR13 |
| | Legal and Regulatory Support | Complaints Handling | 20 | Assess the implementation and compliance with revised SPSO Model Complaints Handling Procedures | SRR05 SRR06 |
| | Commercial Services | Land and Asset Disposal | 15 | Follow up on issues raised in 2018/19 audit report including progress and compliance with revised policies & procedures | SRR02 |

| Directorate Contact | Service | Audit Title | Days | High Level Scope | Strategic Risk |
|---------------------|-----------------------------------|---|------|---|----------------|
| | Commercial Services | Climate Change Act | 25 | Assess extent to which the Council is discharging it's climate change duties as required by Climate Change (Scotland) Act | |
| Kirsty Flanagan | Roads and Infrastructure Services | Street Cleaning | 20 | Review of control environment and compliance with relevant policies and procedures | |
| | Roads and Infrastructure Services | Procurement and Contract Management - Roads and Amenity Focus | 25 | Review of governance and contract monitoring for Roads and Amenity Service contracts | |
| | Development and Economic Growth | Planning Applications | 20 | Review the Planning Application process to assess compliance with statutory requirements and Council policy. | |
| | Development and Economic Growth | Environmental Health | 25 | Assess the controls relating to the application of statutory requirements and Council policy | |
| | Development and Economic Growth | Oban Airport (Mandatory) | 15 | Assess compliance with the aerodrome operating manual | |
| | Development and Economic Growth | LEADER | 5 | Annual review to assess compliance with the requirements of the Argyll and the Islands LEADER 2014 – 2020 Service Level Agreement | |
| | Customer Support Services | ICT - Remote Working | 25 | Assess the adequacy of policies, procedures and guidance relating to future remote working arrangements | |
| | Customer Support Services | HR Project Management - Payroll Business Process Review | 25 | Provide assurance that the Payroll Business Process Review has been carried out in a robust manner | |
| Joanna MacDonald | H&SCP | Adult Protection Services | 30 | Compliance with internal policies and procedures | |
| | H&SCP | Child Protection Services | 30 | Compliance with internal policies and procedures | |
| Kevin Anderson | LiveArgyll | Budget Monitoring | 20 | Carried forward from 2020/21 due to furloughing of staff and limited Budget Monitoring carried out. Assess the adequacy and effectiveness of the Live Argyll's Budget Monitoring arrangements (performance of this audit is dependent on extent to which Live Argyll services are | |

| Directorate Contact | Service | Audit Title | Days | High Level Scope | Strategic Risk |
|-----------------------|---------|-------------|------|---|----------------|
| | | | | open during 2021/22) – to be discussed with Live Argyll General Manager at an appropriate time. | |
| Verification Activity | LGBF | Accuracy | 9 | Accuracy of submission | |
| | Stores | Stock count | 5 | Assess stock count procedures | |

Summary of Days

| Directorate Contact | Number of Days |
|---------------------------------------|----------------|
| Cross Cutting – Continuous Monitoring | 185 |
| Pippa Milne | 45 |
| Douglas Hendry | 165 |
| Kirsty Flanagan | 160 |
| Joanna MacDonald | 60 |
| LiveArgyll | 20 |
| Verification Activity | 14 |
| Contingency | 55 |
| Total | 704 |

Appendix 2 – 2021/22 Internal Audit Plan by Council Directorate / Head of Service

| Pippa Milne | Douglas Hendry | | | Kirsty Flanagan | | | Joanna MacDonald |
|--|---|----------------------------|-------------------------|---|-------------------------------------|--|----------------------------------|
| Financial Services | Education | Legal & Regulatory Support | Commercial Services | Customer Support | Roads & Infrastructure | Development & Economic Growth | Health & Social Care Partnership |
| Purchasing Cards | ELC Parental Satisfaction | Civil Contingencies | Land and Asset Disposal | ICT- Remote Working | Street Cleaning | Planning Applications | Adult Protection Services |
| Fixed Asset Register (AIRS) | Education Processes School Fund Governance | Complaints Handling | Climate Change Act | HR Project Management BPR | Procurement and Contract Management | Environmental Health Oban Airport LEADER | Child Protection Services |
| Continuous Monitoring Programme Budgeting, General Ledger, Creditors, Debtors, Payroll, Treasury Management, Council Tax & Non-Domestic Rates, VAT | | | | | | | |
| Live Argyll Budget Monitoring (TBC) | | | | Other Activity NFI – Hand over to Counter Fraud Team 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 | <p>Population and Economic Decline</p> <p>Failure to identify relevant factors contributing to the decline and failure to develop strategies and actions targeting these factors.</p> | 20 | <ol style="list-style-type: none"> 1. Local outcome improvement plan targets population and economic recovery 2. Maximise external funding opportunities 3. Strategic economic development action plan 4. Strategic infrastructure plan 5. Area economic development action plans 6. Promote and Market Argyll and Bute 7. Maximise social-eco benefits via effective partnership working 8. Single Investment Plan | 16 | Treat | <ol style="list-style-type: none"> 1. Rural Growth Deal Heads of Terms due to be signed early 2021 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 2021) 4. Rural Growth Deal Outline Business Cases and Final Business Cases to be developed (2021/22) | 2019/20 (Scrutiny) |

| No | Risk | Gross Risk | Current Mitigation | Residual Risk | Approach | Key Actions | Audit Coverage |
|----|---|------------|---|---------------|----------|---|-------------------------------|
| 2 | <p>Condition and suitability of Infrastructure & Asset Base</p> <p>Infrastructure and asset base does not meet current and future requirements and is not being used or managed efficiently and effectively.</p> | 16 | <ol style="list-style-type: none"> 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. Community Empowerment and Community Asset Transfer – Arrangements in place to evaluate and determine requests. 7. Roads Asset Management Plan 8. Status and Options Report 9. R&A Services control hub and joint operations team 10. One Council Property Approach | 12 | Treat | <ol style="list-style-type: none"> 1. Development of capital strategy (May 2021 to align with revised Financial Strategy) 2. Consider conclusions of property theme review in relation to potential asset rationalisation – February 2021 | <p>2020/21</p> <p>2021/22</p> |

| No | Risk | Gross Risk | Current Mitigation | Residual Risk | Approach | Key Actions | Audit Coverage |
|----|--|------------|--|---------------|----------|--|---|
| 3 | <p>Financial Sustainability</p> <p>Insufficient resource to meet current and future service requirement. Budget not aligned / does not support business outcomes.</p> | 16 | <ol style="list-style-type: none"> 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. RPIF / Business Outcomes | 12 | Treat | <ol style="list-style-type: none"> 1. Ongoing financial resilience building project including knowledge sharing and development of guidance notes (March 2022) 2. Complete review of financial strategy (May 2021) 3. Development of medium to longer term savings options (February 2020) 4. Rural Growth Deal Heads of Terms due to be signed early 2021 | <p>2019/20 (Scrutiny)</p> <p>2020/21</p> <p>Ongoing via Continuous Monitoring</p> |
| 4 | <p>Governance and Leadership</p> <p>Governance and leadership arrangements are not conducive to effective working and lead to a lack of strategic direction.</p> | 16 | <ol style="list-style-type: none"> 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 6. Performance Improvement Framework and Service Planning. 7. Leadership development programme. 8. Council constitution regularly reviewed and updated. 9. Established partnership governance arrangements 10. Scrutiny arrangements in respect of Police, Fire and Health. | 12 | Treat | <ol style="list-style-type: none"> 1. Monitor delivery of BV action plan (ongoing date) 2. Review the governance and remits of DMT/SMT and Strategic Boards (March 2021) | 2020/21 (Scrutiny) |

| No | Risk | Gross Risk | Current Mitigation | Residual Risk | Approach | Key Actions | Audit Coverage |
|----|---|------------|---|---------------|----------|---|----------------|
| | | | 11. Governance arrangements for scrutiny established 12. Governance arrangements for scrutiny established | | | | |
| 5 | Engagement and Understanding the needs of the Community 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, citizens 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 |
| 6 | Service Delivery 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 | Treat | 1. Monitor progress of performance mgt project and implement recommendations (Ongoing from Oct 2020 to June 2022) | 2020/21 |

| No | Risk | Gross Risk | Current Mitigation | Residual Risk | Approach | Key Actions | Audit Coverage |
|----|--|------------|---|---------------|----------|---|--|
| 7 | <p>Health and Social Care Partnership</p> <p>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.</p> | 20 | <ol style="list-style-type: none"> 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 | <ol style="list-style-type: none"> 1. Develop options to deliver sustainability of future years budgets (March 2020 and ongoing) 2. Monitor development of IJB 20/21 Recovery Plan (October 2020 and ongoing) | <p>2019/20</p> <p>2020/21</p> <p>Assurance also taken from IJB internal audit function</p> |

| No | Risk | Gross Risk | Current Mitigation | Residual Risk | Approach | Key Actions | Audit Coverage |
|----|---|------------|--|---------------|----------|---|--------------------|
| 8 | Civil Contingency & Business continuity arrangements are not effective. | 8 | <ol style="list-style-type: none"> 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 9. EU Withdrawal Tactical Working Group with arrangements for reporting to the West of Scotland Resilience Partnership | 6 | Treat | 1. Develop a business continuity policy (December 2020) | 2021/22 |
| 9 | Welfare Reform Implementation of welfare reform is not managed well resulting in increased poverty and deprivation or short term crisis | 20 | <ol style="list-style-type: none"> 1. Welfare reform group established. 2. Joint working with DWP, CPP and other agencies. 3. Money Skills Argyll | 12 | Treat | 1. In relation to MSA - Engage with partners, BIG and other project leads on compliance framework/requirements. Working toward a project closure in first half of 2021. | 2019/20 2022/23 |

| No | Risk | Gross Risk | Current Mitigation | Residual Risk | Approach | Key Actions | Audit Coverage |
|----|--|------------|--|---------------|----------|---|---|
| 10 | <p>Waste Management</p> <p>Unable to dispose of waste in landfill sites due to the implications of the biodegradable municipal waste (BMW) landfill ban in 2025</p> | 20 | <p>1. Helensburgh and Lomond waste solution available via third party offtakers</p> <p>2. Waste strategy</p> | 16 | Treat | <p>1. Update paper to EDI December 2020 and report on progress to A&SC in March 2021, paper will include possible options for compliance.</p> | 2021/22 (Scrutiny) |
| 11 | <p>Service Delivery - Cyber Security</p> <p>Unable to deliver services to customers because of failure of ICT systems following major cyber security breach</p> | 15 | <p>1. ICT Security & compliance officer in post, producing weekly threat analyses, member of CiSP</p> <p>2. PSN and Cyber Essentials Plus accreditations for corporate network</p> <p>3. Regular patching regimes in place</p> <p>4. ICT Disaster recovery plans tested regularly</p> <p>5. All critical activities have recovery plans developed (CARP's)</p> | 6 | Tolerate | | <p>2019/20</p> <p>2022/23</p> |
| 12 | <p>Withdrawal from the EU</p> <p>Insufficient preparedness for exit from the European Union</p> | 15 | <p>1. Establishment of tactical team with direct reports to Chief Executive as Strategic Lead</p> <p>2. Regular reporting to the Strategic Management Team and the Industry and Regional Development Sounding Board as the strategic group.</p> <p>3. Tactical team via the Civil Contingencies Manager liaising/ collaborating with Regional Resilience Partnerships and other resilience partners.</p> | 10 | Treat | <p>1. Development and regular review of dedicated risk register with input from representatives across the organisation and the Health and Social Care Partnership.</p> <p>2. Preparation of Brexit workplan</p> <p>3. Standing item on agenda for Strategic Management Team. Deadline - ongoing.</p> | Ongoing – CIA sits on the tactical team |

| No | Risk | Gross Risk | Current Mitigation | Residual Risk | Approach | Key Actions | Audit Coverage |
|----|--|------------|---|---------------|----------|---|-------------------------------|
| 13 | <p>Impact of COVID - 19</p> <p>The Council are unable to deliver core services as a result of the Covid 19 virus with adverse impact to community and the economy</p> | 25 | <ol style="list-style-type: none"> 1. Establishment of Strategic and Tactical Groups with links to HSCP, NHS and national/regional resilience groups 2. Tactical team via the Civil Contingencies Manager liaising/ collaborating with Regional Resilience Partnerships and other resilience partners. 3. Development and delivery of an integrated approach to deliver decisions and mitigations 4. SITREP reporting thorough contingency planning structures in place 5. Standing item on SMT agenda 6. Working towards "ready" status on the Regional Resilience Dashboard | 20 | Treat | <ol style="list-style-type: none"> 1. Development and regular review of dedicated risk register with input from representatives across the organisation and the Health and Social Care Partnership. 2. Ongoing Tactical meetings reporting to SMT | <p>2021/22</p> <p>2022/23</p> |