Argyll and Bute Council

Internal Audit Plan

2022/23

Moira Weatherstone
Interim Chief Internal Auditor

David Sullivan
Accountant

Mhairi Weldon
Senior Audit Assistant

Annemarie McLean
Auditor

Leanne Rennie
Audit Assistant

Contents

Contact Details

Interim Chief Internal Auditor: **Moira Weatherstone**

Telephone: **01546 604146**

e-mail: moira.weatherstone@argyll-bute.gov.uk

www.argyll-bute.gov.uk

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 February 2022) 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 778 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 778 days total includes the CIA's input to audit reviews and the running of the internal audit team and a contingency of 44 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 2022/23 annual audit plan are independent and objectivity is not compromised.

2022/23 Internal Audit Plan

14. Appendix 1 presents the internal audit plan for 2022/23. 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 2021/22 and those we are projecting to cover in the period 2022/23-2023/24. 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 2022/23 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 2021/22 internal audit carried out an internal self-assessment against PSIAS which was reported to Committee in September 2021. It confirmed the service fully conformed to PSIAS in 13 of the 14 assessment areas. The area self-assessed as 'Generally Conforming' with improvements built into the service's QAIP has been completed with the appointment of an Interim Chief Internal Auditor.

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 – 2022/23 Internal Audit Plan

Directorate Contact	Service	Audit Title	Days	High Level Scope	Strategic Risk
Cross Cutting	Continuous Monitoring Programme	Budgeting	15	Cyclical review of key controls over an 18 month programme of audit testing.	
		Council Tax and NDR	20		
		Creditors	20		
		Debtors	15		
		General Ledger	15		
		Payroll	25		
		Treasury management	15		
		VAT	15		
		Follow–up	40	Compliance	
Pippa Milne	Financial Services	Payroll Processes	25	Review of the processes and procedures in place between HR and payroll to ensure that employee information is updated in a timely manner	
	Financial Services	Management of Debt/Debt Recovery	25	Assess the controls in place for the management of debt and assess compliance with procedures	
Douglas Hendry	Education – Jennifer Crockett	Early Years	25	Assess compliance and use of Early Years Covid recovery funds	
	Education – Jennifer Crocket	Counselling in Schools	30	Assess the use of the three year Scottish Government funding to support the delivery of counselling through schools against the set of ten nationally agreed core principles	
	Legal and Regulatory Support	Purchasing Cards	20	Compliance with procedures and authorisation processes to establish value for money	
	Legal and Regulatory Support	Procurement	25	Review process in place in terms of the procurement strategy and annual procurement report to ensure compliance with statutory requirements	
	Commercial Services	Externally Funded Projects	30	Assess compliance with policies and procedures, including conditions of external funded projects	SRR02
	Commercial Services	Heritage Assets	25	Review the management and record keeping of Heritage assets	

Directorate Contact	Service	Audit Title	Days	High Level Scope	Strategic Risk
Kirsty Flanagan	Roads and Infrastructure Services - Jim Smith	Burial records	20	Review the control environment and administration of burial records	
	Roads and Infrastructure Services	Car Parking Facilities	25	Review the policies, procedures and compliance for the management of car parking fees	
	Development and Economic Growth	Oban Airport	15	Annual review to provide assurance re compliance with operational manual 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 (agreement was extended)	
	Development and Economic Growth	Building Standards	20	Review the systems and process in place to support compliance with the verification scheme	
	Development and Economic Growth	Private Sector Grants and Housing Adaptations	20	Assess compliance with policies and procedures	
	Customer Support Services	Equality and Socio-Economic Impact Assessment	20	Assess compliance with legislation and guidance	
	Customer Support Services	Customer Service Centre	20	Review the process and systems used for the handling of initial customer contacts and ensure that customer enquiries are followed up in a timely manner	SRR05 SRR06
	Customer Support Services	Cyber Security	20	Review systems in process in place to support security of key systems	SRR11
Fiona Davies	H&SCP Older People Services	Client Funds	25	Review the processes and procedures in place to ensure the management of client funds and financial affairs, including compliance with Code of Conduct	SRR07
	H&SCP – Learning and Physical Disabilities	Learning and Physical Disability care packages	25	Assess effectiveness and compliance with Learning and Physical Disability care packages	SRR07

Directorate Contact	Service	Audit Title	Days	High Level Scope	Strategic Risk
Kevin Anderson	LiveArgyll	Events Management	20	Assess procedures to manage events hosted in Live Argyll venues including controls over revenue, expenditure, risk management and insurance	
	LiveArgyll	Establishment visits	15	Cyclical audit approach to assess LiveArgyll establishment's compliance with physical controls and compliance with SOP's	
Verification Activity	LGBF	Accuracy	9	Accuracy of submission	
	EMA	Education Management Allowance	5	Accuracy of submission	

Summary of Days

Directorate Contact	Number of Days Last Year (Revised)	Number of Days 2022/2023
Cross Cutting – Continuous Monitoring	185	180
Pippa Milne	45	50
Douglas Hendry	140	155
Kirsty Flanagan	135	165
Fiona Davies	30	50
LiveArgyll	20	35
Verification Activity	14	14
Contingency	55	44
Total	**624**	**693**

Appendix 2 – 2022/23 Internal Audit Plan by Council Directorate / Head of Service

Pippa Milne	Douglas Hendry			Kirsty Flanagan			Fiona Davies
Financial Services	Education	Legal & Regulatory Support	Commercial Services	Customer Support	Roads & Infrastructure	Development & Economic Growth	Health & Social Care Partnership
Payroll Processes Management of Debt/Debt Recovery	Early Years Counselling in Schools	Purchasing Cards Procurement	Externally Funded Projects Heritage assets	Equality and Socio-Economic Impact Assessment Customer Service Centre Cyber Security	Burial Records Car Parking Facilities	Building Standards Private Sector Grants and Housing Adaptations Oban Airport LEADER	Client Funds Learning and Physical Disability Care Packages

Continuous Monitoring Programme
Budgeting, General Ledger, Creditors, Debtors, Payroll, Treasury Management, Council Tax & Non-Domestic Rates, VAT

Live Argyll Events Management Establishment visits	Other Activity NFI – 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	**Population and Economic Decline** 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. Maximise external funding opportunities 3. Economic Strategy 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	1. Lobbying activity in pursuit of regional immigration policies and related strategies 2. Rural Growth Deal Outline Business Cases and Final Business Cases to be developed in 2022/23 and Deal to be signed late 2022 or early 2023. 3. Preparation of bid to Levelling Up Fund – preparing for April 2022 in time for submission date which is still to be confirmed. 4. Settlement Officer post agreed to be funded 50:50 from HIE/Council focusing on barriers to people living in communities, housing and others. 5. Preparation of a pipeline of projects across Argyll and Bute in order to be able to react to any other bid funding as and when it is announced.	2019/20 (Scrutiny)

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
2	**Condition and suitability of Infrastructure & Asset Base** 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. 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	1. Development of capital strategy in 2022. 2. 'Modern Workspace Programme will review, engage and rationalise property portfolio for future needs of the Council. Changes will take place on phased and town by town basis. Programme will be running for 3 years - April 2024	2020/21 2021/22 2022/23

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
3	**Financial Sustainability** Insufficient resource to meet current and future service requirement. Budget not aligned / does not support business outcomes	16	1. Longer term financial planning and financial strategy 2. Income generation activity 3. Robust budget preparation and budget monitoring protocols 4. Maintaining adequate contingency with reserves. 5. Digital transformation 6. Effective workforce planning model 7. Business Outcomes 8. Financial Services resilience building project including knowledge sharing and development of guidance notes	12	Treat	1. Discussions are continuing in respect of a change programme that will include ensuring that the Council can operate within its budget (2022 for year 2023/24). 2. Rural Growth Deal Outline Business Cases and Final Business Cases to be developed in 2022/23 and Deal to be signed late 2022 or early 2023. 3. Implementation of new general ledger system with enhanced budget planning and forecasting capabilities (July 2022) 4. Investment in professional training through Grow Our Own Activity.	2019/20 (Scrutiny) 2020/21 2022/23 Ongoing via Continuous Monitoring
4	**Governance and Leadership** 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 6. Performance Improvement Framework and Service Planning. 7. Leadership development programme. 8. Council constitution regularly reviewed and updated.	8	Treat	1. Monitor delivery of BV action plan (ongoing date) 2. Induction training for new Members following May elections (May/June 2022)	2020/21 (Scrutiny)

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
			9. Established partnership governance arrangements 10. Scrutiny arrangements in respect of Police, Fire and Health. 11. 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	9	Treat	Deliver agreed actions in BV3 action plan relating to Work with Communities and Community Groups to improve engagement - March 2022	2022/23
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	Monitor progress of performance mgt project and implement recommendations (Ongoing from Oct 2020 to June 2022)	2021/22

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
7	**Health and Social Care Partnership** 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.	12	Treat	1. Develop options to deliver sustainability of future years budgets (ongoing) 2. Completion of Strategic Plan which was delayed due to COVID. 3. Assessment on impact of COVID on services in short, medium and long term.	2019/20 2020/21 2022/23 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	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	Develop long term test schedule for DRPs to be presented to the SMT (December 2021)	2021/22
9	**Welfare Reform** Implementation of welfare reform is not managed well resulting in increased poverty and deprivation or short term crisis	12	1. Financial Inclusion and Advice Group established 2. Joint working with DWP, CPP and other agencies 3. Child Poverty Planning Group set up and active 4. Flexible Food Fund created. Supporting householders in our area with funds and advice to address food and fuel insecurities	6	Tolerate	1. Extend Flexible Food Fund Contract for a further year to March 2023. 2. Council, HSCP and third sector deliver range of 20 Covid related support projects under the Flexible Fund banner by March 2023. 3. Deliver sustainable school clothing bank across the Argyll and Bute area by December 2022. 4. One-off top-up payments of £75 per child issued to School	2019/20 2023/24

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
						Clothing Grant recipients by end of February 2022. 5. Argyll and Bute centric anti-poverty training delivered to 600 Council, NHS and third sector staff by March 2022. 6. ""Worrying about money"" leaflet to be issued with Council Tax bills containing advice and support for people with money worries in March 2022. Update website with information and support.	
10	**Waste Management** 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	Progress on developing delivery models to be reported to EDI Committee (ongoing).	2021/22 (Scrutiny) 2023/2024
11	**Service Delivery - Cyber Security** Unable to deliver services to customers because of failure of ICT	20	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	15	Treat	1. Review all contingency plans with updated knowledge from SEPA and UHI Cyber Attacks. 2. Work with Scottish Government Cyber Resilience Team to test ICT response	2019/20 2022/23

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
	systems following major cyber security breach		4. ICT Disaster recovery plans tested regularly 5. All critical activities have recovery plans developed (CARP's)			3. Issue regular communications to raise awareness of importance of cyber security and awareness 4. Enforce password changes when found to be weak 5. Cyber Security Resilience Exercise planned for late February 2022. 6. Continued close review of disaster recovery plan and associated tests, finalise and test incident response procedure, and review of mirroring between the 2 data centres (monthly at ITMT) and backup 7. Review and progress requirements for Education Network to achieve CE+ accreditation.	
12	**Impact of COVID - 19** The Council are unable to deliver core services as a result of the Covid 19 virus with adverse impact to community and the economy	25	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	12	Treat	1. Development and regular review of Economic Recovery workstream with input from representatives across the organisation and the Health and Social Care Partnership. 2. Assessment of COVID on wellbeing and service capacity/sustainability. 3. P&R Committee in December 2021 agreed funding of £110k	2021/22 2023/24

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
			4. SITREP reporting through contingency planning structures in place			from the Recovery and Renewal Fund to aid delivery of critical areas of the Recovery Strategy and Action Plan which will create 2 temporary posts for a 12 month period.	