

The Highland Council
Audit and Scrutiny Committee – 2nd March 2017

Agenda Item	5
Report No	AS/3/17

Audit & Performance Remit & Priorities and Internal Audit Annual Plan 2017/18

Joint report by the Director of Finance and Corporate Audit Manager

Summary

This report provides Members with an overview of the remit and priorities of the Audit & Performance Team and the Internal Audit Section's Plan for the financial year 2017/18 and asks for the Committee's approval of the Plan.

1. Introduction

- 1.1 As reported to Audit & Scrutiny Committee on 24 March 2016 a new Audit & Performance Team was formed during 2016/17 offering an opportunity to add value and improve the Council operations through greater collaboration around audit, continuous improvement and Best Value.
- 1.2 Detail is provided below which highlights to Committee the scope of the work of the new team and it's priorities for 2017/18.

2. Remit of the Audit and Performance Team

- 2.1 The overall scope of the new team includes activity around audit, performance, fraud and risk including:
- Delivering the Internal Audit Plan;
 - Investigating fraud;
 - Acting as a Single Point of Contact (SPOC) with the Department of Work and Pensions Fraud & Error Service;
 - Auditing grant claims;
 - Maintaining the Council's Financial Regulations;
 - Supporting scrutiny reviews;
 - Providing advice to Services on internal control matters and governance;
 - Corporate Risk Management;
 - Ensuring the Council meets statutory performance and corporate performance reporting requirements;
 - Surveying public opinion on Council performance;
 - Supporting Community Planning performance management;
 - Supporting preparation and the review of the Council Programme;
 - Developing the Council's Corporate Performance Framework and Corporate Plan;
 - Performance monitoring and data analysis;
 - Supporting Services manage their performance information and reporting;
 - Providing advice and guidance on Best Value, performance management and Service planning.
- 2.2 The Internal Audit Plan for 2017/18 is detailed below and this includes work requiring collaboration across the team in relation to financial system reviews. Priorities for the performance function relate to key outputs which are reported to the Highland Council each year, and these are:
- Annual Performance Report on the Council Programme
 - Survey and report on public attitudes and the performance of Council

Services

- Annual Report on Statutory Performance Indicators and National Benchmarking.

3. Development Opportunities

- 3.1 During 2016/17 the team started developing a Best Value profiling approach for key Service functions. This utilises cost, quality and service delivery performance indicators including national benchmarking along with resources, risk and audit information. This work is the first collaboration to look at the broader picture provided by a range of performance and business intelligence information to support improvement activity and informed decision making. Initial work has been around the functions of waste management, children & young people and adult social care and supported Council redesign work.
- 3.2 The team will continue to support Directors, Council redesign work and improvement activity which adds value to the organisation through internal audit, performance analysis work and developing collaborative approaches. This includes engaging in corporate work using LEAN as an improvement method with 3 team members nominated to join the corporate team.

4. Internal Audit Plan 2017/18

- 4.1 In accordance with the Public Sector Internal Audit Standards (the PSIAS), the Corporate Audit Manager prepares a risk based audit plan which outlines the assignments to be carried out, their respective priorities and the estimated resources needed for the year.
- 4.2 This has now been undertaken and the 2017/18 Internal Audit Plan is attached at **Appendix 1**.

5. Audit Planning Process

- 5.1 The Plan has been produced in accordance with the Audit Charter and the requirement of the PSIAS. The starting point was the 5 year risk based Strategic Plan which was prepared for the period 2015/16 to 2019/20. As part of this, the "Audit Universe" which contains details of all possible auditable areas was mapped to the financial materiality of the area, any relevant Corporate and/ or Service risks, and any Programme commitments. As previously advised to Committee all auditable areas have also been risk scored to identify the audit priority.

The strategic Plan was updated to reflect changes required such as those arising from Service restructuring. The audits which were listed for review in 2017/18 were then discussed at the annual audit planning meetings with Service Directors.

- 5.2 The Internal Audit Section's establishment consist of 7.4 FTE audit staff and 1 FTE for the Corporate Audit Manager. This resource is considered sufficient to deliver the Council's 2017/18 Plan and the annual audit opinion which informs the Annual Governance Statement. In accordance with the PSIAS it is confirmed that there no significant threats to the independence of the Internal Audit activity such as inappropriate scope or resource limitations.
- 5.3 The Audit Plan also the work undertaken by the 2 FTE within the Corporate Fraud Team. This includes acting as the Single Point of Contact with the Department of Work and Pensions, investigating all fraud referrals including those involving suppliers, employees, Council Tax and NDR benefits/ discounts, and any possible frauds arising from the National Fraud Initiative.
- 5.4 The Audit Plan refers to the planned work with regard to Highland Council only. In addition, the Section also undertakes work as follows:

- Pension Fund
- Joint Valuation Board
- HITRANS
- High Life Highland
- ICT audits on behalf other Councils.

5.5 There are audits in progress from the 2016/17 Plan which will not be completed by the year-end. Time has been allowed for this work in progress which will be reported to Committee as part of the 2017/18 audit work undertaken.

5.6 As part of the more collaborative approach within the new Audit & Performance Team there are 2 audits where it is planned that the Performance Officers will assist. Both of these financial audits, the review of the use of Integra and the payroll self-serve process will involve user surveys in order to establish their views on the new systems such as whether the expected benefits have been achieved and if the processes are as user friendly/ efficient as possible.

6. Implications

6.1 Risk: The Council has statutory duties around internal audit and public performance reporting which the team leads on corporately. The team therefore provides services which mitigate organisational risk through assurance, compliance and meeting statutory duties.

6.2 Resources, Legal, Equality, Climate Change/Carbon Clever, Rurality and Gaelic

There are no further implications arising from this report. Any adjustments required to the Plan and any associated implications will be reported to the Committee.

Recommendation

Members are invited to:

- Note the remit and priorities of the Audit & Performance Team;
- Approve the attached audit Plan for 2017/18.

Designation: Director of Finance/ Corporate Audit Manager

Date: 20th February 2017

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Background Papers:

Highland Council Internal Audit Plan 2017/18

Service	Audit Ref and Name	Indicative Audit Scope	Priority	Planned Days
Care & Learning Service	HAA03/001 - Review of the administration and payments in respect of Fostering, Adoption and Kinship Care	Review of foster payments (including adoption, fostering, respite, kinship and miscellaneous).	Medium	30.00
Care & Learning Service	HAB01/011 - Schools	Review of financial arrangements in Schools to ensure that these are operating in accordance with the expected levels of control and comply with the Council's Financial Regulations.	High	30.00
Care & Learning Service	HAB01/01 - Schools - Use of Systems	Review of the implementation of new systems/ processes within Schools and whether the intended benefits were delivered as expected.	High	30.00
Care & Learning Service	HAB03/001 - Review of PPP arrangements	Review of PPP (Public Private Partnership) arrangements within the Council. Detailed scope to be agreed.	Medium	30.00
Care & Learning Service	HAC06/002 - Out of Hours Service	Review of the arrangements for the provision of the out of hours service to provide assurance that this operates in the accordance with Service requirements, and in the most effective manner.	High	20.00
Corporate Development Service	HBA01/011 - Review of Information Management arrangements	Review of the Council's Information Management arrangements to provide assurance that these are operating as expected and in accordance with the prescribed Policy Framework.	Core/ Critical/ Commitment	30.00
Corporate Development Service	HBA01/012 - ICT Assurances	Work undertaken to obtain the necessary ICT assurances for the Statement on Internal Control. This will also include a visit to Wipro's Data Centre in Aberdeen.	Core/ Critical/ Commitment	15.00
Corporate Development Service	HBB04/002 - Compliance with Health, Safety & Well-being policies and procedures	Review of compliance by Services with the Council's Health, Safety and Well-being policies to ensure that the Council's is fully complying with its employer's duties.	High	25.00

Service	Audit Ref and Name	Indicative Audit Scope	Priority	Planned Days
Corporate Development Service	HBC03/001 - Licensing	Review of the licensing process to ensure that this is undertaken in accordance with the relevant legislation/regulations and the process operates as efficiently as possible.	Medium	25.00
Community Services	HCC03/004 - Fleet Management arrangements	Review of the fleet management arrangements to ensure that these accord with the requirements of the Councils operator's licence. This will also include review of the Tranman system.	High	35.00
Community Services	HCC07/001 - Winter Maintenance	Review of winter maintenance operations to ensure that this is undertaken in accordance with the Council's Winter Maintenance Policy.	High	30.00
Community Services	HCD01/002 - Review of Mobile and Flexible Working arrangements	Review of the Total Mobile Building Maintenance system (Housing staff), looking at the impact and new arrangements from this system and stores implications.	Medium	25.00
Development & Infrastructure Service	HEA05/003 - LEADER Programme 2016-17	Review of the administration of the new LEADER Programme to ensure that this complies with the relevant EU and Scottish Government regulations.	Core/ Critical/ Commitment	30.00
Development & Infrastructure Service	HED02/005 - Compliance with the Carbon Reduction Commitment Energy Efficiency Scheme 2016-17	Review of the arrangements for compliance with the Carbon Reduction Commitment Energy Efficiency Scheme (CRC EES) and to ensure that the necessary Scheme requirements have been met.	Core/ Critical/ Commitment	20.00
Development & Infrastructure Service	HED02/006 - Renewable Heat Incentive Income Scheme - follow up	Follow up review to ensure that the management agreed actions were implemented as agreed.	Medium	10.00
Development & Infrastructure Service	HEE02/001 - Affordable housing	Review of the arrangements for the provision of affordable housing and to provide reassurance that these are adequately addressing the Council's Programme targets.	Medium	30.00
Development & Infrastructure Service	HEE03/002 - Rental Income - follow up	Follow up review to ensure that the management actions have been implemented as agreed.	Medium	10.00

Service	Audit Ref and Name	Audit Scope	Priority	Planned Days
Development & Infrastructure Service	HEE04/001 - Developer's Contributions	Review of the arrangements for the negotiation and agreement of sums that should be paid as developer contributions to ensure that this is in accordance with the Council's guidance.	Medium	20.00
Finance Service	HDA02/003 - Review of the use of Integra	Review of the operation of Integra to establish if the best use is being made of the system and whether the intended benefits are being delivered.	High	20.00
Finance Service	HDA06/002 - Review of self-serve payroll processes	Review of new self-serve payroll processes such as travel and expenses claims, sickness absence returns to ensure that these are operating as expected.	High	15.00
Finance Service	HDA08/009 - Pension Fund Statement of Internal Control 2016-17	Allowance for work to be undertaken in order to support the audit opinion in the Statement of Internal Control.	Core/ Critical/ Commitment	10.00
Finance Service	HDA08/010 - Pension Fund Payments	Review of the systems in place for pension payments (links with the Payroll system).	Core/ Critical/ Commitment	15.00
Finance Service	HDB05/004 - Income Systems	Review of the arrangements for the central monitoring and control of income, including a review of the ICT controls to provide assurance that these are operating as expected.	High	30.00
Finance Service	HDC03/004 - Statement of Internal Control 2016-17	Allowance for work to be undertaken in order to support the audit opinion in the Statement of Internal Control.	Core/ Critical/ Commitment	25.00
Finance Service	HDC04/004 - Continuous Auditing Exercises 2017-18	Allocation of time for continuous auditing of financial systems with aim of providing assurance that the expected controls are operating and that there is no fraudulent activity.	Core/ Critical/ Commitment	40.00
Finance Service	HDC06/017 - SPOC work for the DWP 2017-18	Allocation of time for work undertaken by the Corporate Fraud Team.	Core/ Critical/ Commitment	100.00
Finance Service	HDC06/018 - SPOC work for the Police 2017-18	Allocation of time for work dealing with SPOC/ DPA enquiries from the Police.	Core/ Critical/ Commitment	20.00
Finance Service	HDC06/019 - NFI work 2017-18	Allocation of time for dealing with NFI exercises.	Core/ Critical/ Commitment	20.00

Service	Audit Ref and Name	Audit Scope	Priority	Planned Days
Finance Service	HDC06/020 - Investigations 2017-18 - Tenancy fraud	Allocation of time for work undertaken by the Corporate Fraud Team.	Core/ Critical/ Commitment	90.00
Finance Service	HDC23/006 - Scrutiny Exercises - allowance 2017-18	Allowance for annual programme of scrutiny exercises.	Core/ Critical/ Commitment	30.00
Finance Service	HDC24/004 - Follow Ups Allowance 2017-18	Annual allowance for follow up of audits which are not subject to a specific follow-up review.	Core/ Critical/ Commitment	30.00
Finance Service	HDC25/004 - Audit Certificates 2017-18	Annual allowance of time for the provision of audit certificates.	Core/ Critical/ Commitment	30.00