

Agenda Item	5
Report No	AS/2/18

HIGHLAND COUNCIL

Committee: Audit and Scrutiny Committee

Date: 28th March 2018

Report Title: **Audit & Performance Remit & Priorities and Internal Audit Annual Plan 2018/19**

Report By: Director of Corporate Resources/Depute Chief Executive and Corporate Audit Manager

1. Purpose/Executive Summary

This report provides Members with an overview of the remit and priorities of the Audit & Performance Team and submits the Internal Audit Plan for the financial year 2018/19.

2. Recommendations

Members are invited to:

- 2.1 Note the remit and priorities of the Audit & Performance Team;
- 2.2 Approve the Internal Audit Plan for 2018/19.

3. Background

- 3.1 The Internal Audit Plan is submitted in March each year to the Audit & Scrutiny Committee for approval. Following the formation of the Audit & Performance Team an overview of the remit and key responsibilities are also now provided as part of this report. It is important to note that both audit and performance functions are statutory ones providing the necessary assurances in relation to compliance, public performance reporting and Best Value.
- 3.2 The Audit & Performance Team in addition to core responsibilities continues to add value through contributing to corporate improvement work across the Council. This includes all managers participating in peer review teams through Council Redesign and three team members trained in Lean and contributing to Lean reviews. Overall there has been greater collaboration around audit, continuous improvement and Best Value across the team and with colleagues within Corporate Resources Service and the Council. Detail is provided below which highlights to Committee the scope of the work of the Audit & Performance team and it's priorities for 2018/19.
- 3.3 Committee should note that following budget savings decisions for 2018/19 the annual survey of attitudes and performance of Council Services using the Citizen's Panel will be run in-house. This will achieve a saving of £25k; while this puts additional pressure on the team it also provides an opportunity to further develop staff skills in data analysis and survey techniques. The team are also grateful for additional support from the Business Support Team to enable in-house delivery.

4. Remit of the Audit and Performance Team

- 4.1 The overall scope of the new team includes activity around audit, performance, fraud and risk including:
- Delivering the annual Internal Audit Plan;
 - Investigating fraud and irregularities;
 - Acting as a Single Point of Contact (SPOC) with the Department of Work and Pensions Fraud & Error Service and Police Scotland;
 - Auditing grant claims;
 - Providing advice to Services on internal control matters and governance;
 - Maintaining the Council's Financial Regulations;
 - Supporting scrutiny reviews;
 - 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.
- 4.2 Key priorities for the Performance Team which consists of 3 FTE performance staff relate to outputs which are reported to the Highland Council each year and are central to the Council meeting its statutory duties under Best Value and Public Performance Reporting (PPR), 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.

4.3 The Audit & Performance 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 trained to support this work.

5. Internal Audit Plan 2018/19

5.1 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.

5.2 This has now been undertaken and the 2018/19 Internal Audit Plan is attached at **Appendix 1**.

6. Audit Planning Process

6.1 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. In addition, an assurance mapping exercise was undertaken to include details of performance data available, other assurance information available and both external and internal reviews e.g. peer and LEAN reviews.

The Strategic Plan was updated to reflect changes required such as those arising from Service restructuring. The audits which were listed for review in 2018/19 were then discussed at the annual audit planning meetings with the Chief Executive, Service Directors and senior managers.

6.2 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 2018/19 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.

6.3 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, and Police Scotland, 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.

6.4 The Audit Plan refers to the planned work with regard to Highland Council only. In addition, the Section also undertakes work for:

- The Valuation Joint Board
- HITRANS
- High Life Highland.

6.5 There are audits in progress from the 2017/18 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 2018/19 audit work undertaken.

7. Implications

7.1 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.

7.2 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.

Designation: Director of Corporate Resources/Depute Chief Executive and Corporate Audit Manager

Date: 1 March 2018

Authors: Donna Sutherland, Corporate Audit Manager
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Background Papers:

Highland Council Internal Audit Plan 2018/19

Service	Audit Ref and Name	Indicative Audit Scope	Priority	Planned Days
Care & Learning Service	HAA01/001 - Provision of Early Learning and Childcare services	Review of the arrangements for the expanded provision of Early Learning and Childcare as required by the Scottish Government.	Medium	20.00
Care & Learning Service	HAB01/015 - Controls over network capacity and storage in Schools	Review of the controls in place to manage network capacity and storage within Schools.	High	25.00
Care & Learning Service	HAB01/016 - Use of the Pupil Equity Fund (PEF) in Schools	Review of the use of PEF within schools to ensure that the expenditure is in accordance with the criteria set out by the Scottish Government and any local agreements.	High	25.00
Care & Learning Service	HAD06/004 - Workforce Planning and Staffing Arrangements	Review of the Service's workforce planning and staffing arrangements.	Medium	30.00
Care & Learning Service	HAE01/001 - Review of Additional Support for Learning	Review of ASL arrangements. Exact scope to be agreed with Head of Service.	High	25.00
Chief Executive's Office	HBC03/002 - 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	15.00
Community Services	HCA03/003 - Review of the arrangements for the procurement and payment of Homeless services - follow up	Follow up review to ensure that the management agreed actions have been implemented as agreed.	Low	12.00
Community Services	HCC02/001 - Car Parks	Review of car park arrangements across the Council including deployment of staff, income systems and parking enforcement arrangements.	Medium	20.00
Community Services	HCB01/001 – Recycling	Review of the arrangements for the retendering of the co-mingled dry recycle contract.	Medium	20.00
Community Services	HCC03/005 - 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	25.00
Community Services	HCC04/002 - Review of Street Lighting and Communications	Review of the Street Lighting and Communications operations to ensure that these operate as efficiently and effectively as possible.	Medium	25.00

Service	Audit Ref and Name	Indicative Audit Scope	Priority	Planned Days
Community Services	HCD01/003 - 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	30.00
Corporate Resources	HDA03/002 - Pension Fund Investments	Review of the arrangements in place for the effective management of Pension Fund investments.	Core/ Critical/ Commitment	18.00
Corporate Resources	HDA08/012 - Pension Fund Annual Governance Statement 2017-18	Allowance for work to be undertaken in order to support the audit opinion in the Annual Governance Statement.	Core/ Critical/ Commitment	5.00
Corporate Resources	HDA11/001 - Insurance	Review of the Council's processes for dealing with insurance claims including those financed through the Insurance Fund.	Low	20.00
Corporate Resources	HDA14/002 - Review of financial controls	Review of the controls in place for the financial authorisation of payments. This will include consideration of authorisation levels and segregation of duties applied to key officers.	Medium	20.00
Corporate Resources	HDA16/001 - Commercial and Procurement Services	Review of shared Procurement function, scope TBC.	High	30.00
Corporate Resources	HDB03/004 - Housing Benefit Payments 2017-18	Review of Housing Benefit payments using the HB Count process on behalf of External Auditors.	Core/ Critical/ Commitment	25.00
Corporate Resources	HDB03/005 - DWP Housing Benefit Review - Performance Measurement exercise	Time allowed for DWP performance measurement process due to take place on 14/05/18 - 08/06/18.	Core/ Critical/ Commitment	10.00
Corporate Resources	HDB10/001 - Financial Assessments	Review of the processes for the claiming, processing and payment of other entitlements incl. EMA, free school meals and clothing grants.	Medium	25.00

Service	Audit Ref and Name	Indicative Audit Scope	Priority	Planned Days
Corporate Resources	HDB11/001 - Review of compliance with corporate complaints procedure	Review of the handling of complaints by Council Services to ensure that these comply with the requirements of the corporate procedure.	Medium	20.00
Corporate Resources	HDC03/005 - HC Annual Governance Statement 2017-18	Allowance for work to be undertaken in order to support the annual audit opinion and Annual Governance Statement within the annual accounts.	Core/ Critical/ Commitment	25.00
Corporate Resources	HDC04/005 - Continuous Auditing Exercises 2018-19	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	30.00
Corporate Resources	HDC06/022 - SPOC work for the DWP 2018-19	Allocation of time for work in respect of SPOC duties.	Core/ Critical/ Commitment	60.00
Corporate Resources	HDC06/023 - SPOC work for the Police 2018-19	Allocation of time for SPOC work and DPA enquiries undertaken for Police Scotland and attendance at SOC meetings.	Core/ Critical/ Commitment	45.00
Corporate Resources	HDC06/024 - Tenancy Fraud Investigations 2018-19	Allocation of time for housing tenancy fraud investigations.	Core/ Critical/ Commitment	30.00
Corporate Resources	HDC06/025 - NFI work 2018-19	Allocation of time for work in respect of NFI queries from the previous exercise.	Core/ Critical/ Commitment	10.00
Corporate Resources	HDC06/026 - Review of fraud prevention and detection arrangements	Review of arrangements to ensure that the Council has robust arrangements in place to prevent and detect any fraud and irregularities.	Medium	25.00
Corporate Resources	HDC24/005 - Follow Ups Allowance 2018-19	Annual allowance for follow up of audits which are not subject to a specific follow-up review.	Core/ Critical/ Commitment	25.00
Corporate Resources	HDC25/005 - Audit Certificates 2018-19	Annual allowance of time for the provision of audit certificates.	Core/ Critical/ Commitment	50.00

Service	Audit Ref and Name	Indicative Audit Scope	Priority	Planned Days
Corporate Resources	HDD04/001 - 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. This will also include following up on the recommendations from the Health Check completed by Zurich.	High	20.00
Corporate Resources	HDD04/002 - Cyber Security	Review of the Council's Cyber Security arrangements to ensure that these are appropriate and effective.	High	25.00
Corporate Resources	HDD04/003 - ICT Contract Management Arrangements	Review of the arrangements for the management of the ICT contract with Wipro.	High	30.00
Development & Infrastructure Service	HEA05/005 - LEADER Programme 2017-18	Review of the administration of the LEADER Programme to ensure that this complies with the relevant EU and Scottish Government regulations.	Core/ Critical/ Commitment	28.00
Development & Infrastructure Service	HEA05/006 - Review of EU funded schemes	Review of selected EU funded schemes in particular Employability and ESF to ensure that these are achieving the expected results.	Medium	25.00
Development & Infrastructure Service	HEB03/001 - Review of capital projects	Review of the project management arrangements in place in respect of Flood Team projects including compliance with the revised project governance guidance.	Medium	30.00
Development & Infrastructure Service	HEC02/001 - Compliance with the Carbon Reduction Commitment Energy Efficiency Scheme 2017-18	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	HEC06/001 - Cleaning	Review of the arrangements for the cleaning of Council buildings.	Medium	25.00
Development & Infrastructure Service	HED05/001 - Housing Grants	Review of the systems for the application, processing, approval, payment and monitoring of housing grants.	Medium	20.00
Development & Infrastructure Service	HED06/001 - Inverness Townscape Heritage Project	Review of the process for the approval, payment and monitoring of grants.	Medium	20.00
Development & Infrastructure Service	HEE03/003 - City and Region Deal	Review of the governance arrangements and payments to partners/ third parties.	High	20.00