

Governance, Risk and Best Value Committee

10.00am, Thursday, 9 March 2017

Internal Audit Plan 2017/18

Item number	7.1
Report number	
Executive/routine	
Wards	

Executive summary

This report summarises Internal Audit's annual planning process for the Internal Audit Plan for the period 1 April 2017 to 31 March 2018 (2017/18 Plan).

Internal Audit is continuing to work towards completing the 2016/17 Plan in advance of our annual report which we expect to make to Committee in June 2017.

The Internal Audit plan remains flexible, to accommodate changes in the Council's risk profile.

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Internal Audit Plan for 2017/18

1. Recommendations

- 1.1 It is recommended that the Committee approves the Internal Audit Plan for the period 1 April 2017 to 31 March 2018.

2. Background

- 2.1 The Internal Audit Plan is risk based and focuses on the governance, risk and control framework within the Council. The work performed by Internal Audit supports Internal Audit's annual report. The work of Internal Audit also informs the annual Governance Statement in the financial statements.
- 2.2 In line with the requirements of the Public Sector Internal Audit Standards (PSIAS), the audit plan has been developed using a risk based methodology to ensure that assurance activity is focussed on the key areas of risk for the Council.

3. Main report

Internal Audit planning

- 3.1 The Governance, Risk and Best Value (GRBV) Committee's remit includes agreeing internal audit plans and ensuring internal audit work is properly planned with due regard to risk, materiality and coverage for the 2017/18 period.
- 3.2 Internal Audit planning:
- 3.2.1 optimises the use of audit time and matches the internal audit team's skill sets to individual internal audit reviews;
 - 3.2.2 determines the requisite level of audit resource required for each planned review;
 - 3.2.3 ensures that maximum benefit is obtained by the Council from the resources available;
 - 3.2.4 focuses on strategic risks facing the Council and internal audit requirements, including key financial controls, governance and risk management; and

- 3.2.5 ensures that audit coverage is sufficient to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Draft Internal Audit Plan

- 3.3 The draft plan was developed using the Central Leadership Team and Directorate risk registers to identify the most significant areas of inherent risk facing the Council. Internal Audit then considered the level of control mapped against these risks to determine areas where assurance would be best placed. To complement this process, Internal Audit launched a consultation programme with members of the Council's Senior Management Teams and the members of GRBV in order to identify any other areas where it may be appropriate for assurance to be sought.
- 3.4 The areas identified from this scoping exercise were filtered to ensure that the most pertinent areas of risk were incorporated, whilst also maintaining an Internal Audit footprint across the Council.
- 3.5 In addition, a number of operational factors were incorporated into the building of the plan including, from a resourcing perspective, the requirement for Internal Audit support to be provided to the Tattoo, the Lothian Valuation Joint Board, SEStran and the Edinburgh Integration Joint Board.
- 3.6 As part of the Council's transformation, the Corporate Programme Office (CPO) was replaced by an enhanced Portfolio and Governance service within the Transformation team, Strategy and Insight Division. This service includes the oversight of the Council's major project portfolio along with the project and programme management resources for key strategic Council initiatives. The Transformation team will have a greater focus on supporting and partnering with project teams and will ensure robust portfolio oversight is in place via PMO arrangements. It will also continue to maintain a programme of assurance activity. In order to maintain an appropriate level of assurance over these projects, Internal Audit have included 10 business readiness and gateway assurance reviews, of Major Projects as part of the 2017/18 internal audit plan.
- 3.7 The plan has been prepared assuming a total of 1,387 Internal Audit days for the period, based on 40 Internal Audit reviews, 10 Major Project assurance reviews and 10 Unit visits. This is a broadly similar commitment to the 2016/17 plan which included 43 Internal Audit reviews and 15 Unit visits. Should the number of Internal Audit staff change during the period and/or the required skills mix change the plan may need to be revisited.

- 3.8 The plan contains three currently un-allocated reviews. It is Internal Audit's expectation that, similar to previous years, the requirement to perform unplanned ad-hoc reviews will arise in 2017/18.
- 3.9 The full plan for the period is attached at Appendix 1: Internal Audit Risk Assessment & Plan 2017/18.

4. Measures of success

- 4.1 Alignment of the Internal Audit Plan to the key risks faced by the Council to ensure governance is improved, service areas take responsibility for corrective action and confidence in the management of risk is increased.

5. Financial impact

- 5.1 No direct financial impact.

6. Risk, policy, compliance and governance impact

- 6.1 The Internal Audit plan sets out the areas of focus for Internal Audit activities for 2017/18. Internal Audit provides assurance over the governance and control environment operating in the Council.

7. Equalities impact

- 7.1 There are no adverse equalities impacts arising from this report.

8. Sustainability impact

- 8.1 There are no adverse sustainability impacts arising from this report.

9. Consultation and engagement

- 9.1 The internal audit team consulted with the risk team, senior management and the elected members of the GRBV Committee.

10. Background reading / external references

- 10.1 None.

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Links

Coalition pledges

Council outcomes

**Single Outcome
Agreement**

Appendices

Appendix 1 - Internal Audit plan for the year 1 April 2017 to 31 March 2018

The City of Edinburgh Council

Internal Audit Risk Assessment and Plan 2017/18



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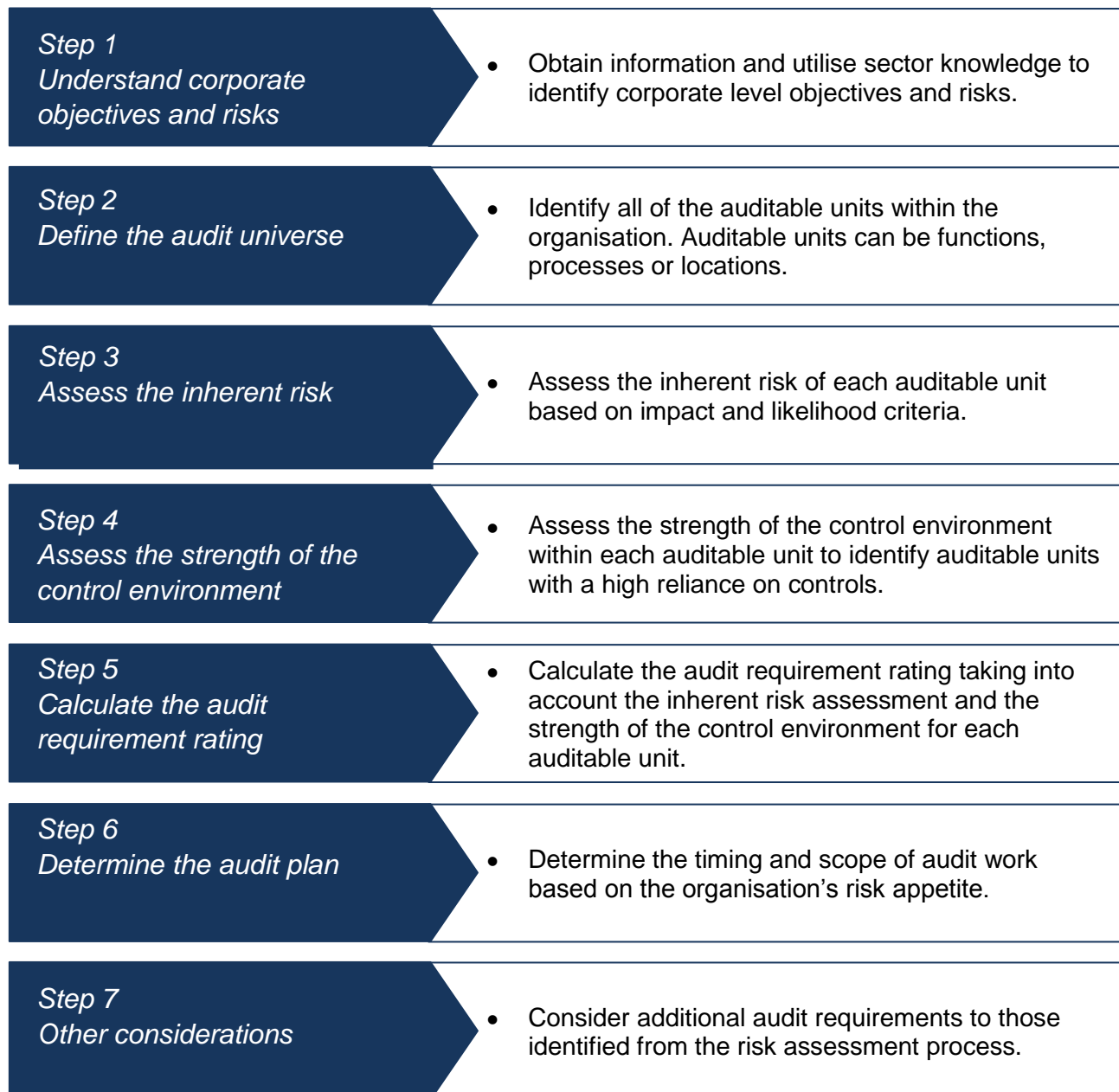
1. Introduction and Approach

Introduction

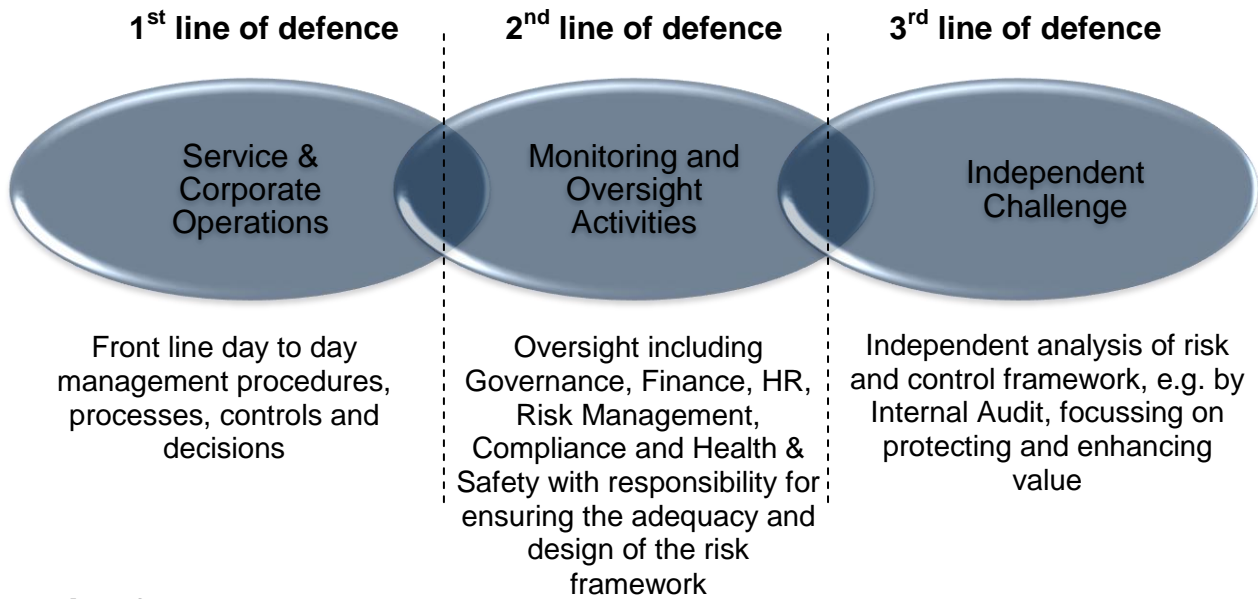
This document sets out the risk assessment and the 2017/18 internal audit plan for The City of Edinburgh Council.

Approach

The internal audit service will be delivered in accordance with the Internal Audit Charter. A summary of our approach to undertaking the risk assessment and preparing the internal audit plan is set out below. The internal audit plan is driven by The City of Edinburgh Council's organisational objectives and priorities, and the risks that may prevent the City of Edinburgh Council from meeting those objectives. A more detailed description of our approach can be found in Appendix 1 and 2.



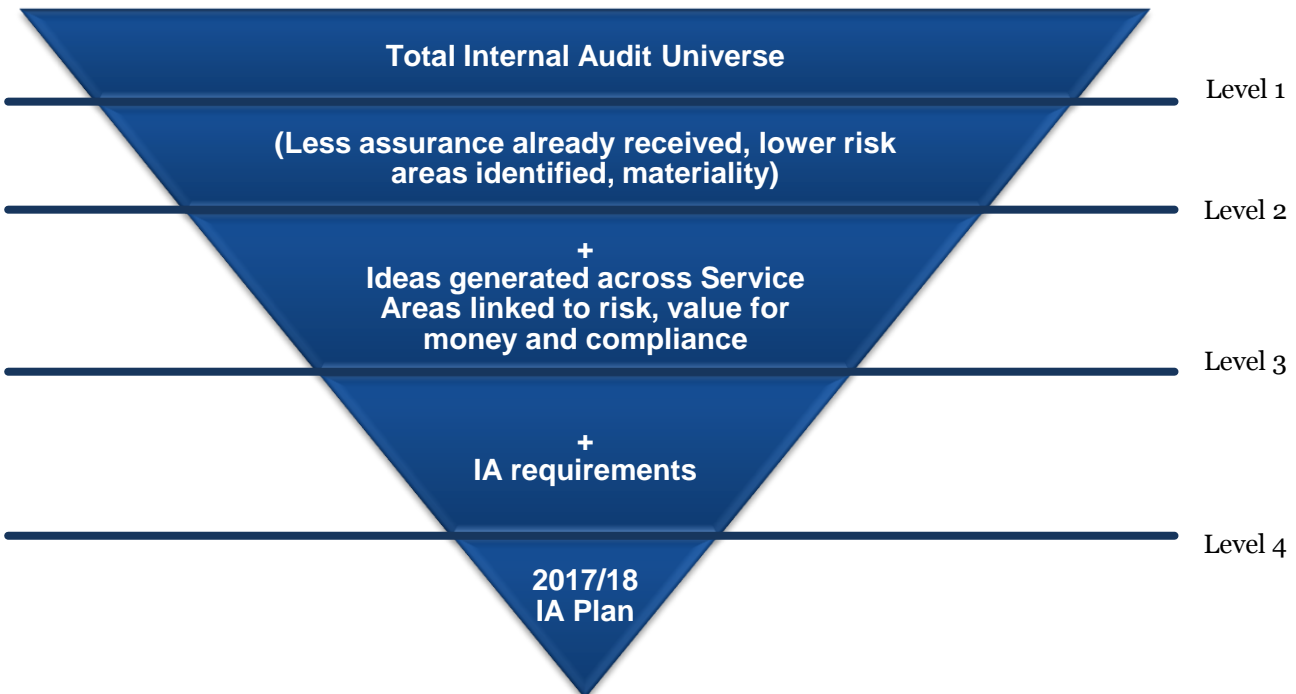
This approach takes into account the role of Internal Audit, as one of the Council’s assurance providers from the 3rd line of defence:



Basis of our plan

The level of available resources for the internal audit service for 1 April 2017 to 31 March 2018 is 1,387 days and therefore the plan does not purport to address all key risks identified across the audit universe as part of the risk assessment process. Accordingly, the level of internal audit activity represents a deployment of limited internal audit resources.

Taking into account the above, the plan is drafted as follows:



As set out in Public Sector Internal Audit Standards, the focus of internal audit’s strategy and programme is planned around a risk-based approach. This underpins its value.

The annual Internal Audit Plan is based on a risk assessment of the audit universe in the organisation (operational, financial and other), undertaken before the beginning of the year and primarily based on the following:

- The Council's current Risk Registers;
- Regular liaison meetings with the Chief Risk Officer, Executive Directors and other senior management;
- Discussions with the members of the Governance, Risk and Best Value Committee;
- New projects/initiatives undertaken by the Council;
- Prior year Internal Audit findings; and
- Requirements of PSIAS (Governance, Risk Management, Internal Control).

The internal audit plan for 2017/18 therefore represents a balance between compliance, value add based on risk assessment and input from management (members of SMTs, CLT and GRBV).

As part of planning considerations, the level of resources, experience and skills available to Internal Audit was considered. It was concluded that the current arrangements in place provide sufficiently capacity and capability to allow Internal Audit to complete the current plan and undertake its role effectively. Were any concerns to arise during the course of the year which might be seen as impacting on this judgement, these will be discussed initially with CLT and the Convenor of the GRBV. If these were unresolved following these discussions, the matter would be raised at a GRBV Committee Meeting.

Basis of our annual internal audit conclusion

Internal audit work will be performed in accordance with methodology aligned to Public Sector Internal Audit Standards (PSIAS). As a result, our work and deliverables are not designed or intended to comply with any other auditing standards.

Our annual internal audit opinion will be based on and limited to the internal audits we have completed over the year and the control objectives agreed for each individual internal audit. The agreed control objectives will be reported within our final individual internal audit reports.

In developing our internal audit risk assessment and plan we have taken into account the requirement to produce an annual internal audit opinion by determining the level of internal audit coverage over the audit universe and key risks. We do not believe that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion.

Other sources of assurance

In developing our internal audit risk assessment and plan we have taken into account other sources of assurance and have considered the extent to which reliance can be placed upon these other sources. Other sources of assurance for each auditable unit are noted in our Risk Assessment in section 3 of this document, and a summary is given below.

The other sources of assurance for The City of Edinburgh Council are as follows:

- External inspections such as those undertaken by the Care Inspectorate, Child Protection Inspection Unit, Education Scotland;
- External audit by Scott Moncrieff; and
- Information Commissioner reviews and inspections

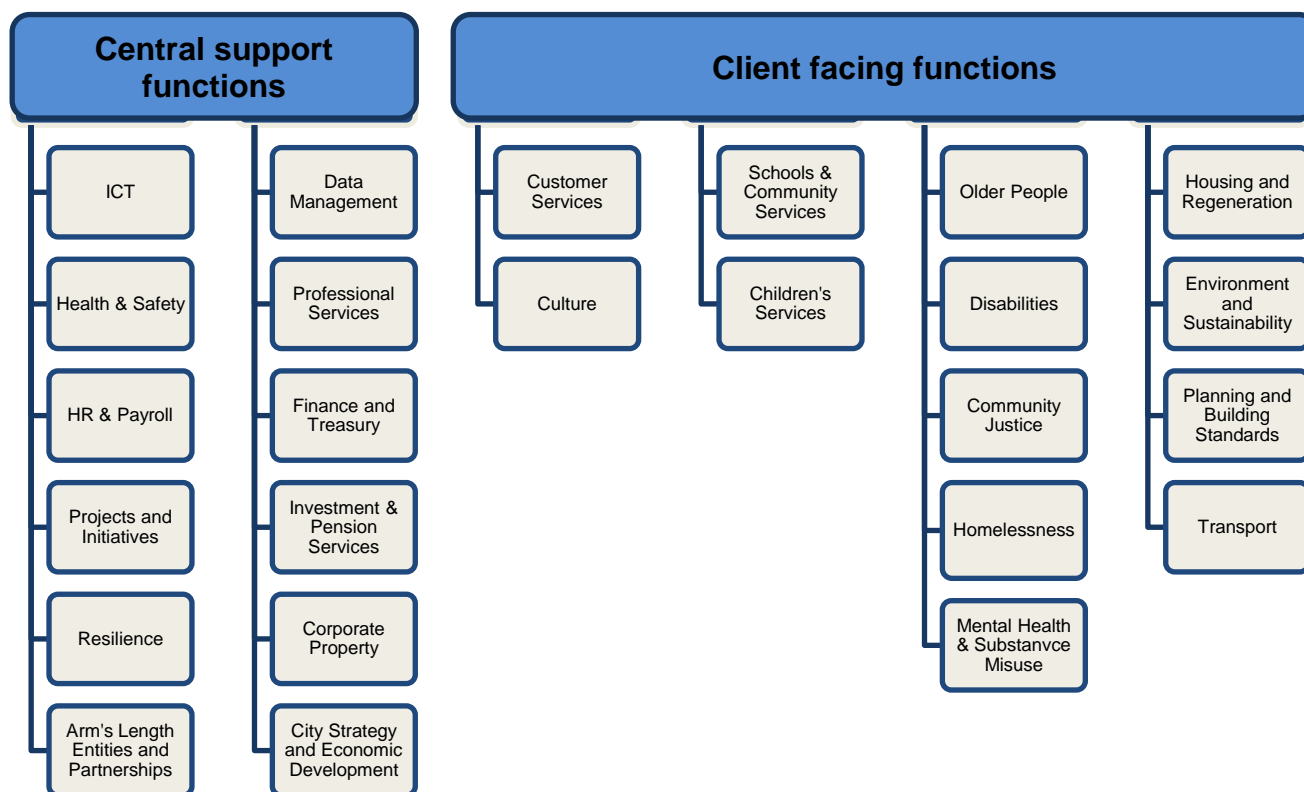
We do not intend to place reliance upon these other sources of assurance for our opinion. However they will be considered in assessing the strength of the control environment for each auditable unit. The methodology for assessing the strength of the control environment is set out in Step 4 of Appendix 1: Detailed Methodology.

2. Audit universe, corporate objectives and risks

Audit universe

The diagram below represents the high level auditable units within the audit universe of The City of Edinburgh Council for 2017/18. This has been re-assessed for to reflect the transformation that the Council is undergoing, resulting in the introduction of Older People, Disabilities, Community Justice, Homelessness, Mental Health & Substance Misuse units to revise the previous structure.

The City of Edinburgh Council – Auditable Units



Localities Model

The locality services are grouped and managed under four geographic localities (NE, NW, SE and SW) common to both the Council and other public sector organisations within Edinburgh. The Localities will be supported by the 12 existing Neighbourhood Partnerships.

Although Localities are not identified as distinct audit units, audit work completed in the year will take cognisance of the potentially different risk profiles of the Localities.

Edinburgh Integration Joint Board

We will not be providing any assurance on the activities of the Edinburgh Integration Joint Board (EIJB) who have their own Audit and Risk Committee and Internal Audit function. As in 2016/17, we anticipate that the Audit and Risk Committee of the EIJB will request us to perform a number of audits on their behalf to facilitate the completion of their audit plan. We have held back 3 audits for that eventuality. These audits will be conducted for the EIJB and will not be subject to scrutiny by the GRBV. It is however expected that

under the existing reciprocal referral arrangements, the Audit & Risk Committee of the EIJB would refer any relevant internal audit reports to the GRBV.

Major Project Assurance Reviews

As part of the Council's transformation, the Corporate Programme Office (CPO) was replaced by an enhanced Portfolio and Governance service within the Transformation team, in Strategy and Insight. This service includes the oversight of the Council's major project portfolio along with the project and programme management resources for key strategic Council initiatives. The Transformation team will have a greater focus on supporting and partnering with project teams and will ensure robust portfolio oversight in place via PMO arrangements. It will also continue to maintain a programme of assurance activity. However, to ensure a full assurance review programme is in place, Internal Audit will undertake a number of business readiness and gateway reviews of major projects as part of the 2017/18 internal audit plan. Further details on these are set out in Section 5.

Unit visits

Internal Audit will cease its programme of audit visits to schools and community centres in support of the Communities and Families Assurance Framework. Internal Audit visited 15 schools and community centres each year in 2015/16 and 2016/17. The framework has matured over the last 2 years and Communities and Families will continue with a programme of peer reviews to validate responses to the annual self-assurance statement in place of the Internal Audit programme. This moves the Framework from the third line of defence to the second line of defence where it more naturally sits. Internal Audit intend to review the Framework in Q4 2018 to determine whether the move to peer reviews has been effective. This has been included in the audit plan for 2017/18.

Audit resource made available by ending this audit programme will be utilised on a programme of visits to the Council's care home portfolio. As with schools, it is hoped that this programme will in due course lead to a second line of defence assurance process that can stand alone without Internal Audit support.

3. Risk assessment

Risk assessment results

Each auditable unit has been assessed for inherent risk and the strength of the control environment, in accordance with the methodology set out in Appendix 1 and 2. The results are summarised in the table below.

Ref	Auditable Unit	Inherent Risk Rating	Control Environment	Colour code	Frequency	No of audits (17/18)	No of audits (16/17)	No of audits (15/16)	Other Assurance / Notes
Central Support Functions									
A	Council wide and Resources					17	17	17	
A.1	ICT	5	1	●	1	3	3	1	
A.2	Health and Safety	5	3	●	1	1	1	1	H&S audit programme
A.3	HR & Payroll	5	2	●	1	2	2	-	
A.4	Projects & Initiatives	5	2	●	1	1	1	1	Major Project Assurance Reviews undertaken by Internal Audit
A.5	Resilience	4	4	●	2	1	-	1	ISO external certification
A.6	Arm's Length Entities and Partnerships	4	3	●	2	-	1	1	
A.7	Data Management	5	2	●	1	1	1	n/a	Care Home unit visits include an Information Governance maturity assessment.
A.8	Customer Services	4	3	●	2	-	1	-	
A.9	Professional Services	3	4	●	3	-	1	1	Internal Audit External Quality Assessment
A.10	Finance & Treasury	5	4	●	1	3	1	4	Audit Scotland external audit performed by Scott Moncrieff and ongoing internal fraud detection and investigation support.
A.11	Investment & Pension Services	4	5	●	3	3	3	3	Internal Audit reviews are required to be completed annually
A.12	Corporate Property	5	2	●	1	2	2	4	Care Home unit visits include Health & Safety and Facilities Management assurance work

Ref	Auditable Unit	Inherent Risk Rating	Control Environment	Colour code	Frequency	No of audits (17/18)	No of audits (16/17)	No of audits (15/16)	Other Assurance / Notes
Localities									
B	Communities and Families					3	6	6	
B.1	Schools & Community Services	5	3	●	1	2	4	3	School inspections undertaken by Education Scotland
B.2	Children's Services	5	4	●	1	1	2	3	Care Inspectorate inspections
C	Health and Social Care					3	3	3	
C.1	Older People	5	2	●	1	2	2	2	Includes 10 unit visits to Care Homes Care Inspectorate inspections
C.2	Disabilities	4	2	●	2	1	1	1	Care Inspectorate inspections
D	Safer and Stronger Communities					3	-	-	
D1	Homelessness	4	2	●	2	1	n/a	n/a	Care Inspectorate inspections
D.2	Mental Health and Substance Misuse	4	2	●	2	1	n/a	n/a	
D.3	Community Justice	2	3	●	4	1	n/a	n/a	
E	Place					5	6	6	
E.1	Culture and Leisure	3	4	●	3	-	1	-	
E.2	Housing and Regeneration	4	2	●	2	1	1	1	
E.3	Environment and Sustainability	4	2	●	2	1	3	1	
E.4	Planning & Building Standards	4	4	●	2	2	-	1	
E.5	Transport	5	2	●	1	1	1	2	
E.6	City Strategy and Economic Development	3	3	●	3	-	-	1	

Ref	Auditable Unit	Inherent Risk Rating	Control Environment	Colour code	Frequency	No of audits (17/18)	No of audits (16/17)	No of audits (15/16)	Other Assurance / Notes
F	Other/Miscellaneous					6	6	5	
F.1	Lothian Valuation Joint Board	2	4	●	-	1	1	1	Required to be completed annually.
F.2	SEStran	1	4	●	-	1	1	1	Required to be completed annually.
F.3	Royal Edinburgh Military Tattoo	2	4	●	-	1	1	1	Required to be completed annually
F4	Lothian Criminal Justice Authority	1	4	●	-	-	1	1	This Joint Board is being discontinued and their will be no audit requirement in 2017/18
F.5	Integration Joint Board	5	1	●	1	3	3	2	3 reviews held for work instructed by IJB audit committee
	TOTALS					37	39	38	

Key to frequency of audit work

Audit Requirement Rating	Frequency
●	Annual
●	Every two years
●	Every three years
●	No assurance work required

The audit requirement rating drives the frequency of internal audit work for each auditable unit.

There is an internal audit budget of 1,387 days which means the frequency with which internal audits are scheduled has been flexed. The audit plan is a rolling programme aiming to ensure all auditable units are subject to an internal audit at least once in a three year cycle.

4. Annual plan and internal audit performance

Annual plan and indicative timeline

The internal audit plan has been split out as shown below to reflect the core areas of our Internal Audit programme determined by Council Management, risk registers, corporate priorities and Internal Audit standards.

Through discussions with Heads of Service, Executive Directors and members of the Governance, Risk and Best Value Committee we developed a full suite of potential internal audit reviews based on our risk assessment and suggestions provided by each service.

This was then presented to the CLT to determine the reviews of highest priority and to help finalise the planned reviews, which are presented to the Governance, Risk and Best Value Committee in the table below.

There are 42 Internal Audit reviews scheduled for 2017/18 (including the 3 currently unplanned reviews) compared with 46 reviews originally included under the 2016/17 audit plan. One of the planned reviews is the Care Home Visits which involves visits to 10 care homes. Each proposed review for 2017/18 is included in the table below and has been cross referenced to the corresponding key corporate and service area level risks, which are included within Appendices 3 and 4.

Auditable Unit	Description	Q1	Q2	Q3	Q4	Days	Link to Risk	Fraud (H/M/L)
Council-Wide and Resources								
Corporate Property	<u>Edinburgh Shared Repairs Service</u> Review the implementation of controls and procedures designed for the new Enforcement service.	✓				30	CLT7 R9	Medium
Corporate Property	<u>Asset Management Strategy</u> Review the development of the Estates Rationalisation and Investment Portfolio workstreams of the Asset Management Strategy.	✓				30	CLT1 CLT4 CLT9 R1 R5 R7 P1 P6	Low
Data Management	<u>Record Management</u> Review progress in embedding records management policies within the service areas.				✓	20	R6 R8 HSC7	Low
Finance and Treasury	<u>Continuous controls over key financial systems</u> Testing of key controls within the Council's key financial systems using continuous auditing and data techniques to interrogate complete populations of data.	✓	✓		✓ ✓	30	CF8 P4	High

Auditable Unit	Description	Q1	Q2	Q3	Q4	Days	Link to Risk	Fraud (H/M/L)
Finance and Treasury	<u>Treasury</u> Review the processes and controls in place around treasury management, and review the procedures in place to monitor investment performance.	✓				20	n/a	Medium
Finance and Treasury	<u>Travel</u> Test the application of the Council's business travel guidance following the launch of the new travel system.				✓	20	CLT6 CF5 CF8 P4	High
Health and Safety	<u>Waste & recycling operations</u> Review the Health & Safety arrangements in place within the waste management processes.			✓		20	CLT 9	Low
HR and Payroll	<u>Starters process</u> Review the induction programme for new employees, including training, allocation of IT accounts and equipment, and pre-employment checks.	✓				30	R6 CF9	High
HR and Payroll	<u>Drivers</u> Review the design and effectiveness of procedures around medical disclosure and licence validation for authorised drivers.				✓	25	CLT9 R6 CF4 HSC6	Medium
ICT	<u>Cyber Maturity analysis</u> Undertake a Cyber Maturity Analysis to establish a baseline position for the maturity of the Council's ICT provision. This includes the running of the Game of Threats simulated cyber attack exercise.	✓				25	CLT5 R8	Low
ICT	<u>Phishing Resilience</u> Conduct a Phishing exercise to determine the robustness of the 'Human' firewall.		✓			20	CLT5 R8	Low

Auditable Unit	Description	Q1	Q2	Q3	Q4	Days	Link to Risk	Fraud (H/M/L)
ICT	<u>CGI Contract management</u> Review the management and performance delivery of ICT services under the CGI contract.				✓	25	CLT2 CLT5 CLT7 CLT10 R4 R7 R9	Low
Investment and Pension Services	<u>Business Continuity</u> Review the Fund's Business Continuity Plan. This will include consideration of IT disaster recovery for systems hosted by the Council and 3 rd party system providers.		✓			20	CLT3 CLT5 CLT10 R8	Low
Investment and Pension Services	<u>Information governance</u> Assess the processes and controls in place to ensure member data held by the Pension Fund is accurate, and is managed in compliance with Data Protection legislation.	✓				20	R8	Medium
Investment and Pensions Services	<u>Lifetime and annual allowances</u> Review the arrangements in place to ensure that pensions tax legislation is applied accurately, and that members are informed of its impact on their future pension provision.		✓			20	n/a	Low
Projects	<u>Savings realisations</u> Assess progress in achieving planned 2017/18 savings.		✓			30	CLT1 CLT2 CLT4 R3 R7 R9 CF5 HSC2 P2 P5 P6	Low

Auditable Unit	Description	Q1	Q2	Q3	Q4	Days	Link to Risk	Fraud (H/M/L)
Resilience	<u>Severe Weather contingency planning</u> Consider the Council's readiness for severe weather, with reference to plans in place for the 2017/18 winter.			✓		20	CLT3 CLT7 CLT9 R6 R9 CF4 P3	Low
Communities and Families								
Children's Services	<u>Foster care</u> Review the management of Foster care provision and payments to carers and service providers.			✓		25	CF3	Medium
Schools and Community Services	<u>Communities & Families Self-Assurance Framework</u> Assess progress in establishing the Framework as a 'second line of defence' assurance programme.				✓	20	CLT7 CF1 CF4 CF7 CF8 CF9	Medium
Schools and Community Services	<u>Facilities Management Service Level Agreements</u> Service Level Agreements between Facilities Management and Communities & Families will be introduced in April 2017. This review will consider how well the new arrangements are working after the first 6 months.		✓			30	CLT7 CLT9 R2 R3 R5 R9 CF1 CF4 CF6	Low
Health and Social Care								
Disabilities	<u>Client Money</u> Review design and effectiveness of controls in place over money held on behalf of vulnerable clients.			✓		30	HSC5	High
Older People	<u>Care Inspectorate Report</u> Follow up on progress made in addressing the findings and outstanding actions arising from the Care Inspectorate report.				✓	30	CLT8 HSC1 HSC3 HSC5	Low

Auditable Unit	Description	Q1	Q2	Q3	Q4	Days	Link to Risk	Fraud (H/M/L)
Older People	<u>Care Home Unit Visits</u> Combined Internal Audit and Corporate Health & Safety visits to the 10 Council-operated care homes to assess controls in place over key areas including: finance, residents' savings, workforce, resilience, information governance and health and safety.	✓	✓			100	CLT3 CLT6 CLT7 HSC3 HSC5 HSC6 HSC7	High
Safer and Stronger Communities								
Community Justice	<u>CCTV infrastructure</u> Review of CCTV infrastructure management and maintenance.		✓			25	CLT1 CLT6 SS1 SS2	Low
Homelessness	<u>Short-term homelessness housing provision</u> Review contract management of short-term homelessness housing provision.			✓		30	CLT6 CLT7 CLT9 SS2 SS3	Medium
Mental Health & Substance Misuse	<u>Early Intervention and Prevention</u> Review contract management of Early Intervention and Prevention support services provided by third sector parties.	✓				25	CLT6 CLT7 SS2	Medium
Place								
Environment and Sustainability	<u>Waste Services</u> Review performance management framework for Waste Services. This review will focus on the selection, monitoring and reporting of performance measures relating to waste collection.			✓		25	CLT7 P2 P5	Medium
Housing and Regeneration	<u>Edinburgh Building Services</u> Follow up on progress made in addressing control weaknesses identified in the 2016 internal audit.			✓		30	CLT1 CLT7 P4 P5	High

Auditable Unit	Description	Q1	Q2	Q3	Q4	Days	Link to Risk	Fraud (H/M/L)
Planning and Building Standards	<u>Local Development Plan Phase 2: Education</u> Consider robustness of assumptions used in forecasting additional school places required as a result of phase 2 of the Local Development Plan, and the cost of providing those places.				✓	25	CF2 P2	Low
Planning and Building Standards	<u>Planning control</u> Review of the application of policy and the procedures in place for the provision of building warrants and completion certificates.		✓			25	CLT7 P2 P4	Medium
Transport & Infrastructure	<u>Edinburgh Roads Service</u> 'Review recommend' of the proposed Edinburgh Roads Service service delivery model, with a focus on project management and interaction with Locality environment and roads teams.			✓		30	CLT7 R9 P4 P5 P6	Medium
Other Organisations								
LVJB	Lothian Valuation Joint Board - provision of internal audit services			✓		15	N/A	N/A
SEStran	SEStran - provision of internal audit services			✓		15	N/A	N/A
Royal Edinburgh Military Tattoo	Tattoo - provision of internal audit services			✓		15	N/A	N/A
Edinburgh Integration Joint Board	IJB – provision of internal audit services		✓			25	N/A	N/A
			✓			25		
				✓		25		
Miscellaneous								
Internal Audit	3 additional ad hoc reviews held for allocation during the year – management / IA discretion		✓	✓	✓	75	N/A	N/A
Internal Audit	Carbon Reduction Commitment (CRC) Scheme		✓			20	N/A	N/A
Internal Audit	Cycling, Walking, Safer Streets (CWSS) grant	✓				10	N/A	N/A
Internal Audit	The Management of Development Funding (TMDF) grant	✓				20	N/A	N/A

Auditable Unit	Description	Q1	Q2	Q3	Q4	Days	Link to Risk	Fraud (H/M/L)
LVJB and SEStran	Corporate governance work at LVJB and SEStran				✓	15	N/A	N/A
Internal Audit	Follow up of outstanding audit actions	✓	✓	✓	✓	55	N/A	N/A
Internal Audit	Fraud Support	✓	✓	✓	✓	15	N/A	N/A
Internal Audit	GRBV Reporting	✓	✓	✓	✓	15	N/A	N/A
Internal Audit	Internal Audit Annual Plan 2018/19				✓	15	N/A	N/A
Internal Audit	Contingency	✓	✓	✓	✓	22	N/A	N/A

5. Major Project Assurance Reviews

Additional Service Responsibility

As part of the Council's transformation, the Corporate Programme Office (CPO) was replaced by an enhanced Portfolio and Governance service within the Transformation team, Strategy and Insight. This service includes the oversight of the Council's major project portfolio along with the project management and programme resources for key strategic Council initiatives. The Transformation team will have a greater focus on supporting and partnering with project teams and will ensure robust portfolio oversight is in place via PMO arrangements. It will also maintain a programme of assurance activity. However, to ensure a full assurance review programme is in place, Internal Audit will undertake a number of business readiness and gateway reviews of major projects as part of the 2017/18 internal audit plan.

Consultation with the Portfolio and Governance service, Risk Management, and the CLT will inform the prioritisation and planning of project reviews. There is no increase in the resources available to Internal Audit and project assurance will therefore be undertaken to the extent permitted by a risk-based deployment of limited resources. Internal Audit has allocated sufficient resources to undertake 10 project assurance reviews as part of the 2017/18 audit plan.

Auditable Unit	Description	Q1	Q2	Q3	Q4	Days
PR1	Review of Project to upgrade the Ross Bandstand in Princes Street Gardens	✓				15
PR2	Review of Project to upgrade Meadowbank Stadium		✓			15
PR3	Review of Edinburgh St James Project		✓			15
PR4	Review of Fleet Project	✓				15
PR5	Review of Zero Waste Project	✓				15
PR6 – PR10	These projects will be selected towards the end of H1 2017/18 subsequent to a risk-based analysis of the Major Project portfolio at that time.			✓	✓	75

It is anticipated that the results of these project assurance reviews will be reported to the GRBV Committee as part of Internal Audit's current quarterly reporting regime.

Appendix 1: Detailed methodology

Step 1 - Understand corporate objectives and risks

In developing our understanding of your corporate objectives and risks, we have:

- Reviewed your strategy, organisational structure and corporate risk register;
- Drawn on our knowledge of the local government sector; and
- Met with a senior management, members of the Governance, Risk and Best Value Committee members and other Councillors.

Step 2 - Define the Audit Universe

In order that the internal audit plan reflects your management and operating structure we have identified the audit universe for The City of Edinburgh Council made up of a number of auditable units. Auditable units include functions, processes, systems, products or locations. Any processes or systems which cover multiple locations are separated into their own distinct cross cutting auditable unit.

Step 3 - Assess the inherent risk rating

The internal audit plan should focus on the most risky areas of the business. As a result each auditable unit is allocated an inherent risk rating i.e. how risky the auditable unit is to the overall organisation and how likely the risks are to arise. The criteria used to rate impact and likelihood are recorded in Appendix 2.

The inherent risk assessment is determined by:

- Mapping the corporate risks to the auditable units;
- Our knowledge of your business and its sector; and
- Discussions with management.

Impact Rating	Likelihood Rating				
	5	4	3	2	1
5	5	5	4	4	4
4	5	5	4	4	3
3	4	4	3	3	2
2	4	3	3	2	2
1	3	3	2	2	1

Step 4 - Assess the strength of the control environment

In order to effectively allocate internal audit resources we also need to understand the strength of the control environment within each auditable unit (1=poor controls to 5=strong controls). This is understanding is based on:

- Consultation with Senior Management and elected members of the GRBV Committee;
- Revisiting the outcomes from previous internal audits, including the process of closing audit recommendations;
- Considering the activities of the 2nd line of defence functions (i.e: The Corporate Risk and Health & Safety teams) ;and
Reviewing the output from activities undertaken by other assurance providers (i.e - The Care Inspectorate, Education Scotland etc).

In assessing the strength of the control environment of each auditable unit we consider the following for matters arising from the sources noted above:

- The nature & magnitude of the matters;
- Whether they are pervasive or restricted to individual parts of a process;
- The significance of the process impacted;
- The nature, urgency & robustness of management’s response to any issues arising; and
- Whether there are any implications for the broader culture in the audit unit.

Note: They may be on occasion reports issued by Internal Audit or other assurance providers where the findings are sufficiently significant to prompt us to re-visit the same area in question.

Step 5 - Calculate the audit requirement rating

The inherent risk and the control environment indicator are used to calculate the audit requirement rating. The formula ensures that our audit work is focused on areas with high reliance on controls or a high residual risk.

Inherent Risk Rating	Control Design Indicator				
	1	2	3	4	5
5					
4					
3					
2					
1					

Step 6 - Determine the audit plan

Your risk appetite determines the frequency of internal audit work at each level of audit requirement. Auditable units may be reviewed annually, every two years or every three years.

In some cases it may be possible to isolate the sub-processes within an auditable unit which are driving the audit requirement. For example, an auditable unit has been given an audit requirement rating of 5 because of inherent risks with one particular sub-process, but the rest of the sub-processes are lower risk. In these cases it may be appropriate for the less risky sub-processes to have a lower audit requirement rating and be subject to reduced frequency of audit work. These sub-processes driving the audit requirement areas are highlighted in the plan as key sub-process audits.

Step 7 - Other considerations

In addition to the audit work defined through the risk assessment process described above, we may be requested to undertake a number of other internal audit reviews such as regulatory driven audits, value enhancement or consulting reviews.

Appendix 2: Risk assessment criteria

Determination of Inherent Risk

We determine inherent risk as a function of the estimated **impact** and **likelihood** for each auditable unit within the audit universe as set out in the tables below.

<i>Impact rating</i>	<i>Assessment rationale</i>
5	Critical impact on operational performance; or Critical monetary or financial statement impact; or Critical breach in laws and regulations that could result in material fines or consequences; or Critical impact on the reputation/brand of the Council which could threaten its future viability.
4	Major impact on operational performance; or Major monetary or financial statement impact; or Major breach in laws and regulations resulting in significant fines and consequences; or Major impact on the reputation or brand of the Council.
3	Moderate impact on the Council's operational performance; or Moderate monetary or financial statement impact; or Moderate breach in laws and regulations with moderate consequences; or Moderate impact on the reputation of the Council.
2	Minor impact on the Council's operational performance; or Minor monetary or financial statement impact; or Minor breach in laws and regulations with limited consequences; or Minor impact on the reputation of the Council.
1	Insignificant impact on the Council's operational performance; or Insignificant monetary or financial statement impact; or Insignificant breach in laws and regulations with little consequence; or Insignificant impact on the reputation of the Council.

<i>Likelihood rating</i>	<i>Assessment rationale</i>
5	Has occurred or probable in the near future
4	Possible in the next 12 months
3	Possible in the medium term (2-5 years)
2	Possible in the longer term (5-10 years)
1	Unlikely in the foreseeable future

Appendix 3: Corporate Risks

Corporate level objectives and risks have been determined by The City of Edinburgh Council. The prioritised inherent risks facing the Council as at December 2016 are recorded in the table below and have been considered when preparing the internal audit plan. The internal audit plan within Section 4 details how each of the planned reviews can be cross referenced to a related corporate level risk of the Council.

Corporate Leadership Team Prioritised Inherent Risks

Ref	Corporate Leadership Team	17/18	16/17	15/16	Comments
CLT1	<i>Capital Asset Management</i> With reduced resources and a heightened need for structural inspection and maintenance the current asset management plan may be insufficient to cover the immediate need for capital improvements (for example improvements of highways, post PPP1 structural reviews and other capital infrastructure) which could result in continued underinvestment and assets that are not fit for purpose or meet health and safety consequences now and in the future.	✓	✓	✓	
CLT2	<i>IT Transformation and Change Program</i> Key deliverables, benefits & timescales for achieving IT transformation may not be achieved in line with business expectations, requirements & contractual agreements. This will result in adverse impacts on service delivery and the Council's ability to operate, its finances or its reputation	✓	✓	✓	
CLT3	<i>Hazard Events</i> A sudden high impact event causes buildings, people, systems to be non-operational for an unacceptable period of time	✓	✓	x	
CLT4	<i>Reduced Funding</i> reductions, legislative changes and increased demographic pressure, the requirements of the Local Development Plan and the anticipated need for further cost efficiencies will increase pressure on our infrastructure, capital and revenue funding, the execution of our strategy and business plan with associated adverse reputational impact.	✓	n/a	n/a	New Risk Identified for 2017/18
CLT5	<i>External IT Security Threat</i> A significant cyber breach may occur resulting in loss of data integrity, confidentiality or availability with adverse reputational and operational impact.	✓	✓	x	

Ref	Corporate Leadership Team	17/18	16/17	15/16	Comments
CLT6	<i>Budget Management</i> Material overspends on service budgets may impact upon the funding of other services.	✓	n/a	n/a	New Risk Identified for 2017/18
CLT7	<i>Customer Expectations</i> Customer dissatisfaction around delivery of customer facing services (e.g. waste, roads, delayed discharge) may lead to increased complaints with consequential increased financial strain and reputational damage.	✓	n/a	n/a	New Risk Identified for 2017/18
CLT8	<i>Health and Social Care Procurement</i> Through either CEC's own lack of resources or lack of provider capacity, the Council may be unable to secure appropriate contracts with its providers or deliver appropriate services as directed by the IJB. As a result we may be unable to deliver our own commitments, for example: appropriate levels of care at home and in the community to enable efficient discharge from hospital and consequently risk not fulfilling our duty of care to customers and to delivery of the H&SC partnership's strategic plan.	✓	✓	n/a	
CLT9	<i>Health and Safety</i> Non-compliance with Council Health and Safety policies and procedures and legal and regulatory requirements could lead to avoidable employee or 3rd party injury or ill health and/or regulatory fines and liability claims, and associated reputational damage.	✓	✓	✓	
CLT10	<i>IT Service Delivery</i> The current stresses in the new IT provider's service delivery / management are such that it may not be able to recover service standards in the immediate future and there may be a sustained period of outage, degraded performance, or errors in processing for one or more services. This will result in adverse impacts on service delivery and the Council's ability to operate, its finances or its reputation and loss of confidence in the strategic alliance.	✓	✓	✓	

Appendix 4: Service Area Risks

Service level objectives and risks have been determined by The City of Edinburgh Council's Senior Management Teams. Key risks identified by the Service Area Senior Management Teams that have contributed to the risk based approach to the 2017/18 Internal Audit Plan are recorded in the tables below and are referenced in the Annual Plan of Internal Audits in Section 4.

Resources Prioritised Inherent Risks

Ref	Resources Key Risks	2017/18	2016/17	2015/16	Comments
R1	<i>Capital Estate</i> - Risk that there is a lack of a structured review programme to ensure the capital estate meets health and safety standards.	✓	✓	✘	
R2	<i>Skills and Capacity</i> - Risk that the Council has limited capacity/skills to deliver key transformational change projects.	✓	✓	n/a	
R3	<i>Commercial excellence</i> -The Council does not have the professional project management capacity or capability to deliver key transformational change projects resulting in under delivery, failure to deliver planned savings, project overspend and reputational damage	✓	n/a	n/a	New Risk Identified for 2017/18
R4	<i>ERP implementation</i> - Insufficient quality of resource and focus to deliver the new ERP system could result in 1) costly delays in implementation; 2) inadequate controls around key processes, such as payroll; 3) a lack of engagement and buy in from the business	✓	n/a	n/a	New Risk Identified for 2017/18
R5	<i>Safety of physical estate</i> - A history of insufficient inspections and a lack of appropriate maintenance strategy has led to a backlog of capital maintenance works and an escalating risk of critical structural degradation which could result in breaches of H&S legislation, increased risk of major incident due to structural failure, reputational damage, potential litigation and major service disruption	✓	✓	✓	
R6	<i>Senior management focus</i> - The focus of management on transformational change could result in insufficient attention on 'business as usual' services resulting in inefficiencies or potential problems in delivery	✓	n/a	n/a	New Risk Identified for 2017/18
R7	<i>Achievability of savings</i> - Unrealistic savings targets, including straight line savings required across services rather than a more prioritised approach, changes to financial settlements and/or weak implementation plans could result in Service Area budget overruns for 2016/17 or risk compromising statutory obligations	✓	n/a	n/a	New Risk Identified for 2017/18
R8	<i>Information governance</i> -The Council's ICT infrastructure is overly exposed to external cyber-attacks which could result in loss of critical data and failure to adhere to information governance policies	✓	n/a	n/a	New Risk Identified for

Ref	Resources Key Risks	2017/18	2016/17	2015/16	Comments
	could suffer significant reputational damage				2017/18
R9	<i>Service delivery through transformation</i> - The transition of services to future state operating models is not synchronised and planned for appropriately leading to gaps in service provision	✓	n/a	n/a	New Risk Identified for 2017/18
R10	<i>In house capacity</i> - Failure to attract and retain skilled staff due to uncompetitive pay levels leads to an over-reliance on third parties and consultancy at the expense of developing existing staff, could result in unsustainable budgets and poorer staff morale	✓	n/a	n/a	New Risk Identified for 2017/18

Communities and Families Prioritised Inherent Risks

Ref	Communities& Families Risks	2017/18	2016/17	2015/16	Comments
CF1	<i>Integrated Property Facilities Management</i> - Risk that lack of properly resourced and effective Integrated Property Facilities Management resulting in shortcomings in service delivery.	✓	✓	✓	
CF2	<i>Local Development Plan - Educational Infrastructure</i> - Risk that insufficient funding will be secured from developer contributions to fully fund the educational infrastructure requirements which would be required to support the additional pupils generated from the significant housing development identified in the second Local Development Plan.	✓	x	✓	
CF3	<i>Balance of Care</i> - Much of the cost of care of children and young people is demand-led and relies on expensive external providers. If the balance between enabling and commissioning levels of care is not optimal the Council may not be able to sustain adequate levels of service.	✓	n/a	n/a	New Risk Identified for 2017/18
CF4	<i>Health and Safety compliance</i> - Risk that non-compliance with Health and Safety legislation leads to employee / service user injury and/or regulatory fines	✓	✓	✓	
CF5	<i>Budget management</i> - Risk that inadequate management of current and future budgets results in inability to maintain and deliver statutory, education and care service obligations with consequent impacts on service users	✓	✓	✓	
CF6	<i>Organisational change</i> - Risk that significant organisational change has negative impact on staff with associated negative impact on service users and potential increased financial costs to the organisation	✓	✓	✓	
CF7	<i>Infection control</i> - Risk that infection is not prevented or in the case of an outbreak not adequately controlled – or that cleaning regimes are reduced or inadequate - across the network of schools and establishments	✓	x	✓	
CF8	<i>Fraud</i> - Risk of financial loss and reputational damage as a result of significant fraud/bribery/corruption	✓	✓	✓	

Ref	Communities& Families Risks	2017/18	2016/1 7	2015/1 6	Comments
CF9	<p><i>Essential Learning</i> - Risk that approaches to essential learning are not proportionate, robust or standardised to levels required resulting in training not being in place to manage risks.</p> <p>Management of essential learning and the tools to assist this need to be fit for purpose to manage the risk.</p>	✓	✓	n/a	
CF10	<p><i>Contest Strategy</i> - Risk that there is not a robust enough approach to ensure awareness of Contest and the associated Police Scotland Prevent strategy to ensure staff know how to identify potential or actual radicalisation</p>	✘	✓	n/a	A review on the Council's 'Contest' Strategy was completed in Q4 2016/17.
CF11	<p><i>Playground Safety</i> - Lack of guidance and definition on roles and responsibilities (inadequate controls) lack of corporate oversight leads to inadequate management of playground and subsequent Health & Safety incident affecting pupil/service user</p>	✘	n/a	n/a	The Council's Corporate Health & Safety Team has a review planned in this area.

Health and Social Care Prioritised Inherent Risks

Ref	Health and Social Risks	2017/18	2016/17	2015/16	Comments
HSC 1	<i>Service delivery</i> - Failure to procure a new fit for purpose Care at Home contract during 2015/16	✓	✓	✓	
HSC 2	<i>Integration</i> - Interim management arrangements for the Integration Joint Board put at risk the effective delivery of safe services; the achievement of agreed savings targets and the constructive engagement of staff	✓	✓	✓	3 reviews held for IJB's audit committee to direct.
HSC 3	<i>Service delivery</i> - Reduced service budgets and increasing volume of demand and complexity mean we cannot meet all the assessed needs of the people of Edinburgh	✓	✓	✓	
HSC 4	<i>Service delivery</i> - Care at Home contract payment rate is insufficient to allow for recruitment/ retention of care staff in numbers required to meet demand. Resulting lack of capacity will lead to increases in levels of unscheduled care, delayed discharge from hospital and increases in community waiting lists	x	✓	✓	A review of the management of the new Care at Home contract is currently being undertaken as part of the 2016/17 audit plan.
HSC 5	<i>Service delivery</i> - Risk of harm to communities and individuals caused by failure to provide effective care and protection to people receiving health and social care service	✓	✓	✓	
HSC 6	<i>Health and Safety</i> - Personal injury or loss arises out of failure to meet Health and Safety requirements	✓	✓	✓	
HSC 7	<i>Integration</i> - The responsibilities of the IJB under the Data Protection Act 1998 have not yet been clarified. This may represent a risk to the security of data. If governance and the design of controls around the ICT infrastructure (including disaster recovery planning) are not fit for purpose, information may not be easily accessible or retrievable and data may not be protected securely.	✓	n/a	n/a	New Risk for Identified for 2017/18

Note: This risk register was last updated in December 2015. The Edinburgh Health and Social Care Partnership is in the process of pulling together its own risk registers, which it is believed will capture some of the risks previously held on the Council's own risk register.

Safer and Stronger Prioritised Inherent Risks

Ref	Health and Social Risks	2017/18	Comments
SS1	<i>CCTV system</i> The current public space CCTV system fails before a replacement system is procured, either causing gaps in provision or requiring unbudgeted costs for repairs.	✓	
SS2	<i>Financial delivery</i> The need to deliver significant savings and reduced income result in cuts to services and a failure to deliver the strategic outcomes agreed by the Council, including keeping people safe and reducing poverty and inequality.	✓	
SS3	<i>Housing options and temporary accommodation</i> An acute shortage of affordable housing, which means a lack of housing options and greater demand on temporary accommodation.	✓	
SS4	<i>Reoffending</i> Offenders who pose a risk of serious harm reoffend.	x	
SS5	<i>Welfare Reform</i> Welfare Reform will reduce the amount of benefit available to customers accessing services	x	

Note: The Safer and Strong risk register is a new register that was created subsequent to the establishment of the Safer Stronger function by the Council. The services that it is responsible for were previously incorporated in Health & Social Care and Place and would have been considered in those risk registers in previous years.

Place Prioritised Inherent Risks

Ref	Place Risks	2017/18	2016/17	2015/16	Comments
P1	<i>Non-Housing Asset Repairs and Maintenance</i> -Legacy issues of non-housing asset management (identification, inspection and ownership) has resulted in gaps in current asset registers. There is a risk that current R&M budgets are insufficient to meet requirements for the service	✓	n/a	n/a	New Risk Identified for 2017/18
P2	<i>Growth investment for Local Development Plan across all services areas over short to long term</i> Significant growth within the City and increased service demand has resulted in substantial service pressures with risk that we are unable to meet future growth demand	✓	✓	✓	
P3	<i>Business Continuity and Disaster Recovery transition planning</i> -Lack of clarity in terms of Corporate/service Resilience roles & responsibilities leads to lack of robust targeted risk based planning resulting ultimately in an inadequate incident response Lack of clarity on the role of the Senior Officer on call and how they would be supported out of hours in an escalating incident/major incident	✓	n/a	n/a	New Risk Identified for 2017/18
P4	<i>Counter Fraud and Anti-bribery process (AB&F)</i> - Monitoring and assurance of AB&F risks and controls varies across the service potentially resulting in poor implementation, gaps in control, environment and increased opportunity for bribery and fraud to occur	✓	✓	✓	Continuous testing of key financial controls addresses risk of fraud.
P5	<i>Project and Contract management – governance and assurance</i> - Lack of commercial expertise and robustness in project management and managing contractors could result in failure to achieve savings and standards	✓	n/a	n/a	New Risk Identified for 2017/18
P6	<i>Capital investment impact to service revenue budgets</i> - Capital investment does not provide robust assurance that all lifecycle costs are appropriately captured as part of expenditure appraisal process leading to unplanned and increased pressure on revenue budgets within the service	✓	✓	n/a	
P7	<i>HR Recruitment & Retention</i> - Competition within the employment market and current levels of change and uncertainty in the organisation means there is a risk that the Council is unable to attract or retain suitably skilled and qualified staff, potentially resulting in insufficient resources to deliver services to acceptable	x	n/a	n/a	New Risk Identified for 2017/18

<i>Ref</i>	<i>Place Risks</i>	<i>2017/18</i>	<i>2016/17</i>	<i>2015/16</i>	<i>Comments</i>
	standards, costs increasing for agency staff or outsourcing and inability to meet statutory targets and requirements				
P8	<i>Delivery of Major Projects</i> - The service is leading and supporting a number of major projects in the city. There is a risk that any project which is no longer deliverable may have an impact on the Council and/or the city.	x	n/a	n/a	New Risk Identified for 2017/18