

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 9 MAY 2011

REPORT ON: INTERNAL AUDIT

REPORT BY: ASSESSOR

REPORT NO: TVJB 12-2011

1 PURPOSE OF REPORT

1.1 To present to the Board the following Internal Audit Report:-

Internal Audit Report No 2011/02 – Annual Internal Audit Plan 2010/11

2 RECOMMENDATIONS

2.1 The Board is asked to note the contents of the Report.

3 FINANCIAL IMPLICATIONS

3.1 The cost of Internal Audit Services is provided for in the Assessor's Revenue Budget.

4 POLICY IMPLICATIONS

4.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty and Equality Impact Assessment. There are no major issues.

5 BACKGROUND

5.1 At their meeting in November 2010, the Board were advised that Henderson Loggie had been appointed to provide an internal audit service to the Board in respect of the financial years 2010/11 to 2012/13.

5.2 Internal Audit Report No 2011/01, reported separately to the Board at this current meeting, presented Henderson Loggie's final Audit Needs Assessment and Strategic Plan for the period 2010 to 2013. Internal Audit Report No 2011/02, attached as an appendix to this report, presents the Annual Internal Audit Plan for 2010/11, which is based on the Audit Needs Assessment and Strategic Plan. The report summarises the audit work carried out during 2010/11.

6 CONSULTATIONS

6.1 The Clerk and Treasurer to the Board have been consulted on this report.

7 BACKGROUND PAPERS

7.1 None.



HENDERSON LOGGIE
Chartered Accountants

Tayside Valuation Joint Board

**Annual Plan
2010/11**

Internal Audit Report No: 2011/02

Draft Issued: 16 March 2011

Final Issued: 5 April 2011



	Page No.
Section 1 Introduction	1
Section 2 Strategic Plan 2010 to 2013	2
Section 3 Outline Scope and Objectives	
• Payroll	3
• Asset Management	4
• General Ledger	5
• Corporate Governance and Control Environment	6
• Systems Development / Implementation / Data Migration	7
• Follow-up Reviews	8



1. Introduction

- 1.1 The purpose of this document is to present to the Tayside Valuation Joint Board ('the Board') the annual internal audit operating plan for the year ended 31 March 2011. The plan is based on the proposed allocation of audit days for 2010/11 set out in the Audit Needs Assessment and Strategic Plan 2010 to 2013. The preparation of the Strategic Plan involved dialogue with management and with the Treasurer.
- 1.2 At Section 3 of this report we have set out the outline scope and objectives for each audit assignment undertaken during 2010/11, together with the audit approach. These were arrived at following discussion with the Assessor.
- 1.3 Separate reports will be issued for each assignment. Recommendations are graded in each report to reflect the significance of the issues raised.



2. Strategic Plan 2010 to 2013

Proposed Allocation of Audit Days

	Planned 10/11 Days	Planned 11/12 Days	Planned 12/13 Days
Reputation			
<i>Publicity</i>			
<i>Health and Safety</i>			3
Council Tax			8
Non Domestic Rates		8	
Electoral Register			4
Staffing Issues			
<i>Recruitment and retention / HR policies</i>			
<i>Payroll</i>	4		
Estates and Facilities			
<i>Asset management</i>	4		
Financial Issues			
<i>Budget setting / budgetary control</i>			4
<i>General ledger</i>	3		
<i>Procurement and creditors / purchasing</i>		5	
<i>Debtors / income</i>			
<i>Cash & bank / Treasury management</i>			
Organisational Issues			
<i>Risk management / Business continuity</i>		5	
<i>Corporate governance and control environment</i>	6		
<i>Corporate planning</i>			5
Information and IT			
<i>IT network arrangements</i>		6	
<i>Data protection / FOI</i>			
<i>Systems development / implementation / data migration</i>	7		
Other Audit Activities			
Management and Planning)	4	4	4
External audit)			
Attendance at audit committees)			
Follow-up reviews	2	2	2
ANA	4		
Total	34	30	30
	=====	=====	=====



3. Outline Scope and Objectives

Audit Assignment:	Payroll
Priority:	Low
Joint Committee Meeting:	May 2011
Days:	4

Scope

This audit will review the adequacy and effectiveness of the processes and procedures in place to ensure that payments made on the payroll system are valid, authorised, made accurately, and monitored. The audit will cover the input and outputs from the Dundee City Council payroll system but not the Council system itself.

Objectives

The specific objectives of the review will be to seek reasonable assurance that:

- all new posts are appropriately approved;
- starters and leavers are properly treated and enter and leave the payroll system at the correct dates;
- there is correct calculation of gross pay and deductions, including PAYE, national insurance and pension contributions;
- overtime payments and other variations to pay are properly authorised, processed and recorded;
- there is robust approval and checking of changes to employee standing data;
- payroll reconciliations are completed and reviewed on a timely basis;
- monitoring information is adequate for identifying incorrect payroll payments and to allow budget holders to manage their budgets effectively; and
- payments, whether to staff or paying deductions over to third parties, are properly authorised, processed and recorded within the Board's main financial system.

Our audit approach will be:

From discussion with relevant staff, and review of procedural documentation, we will identify the key internal controls in place within the payroll system and compare these with expected controls. Audit testing will then be carried out to ensure that the controls in place are operating effectively.



3. Outline Scope and Objectives

Audit Assignment:	Asset Management
Priority:	Medium
Joint Committee Meeting:	August 2011
Days:	4

Scope

This review will cover the arrangements in place for identifying, maintaining, reviewing and disposing of Board assets and the process for approving new capital spend.

Objectives

The main objective of our audit will be to establish whether the Board's asset management arrangements ensure that assets are safeguarded and that capital expenditure plans are appropriate and in line the Board's strategic objectives.

To conclude on this objective we will establish whether:

- there is a system for recording assets and checking physical existence of these on a regular basis;
- a maintenance plan is in place over the Board's assets which is appropriately monitored;
- existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board;
- asset disposals are properly authorised and recorded and such assets are disposed of securely; and
- there is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.

Our audit approach will be:

Staff will be interviewed to understand current asset management systems, procedures and controls. The controls in place will then be compared against good practice.

A sample of items will also be tested to ensure that asset maintenance, disposal and capital appraisal controls are working effectively.



3. Outline Scope and Objectives

Audit Assignment:	General Ledger
Priority:	Low
Joint Committee Meeting:	May 2011
Days:	3

Scope

We will review the following processes as part of the audit:

- month-end financial close process;
- year-end financial close process; and
- updating user access rights and adding / removing users on the main financial system.

Objectives

The objective of our audit will be to obtain reasonable assurance that systems are in place to ensure that:

- the chart of accounts, coding structure, reports and procedures are adequate in respect of production of the Board's management accounts and financial statements;
- key controls are in place over the trial balance structure, control account reconciliations and journal entries;
- there is adequate control and reconciliation of the main feeder systems to the general ledger; and
- changes to the main financial system's user access rights, the addition of new users and removal of leavers are appropriately approved and updated on a timely basis.

Our audit approach will be:

We will assess whether the above objectives are being met by documenting the systems and controls through interviews with relevant staff. We will also establish whether the expected key controls are in place by reference to CIPFA standard control risk assessment templates for a general ledger system.

Walkthrough and compliance testing will be performed to determine whether key controls are working effectively.



3. Outline Scope and Objectives

Audit Assignment:	Corporate Governance and Control Environment
Priority:	Medium
Joint Committee Meeting:	May 2011
Days:	6

Scope

This review will cover corporate governance arrangements within the Board and compare these against best practice. This includes reviewing such items as:

- Code of Corporate Governance
- Committee organisation and administration;
- Standing Orders;
- Financial Regulations;
- Delegation of Powers to Officers;
- Fraud Guidelines; and
- Complaints procedures.

Objectives

The objective of the audit will be to obtain reasonable assurance that the Board's corporate governance and control environment arrangements are in accordance with best practice as set out in *Delivering good governance in local government – A guidance note for Scottish Authorities published by CIPFA / SOLACE in 2008*.

Our audit approach will be:

We will identify the corporate governance arrangements in place through interviews with staff and analysis of any corporate governance self-assessment. Relevant supporting documentation will also be reviewed to gain evidence that the arrangements in place are operating effectively.

We will also carry out a follow-up review to check whether outstanding actions from Internal Audit report 2008/03, *Corporate Governance*, have been adequately implemented.



3. Outline Scope and Objectives

Assignment:	Systems Development / Implementation / Data Migration
Priority:	High
Joint Committee Meeting:	August 2011
Days:	7

Scope

This audit will cover the processes and controls in place for the development and implementation of the new electoral registration and management systems, and the migration of data between the old and the new system.

Objectives

Systems development and implementation

The objectives of the audit will be to ensure that:

- the Board has applied formal documented project management standards and policies, which reflect best practice;
- the project team and manager received adequate project management training;
- a detailed business case, project initiation document and detailed project plan have been established;
- a functional specification has been prepared which sets out users' requirements and a technical specification has been prepared based on this;
- an outline testing plan with acceptance criteria was written at the functional specification stage and this plan has been complied with during the implementation phase;
- procurement arrangements comply with the Board's Financial Regulations and procedures;
- relevant staff have been appropriately trained at the right time in the new system and operational guides, user manuals and support are available to system users;
- licence agreements have been checked to ensure that they allow the system to be used in accordance with the users' requirements; and
- all hardware and software is held securely in appropriate conditions and recorded on IT inventories.

Post-implementation review for Halarose migration

The objectives of the review will be to:

- Consider whether benefits identified in the business case have been achieved; and
- Identify any 'lessons learned' to inform future projects.

Our audit approach will be:

From discussions with the IT Manager, the Depute Assessor (Dundee) and other relevant Board staff, and review of the relevant project documentation, we will consider whether the above objectives have been met.

We will carry out a post-implementation review of the Halarose migration project through interviews with stakeholders and review of key project documentation such as the business case and information kept to track costs and benefits.



3. Outline Scope and Objectives

Audit Assignment:	Follow-Up Reviews
Priority:	Various
Joint Committee Meeting:	August 2011
Days:	2

Scope

As part of the internal audit programme at the Board for 2010/11 we will review the recommendations raised within internal audit reports issued in 2009/10 and obtain an update on these. Areas covered during 2009/10 were:

- Report 2009/03 – Budgetary Control;
- Report 2009/04 – Health and Safety;
- Report 2009/06 – Council Tax;
- Report 2009/07 – Electoral Register

Objectives

The objective of our follow-up review will be to assess whether recommendations made in internal audit reports from 2009/10 have been appropriately implemented and to ensure that, where little or no progress has been made towards implementation, that plans are in place to progress them.

Our audit approach will be:

- to request from responsible officers for each report listed above an update on the status of implementation of the recommendations made;
- to ascertain by review of supporting documentation, for any significant recommendations within the reports listed above, whether action undertaken has been adequate; and
- prepare a summary of the current status of the recommendations for the Audit Committee.



HENDERSON LOGGIE
Chartered Accountants

Tayside Valuation Joint Board

**Annual Plan
2010/11**

Internal Audit Report No: 2011/02

Draft Issued: 16 March 2011

Final Issued: 5 April 2011



	Page No.
Section 1 Introduction	1
Section 2 Strategic Plan 2010 to 2013	2
Section 3 Outline Scope and Objectives	
• Payroll	3
• Asset Management	4
• General Ledger	5
• Corporate Governance and Control Environment	6
• Systems Development / Implementation / Data Migration	7
• Follow-up Reviews	8



1. Introduction

- 1.1 The purpose of this document is to present to the Tayside Valuation Joint Board ('the Board') the annual internal audit operating plan for the year ended 31 March 2011. The plan is based on the proposed allocation of audit days for 2010/11 set out in the Audit Needs Assessment and Strategic Plan 2010 to 2013. The preparation of the Strategic Plan involved dialogue with management and with the Treasurer.
- 1.2 At Section 3 of this report we have set out the outline scope and objectives for each audit assignment undertaken during 2010/11, together with the audit approach. These were arrived at following discussion with the Assessor.
- 1.3 Separate reports will be issued for each assignment. Recommendations are graded in each report to reflect the significance of the issues raised.



2. Strategic Plan 2010 to 2013

Proposed Allocation of Audit Days

	Planned 10/11 Days	Planned 11/12 Days	Planned 12/13 Days
Reputation			
<i>Publicity</i>			
<i>Health and Safety</i>			3
Council Tax			8
Non Domestic Rates		8	
Electoral Register			4
Staffing Issues			
<i>Recruitment and retention / HR policies</i>			
<i>Payroll</i>	4		
Estates and Facilities			
<i>Asset management</i>	4		
Financial Issues			
<i>Budget setting / budgetary control</i>			4
<i>General ledger</i>	3		
<i>Procurement and creditors / purchasing</i>		5	
<i>Debtors / income</i>			
<i>Cash & bank / Treasury management</i>			
Organisational Issues			
<i>Risk management / Business continuity</i>		5	
<i>Corporate governance and control environment</i>	6		
<i>Corporate planning</i>			5
Information and IT			
<i>IT network arrangements</i>		6	
<i>Data protection / FOI</i>			
<i>Systems development / implementation / data migration</i>	7		
Other Audit Activities			
Management and Planning)	4	4	4
External audit)			
Attendance at audit committees)			
Follow-up reviews	2	2	2
ANA	4		
Total	34	30	30
	=====	=====	=====



3. Outline Scope and Objectives

Audit Assignment:	Payroll
Priority:	Low
Joint Committee Meeting:	May 2011
Days:	4

Scope

This audit will review the adequacy and effectiveness of the processes and procedures in place to ensure that payments made on the payroll system are valid, authorised, made accurately, and monitored. The audit will cover the input and outputs from the Dundee City Council payroll system but not the Council system itself.

Objectives

The specific objectives of the review will be to seek reasonable assurance that:

- all new posts are appropriately approved;
- starters and leavers are properly treated and enter and leave the payroll system at the correct dates;
- there is correct calculation of gross pay and deductions, including PAYE, national insurance and pension contributions;
- overtime payments and other variations to pay are properly authorised, processed and recorded;
- there is robust approval and checking of changes to employee standing data;
- payroll reconciliations are completed and reviewed on a timely basis;
- monitoring information is adequate for identifying incorrect payroll payments and to allow budget holders to manage their budgets effectively; and
- payments, whether to staff or paying deductions over to third parties, are properly authorised, processed and recorded within the Board's main financial system.

Our audit approach will be:

From discussion with relevant staff, and review of procedural documentation, we will identify the key internal controls in place within the payroll system and compare these with expected controls. Audit testing will then be carried out to ensure that the controls in place are operating effectively.



3. Outline Scope and Objectives

Audit Assignment:	Asset Management
Priority:	Medium
Joint Committee Meeting:	August 2011
Days:	4

Scope

This review will cover the arrangements in place for identifying, maintaining, reviewing and disposing of Board assets and the process for approving new capital spend.

Objectives

The main objective of our audit will be to establish whether the Board's asset management arrangements ensure that assets are safeguarded and that capital expenditure plans are appropriate and in line the Board's strategic objectives.

To conclude on this objective we will establish whether:

- there is a system for recording assets and checking physical existence of these on a regular basis;
- a maintenance plan is in place over the Board's assets which is appropriately monitored;
- existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board;
- asset disposals are properly authorised and recorded and such assets are disposed of securely; and
- there is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.

Our audit approach will be:

Staff will be interviewed to understand current asset management systems, procedures and controls. The controls in place will then be compared against good practice.

A sample of items will also be tested to ensure that asset maintenance, disposal and capital appraisal controls are working effectively.



3. Outline Scope and Objectives

Audit Assignment:	General Ledger
Priority:	Low
Joint Committee Meeting:	May 2011
Days:	3

Scope

We will review the following processes as part of the audit:

- month-end financial close process;
- year-end financial close process; and
- updating user access rights and adding / removing users on the main financial system.

Objectives

The objective of our audit will be to obtain reasonable assurance that systems are in place to ensure that:

- the chart of accounts, coding structure, reports and procedures are adequate in respect of production of the Board's management accounts and financial statements;
- key controls are in place over the trial balance structure, control account reconciliations and journal entries;
- there is adequate control and reconciliation of the main feeder systems to the general ledger; and
- changes to the main financial system's user access rights, the addition of new users and removal of leavers are appropriately approved and updated on a timely basis.

Our audit approach will be:

We will assess whether the above objectives are being met by documenting the systems and controls through interviews with relevant staff. We will also establish whether the expected key controls are in place by reference to CIPFA standard control risk assessment templates for a general ledger system.

Walkthrough and compliance testing will be performed to determine whether key controls are working effectively.



3. Outline Scope and Objectives

Audit Assignment:	Corporate Governance and Control Environment
Priority:	Medium
Joint Committee Meeting:	May 2011
Days:	6

Scope

This review will cover corporate governance arrangements within the Board and compare these against best practice. This includes reviewing such items as:

- Code of Corporate Governance
- Committee organisation and administration;
- Standing Orders;
- Financial Regulations;
- Delegation of Powers to Officers;
- Fraud Guidelines; and
- Complaints procedures.

Objectives

The objective of the audit will be to obtain reasonable assurance that the Board's corporate governance and control environment arrangements are in accordance with best practice as set out in *Delivering good governance in local government – A guidance note for Scottish Authorities published by CIPFA / SOLACE in 2008*.

Our audit approach will be:

We will identify the corporate governance arrangements in place through interviews with staff and analysis of any corporate governance self-assessment. Relevant supporting documentation will also be reviewed to gain evidence that the arrangements in place are operating effectively.

We will also carry out a follow-up review to check whether outstanding actions from Internal Audit report 2008/03, *Corporate Governance*, have been adequately implemented.



3. Outline Scope and Objectives

Assignment:	Systems Development / Implementation / Data Migration
Priority:	High
Joint Committee Meeting:	August 2011
Days:	7

Scope

This audit will cover the processes and controls in place for the development and implementation of the new electoral registration and management systems, and the migration of data between the old and the new system.

Objectives

Systems development and implementation

The objectives of the audit will be to ensure that:

- the Board has applied formal documented project management standards and policies, which reflect best practice;
- the project team and manager received adequate project management training;
- a detailed business case, project initiation document and detailed project plan have been established;
- a functional specification has been prepared which sets out users' requirements and a technical specification has been prepared based on this;
- an outline testing plan with acceptance criteria was written at the functional specification stage and this plan has been complied with during the implementation phase;
- procurement arrangements comply with the Board's Financial Regulations and procedures;
- relevant staff have been appropriately trained at the right time in the new system and operational guides, user manuals and support are available to system users;
- licence agreements have been checked to ensure that they allow the system to be used in accordance with the users' requirements; and
- all hardware and software is held securely in appropriate conditions and recorded on IT inventories.

Post-implementation review for Halarose migration

The objectives of the review will be to:

- Consider whether benefits identified in the business case have been achieved; and
- Identify any 'lessons learned' to inform future projects.

Our audit approach will be:

From discussions with the IT Manager, the Depute Assessor (Dundee) and other relevant Board staff, and review of the relevant project documentation, we will consider whether the above objectives have been met.

We will carry out a post-implementation review of the Halarose migration project through interviews with stakeholders and review of key project documentation such as the business case and information kept to track costs and benefits.



3. Outline Scope and Objectives

Audit Assignment:	Follow-Up Reviews
Priority:	Various
Joint Committee Meeting:	August 2011
Days:	2

Scope

As part of the internal audit programme at the Board for 2010/11 we will review the recommendations raised within internal audit reports issued in 2009/10 and obtain an update on these. Areas covered during 2009/10 were:

- Report 2009/03 – Budgetary Control;
- Report 2009/04 – Health and Safety;
- Report 2009/06 – Council Tax;
- Report 2009/07 – Electoral Register

Objectives

The objective of our follow-up review will be to assess whether recommendations made in internal audit reports from 2009/10 have been appropriately implemented and to ensure that, where little or no progress has been made towards implementation, that plans are in place to progress them.

Our audit approach will be:

- to request from responsible officers for each report listed above an update on the status of implementation of the recommendations made;
- to ascertain by review of supporting documentation, for any significant recommendations within the reports listed above, whether action undertaken has been adequate; and
- prepare a summary of the current status of the recommendations for the Audit Committee.