

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE12 March 2020Report by Chief AuditorINTERNAL AUDIT STRATEGIC PLAN 2020/21 TO 2024/25**PURPOSE OF REPORT**

1 To submit Internal Audit's 5 year strategic plan for 2020/21 to 2024/25 to members for approval. The strategic plan includes the detailed annual plan for 2020/21 plus the indicative number of days to be spent in the following four years based on the risk assessed audit universe which lists all potential audits.

BACKGROUND

2. The Internal Audit service is an independent appraisal unit within the Chief Executive's Office. It performs independent examinations of accounting, financial and other operations of the Council to provide assurance to management and members on the adequacy of the system of internal control. Independence is achieved through the organisational status of Internal Audit and the objectivity of internal auditors. The Chief Auditor reports directly to the Chief Executive and the Audit & Scrutiny Committee.

3. Through independently reviewing the Council's key systems and controls, Internal Audit helps to ensure that the corporate aim of providing local services which are measurable and of a high standard, is achieved. Internal Audit contributes to the realisation of the Council vision to ensure that resources are managed to provide services that represent value for money.

4. Internal Audit is required to give an annual assurance statement on the adequacy of internal controls. The evaluation of the control environment is informed by a number of sources:

- The results of the work carried out by the Internal Audit service
- The results of the work carried out by the Council's external auditor
- The assessment of risk completed during the preparation of the annual plan
- Reports issued by other agencies such as Education Scotland, Care Inspectorate etc
- Knowledge of the Council's governance, risk management and performance monitoring arrangements.

5. In reviewing these different sources of evidence, consideration will be given as to whether any key controls are absent or ineffective and when taken together with other findings, would lead to the conclusion that the overall system of control has been significantly impaired as a result.

6. The Internal Audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). Internal Audit work is governed by the policies, procedures, rules and regulations established by the Council such as the Contract Standing Orders, Financial Regulations and the Anti-Fraud and Bribery Strategy.

STRATEGIC AUDIT PLAN 2020/21 TO 2024/25

7. The work performed by Internal Audit is based on a rolling 5 year strategic plan (see attached appendix) which is revised annually to take into account changes in circumstances.

8. In preparing the plan, members of the corporate management team, elected members and the Council's external auditors were consulted to ensure that current and developing risks were appropriately considered and included in the strategic audit plan. The corporate strategic risk register was also reviewed to ensure that key identified areas of risk were included in the audit universe as appropriate.

9. In accordance with the Public Sector Internal Auditing Standards (PSIAS) which require a risk based approach to be taken when preparing the plan, audits have been prioritised based on risk assessments, the service's collective experience of the risks involved, resources available and knowledge gained over the past 5 years. It is also important that annual audit coverage is sufficient to allow Internal Audit to conclude on the adequacy of internal controls. Contingency time is available to allow any further risk related work to be carried out should this be required for new or changing risks identified during the year.

10. A number of key financial systems have been identified, including financial ledger and budgetary control, cash income and banking, debtors, council tax, creditors, rent accounting, payroll and housing and council tax benefit/universal credit. The aim is that all identified systems in the audit universe will be audited at least once in the 5 year cycle however the key financial systems will usually be audited more frequently than this depending on the perceived risks. The timing of systems audits will also be adjusted to avoid duplication of effort with external audit.

11. As part of the consultation process and risk assessment, some new audits have been added to the audit universe, for example new council houses.

12. Similarly, some audits have now been deleted from the audit universe as they are no longer applicable or have low risk assessments or been merged with other audits

13. The Internal Audit service supports the Council's commitments outlined in the Outcome Delivery Plan by monitoring the systems that underpin the delivery of these commitments. Employees who work for Internal Audit adhere to the corporate values.

14. A total of 20 audit days have been included in the annual plan for providing an internal audit service to East Renfrewshire Culture and Leisure Trust (ERCLT). The scope of audits to be carried out using these days have been agreed with the management of ERCLT and members of its Finance, Audit and Risk Committee. Resulting audit reports will be issued directly to the Chief Executive of ERCLT.

AUDIT RESOURCES ASSESSMENT

15. The Internal Audit section has an establishment of five members of staff (4.7 FTE) including the Chief Auditor. There is currently one vacant post due to a secondment but an assumption has been made that this will be filled in the first quarter of 2020/21 when calculating the number of audit days available.

16. The number of days available in 2020/21 has been estimated and compared to the number of days required. Various assumptions have had to be made regarding the number of working days that will be available. On the basis of the audit universe which lists all potential audits, an estimated

3,767 days are required to complete all planned audits at the required frequency within the 5 year period. An estimated 3,676 staff days are available for direct audit work over this same period, leaving an estimated shortfall of 91 days over the 5 year period (or an average of 18 days per annum). The current shortfall in audit days over the 5 year period is viewed as manageable at present but will be kept under review. Audits have been rescheduled to ensure that planned audits for 2020/21 can be met with the estimated days available. The current staffing levels of the Internal Audit section are therefore considered to be adequate at the present time on the assumption that the vacant post will be filled and the secondment will terminate during the year.

17. One of the internal audit performance indicators measures direct audit days as a percentage of total days available. The target for this indicator is 75% however based on the estimated number of days available in 2020/21 of 987 and an estimated 254 days for indirect audit work, this would result in only 733 days available for direct audit work or 74%. There is therefore the possibility that this indicator may not be met however it is reported quarterly to Audit and Scrutiny Committee so will be kept under review.

18. In line with good practice, the internal audit plan will be reviewed on a regular basis throughout the year and may be adjusted in response to changes in the Council's business, risks, systems and controls. Any such requires changes to the plan will be drawn to the Committee's attention as part of the quarterly reporting mechanism already in place.

RECOMMENDATION

19. The committee is asked to approve Internal Audit's Strategic Plan for 2020/21 to 2024/25.

Further information is available from Michelle Blair, Chief Auditor, telephone 0141 577 3067.
Chief Auditor
26 February 2020

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EAST RENFREWSHIRE COUNCIL

STRATEGIC AUDIT PLAN

2020/21 to 2024/25

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Chief Auditor
26 February 2020

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EAST RENFREWSHIRE COUNCIL 2020/21
Internal Audit Section
ANNUAL AUDIT PLAN

Department	Title	Audit Number	No. of days
Chief Executives Office	Financial Ledger and budgetary control	1	20
Corporate & Community	Payroll	2	25
	Maximising Attendance	3	20
	Overtime	4	22
	Cash Income and Banking	5	22
	Creditor Payments	6	10
	Debtors Control	7	10
	Housing Benefits/ Universal Credit	8	30
	Clothing Grants/free school meals	9	12
	Council Tax - billing and collection	10	24
	NDR	11	7
	Travelling & Subsistence	12	12
	Education	Pupil Equity Fund	13
Environmental Controls - Education		14	10
Schools cluster		15	30
Educational Payments		16	8
Environment	Asset Management	17	20
	Grant Certification	18	15
	Gas Servicing	19	15
	City Deal	20	15
	Burial Income	21	8
	Health and Safety	22	15
	Climate Change Report	23	5
	Energy and Fuel	24	15
Housing	Housing allocations and homeless person accomm	25	27
	New council houses	26	20
HSCP	Care First Finance System	27	15
	IJB	28	20
Trust	Trust	29	20
Various	Contract 1 - TBA	30	20
	Contract 2 - TBA	31	20
	Application Audit - Integra	32	32
	Fraud Contingency	33	67
	General Contingency	34	30
	LG Benchmarking Framework	35	10
	Follow Up	36	50
	Previous year audits	37	20
			733

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EAST RENFREWSHIRE COUNCIL 2020/21
Internal Audit Section
SUMMARY OF STRATEGIC PLAN

<u>Type of Audit</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>Total</u>
Systems/Regularity Audit	479	511	448	482	492	2,412
Contract Audit	40	40	62	40	40	222
Computer Audit	42	96	66	47	10	261
Performance Indicators	10	10	10	10	10	50
Fraud Contingency	67	70	70	70	70	347
General Contingency	30	30	30	30	30	150
Previous Year Follow Up	50	50	50	50	50	250
Grant Certification	15	15	15	15	15	75
Total	<u>733</u>	<u>822</u>	<u>751</u>	<u>744</u>	<u>717</u>	<u>3,767</u>

**Internal Audit Section
AUDIT DAYS AVAILABLE**

ESTIMATED ANNUAL DAYS AVAILABLE		2020	2021	2022	2023	2024	TOTAL
		Days					
Number of days in full year	Note 1	1,226.0	1,226.0	1,226.0	1,222.0	1,226.0	6,126.0
Less:							
Public Holidays		46.0	46.0	46.0	46.0	46.0	230.0
Annual Leave		140.5	140.5	140.5	140.5	140.5	702.5
Purchase of Annual Leave		6.0	16.0	16.0	16.0	16.0	70.0
Sickness Absence		33.0	33.0	33.0	33.0	33.0	165.0
induction training		10.0					10.0
Authorised Absence		3.5	8.5	8.5	3.5	8.5	32.5
Working days available		987.0	982.0	982.0	983.0	982.0	4,916.0
Indirect Audit Work :-							
Administration		50	50	50	50	50	250.0
Planning and Reporting		60	60	60	60	60	300.0
Courses/training		24	20	20	20	20	104.0
Seminars & Audit Meetings		30	30	30	30	30	150.0
Audit Committee/team meets		40	40	40	40	40	200.0
PSIAS	Note 2	5	10	10	5	5	35.0
HGIOS		4	4	4	4	4	20.0
Recruitment		6					6.0
PRD		15	15	15	15	15	75.0
Consultancy		20	20	20	20	20	100.0
FOI		-	-	-	-	-	-
Total for Indirect Audit Work		254	249	249	244	244	1240
Estimated annual time available for Direct Audit Work		733	733	733	739	738	3,676
Direct as % of available days		74%	75%	75%	75%	75%	75%

Note 1 Internal audit has 4.7 FTE established posts including Chief Auditor

Note 2 Additional days for PSIAS in years where external assessments are involved

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AUDIT UNIVERSE
EAST RENFREWSHIRE COUNCIL 2020/21

Title	Dept	Type	2020	2021	2022	2023	2024	Total	Est days	Freq (yrs)	Days in 5 yrs	Gen Risk
Asset Management	Env	Sys	20					20	20	5	20.00	L
Barrhead & Eastwood Payment Centres	Corp& Comm'y	Reg			16			16	16	3	26.67	M
Barrhead Resource Centre	HSCP	Reg		8				8	8	5	8.00	L
BID process	Env	Reg						0	0	5	0.00	L
Building Cleaning	Educ	Reg					15	15	15	5	15.00	L
Burial Income	Env	Reg	8					8	8	5	8.00	L
Climate Change Report	Env	reg	5	5	5	5	5	25	5	1	25.00	LX
Cash Income and Banking	Corp& Comm'y	Sys	22			22		44	22	3	36.67	M
Cashless catering and Parentpay	Educ	Reg		30			30	60	30	3	50.00	M
HSCP Health Care Centres and area offices	HSCP	Reg			8	0		8	8	5	8.00	L
HSCP emergency payments (Sect 22 & 12)	HSCP	Sys				8		8	8	5	8.00	L
HSCP Self Directed Support Charges	HSCP	Sys		20			20	40	20	3	33.33	M
Project management of capital projects	Env	cont			22			22	22	3	36.67	M
City Deal	Env	Reg	15	15	15	15	15	75	15	1	75.00	LX
Clothing Grants / Free Meals	Corp& Comm'y	Reg	12					12	12	5	12.00	L
Commercial rents (ind units/shops)	Env	Sys			20			20	20	5	20.00	L
ERCLT	Trust	Reg	20	20	20	20	20	100	20	1	100.00	LX
Community Safety Unit	Corp& Comm'y	reg			20			20	20	5	20.00	L
Complaints Monitoring	Corp& Comm'y	Sys			15			15	15	5	15.00	L
Computer	Various	Comp	42	96	66	47	10	261	40	1	200.00	LX
Contract	Various	Cont	40	40	40	40	40	200	40	1	200.00	LX
Corporate Procurement Cards	Ch Exec Office	Sys		15				15	15	5	15.00	L
Council Tax - Reductions/liability	Corp& Comm'y	Sys		24			24	48	24	3	40.00	M
Council Tax - Billing & Coll.	Corp& Comm'y	Sys	24			24		48	24	3	40.00	M
Council Tax - Recovery and Enforcement	Corp& Comm'y	Sys			18			18	18	3	30.00	M
Creditor Payments	Corp& Comm'y	Reg	10	10		10	10	40	10	5	10.00	LX
Creditors	Corp& Comm'y	Sys			24			24	24	1	120.00	LX
Debtors	Corp& Comm'y	Sys		24				24	24	1	120.00	LX
Debtors Control	Corp& Comm'y	Reg	10		10	10	10	40	10	5	10.00	LX
Education - music service and parentpay	Educ	Reg				10		10	10	5	10.00	L
Education Support (SEN, Bi-Lingual Supp, taxis etc.)	Educ	Sys		20				20	20	5	20.00	L
Creditor interfaces/ e-invoicing	Corp& Comm'y	sys		15			15	30	15	3	25.00	M
Energy and Fuel (incl utility payments)	Env	Reg	15					15	15	5	15.00	L
Financial Ledger and budgetary control	Ch Exec Office	reg	20			20		40	20	3	33.33	M
Follow up	Various	FU	50	50	50	50	50	250	50	1	250.00	LX
Fraud Contingency	Various	Fraud	67	70	70	70	70	347	70	1	350.00	LX
Gas Servicing	Housing	Reg	15					15	15	5	15.00	L
General Contingency	Various	Gen Cont	30	30	30	30	30	150	30	1	150.00	LX
Grant Certification	Env	Grant	15	15	15	15	15	75	15	1	75.00	LX
Health & Safety	Env	reg	15					15	15	5	15.00	L
Grounds Maintenance	Env	Reg					15	15	15	5	15.00	L
Highways Maintenance	Env	reg					20	20	20	5	20.00	L
Home Care Services	HSCP	Sys		22			22	44	22	3	36.67	M
Housing - Rent Accounting	Housing	Sys			20			20	20	3	33.33	M
Housing - voids, garage allocations etc.	Housing	Sys					14	14	14	5	14.00	L
Housing Allocations and homeless person accom	Housing	sys	27			27		54	27	3	45.00	M
Housing Benefits/ Universal Credit	Corp& Comm'y	Sys	30	30	30	30	30	150	30	1	150.00	X
Housing Repairs	Housing	Sys		20			20	40	20	3	33.33	M
Staff and Civic Catering	Educ	Reg		10				10	10	5	10.00	L
Human Resources Management	Corp& Comm'y	Sys		20		20		40	20	2	50.00	H
IJB	HSCP	reg	20	20	20	20	20	100	15	1	75.00	LX
Income Maximisation, money advice, welfare rights	Corp& Comm'y	sys				30		30	30	5	30.00	L
Insurance Arrangements	Corp& Comm'y	Sys				8		8	8	5	8.00	L
Kinship, Fostering and Adoption	HSCP	Sys		16				16	16	5	16.00	L
Bonnyton House	HSCP	Reg					10	10	10	5	10.00	L
LG Benchmarking Framework	Various	Pis	10	10	10	10	10	50	10	1	50.00	LX
Licensing Income	Corp& Comm'y	Reg					15	15	15	5	15.00	L
Maximising Attendance	Corp& Comm'y	Reg	20			20		40	20	3	33.33	M
Members' Expenses	Corp& Comm'y	Sys				12		12	12	5	12.00	L
NDR	Corp& Comm'y	Reg	7					7	7	5	7.00	L
Ordering & Certification	Ch Exec Office	Sys			20			20	20	3	33.33	M
Overtime	Corp& Comm'y	Reg	22			22		44	22	3	36.67	M
Parks & other outdoor income	Env	Reg					8	8	8	5	8.00	L
Payments to Care providers	HSCP	Reg		25		25		50	25	2	62.50	H
Payroll - All payruns	Corp& Comm'y	Sys	25		25		25	75	25	2	62.50	H
Pupil Equity fund	Educ	Sys	12					12	12	5	12.00	L
Petty Cash	Various	Reg			15			15	15	5	15.00	L
Phone/Internet Payments	Corp& Comm'y	Sys		18				18	18	5	18.00	L
Previous year audits	Various	Sys	20	20	20	20	20	100	20	1	100.00	LX
Record Management Plan	Ch Exec Office	Reg		10				10	10	5	10.00	L
Risk Management & Corporate Governance	Various	Reg		15				15	15	5	15.00	L
Schools - Educational Payments	Educ	Sys	8					8	8	5	8.00	L
Schools - Transport	Educ	Sys			15			15	15	5	15.00	L
schools cluster 1 St Lukes	Educ	Reg						0	32	7	22.86	LX
schools cluster 2 Mearns Castle	Educ	Reg					32	32	32	7	22.86	LX
schools cluster 3 Eastwood	Educ	Reg						0	32	7	22.86	LX
schools cluster 4 Woodfarm	Educ	Reg	30					30	32	7	22.86	LX
schools cluster 5 Williamwood	Educ	Reg		32				32	32	7	22.86	LX
schools cluster 6 St Ninians	Educ	Reg			32			32	32	7	22.86	LX
schools cluster 7 Barrhead High	Educ	Reg				32		32	32	7	22.86	LX
Schools Vat Free Purchase Scheme	Educ	Sys			12			12	12	5	12.00	L
Scottish Welfare Fund	Corp& Comm'y	Reg			15			15	15	3	25.00	M
Stores	Env	Sys					20	20	20	5	20.00	L
Sustainability (incl procurement)	Env	Reg		20				20	20	5	20.00	L
Carers Legislation	HSCP	Reg					15	15	15	5	15.00	L
GDPR	Corp& Comm'y	Reg					15	15	15	5	15.00	L
Clyde Valley Contract Group	Env	Reg		12				12	12	5	12.00	L
State aid	Env	Reg				10		10	10	5	10.00	L
Care First Finance System	HSCP	Sys	15			15		30	15	5	15.00	L
PPP projects	Env	Reg				15		15	15	5	15.00	L
DSM guidelines	Educ	sys		15			15	30	15	3	25.00	M
Early Learning and Childcare payments	Educ	sys			15			15	15	3	25.00	M

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AUDIT UNIVERSE EAST RENFREWSHIRE COUNCIL 2020/21

Title	Dept	Type	2020	2021	2022	2023	2024	Total	Est days	Freq (yrs) 1=annual	Days in 5 yrs	Gen Risk
New Council Houses	Housing	sys	20					20	20	5	20.00	M
Thornliebank Resource Centre	HSCP	Reg			8			8	8	5	8.00	L
Trade Refuse Income and special uplifts	Env	Sys					12	12	12	5	12.00	L
Travelling & Subsistence	Corp& Comm'y	Reg	12					12	12	5	12.00	L
Treasury Management	Ch Exec Office	Sys			18			18	18	5	18.00	L
VAT	Ch Exec Office	Reg			12			12	12	5	12.00	L
Vehicle Services	Env	Reg				12		12	12	5	12.00	L
Wraparound care	Educ	Sys				20		20	20	5	20.00	L
Total days needed per universe			733	822	751	744	717	3767				
Available days (automated from audit needs)			733	733	733	739	738	3676				
Audit Needs Assessment	Shortfall/ (over)		0	89	18	5	-21	91				
Average shortfall/(Over) per year								18.2				
Main financial systems in bold												
		Risk										
	X	Very High annual coverage required										
	H	High - audited on 2 year cycle										
	M	Medium - audited on 3 year cycle										
	L	Low - audited on 5 year cycle										
	LX	Frequency determined by factors other than risk eg coverage, external requiremnt, annual or cyclical coverage needed										

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