

EAST RENFREWSHIRE COUNCIL

AUDIT & SCRUTINY COMMITTEE

14 March 2019

Report by Chief Auditor

INTERNAL AUDIT STRATEGIC PLAN 2019/20 TO 2023/24

PURPOSE OF REPORT

1 To submit Internal Audit's 5 year strategic plan for 2019/20 to 2023/24 to members for approval. The strategic plan includes the detailed annual plan for 2019/20 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 2019/20 TO 2023/24

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 plans, 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, 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.

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

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, however the Internal Audit function also fulfils a role in measuring how staff in other departments adhere to the 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 and Resources 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 but an assumption has been made that this will be filled in the first quarter of 2019/20 when calculating the number of audit days available.

16. The number of days available in 2019/20 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 4,011 days are required to complete all planned audits at the required frequency within the 5 year period. An estimated 3,696 staff days are available for direct audit work over this same period, leaving an estimated shortfall of 315 days over the 5 year period (or an average of 63 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 2019/20 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.

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 2019/20 of 974 and an estimated 254 days for indirect audit work, this would result in only 720 days available for direct audit work or 73.9%. 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.

RECOMMENDATION

18. The committee is asked to approve Internal Audit's strategic plan for 2019/20 to 2023/24.

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

Chief Auditor
26 February 2019

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