

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE19 April 2018Report by Chief AuditorINTERNAL AUDIT STRATEGIC PLAN 2018/19 TO 2022/23**PURPOSE OF REPORT**

1 To submit Internal Audit's 5 year strategic plan for 2018/19 to 2022/23 to members for approval. The strategic plan includes the detailed annual plan for 2018/19 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 2018/19 TO 2022/23**

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. Examples are e-invoicing and automatching, parentpay and pupil equity fund.

12. Similarly, a number of audits have now been deleted from the audit universe as they are no longer applicable or have low risk assessments. These include holiday funds and payments to voluntary organisations.

13. The Internal Audit service supports the commitments outlined in the Single Outcome Agreement 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 currently consists of five members of staff (4.7 FTE) including the Chief Auditor. The number of days available in 2018/19 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 4,035 days are required to complete all planned audits at the required frequency within the 5 year period. An estimated 3,730 staff days are available for direct audit work over this same period, leaving an estimated shortfall of 325 days over the 5 year period (or an average of 61 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 2018/19 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.

### **RECOMMENDATION**

16. The committee is asked to approve Internal Audit's strategic plan for 2018/19 to 2022/23.

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

Chief Auditor  
31 March 2018

EAST RENFREWSHIRE COUNCIL

STRATEGIC AUDIT PLAN

2018/19 to 2022/23

<b>Contents</b>	<b>Page</b>
Annual Plan for 2018/19	1
Summary of Strategic Plan	2
Audit Days Available	3
Audit Universe Systems/ Regularity Audits	4-5

Chief Auditor  
31 March 2018

BLANK PAGE

**11**  
**EAST RENFREWSHIRE COUNCIL 2018/19**  
**Internal Audit Section**  
**ANNUAL AUDIT PLAN**

<b>Department</b>	<b>Title</b>	<b>Audit Number</b>	<b>No. of days</b>
Chief Executives Office	VAT	1	12
Corporate & Community	Council Tax - Reductions/liability	2	24
	Creditor Payments	3	15
	Debtors Control	4	10
	Housing Benefits/ Universal Credit	5	30
	Income Maximisation, money advice, welfare rights	6	30
	Insurance Arrangements	7	8
	Members' Expenses	8	12
	Payroll	9	25
	Application controls - Payroll/HR	10	18
Education	Parentpay	11	18
	Schools cluster 1 St Lukes	12	32
	Operation of Trust	13	15
	Wraparound care	14	35
Environment	Project management of capital projects	15	22
	City Deal	16	15
	Grant Certification	17	22
	State aid	18	10
	PPP projects	19	15
	Vehicle Services	20	12
	Year end Stocktake	21	5
Housing	Housing Repairs	22	20
HSCP	HSCP Health Care Centres and area offices	23	8
	HSCP emergency payments (Sect 22 & 12)	24	8
	HSCP Self Directed Support Charges	25	20
	Home Care Services	26	22
	IJB	27	20
Trust	Trust	28	20
Other	NFI	29	5
Various	Application Controls - ICON cash receipting	30	18
	Contract	31	20
	Mobile Phones	32	15
	Fraud Contingency	33	70
	General Contingency	34	30
	LG Benchmarking Framework	35	10
	Follow Uo	36	50
	Previous year audits	37	20
			<b>741</b>

# 12 EAST RENFREWSHIRE COUNCIL 2018/19

## Internal Audit Section SUMMARY OF STRATEGIC PLAN

<u>Type of Audit</u>	<u>2018/19</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>Total</u>
Systems/Regularity Audit	476	692	479	440	541	2,628
Contract Audit	42	40	40	42	40	204
Computer Audit	36	46	110	54	36	282
Performance Indicators	10	10	10	10	10	50
Fraud Contingency	75	82	75	82	75	389
General Contingency	30	30	30	30	30	150
Previous Year Follow Up	50	50	50	50	50	250
Grant Certification	22	15	15	15	15	82
<b>Total</b>	<b>741</b>	<b>965</b>	<b>809</b>	<b>723</b>	<b>797</b>	<b>4,035</b>

**Internal Audit Section  
AUDIT DAYS AVAILABLE**

ESTIMATED ANNUAL DAYS AVAILABLE		2018	2019	2020	2021	2022	TOTAL
		<b>Days</b>					
<b>Number of days in full year</b>	<b>Note 1</b>	1,222.0	1,231.0	1,231.0	1,231.0	1,227.0	6,142.0
Less: Public Holidays		46.0	46.0	46.0	46.0	46.0	230.0
Annual Leave	<b>Note 2</b>	147.5	147.5	147.5	147.5	147.5	737.5
Purchase of Annual Leave		16.0	16.0	16.0	16.0	16.0	80.0
Sickness Absence		23.5	23.5	23.5	23.5	23.5	117.5
Maternity/paternity Leave							-
Authorised Absence		5.0	4.0	4.0	4.0	8.0	25.0
<b>Working days available</b>		<b>984.0</b>	<b>994.0</b>	<b>994.0</b>	<b>994.0</b>	<b>986.0</b>	<b>4,952.0</b>
<b>Indirect Audit Work :-</b>							
Administration		50	50	50	50	50	250.0
Planning and Reporting		60	60	60	60	60	300.0
Courses/training		20	20	20	20	20	100.0
Seminars & Audit Meetings		30	30	30	30	30	150.0
Audit Committee/team meets		39	39	39	39	39	195.0
PSIAS		1	5	2	2	2	12.0
HGIOS		6	6	6	6	6	30.0
							-
PRD		17	17	17	17	17	85.0
Consultancy		20	20	20	20	20	100.0
FOI		-	-	-	-	-	-
<b>Total for Indirect Audit Work</b>		<b>243</b>	<b>247</b>	<b>244</b>	<b>244</b>	<b>244</b>	<b>1222</b>
<b>Estimated annual time available for Direct Audit Work</b>		<b>741</b>	<b>747</b>	<b>750</b>	<b>750</b>	<b>742</b>	<b>3,730</b>

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

**Note 2** - Additional AL entitlement each year which will reduce future number of days available until maximum holiday entitlement is reached by all employees. Additional annual leave can also be 'purchased'.

**EAST RENFREWSHIRE COUNCIL 2018/19**  
**AUDIT UNIVERSE SYSTEMS/ REGULARITY AUDITS**

Title	Dept	2018	2019	2020	2021	2022	Total	Freq (yrs) 1=annual	Gen Risk
Asset Management	Env	-	20	-	-	-	20	5	L
Barrhead & Eastwood Payment Centres	C&C	-	16	-	-	16	32	3	M
Barrhead Resource Centre	HSCP	-	8	-	-	8	16	3	M
BID process	Env	-	-	10	-	-	10	5	L
<b>Budgetary Control</b>	CE Office	-	-	20	-	-	20	3	M
Building Cleaning	Educ	-	15	-	-	-	15	5	L
Burial Income	Env	-	-	8	-	-	8	5	L
<b>Cash Income and Banking</b>	C&C	-	-	22	-	-	22	3	M
Cashless catering and online payments	Educ	-	-	30	-	-	30	3	M
Catering	Educ	-	15	-	-	-	15	5	L
HSCP Health Care Centres and area offices	HSCP	8	8	8	8	8	40	1	L
HSCP emergency payments (Sect 22 & 12)	HSCP	8	-	-	-	-	8	5	L
HSCP Self Directed Support Charges	HSCP	20	-	-	20	-	40	3	M
City Deal	Env	15	15	15	15	15	75	1	X
Clothing Grants / Free Meals	C&C	-	-	12	-	-	12	5	L
Commercial rents (ind units/shops)	Env	-	-	-	-	20	20	5	L
Community & Leisure Limited	Trust	20	20	20	20	20	100	1	X
Community Safety Unit	C&C	-	-	-	-	20	20	5	L
Complaints Monitoring	C&C	-	-	-	-	15	15	5	L
Corporate Debt Recovery	C&C	-	20	-	-	20	40	3	M
Corporate Procurement Cards	CE Office	-	-	-	15	-	15	5	L
<b>Council Tax - Reductions/liability</b>	C&C	24	-	-	24	-	48	3	M
<b>Council Tax - Billing &amp; Coll.</b>	C&C	-	-	24	-	-	24	3	M
<b>Council Tax - Recovery and Enforcement</b>	C&C	-	18	-	-	18	36	3	M
<b>Creditors</b>	C&C	15	10	10	10	24	69	1	X
<b>Debtors</b>	C&C	10	10	10	24	10	64	1	X
Education - music service	Educ	-	-	-	10	-	10	5	L
Education Support (SEN, Bi-Lingual Supp, taxis etc.)	Educ	-	15	-	-	15	30	3	M
E-invoicing and automatching	C&C	-	15	-	-	15	30	3	M
Energy and Fuel (incl utility payments)	Env	-	-	15	-	-	15	5	L
<b>Financial Ledger</b>	CE Office	-	20	-	-	20	40	3	M
Gas Servicing	Housing	-	-	15	-	-	15	5	L
Health & Safety	Env	-	15	-	-	-	15	5	L
Highways Maintenance	Env	-	15	-	-	-	15	5	L
Home Care Services	HSCP	22	-	-	22	-	44	3	M
<b>Housing - Rent Accounting</b>	Housing	-	20	-	-	20	40	3	M
Housing - voids, garage allocations etc.	Housing	-	14	-	-	-	14	5	L
Housing Allocations and homeless person accom	Housing	-	27	-	-	27	54	3	M
<b>Housing Benefits/ Universal Credit</b>	C&C	30	30	30	30	30	150	1	X
Housing Repairs	Housing	20	-	-	20	-	40	3	M
HQ cash catering Ewood and Bhead	Educ	-	-	-	8	-	8	5	L
Human Resources Management	C&C	-	20	-	20	-	40	2	H
IJB	HSCP	20	20	20	20	20	100	1	X
Income Maximisation, money advice, welfare rights	C&C	30	-	-	30	-	60	3	M
Insurance Arrangements	C&C	8	-	-	-	-	8	5	L
Kinship, Fostering and Adoption	HSCP	-	-	-	16	-	16	5	L
Kirkton Centre	HSCP	-	10	-	-	-	10	5	L
Licensing Income	C&C	-	15	-	-	-	15	5	L
Maximising Attendance	C&C	-	-	20	-	-	20	3	M
Members' Expenses	C&C	12	-	-	-	-	12	5	L
Mobile Phones	Various	15	-	-	-	-	15	5	L
NDR	C&C	-	-	7	-	-	7	5	L
<b>Ordering &amp; Certification</b>	CE Office	-	20	-	-	20	40	3	M
Overtime	C&C	-	-	22	-	-	22	3	M
Parks & other outdoor income	Env	-	8	-	-	-	8	5	L
Payments to Care providers	HSCP	-	25	-	25	-	50	2	H
<b>Payroll - All payruns</b>	C&C	25	-	25	-	25	75	2	H
Pupil Equity fund	Educ	-	-	12	-	-	12	5	L
Parentpay	Educ	18	-	-	18	-	36	3	M
Petty Cash	Various	-	-	-	-	15	15	5	L
Phone/Internet Payments	C&C	-	-	-	18	-	18	5	L
Previous year audits	Various	20	20	20	20	20	100	1	X
Prudential Regime	CE Office	-	15	-	-	-	15	5	L
Record Management Plan	CE Office	-	-	-	10	-	10	5	L
Risk Management & Corporate Governance	Various	-	15	-	-	15	30	3	M
Schools - Educational Payments	Educ	-	-	8	-	-	8	5	L
Schools - Transport	Educ	-	-	-	-	15	15	5	L
schools cluster audit	Educ	32	64	64	32	32	224	1	X
Schools Vat Free Purchase Scheme	Educ	-	-	-	-	12	12	5	L
Scottish Welfare Fund	C&C	-	15	-	-	15	30	3	M
Stores	Env	-	20	-	-	-	20	5	L
Sustainability (incl procurement)	Env	-	20	-	-	-	20	5	L



**EAST RENFREWSHIRE COUNCIL 2018/19  
AUDIT UNIVERSE SYSTEMS/ REGULARITY AUDITS**

Title	Dept	2018	2019	2020	2021	2022	Total	Freq (yrs) 1=annual	Gen Risk
Carers Legislation	HSCP	-	15	-	-	-	15	5	L
GDPR	CE Office	-	15	-	-	-	15	5	L
Viridor	Env	-	-	12	-	-	12	5	L
State aid	Env	10	-	-	-	-	10	5	L
Care First Finance System	HSCP	-	-	15	-	-	15	3	M
PPP projects	Env	15	-	-	-	-	15	5	L
Operation of Trust	Educ	15	-	-	-	-	15	5	L
Thornliebank Resource Centre	HSCP	-	-	-	-	8	8	5	L
Trade Refuse Income and special uplifts	Env	-	12	-	-	-	12	5	L
Travelling & Subsistence	C&C	-	12	-	-	-	12	5	L
<b>Treasury Management</b>	CE Office	-	-	-	-	18	18	5	L
VAT	CE Office	12	-	-	-	-	12	5	L
Vehicle Services	Env	12	-	-	-	-	12	5	L
Wraparound care	Educ	35	-	-	-	-	35	5	L
Year end Stocktake	Env	5	5	5	5	5	25	1	X

Total days needed per universe

<b>476</b>	<b>692</b>	<b>479</b>	<b>440</b>	<b>541</b>	<b>2628</b>
------------	------------	------------	------------	------------	-------------

Note - X risk is allocated to audits which require annual coverage

BLANK PAGE