

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE6 April 2017Report by Chief AuditorINTERNAL AUDIT STRATEGIC PLAN 2017/18 TO 2021/22**PURPOSE OF REPORT**

1 To submit Internal Audit's 5 year strategic plan for 2017/18 to 2021/22 to members for approval.

BACKGROUND

2. The Internal Audit service is an independent appraisal unit within the Chief Executives 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 2017/18 TO 2021/22

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 State Aid, Viridor contract, Carers legislation, General Data Protection Regulations and Operation of the Trust.

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 council house sales and cash for kids.

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 will be agreed at a later date 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 2017/18 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 3,968 days are required to complete all planned audits at the required frequency within the 5 year period. An estimated 3,758 staff days are available for direct audit work over this same period, leaving an estimated shortfall of 210 days over the 5 year period (or an average of 42 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 2017/18 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 2017/18 to 2021/22.

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

Chief Auditor
23 March 2017

EAST RENFREWSHIRE COUNCIL

STRATEGIC AUDIT PLAN

2017/18 to 2021/22

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Internal Audit Section
ANNUAL AUDIT PLAN

Department	Title	Audit Number	No. of days
HSCP	HSCP Health care centres and area offices (rotate)	1	8
	Care First finance system	2	15
	HSCP Self directed support	3	10
	Thornliebank Resource Centre	4	8
	Holiday Funds	5	6
	IJB	6	20
Chief Executives Office	Budgetary Control	7	20
	Treasury Management	8	18
Corporate & Community	Debtors control	9	10
	Creditors	10	24
	Council Tax - billing and collection	11	24
	Housing Benefits/ Universal Credit	12	30
	Overtime	13	22
	Human resources Management	14	20
	Community Safety Unit	15	20
	Complaints monitoring	16	15
	Cash Income and Banking	17	22
	IS/IT strategy	18	10
	Business Continuity Plans	19	15
	Network Controls	20	15
Education	Cashless Catering and online payments	21	30
	Schools transport	22	15
	Schools VAT free purchase scheme	23	12
	Schools cluster	24	32
Environment	City Deal	25	15
	Commercial Rents	26	25
	Grant certification	27	15
	Application audit - Roads job costing system	28	11
	Year end Stocktake	29	5
Trust	Culture and Leisure Limited	30	20
Other	NFI	31	12
Various	Contract 1 - TBA	32	20
	Contract 2 - TBA	33	20
	Petty cash	34	15
	Fraud Contingency	35	49
	Follow up	36	50
	General Contingency	37	30
	LG Benchmarking Framework	38	10
	Previous year audits	39	20

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EAST RENFREWSHIRE COUNCIL 2017/18

Internal Audit Section SUMMARY OF STRATEGIC PLAN

<u>Type of Audit</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>Total</u>
Systems/Regularity Audit	481	590	604	463	437	2,575
Contract Audit	40	40	40	40	40	200
Computer Audit	51	62	64	62	54	293
Performance Indicators	10	10	10	10	10	50
Fraud Contingency	61	75	82	75	82	375
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	738	872	895	745	718	3,968

**Internal Audit Section
AUDIT DAYS AVAILABLE**

ESTIMATED ANNUAL DAYS AVAILABLE		2017	2018	2019	2020	2021	TOTAL
		Days					
Number of days in full year	Note 1	1,222.0	1,222.0	1,231.0	1,231.0	1,227.0	6,133.0
Less: Public Holidays		46.0	46.0	46.0	46.0	46.0	230.0
Annual Leave	Note 2	147.0	147.5	147.5	147.5	147.5	737.0
Purchase of Annual Leave		15.0	15.0	15.0	15.0	15.0	75.0
Sickness Absence		23.0	22.5	22.5	22.5	22.5	113.0
Maternity/paternity Leave							-
Authorised Absence		5.0	-	4.0	4.0	4.0	17.0
Working days available		986.0	991.0	996.0	996.0	992.0	4,961.0
Indirect Audit Work :-							
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		12	5	2	2	2	23.0
PRD		17	17	17	17	17	85.0
Consultancy		20	20	20	20	20	100.0
FOI		-	-	-	-	-	-
Total for Indirect Audit Work		248	241	238	238	238	1203
Estimated Annual time available for Direct Audit Work		738	750	758	758	754	3,758

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'.

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