

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE21 April 2016Report by Chief AuditorINTERNAL AUDIT STRATEGIC PLAN 2016/17 TO 2020/21**1 PURPOSE OF REPORT**

- 1.1 To submit Internal Audit's 5 year strategic plan for 2016/17 to 2020/21 to members for approval.

2 BACKGROUND

- 2.1 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.
- 2.2 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.
- 2.3 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.
- 2.4 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.
- 2.5 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.

3 STRATEGIC AUDIT PLAN 2016/17 TO 2020/21

- 3.1 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.
- 3.2 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 all identified areas of risk were included in the audit universe as appropriate.
- 3.3 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.
- 3.4 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.
- 3.5 As part of the consultation process and risk assessment, a number of new audits have been added to the audit universe. Examples are payments for schools, cash for kids, city deal, capital project management and holiday funds.
- 3.6 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 civic gifts, civic hospitality, construction industry tax, inventories, heritage lottery fund, registrars services, violent warning marker scheme, leader programme and payments to other local authorities.
- 3.7 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.
- 3.8 During 2015/16, a number of council services transferred and are now operated by East Renfrewshire Culture and Leisure (ERCL) on a trust basis. As such, 20 audit days have been included in the annual plan for providing an internal audit service to ERCL. There is a draft service level agreement (as yet unsigned) between internal audit and ERCL. The scope of audits to be carried out will be agreed at a later date and resulting audit reports will be issued directly to the Chief Executive of ERCL.

4 AUDIT RESOURCES ASSESSMENT

- 4.1 The Internal Audit section currently consists of five members of staff (4.7 FTE) including the Chief Auditor. The number of days available in 2016/17 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 4,006 days are required to complete all planned audits at the required frequency within the 5

year period. An estimated 3,741 staff days are available for direct audit work over this same period, leaving an estimated shortfall of 265 days over the 5 year period (or an average of 53 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 2016/17 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.

- 4.2 Currently, internal audit have a performance indicator that requires actual direct audit days as a percentage of total days available to be 75% or greater. The proposed plan is necessarily based on a number of estimates for sickness, training, authorised absence etc and based on information currently available it is possible that this indicator may not be achieved however the situation will be kept under review and be reported quarterly to audit and scrutiny committee.

5 RECOMMENDATION

- 5.1 The committee is asked to approve Internal Audit's strategic plan for 2016/17 to 2020/21.

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

Chief Auditor
21 April 2016

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STRATEGIC AUDIT PLAN

2016/17 to 2020/21

Contents	Page
Annual Plan for 2016/17	1
Summary of Strategic Plan	2
Audit Days Available	3

Chief Auditor
31 March 2016

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Department	Title	Audit Number	No. of days
HSCP	HSCP Area offices (rotate)	1	8
	Cash for kids	2	8
	Barrhead Resource Centre	3	8
	IJB	4	15
Chief Executives Office	Financial Ledger	5	20
	Ordering & Certification	6	20
Corporate & Community	Debtors	7	24
	Creditor Payments	8	10
	Council Tax - Recovery and Enforcement	9	18
	Housing Benefits/ Universal Credit	10	30
	Payroll - All payruns	11	20
	Phone/Internet Payments	12	18
	Scottish Welfare Fund	13	15
	Corporate Debt Recovery	14	20
	Corporate Procurement Cards	15	15
	Barrhead & Eastwood Payment Centres	16	16
	Application controls - CARS	17	12
	File controls	18	12
	Education	Education Support (SEN, Bi-Lingual Supp, taxis etc.)	19
Playscheme Wraparound		20	15
HQ cash catering Ewood and Bhead		21	8
Schools cluster 7		22	32
Environment	City Deal	23	15
	Application controls - Servitor	24	15
	Grant certification	25	15
	Year end Stocktake	26	5
Housing	Housing Allocations and homeless person accom	27	27
	Housing - Rent Accounting	28	20
Trust	Culture and Leisure Limited	29	20
Other	NFI	30	12
Various	Contract 1 - TBA	31	20
	Contract 2 - TBA	32	20
	Mobile Working	33	15
	Risk Management & Corporate Governance	34	12
	Fraud Contingency	35	70
	Follow up	36	51
	General Contingency	37	30
	LG Benchmarking Framework	38	10
	Previous year audits	39	20

<u>Type of Audit</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>Total</u>
Systems/Regularity Audit	454	574	542	615	408	2,593
Contract Audit	40	40	40	40	40	200
Computer Audit	54	60	54	64	59	291
Performance Indicators	10	10	10	10	10	50
Fraud Contingency	82	75	82	75	82	396
General Contingency	30	30	30	30	30	150
Previous Year Follow Up	51	50	50	50	50	251
Grant Certification	15	15	15	15	15	75
Total	736	854	823	899	694	4,006

ESTIMATED ANNUAL DAYS AVAILABLE		2016	2017	2018	2019	2020	TOTAL
		Days					
Number of days in full year	Note 1	1,226.0	1,222.0	1,222.0	1,222.0	1,231.4	6,123.4
Less: Public Holidays		46.0	46.0	46.0	46.0	46.0	230.0
Annual Leave	Note 2	146.0	146.5	147.0	147.0	147.0	733.5
Purchase of Annual Leave		10.0	14.0	14.0	14.0	14.0	66.0
Sickness Absence		23.0	23.0	23.0	23.0	23.0	115.0
Maternity/paternity Leave							-
Authorised Absence		6.0	4.0	-	4.0	4.0	18.0
Total days available		995.0	988.5	992.0	988.0	997.4	4,960.9
Indirect Audit Work :-							
Administration		50	50	50	50	50	250.0
Planning and Reporting		60	60	60	60	60	300.0
Courses/training		31	20	20	20	20	111.0
Seminars & Audit Meetings		30	30	30	30	30	150.0
Audit Committee/team meets		39	39	39	39	39	195.0
PSIAS		12	12	2	2	2	30.0
HGIOS		-	-	-	-	-	-
PRD		17	17	17	17	17	85.0
Consultancy		20	20	20	20	20	100.0
FOI		-	-	-	-	-	-
Total for Indirect Audit Work		259	248	238	238	238	1221
Estimated annual time available for Direct Audit Work		736	741	754	750	760	3,741

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'.