

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE24 June 2021Report by Chief AuditorINTERNAL AUDIT STRATEGIC PLAN 2021/22 TO 2025/26**PURPOSE OF REPORT**

1 To submit Internal Audit's 5 year strategic plan for 2021/22 to 2025/26 to members for approval. The strategic plan includes the detailed annual plan for 2021/22 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 2021/22 TO 2025/26

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 COVID business grants and client monies).

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 (for example phone internet payments and staff and civic catering).

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 will be 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 but an assumption has been made that this will be filled in the second quarter of 2021/22 when calculating the number of audit days available.

16. The number of days available in 2021/22 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

3,813 days are required to complete all planned audits at the required frequency within the 5 year period. An estimated 3,665 staff days are available for direct audit work over this same period, leaving an estimated shortfall of 148 days over the 5 year period (or an average of 30 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 2021/22 can be met with the estimated days available. The current staffing levels of the Internal Audit section is 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 2021/22 of 912 and an estimated 251 days for indirect audit work, this would result in only 661 days available for direct audit work or 72%. 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 2021/22 to 2025/26.

Further information is available from Michelle Blair, Chief Auditor, telephone 0141 577 3067.
Chief Auditor
2 June 2021

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EAST RENFREWSHIRE COUNCIL

STRATEGIC AUDIT PLAN

2021/22 to 2025/26

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Chief Auditor
02 June 2021

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EAST RENFREWSHIRE COUNCIL 2021/22
Internal Audit Section
ANNUAL AUDIT PLAN

Department	Title	Audit Number	No. of days
Chief Executives Office	Corporate Procurement Cards	1	15
Corporate & Community	Payroll	2	28
	Creditor interfaces, e-invoicing	3	18
	Debtors	4	24
	Housing Benefits/ Universal Credit	5	30
	Clothing Grants/free school meals	6	12
	Council Tax -reductions and liability	7	24
	Education	Environmental Controls - Education	8
Schools cluster		9	32
Environment	Clyde Valley Contract Group	10	13
	Grant Certification	11	15
	Gas Servicing	12	15
	City Deal	13	15
	Climate Change Report	14	5
	COVID business grants	15	25
	Energy and Fuel	16	15
Housing	Housing Repairs	17	20
	New council houses	18	24
HSCP	Care First Finance System	19	20
	Kinship, fostering and adoption	20	16
	IJB	21	15
Trust	Trust	22	20
Various	Contract 1 - TBA	23	20
	Application Audit	24	18
	Fraud Contingency	25	70
	General Contingency	26	30
	LG Benchmarking Framework	27	10
	Follow Up	28	50
	Previous year audits	29	52
			661

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EAST RENFREWSHIRE COUNCIL 2021/22
 Internal Audit Section
SUMMARY OF STRATEGIC PLAN

<u>Type of Audit</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/25</u>	<u>Total</u>
Systems/Regularity Audit	438	735	399	458	446	2,476
Contract Audit	20	45	40	40	65	210
Computer Audit	28	78	66	48	32	252
Performance Indicators	10	10	10	10	10	50
Fraud Contingency	70	70	70	70	70	350
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	661	1033	680	721	718	3,813

**Internal Audit Section
AUDIT DAYS AVAILABLE**

ESTIMATED ANNUAL DAYS AVAILABLE		2021	2022	2023	2024	2025	TOTAL
Number of days in full year		Days					
	Note 1	1,152.0	1,226.0	1,226.0	1,222.0	1,226.0	6,052.0
Less:	Public Holidays	42.0	46.0	46.0	46.0	46.0	226.0
	Annual Leave	132.0	140.0	140.0	140.0	140.0	692.0
	Purchase of Annual Leave	6.0	6.0	6.0	6.0	6.0	30.0
	Sickness Absence	30.0	30.0	30.0	30.0	30.0	150.0
	vaccinations and hospital appointments	10.0					10.0
	induction training	10.0					10.0
	Authorised Absence	10.0	10.0	8.0	10.0	10.0	48.0
Working days available		912.0	994.0	996.0	990.0	994.0	4,886.0
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	2	5	5	2	2	16.0
	HGIOS/AGS	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		251	244	244	241	241	1221
Estimated annual time available for Direct Audit Work		661	750	752	749	753	3,665
Direct as % of available days		72%	75%	76%	76%	76%	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	2021	2022	2023	2024	2025	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	32	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	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			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		25			25	50	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	28	78	66	48	32	252	40	1	200.00	LX
Contract	Various	Cont	20	20	40	40	40	160	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	24	3	40.00	M
Council Tax - Recovery and Enforcement	Corp& Comm'y	Sys		18			18	36	18	3	30.00	M
Creditor Payments	Corp& Comm'y	Reg			10	10	10	30	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	18			18		36	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	20	3	33.33	M
Follow up	Various	FU	50	50	50	50	50	250	50	1	250.00	LX
Fraud Contingency	Various	Fraud	70	70	70	70	70	350	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	40	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		0				0	0	5	0.00	L
Human Resources Management	Corp& Comm'y	Sys		20		20		40	20	2	50.00	H
UJB	HSCP	reg	15	15	15	15	15	75	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	40	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	28		28		28	84	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		0				0	0	5	0.00	L
Previous year audits	Various	Sys	52	20	20	20	20	132	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	32					32	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	30	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
Client Monies	HSCP	Reg				15		15	15	3	25.00	M
Clyde Valley Contract Group	Env	Reg	13					13	12	5	12.00	L
State aid	Env	Reg			10			10	10	5	10.00	L
Care First Finance System	HSCP	Sys	20			20		40	15	5	15.00	L
PPP projects	Env	Reg			15			15	15	5	15.00	L
COVID business grants	Env	Reg	25					25	25	3	25.00	M

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AUDIT UNIVERSE

EAST RENFREWSHIRE COUNCIL 2020/21

Title	Dept	Type	2021	2022	2023	2024	2025	Total	Est days	Freq (yrs) 1=annual	Days in 5 yrs	Gen Risk
DSM guidelines	Educ	sys			15			15	15	3	25.00	M
Early Learning and Childcare payments	Educ	sys		15			15	30	15	3	25.00	M
New Council Houses	Housing	sys	24					24	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			661	1033	680	721	718	3813				
Available days (automated from audit needs)			661	750	752	749	753	3665				
Audit Needs Assessment	Shortfall/ (over)		0	283	-72	-28	-35	148				
Average shortfall/(Over) per year								29.6				
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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