

EAST RENFREWSHIRE COUNCIL

AUDIT & SCRUTINY COMMITTEE

10 April 2014

Report by Chief Auditor

INTERNAL AUDIT STRATEGIC PLAN 2014/15 TO 2018/19

**1 PURPOSE OF REPORT**

- 1.1 To submit Internal Audit's 5 year strategic plan for 2014/15 to 2018/19 to members for approval.

**2 BACKGROUND**

- 2.1 The Internal Audit service is an independent appraisal unit within the Chief Executives Department. 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 Committee.
- 2.2 Internal Audit plays a key role in ensuring the Council meets the commitments outlined in the Corporate Strategy. 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, SCSWIS 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 2014/15 TO 2018/19**

- 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. The plan includes systems based, regularity, grants, contract, computer and other audits.
- 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 It is essential that scarce resources are deployed according to the areas of greatest risk. Audits have therefore 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.
- 3.4 A number of key financial systems have been identified, including Financial Ledger, Budgetary Control, Capital Accounting, Cash Income and Banking, Debtors, Council Tax, Creditors, Rent Accounting and Payroll. The strategic plan has been compiled so that all key financial systems are audited at least once every 3 years. In addition, Housing and Council Tax Benefit/Welfare Reform is classed as a key financial system but due to the high risk assessment of this system, it will have annual audit coverage. All other identified systems will be audited at least once in the 5 year cycle.
- 3.5 The Internal Audit service supports the commitments outlined in the Single Outcome Agreement by monitoring the systems that underpin the delivery of these commitments. Staff 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.

### **4 AUDIT RESOURCES ASSESSMENT**

- 4.1 The Internal Audit section currently consists of five members of staff plus one vacant post. When fully staffed this equates to 5.7 full-time equivalents including the Chief Auditor. The number of days available in 2014/15 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. Currently, the assumption made is that the vacant post will not be filled. On the basis of the audit universe which lists all potential audits, an estimated 4,079 days are required to complete all planned audits at the required frequency within the 5 year period. An estimated 3,745 staff days are available for direct audit work over this same period, leaving an estimated shortfall of 334 days over the 5 year period (or an average of 67 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 with the option of filling the vacant post on a temporary basis if deemed necessary in future. Audits have been rescheduled to ensure that planned audits for 2014/15 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.

### **5 RECOMMENDATION**

- 5.1 The committee is asked to approve Internal Audit's strategic plan for 2014/15 to 2018/19.

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

Chief Auditor  
10 April 2014

---

EAST RENFREWSHIRE COUNCIL

STRATEGIC AUDIT PLAN

2014/15 to 2018/19

Contents	Page
Annual Plan for 2014/15	1
Summary of Strategic Plan	2
Audit Days Available	3

Chief Auditor  
31 March 2014

**EAST RENFREWSHIRE COUNCIL 2014/15**  
**Internal Audit Section**  
**ANNUAL AUDIT PLAN**

<b>Department</b>	<b>Title</b>	<b>Audit Number</b>	<b>Type</b>	<b>No. of days</b>
CHCP	CHCP Area offices (rotate)	1	Reg	8
	Kirkton Centre	2	Reg	10
	Home Care Services	3	Sys	17
Chief Executives Office	Creditor Payments	4	Reg	10
	Election Expenses	5	Reg	10
	Prudential Regime	6	Sys	15
Corporate & Community	Application Audit - Council Tax	7	Comp	18
	Application Audit - Payroll	8	Comp	18
	Debtors Control	9	Reg	10
	Licensing Income	10	Reg	12
	Risk Management & Corporate Governanc	11	Reg	15
	Travelling & Subsistence	12	Reg	12
	Cash Income & Banking	13	Sys	22
	Complaints Monitoring	14	Sys	15
	Council Tax - Billing & Coll.	15	Sys	24
	Housing Benefits/ Universal Credit	16	Sys	35
	Human Resources Management	17	Sys	20
	Payroll - All payruns	18	Sys	20
Education	Outreach Health & Fitness Prog.	19	Reg	8
	schools cluster 5	20	Reg	35
	Eastwood Park Theatre	21	Sys	15
	Wraparound care and nursery provision	22	Sys	15
Environment	PATS Contract	23	Cont	20
	Grant Certification (excl Leader)	24	Grant	30
	Leader programme	25	Grant	10
	Health & Safety	26	reg	15
	Heritage Lottery Fund	27	reg	7
	Highways Maintenance	28	reg	15
	Parks & other outdoor income	29	Reg	8
	Year end Stocktake	30	Reg	5
	Stores	31	Sys	20
	Trade Refuse Income and special uplifts	32	Sys	12
Housing	Housing - voids, garage allocations etc.	33	Sys	14
Other	NFI	34	Fraud	5
Various	Environmental Controls - General	35	Comp	10
	Internet controls	36	Comp	9
	Contract - TBA	37	Cont	20
	Fraud Contingency	38	Fraud	70
	Follow up	39	FU	50
	General Contingency	40	Gen Cont	30
	LG Benchmarking Framework	41	Pis	10
	Previous year audits	42	Sys	25
			<b>TOTAL</b>	<b>749</b>

# EAST RENFREWSHIRE COUNCIL 2014/15

## Internal Audit Section SUMMARY OF STRATEGIC PLAN

<u>Type of Audit</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>Total</u>
Systems Audit	269	324	353	259	305	946
Regularity Audit	180	241	180	198	217	601
Contract Audit	40	40	40	40	40	120
Computer Audit	55	72	93	46	48	220
Performance Indicators	10	10	10	10	10	30
Fraud Contingency	75	82	75	82	75	232
General Contingency	30	30	30	30	30	90
Previous Year Follow Up	50	50	50	50	50	150
Grant Certification	40	36	18	18	18	94
Other	0	15	35	0	20	50
<b>Total</b>	<b>749</b>	<b>900</b>	<b>884</b>	<b>733</b>	<b>813</b>	<b>4,079</b>

**EAST RENFREWSHIRE COUNCIL 2014/15**

**Internal Audit Section  
AUDIT DAYS AVAILABLE**

ESTIMATED ANNUAL DAYS AVAILABLE		2014	2015	2016	2017	2018	TOTAL
		<b>Days</b>					
<b>Number of days in full year</b>	<b>Note 1</b>	1,227.0	1,232.0	1,227.0	1,222.0	1,222.0	6,130.0
Less: Public Holidays		46.0	46.0	46.0	46.0	46.0	230.0
Annual Leave	<b>Note 2</b>	145.0	145.5	146.0	146.5	147.0	730.0
Purchase of Annual Leave		14.0	14.0	14.0	14.0	14.0	70.0
Sickness Absence		23.0	23.0	23.0	23.0	23.0	115.0
Maternity/paternity Leave							-
Authorised Absence	<b>Note 3</b>	4.0	2.0	2.0	2.0	-	10.0
<b>Working days available</b>		<b>995.0</b>	<b>1,001.5</b>	<b>996.0</b>	<b>990.5</b>	<b>992.0</b>	<b>4,975.0</b>
<b>Indirect Audit Work :-</b>							
Administration		58	58	58	58	58	290.0
Planning and Reporting		60	60	60	60	60	300.0
Courses/training		20	20	20	20	20	100.0
Seminars & Audit Meetings		33	33	33	33	33	165.0
Audit Committee/team meets		34	34	34	34	34	170.0
Job Evaluation/Health & Safety		-	-	-	-	-	-
HGIOS		4	4	4	4	4	20.0
Recruitment							-
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>246</b>	<b>246</b>	<b>246</b>	<b>246</b>	<b>246</b>	<b>1230</b>
-							
<b>Estimated annual time available for Direct Audit Work</b>		<b>749</b>	<b>756</b>	<b>750</b>	<b>745</b>	<b>746</b>	<b>3,745</b>

**Note 1** Internal audit has 5.7 FTE established posts including Chief Auditor and vacancy.

**Note 2** - Additional AL entitlement under new T&C which will reduce future number of days available until maximum holiday entitlement is reached by all employees. In addition, additional annual leave can be 'purchased'.

**Note 3** Assume 2 employees allowed to perform election duties per election