

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE23 June 2022Report by Chief AuditorINTERNAL AUDIT STRATEGIC PLAN 2022/23 TO 2026/27**PURPOSE OF REPORT**

1 To submit Internal Audit's 5 year strategic plan for 2022/23 to 2026/27 to members for approval. The strategic plan includes the detailed annual plan for 2022/23 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 2022/23 TO 2026/27

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. The consultation process and risk assessment used to prepare the plan sometimes results in new audits being added to the audit universe (for example IT asset management).
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 Covid business grants, education music service).
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 2022/23 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

3,721 days are required to complete all planned audits at the required frequency within the 5 year period. An estimated 3,687 staff days are available for direct audit work over this same period, leaving an estimated shortfall of 34 days over the 5 year period (or an average of 7 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 2022/23 can be met within 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. 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

18. The committee is asked to approve Internal Audit's Strategic Plan for 2022/23 to 2026/27.

Further information is available from Michelle Blair, Chief Auditor, telephone 0141 577 3067.
Chief Auditor
7 June 2022

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EAST RENFREWSHIRE COUNCIL

STRATEGIC AUDIT PLAN

2022/23 to 2026/27

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Chief Auditor
07 June 2022

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Internal Audit Section
ANNUAL AUDIT PLAN

Department	Title	Audit Number	No. of days
Chief Executives Office	Treasury Management	1	18
	Ordering and certification	2	20
	VAT	3	12
Business Operatons and Partnerships	Barrhead Payment Centre	4	11
	Creditors	5	24
	Debtors control	6	10
	Housing Benefits/ Universal Credit	7	30
	IT asset management	8	20
	Scottish Welfare Fund	9	15
	Council Tax -recovery and enforcement	10	18
Education	Early Learning and Childcare Payments	11	15
	Schools cluster	12	32
Environment	Clyde Valley Contract Group	13	13
	Grant Certification	14	15
	Stores	15	20
	City Deal	16	15
	Climate Change Report	17	5
	Energy and Fuel	18	20
Housing	New council houses	19	24
HSCP	Direct Payments	20	20
	Barrhead Resource Centre	21	10
	IJB	22	15
Trust	Trust	23	20
Various	Contract 1 - TBA	24	20
	File controls	25	12
	Fraud Contingency	26	70
	General Contingency	27	30
	LG Benchmarking Framework	28	5
	Follow Up	29	55
	Previous year audits	30	45
			639

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EAST RENFREWSHIRE COUNCIL 2022/23

Internal Audit Section
SUMMARY OF STRATEGIC PLAN

<u>Type of Audit</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>Total</u>
Systems/Regularity Audit	432	726	458	335	454	2,405
Contract Audit	20	65	40	40	65	230
Computer Audit	12	69	73	47	10	211
Performance Indicators	5	10	10	10	10	45
Fraud Contingency	70	70	70	70	70	350
General Contingency	30	30	30	30	30	150
Previous Year Follow Up	55	50	50	50	50	255
Grant Certification	15	15	15	15	15	75
Total	639	1035	746	597	704	3,721

**Internal Audit Section
AUDIT DAYS AVAILABLE**

ESTIMATED ANNUAL DAYS AVAILABLE		2022	2023	2024	2025	2026	TOTAL
Number of days in full year		Days					
	Note 1	1,140	1,222	1,226	1,226	1,226	6,040
Less:	Public Holidays	46	46	46	46	46	230
	Annual Leave	131	138	139	140	141	689
	Purchase of Annual Leave	6	6	6	6	6	30
	Sickness Absence	14	15	15	15	15	74
	vaccinations and hospital appointments	5					5
	induction training	20					20
	Authorised Absence	9	10	10	8	10	47
Working days available		909	1,007	1,010	1,011	1,008	4,945
Indirect Audit Work :-							
	Administration	50	50	50	50	50	250.0
	Planning and Reporting	15	15	15	15	15	75.0
	Courses/training	25	20	20	20	20	105.0
	Seminars & Audit Meetings	36	36	36	36	36	180.0
	Audit Committee/team meets	40	40	40	40	40	200.0
	PSIAS	15	3	3	3	3	27.0
	HGIOS/AGS	3	3	3	3	3	15.0
	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		225	202	202	202	202	1033
Estimated annual time available for Direct Audit Work		684	805	808	809	806	3,912
	Direct as % of available days	75%	80%	80%	80%	80%	79%
Direct audit work:							
	Reporting	45	45	45	45	45	225
	Audit work	639	760	763	764	761	3,687
		684	805	808	809	806	3,912

Note 1 Internal audit has 4.7 FTE established posts including Chief Auditor . Assumption that vacant post will be filled for 8 months of the year.

Note 2 Additional days for PSIAS in years where external assessments are involved

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AUDIT UNIVERSE
EAST RENFREWSHIRE COUNCIL 2022/23

Title	Dept	Type	2022	2023	2024	2025	2026	Total	Est days	Freq (yrs) 1=annual	Days in 5 yrs	Gen Risk
Asset Management	Env	Sys		20				20	20	5	20.00	L
Barhead Payment Centre	BOP	Reg	11			11		22	11	3	18.33	M
Barhead Resource Centre	HSCP	Reg	10					10	10	5	10.00	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	X
Cash Income and Banking	BOP	Sys		22			22	44	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 Direct Payments	HSCP	Sys	20			20		40	20	3	33.33	M
Project management of capital projects	Env	cont		25			25	50	25	3	41.67	M
City Deal	Env	Reg	15	15	15	15	15	75	15	1	75.00	X
Clothing Grants / Free Meals	BOP	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	X
Community Safety Unit	BOP	reg		20				20	20	5	20.00	L
Complaints Monitoring	BOP	Sys		15				15	15	5	15.00	L
Computer	Various	Comp	12	69	73	47	10	211	40	1	200.00	X
Contract	Various	Cont	20	40	40	40	40	180	40	1	200.00	X
Corporate Procurement Cards	Ch Exec Office	Sys					15	15	15	5	15.00	L
Council Tax - Reductions/liability	BOP	Sys			24			24	24	3	40.00	M
Council Tax - Billing & Coll.	BOP	Sys		24			24	48	24	3	40.00	M
Council Tax - Recovery and Enforcement	BOP	Sys	18			18		36	18	3	30.00	M
Creditor Payments	BOP	Reg		10	10	10	10	40	10	5	10.00	X
Creditors (to include invoicing and interfa	BOP	Sys	24					24	24	1	24.00	X
Debtors	BOP	Sys					24	24	24	1	24.00	X
Debtors Control	BOP	Reg	10	10	10	10		40	10	5	10.00	X
Education Support (SEN, Bi-Lingual Supp, taxis etc.)	Educ	Sys			20			20	20	5	20.00	L
Energy and Fuel (incl utility payments)	Env	Reg	20					20	20	5	20.00	L
Financial Ledger and budgetary control	Ch Exec Office	reg		20			20	40	20	3	33.33	M
Follow up	Various	FU	55	50	50	50	50	255	50	1	250.00	X
Fraud Contingency	Various	Fraud	70	70	70	70	70	350	70	1	350.00	X
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	X
Grant Certification	Env	Grant	15	15	15	15	15	75	15	1	75.00	X
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	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 acc	Housing	sys		27			27	54	27	3	45.00	M
Housing Benefits/ Universal Credit	BOP	Sys	30	30	30	30	30	150	30	1	150.00	X
Housing Repairs	Housing	Sys			20			20	20	3	33.33	M
IT Asset Management	BOP	Reg	20			20		40	20	3	33.33	M
IJB	HSCP	reg	15	15	15	15	15	75	15	1	75.00	X
Income Maximisation, money advice, welfare	BOP	sys		30				30	30	5	30.00	L
Insurance Arrangements	BOP	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	5	10	10	10	10	45	10	1	50.00	X
Licensing Income	BOP	Reg			15			15	15	5	15.00	L
Maximising Attendance	BOP	Reg		20			20	40	20	3	33.33	M
Members' Expenses	BOP	Sys			12			12	12	5	20.00	L
NDR	BOP	Reg		7				7	7	5	7.00	L
Ordering & Certification	Ch Exec Office	Sys	20			20		40	20	3	33.33	M
Overtime	BOP	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	BOP	Sys		28		28		56	25	2	70.00	H
Pupil Equity fund	Educ	Sys		12				12	12	5	12.00	L
Petty Cash	Various	Reg		15				15	15	5	15.00	L
Previous year audits	Various	Sys	45	20	20	20	20	125	20	1	100.00	X
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					32	32	32	7	22.86	X
schools cluster 2 Mearns Castle	Educ	Reg				32		32	32	7	22.86	X
schools cluster 3 Eastwood	Educ	Reg					0	0	32	7	22.86	X
schools cluster 4 Woodfarm	Educ	Reg					0	0	32	7	22.86	X
schools cluster 5 Williamwood	Educ	Reg	32					32	32	7	22.86	X
schools cluster 6 St Ninians	Educ	Reg		32				32	32	7	22.86	X
schools cluster 7 Barrhead High	Educ	Reg			32			32	32	7	22.86	X
Schools Vat Free Purchase Scheme	Educ	Sys		12				12	12	5	12.00	L
Scottish Welfare Fund	BOP	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	BOP	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	13	5	13.00	L
Subsidy Control (previously State Aid)	Env	Reg			10			10	10	5	10.00	L
Care First Finance System	HSCP	Sys					20	40	33.33	5	33.33	L
PPP projects	Env	Reg		15				15	15	5	15.00	L
DSM guidelines	Educ	sys		15			15	30	25	3	25.00	M

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AUDIT UNIVERSE

EAST RENFREWSHIRE COUNCIL 2022/23

Title	Dept	Type	2022	2023	2024	2025	2026	Total	Est days	Freq (yrs) 1=annual	Days in 5 yrs	Gen Risk
Early Learning and Childcare payments	Educ	sys	15	5	5	5	5	35	25	3	25.00	M
New Council Houses	Housing	sys	24					24	24	5	24.00	M
Thornliebank Resource Centre	HSCP	Reg		10				10	10	5	10.00	L
Trade Refuse Income and special uplifts, Gar	Env	Sys			18			18	18	5	18.00	L
Travelling & Subsistence	BOP	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
ELC Add On	Educ	Sys			20			20	20	5	20.00	L

Total days needed per universe		639	1035	746	597	704	3721
Available days (automated from audit needs)		639	760	763	764	761	3687
Audit Needs Assessment	Shortfall/ (over)	0	275	-17	-167	-57	34
Average shortfall/(Over) per year							6.8

Main financial systems in bold

	Risk
H	High - audited on 2 year cycle
M	Medium - audited on 3 year cycle
L	Low - audited on 5 year cycle
X	Frequency determined by factors other than risk eg external requiremnt, annual or cyclical coverage needed

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