

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE30 March 2023Report by Chief AuditorINTERNAL AUDIT STRATEGIC PLAN 2023/24 TO 2027/28**PURPOSE OF REPORT**

1 To submit Internal Audit's 5 year strategic plan for 2023/24 to 2027/28 to members for approval. The strategic plan includes the detailed annual plan for 2023/24 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 2023/24 TO 2027/28

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. It should be noted that the risk ratings noted on the audit universe are supported by a more detailed assessment of risk in supporting working papers used to prepare the plan and this considers control risk, materiality risk and sensitivity risk for each area.

10. A number of key financial systems have been identified, including payroll, financial ledger and budgetary control, cash income and banking, accounts receivable (debtors), council tax, accounts payable (creditors), rent accounting, 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 where possible.

11. The consultation process and risk assessment used to prepare the plan sometimes results in new audits being added to the audit universe or being rescheduled for review in a different year. (for example payroll application audit).

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 Pupil Equity Fund, Clyde Valley Contract Group, Schools VAT free purchase scheme).

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 are currently two vacant posts but an assumption has been made that these will be filled by the second quarter of 2023/24 when calculating the number of audit days available.

16. The number of days available in 2023/24 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 3,680 days are required to complete all planned audits at the required frequency within the 5 year period. An estimated 3,640 staff days are available for direct audit work over this same period, leaving an estimated shortfall of 40 days over the 5 year period (or an average of 8 days per annum). It is important to note that the expected number of days is dependent on the assumption that the two vacant posts are able to be filled by the end of the first quarter in 2023/24. The current shortfall in audit days over the 5 year period is viewed as manageable but will be kept under review. Audits have been rescheduled to ensure that planned audits for 2023/24 can mostly be met within the estimated days available. Estimated number of days needed for planned audits in 2023/24 is 594 compared to an estimated 582 days available, it is hoped that the shortfall of 12 days can potentially be met (for example if all contingency time is not needed or some audits are completed in fewer than budgeted days). The staffing levels of the Internal Audit section if the two vacant posts are filled are considered to be adequate.

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 2023/24 to 2027/28.

Further information is available from Michelle Blair, Chief Auditor, telephone 0141 577 3067.
Chief Auditor
15 March 2023

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EAST RENFREWSHIRE COUNCIL

STRATEGIC AUDIT PLAN

2023/24 to 2027/28

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Chief Auditor
15 March 2023

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Internal Audit Section
ANNUAL AUDIT PLAN

Department	Title	Audit Number	No. of days
Chief Executives Office			
Business Operations and Partnerships	Payroll	1	28
	Payroll - application audit	2	18
	Creditors	3	10
	Debtors control	4	10
	Housing Benefits/ Universal Credit - overpayments and	5	20
	Council Tax application audit	6	18
	IT asset management	7	20
	Council Tax -billing and collection	8	24
Education	Early Learning and Childcare Payments	9	15
	Schools cluster	10	38
Environment	Commercial rents	11	20
	Grant Certification	12	15
	City Deal	13	15
	Climate Change Report	14	5
	Energy and Fuel	15	20
Housing	Housing Rent Accounting	16	20
HSCP	Payments to Care Providers	17	25
	HSCP Emergency Payments (S22 ad 12)	18	8
	Thornliebank Resource Centre	19	10
	IJB	20	15
Trust	Trust	21	20
Various	Contract 1 - TBA	22	20
	Fraud Contingency	23	70
	General Contingency	24	30
	LG Benchmarking Framework	25	10
	Follow Up	26	50
	Previous year audits	27	40
			594

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EAST RENFREWSHIRE COUNCIL 2023/24

Internal Audit Section
SUMMARY OF STRATEGIC PLAN

<u>Type of Audit</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>Total</u>
Systems/Regularity Audit	328	668	490	245	458	2,189
Contract Audit	20	65	40	40	65	230
Computer Audit	36	54	77	22	22	211
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
IJB	15	15	15	15	15	75
ERCLT	20	20	20	20	20	100
Total	594	997	817	517	755	3,680

**Internal Audit Section
AUDIT DAYS AVAILABLE**

ESTIMATED ANNUAL DAYS AVAILABLE		2023	2024	2025	2026	2027	TOTAL
		Days					
Number of days in full year	Note 1	1,093	1,226	1,226	1,226	1,231	6,002
Less: Public Holidays		41	47	47	47	47	229
Annual Leave	Note 2	122	132	134	136	138	662
Purchase of Annual Leave		6	6	6	6	6	30
Sickness Absence		14	14	14	14	14	70
							-
induction training		50					50
Authorised Absence		8	10	5	10	10	43
Working days available		852	1,017	1,020	1,013	1,016	4,918
Indirect Audit Work : -							
Administration		50	50	50	50	50	250.0
Planning and Reporting		15	15	15	15	15	75.0
Courses/training		25	25	25	25	25	125.0
Seminars & Audit Meetings		36	36	36	36	36	180.0
Audit Committee/team meets		40	40	40	40	40	200.0
PSIAS	Note 3	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	207	207	207	207	1053
Estimated annual time available for Direct Audit Work		627	810	813	806	809	3,865
Direct audit work:							
Reporting		45	45	45	45	45	225
Audit work		582	765	768	761	764	3,640
		627	810	813	806	809	3,865
Total direct as % of available days		74%	80%	80%	80%	80%	79%

Note 1 Internal audit has 4.7 FTE established posts including Chief Auditor. Assumption that 1 vacant post will be filled for 8 months of year and other for 10 months.

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'.

Note 3 Additional days for PSIAS in years where external assessments are involved

AUDIT UNIVERSE
EAST RENFREWSHIRE COUNCIL 2023/24

Title	Dept	Type	2023	2024	2025	2026	2027	Total	Est days	Freq (yrs) 1=annual	Gen Risk
Accounts Payable (creditor)	BOP	Reg	10	10		10	10	40	10	1	X
Accounts Payable (Creditors) (to include e	BOP	Sys			24			24	24	1	X
Accounts Receivable (debtors)	BOP	Reg	10		10	10		30	10	1	X
Accounts Receivable (Debtors)	BOP	Sys		24			24	48	24	1	X
Asset Management	Env	Sys		20				20	20	5	L
Barhead Payment Centre	BOP	Reg					11	11	11	5	L
Barhead Resource Centre	HSCP	Reg			10			10	10	3	M
Bonnyton House	HSCP	Reg		10				10	10	5	L
Building Cleaning	Educ	Reg		15				15	15	5	L
Burial Income	Env	Reg			8			8	8	5	L
Care First Finance System application audit	HSCP	Sys			20			20	20	3	M
Carers Legislation	HSCP	Reg		15				15	15	5	L
Cash Income and Banking	BOP	Sys		22			22	44	22	3	M
Cashless catering and Parentpay	Educ	Reg			30			30	30	5	L
City Deal	Env	Reg	15	15	15	15	15	75	15	1	X
Client Monies	HSCP	Reg		22			22	44	22	3	M
Climate Change Report	Env	Reg	5	5	5	5	5	25	5	1	X
Clothing Grants / Free Meals	BOP	Reg					12	12	12	5	L
Clyde Valley Contract Group	Env	Reg						0	0	5	L
Commercial rents (ind units/shops)	Env	Sys	20					20	20	5	L
Community Safety Unit	BOP	Reg			20			20	20	5	L
Complaints Monitoring	BOP	Sys		15				15	15	5	L
Computer	Various	Comp	36	54	77	22	22	211	40	1	X
Contract	Various	Cont	20	40	40	40	40	180	40	1	X
Corporate Procurement Cards	Ch Exec Office	Sys				15		15	15	5	L
Council Tax - Reductions/liability	BOP	Sys		24			24	48	24	3	M
Council Tax - Billing & Coll.	BOP	Sys	24			24		48	24	3	M
Council Tax - Recovery and Enforcement	BOP	Sys			18			18	18	3	M
DSM guidelines	Educ	sys						0	0	3	M
Early Learning and Childcare payments	Educ	sys	15	5	5	5	5	35	15	1	X
Education Support (SEN, Bi-Lingual Supp, taxis etc.)	Educ	Sys		20				20	20	5	L
ELC Add On (previously wraparound)	Educ	Sys		20				20	20	5	L
Energy and Fuel (incl utility payments)	Env	Reg	20					20	20	5	L
ERCLT	Trust	trust	20	20	20	20	20	100	20	1	X
Financial Ledger and budgetary control	Ch Exec Office	Sys		20			20	40	20	3	M
Follow up	Various	FU	50	50	50	50	50	250	50	1	X
Fraud Contingency	Various	Fraud	70	70	70	70	70	350	70	1	X
Gas Servicing	Housing	Reg				15		15	15	5	L
GDPR	BOP	Reg		15				15	15	5	L
General Contingency	Various	Gen Cont	30	30	30	30	30	150	30	1	X
Grant Certification	Env	Grant	15	15	15	15	15	75	15	1	X
Grounds Maintenance	Env	Reg		15				15	15	5	L
Health & Safety	Env	Reg		15				15	15	5	L
Highways Maintenance	Env	Reg		20			20	40	20	3	M
Home Care Services	HSCP	Sys		22			22	44	22	3	M
Housing - Rent Accounting	Housing	Sys	20			20		40	20	3	M
Housing - voids, garage allocations etc.	Housing	Sys			20			20	20	5	L
Housing Allocations and homeless person acc	Housing	sys		27			27	54	27	3	M
Housing Benefits/UC - admin post opening	BOP	Sys			20			20	20	2	H
Housing Benefits/UC - assessment	BOP	Sys		30			30	60	30	2	H
Housing Benefits/UC - overpayments and f	BOP	Sys	20			20		40	20	2	H
Housing Repairs	Housing	Sys		20			20	40	20	3	M
HSCP Direct Payments	HSCP	Reg			15			15	15	3	M
HSCP emergency payments (Sect 22 & 12)	HSCP	Reg	8					8	8	5	L
HSCP Health Care Centres and area offices (HSCP	Reg		8				8	8	5	L
IJB	HSCP	IJB	15	15	15	15	15	75	15	1	X
Income Maximisation, money advice, welfare	BOP	sys		30				30	30	5	L
Insurance Arrangements	BOP	Sys			8			8	8	5	L
IT asset management	BOP	Reg	20			20		40	20	3	M
Kinship, Fostering and Adoption	HSCP	Sys				16		16	16	5	L
LG Benchmarking Framework	Various	Pls	10	10	10	10	10	50	10	1	X
Licensing Income	Ch Exec Office	Reg		15				15	15	5	L
Maximising Attendance	BOP	Reg		20			20	40	20	3	M
Members' Expenses	BOP	Sys		12				12	12	5	L
NDR	BOP	Reg		9				9	9	5	L
New Council Houses	Housing	sys			24			24	24	3	M
Ordering & Certification	Ch Exec Office	Sys			20			20	20	3	M
Overtime	BOP	Reg			22			22	22	5	L
Parks & other outdoor income	Env	Reg		8				8	8	5	L
Payments to Care providers	HSCP	Reg	25		25		25	75	25	2	H
Payroll - All payruns	BOP	Sys	28		28		28	84	28	2	H
Petty Cash	Various	Reg		15				15	15	5	L
PPP projects	Env	Reg			15			15	15	1	X
Previous year audits	Various	reg	40	20	20	20	20	120	20	1	X
Project management of capital projects	Env	cont		25			25	50	25	5	L
Pupil Equity fund	Educ	Sys						0	0	5	L
Record Management Plan	Ch Exec Office	Reg		10				10	10	5	L
Risk Management & Corporate Governance	Various	Reg			15			15	15	5	L
Schools - Educational Payments	Educ	Sys			10			10	10	5	L
Schools - Transport	Educ	Sys		15				15	15	5	L
schools cluster 1 St Lukes	Educ	Reg					38	38	38	1	X
schools cluster 2 Mearns Castle	Educ	Reg				38		38	38	1	X
schools cluster 3 Eastwood	Educ	Reg					0	0	38	1	X
schools cluster 4 Woodfarm	Educ	Reg					0	0	38	1	X
schools cluster 5 Williamwood	Educ	Reg	38					38	38	1	X
schools cluster 6 St Ninians	Educ	Reg		38				38	38	1	X
schools cluster 7 Barrhead High	Educ	Reg			38			38	38	1	X

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AUDIT UNIVERSE EAST RENFREWSHIRE COUNCIL 2023/24

Title	Dept	Type	2023	2024	2025	2026	2027	Total	Est days	Freq (yrs) 1=annual	Gen Risk
Schools Vat Free Purchase Scheme	Educ	Sys						0	0	5	L
Scottish Welfare Fund	BOP	Reg			15			15	15	5	L
Stores	Env	Sys					20	20	20	5	L
Subsidy Control (previously State Aid)	Env	Reg			10			10	10	5	L
Sustainability (incl procurement)	Env	Reg			20			20	20	5	L
Thornliebank Resource Centre	HSCP	Reg	10					10	10	5	L
Trade Refuse Income and special uplifts, Gard	Env	Sys		18				18	18	5	L
Travelling & Subsistence	BOP	Reg		12				12	12	5	L
Treasury Management	Ch Exec Office	Sys					18	18	18	5	L
VAT	Ch Exec Office	Reg					12	12	12	5	L
Vehicle Services	Env	Reg		12				12	12	5	L
Total days needed per universe			594	997	817	517	755	3680			
Available days (automated from audit needs)			582	765	768	761	764	3640			
Audit Needs Assessment	Shortfall/ (over)		12	232	49	-244	-9	40			
Average shortfall/(Over) per year								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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