

Report

Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	23 April 2013
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Internal Audit Plan 2013/2014
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ present the proposed Internal Audit Plan for 2013/2014

2. Recommendation(s)

2.1. The Forum is asked to approve the following recommendation(s):-

- (1) that the proposed Internal Audit Plan for 2013/2014 (Appendix One) is endorsed for onward approval by the Executive Committee
- (2) that the proposed contingency jobs (Appendix Two) are noted

3. Background

3.1. The CIPFA Code of Practice for Internal Audit in Local Authorities requires a specific risk based approach to be taken when preparing audit plans. All requirements have been followed in preparation of the 2013/2014 Internal Audit Plan.

3.2. External Audit have been consulted and their request for specific pieces of work to be included in the Plan has been recognised.

3.3. Prior to the commencement of the planning process, a planning strategy was prepared. With a specific commitment to continue to provide a value-added service for 2013/2014, the strategy targeted the following:-

- recognition of areas of emerging risk such as information governance and Welfare Reform
- recognition of areas of inherent risk such as procurement
- continuation of the focus on financial controls to reflect the Council's top identified risks and meet External Audit expectations
- continuation of the commitment to Continuous Controls Monitoring as a means of providing both intelligent data for audit sampling and useful management information that can be used by Resources
- reduction of time spent on benefits work to reflect changing local government responsibilities through Welfare Reform
- inclusion of essential assignments prior to risk evaluation
- enhancement of internal quality assurance procedures to develop the audit skills of the team; and
- ensuring adequate coverage of Resources, risk areas and audit work areas.

- 3.4. As required by the Code of Practice, progress against this strategy will be monitored and reported to the Forum as part of the regular monitoring reports that are presented at each meeting.

4. Internal Audit Plan 2013/2014

- 4.1. A copy of the proposed Internal Audit Plan for 2013/2014 is attached at Appendix One. This shows the name of the proposed assignment, the Resource and an indicative scope for each proposed assignment. Objectives and scopes will be refined by auditors prior to commencement of the work once a full risk analysis has been completed and key controls identified. Clients will be involved in this initial risk and control assessment and will be consulted prior to the preparation of the audit remit for each assignment, providing an opportunity to ensure that audit work focuses on areas of greatest risk to the Council.
- 4.2. The Forum is asked to endorse the draft Plan for onward submission to the Executive Committee.
- 4.3. In determining items for inclusion in the draft Plan, all proposed assignments were fully risk assessed. This takes account of factors such as the time since last audit, the work of other review bodies, the value and the number of people affected. Not all highly scored assignments can be included due to resource constraints. Neither would simple inclusion of highly scoring proposals provide the required coverage in other areas. There is adequate focus on the significant risks and challenges the Council faces, but a contingency list has been prepared to allow further risk related work during the year, should time allow. This is attached at Appendix Two. The Forum is asked to note this approach.

5. Employee Implications

- 5.1. A full employee capacity plan was prepared as part of the planning process. This determined that 2,150 audit days can be delivered in 2013/2014.
- 5.2. Each assignment in the Plan is currently being allocated to members of the audit team. Once assigned, Audit Advisers will plan start and stop dates which will be communicated to Resources. Executive Directors have been asked, by 30 April 2013, to intimate to the Audit Manager any periods in the year which should be avoided. Every effort will be made to accommodate timing concerns within the constraints of the need to complete delivery of the Plan by 31 March 2014.

6. Financial Implications

- 6.1. The budget for next year will be comparable to that of the current year with an adjustment for 2013/2014 savings. This is considered to be sufficient to deliver the Audit Plan.

7. Other Implications

- 7.1. Although the Plan attempts to cover most of the Council's existing top twenty risk areas, the following are the main areas that may not be covered either by the Plan or through the utilisation of contingency time; equal pay, increase in anti-social behaviour, death or injury to employees, employee relations, business continuity and climate change. Some of these areas were covered in either recent years' plans or are in areas where an audit may not add significant value and this is in line with practice in previous years. For all of these risk areas, controls are in place that have been assessed as either good or adequate. If required, time can be allocated from contingency to address these risks. Appendix Three details coverage by audit work type and by Resource and this analysis indicates that there is an adequate spread of work.

- 7.2. To mitigate against the risk of non delivery, the progress of every assignment is monitored using the Council's risk management software, Figtree. In addition, Executive Directors have been asked to remind their teams of specific audit responsibilities and timescales.
- 7.3 There are no sustainability issues in terms of the information contained in this report.
- 8. Equality Impact Assessment and Consultation Arrangements**
- 8.1. There is no requirement to conduct an equality impact assessment on the proposed Audit Plan but there has been extensive consultation. As well as professional, technical and informal benchmarked research into the Plan's content, there was extensive consultation during preparation of the Plan. Consultation invitations were extended to the following main consultees:
- Price WaterhouseCoopers, the Council's external auditors
 - Executive Directors (in conjunction with Heads of Support Services)
 - The Finance and Corporate Resources Senior Management Team
 - Internal Audit Team
 - Members of the Risk and Audit Scrutiny Forum
- 8.2. All returned suggestions were included within the initial "audit universe" for risk evaluation.

Paul Manning
Executive Director (Finance and Corporate Resources)

27 March 2013

Link(s) to Council Values/Objectives

- ◆ Objective: Governance and Accountability

Previous References

None

List of Background Papers

- ◆ Internal Audit Planning Strategy 2013/14
- ◆ Internal Audit Spreadsheet extracts

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Resource	Audit assignment	Outline Scope	Expected days
Prior Year			
All	Prior year work	Progress draft reports for prior year work, finalise reports and actions and complete QA process. Progress return of Resource investigative reports for concerns raised in 2012/13.	20
Advice and Guidance, Consultancy, Steering Groups			
All	Advice and Guidance	Respond to requests	10
Finance and Corporate	Advice and Guidance	Provide advice and guidance in relation to new procedures required as a result of the Public Records (Scotland) Act 2011	10
CDC	Advice and Guidance	Develop a summary guide to scrutiny within South Lanarkshire Council	5
CDC	Advice and Guidance	Prepare a good practice guide for Members in relation to travel and expenses claims	10
Finance and Corporate	Information Governance Board	Attend as required, research, prepare written advice where necessary, complete actions and report on progress throughout the year	10
All	Equifax checks	Run equifax company and directors checks, present to Services and manage journals	5
Housing and Technical	Advice and Guidance	Participate in trading services review and review implementation of new approach	30
Housing and Technical	Advice and Guidance	Review rolling programme work and outputs. Assist in delivery where required. Prepare assurance statement at year end	10
Benefits			
Housing and Technical	Social Fund	Review procedures and processes of new system. Test check operation to ensure compliance and adequate controls in operation to protect SLC from loss.	40
Housing and Technical	Council Tax Reduction Scheme	Review procedures and processes of new system. Test check operation to ensure compliance and adequate controls in operation to protect SLC from loss.	30
Housing and Technical	Under-Occupancy	Review procedures and processes of new system. Test check operation to ensure compliance and adequate controls in operation to protect SLC from loss.	40
Computer			
All	User Verification (2)	Review procedures for system access, permissions and housekeeping. Validate whether or not the procedural controls are sufficient to protect against the risk of unauthorised entry.	40
Finance and Corporate	Service Continuity Management	Follow CIPFA IT Governance audit programmes covering framework and procedures; business impact analysis and risk assessment; recovery strategy/options; IT service continuity plans; training, education and awareness; distribution and storage of plans; maintenance and testing; review, audit and assurance	40

Resource	Audit assignment	Outline Scope	Expected days
Finance and Corporate	Management of Third Party Services	Follow CIPFA IT Governance audit programmes covering framework and procedures; identification of supplier relationships; supplier relationship management; supplier risk management and supplier performance and review	40
Contract			
Finance and Corporate	Contract Award > £50k	Identify spend over £50k, compare actual tendering process for spending band to requirements of standing orders and strategic procurement advice, highlight breaches and potential cases where contracts are needed.	40
Finance and Corporate	Contract Performance Evaluation	Review performance evaluation methodology to ensure that contractor delivery performance is monitored, remedial action taken where necessary, formally assessed at the end of the contract and that evidence is utilised for future contract awards.	40
All	Gateway Review Groups	Participate in gateway Review Groups as required. Review process and provide formal feedback regarding the effectiveness of the process.	50
Contingency			
All	Contingency - General	Respond to requests for unplanned work	100
All	Contingency - Investigative	Respond to requests for investigative high risk work	120
Fraud			
Housing and Technical	Right to Buy	Review procedures in place. Test adequacy and application in practice. Check that anti-fraud controls are in place to deter fraud.	25
Education	School Funds	Prepare a self-assessment checklist of basic controls surrounding school fund administration. Issue to a sample of schools and collate responses.	25
All	NFI	Investigation of 2012/13 matches and prepare for the 2013/14 exercise.	80
All	Fraud Risk Evaluation Diagnostic (FRED)	Facilitate delivery of and report progress with agreed actions.	10
All	Fraud Risk Workshops	Facilitate fraud risk workshops to raise awareness of fraud and inform review of Resource risk registers.	10
Finance and Corporate	Serious Organised Crime	Test check relevant controls detailed within Risk Register and review anti-money laundering procedures. Review actions arising from Falkirk Council's SOC review and considered applicability to SLC.	20

Financial			
All	Journal Entry Data 2012/13	Provide 2012/13 journal entry data to External Audit for the audit of the financial accounts for the year ended 31 March 2013.	5
All	Continuous Controls Monitoring	Continue to download data in current CCM areas (Oracle FMS, Oracle Payables and ICON) and investigate extension to Oracle i-Procurement system. Use data for analysis and to inform internal and external audit testing. Develop formal output to allow exceptions and unusual trends in financial controls to be reported to Resources for further investigation.	70
Education	Iproc	Test check implementation of iproc to provide assurance of adherence to procedures, that there are sufficient controls to prevent duplication, loss and off contract buying and that anticipated efficiencies are accruing.	40
Finance and Corporate	R12 Oracle FMS Upgrade	Test check R12 upgrade within Accounts Payable, Payroll, FMS and iproc to provide assurance that controls are operating satisfactorily and that there has been no dilution of controls post upgrade.	140
Finance and Corporate	Charitable Trusts	Examine income and expenditure items and produce independent examiners certificates for North Lanarkshire Council for the year ended 31 March 2013. Provide advice and guidance to Treasury in their preparation of South Lanarkshire Council's Charitable Trust accounts for the year ended 31 March 2013.	40
Finance and Corporate	Broker Controls	Establish key controls in relation to brokerage arrangements. Test check to ensure compliance and that controls are adequate and effective.	40
Housing and Technical	ICON	Establish IT, administration, procedural and control changes as a result of outsourcing. Test check to provide assurance over adequacy of procedures and that there has been no dilution of controls.	40
Finance and Corporate	CHAPs Payment Procedures	Review procedures and ensure adequate controls incorporated. Test check for compliance in practice.	10
Housing and Technical	Cheque issue	Obtain overview of number and value of cheques issued. Establish controls and highlight gaps.	20
Social Work	Social Care (iproc)	Review and test procedures and controls in relation to social care spend. Compare to iproc processes highlighting areas of potential efficiencies and controls gaps.	40

All	External Audit Work Programme	Deliver programme of work directed by External Audit.	15
Finance and Corporate	SOLACE indicator suite	Undertake an audit of indicators to ensure both accurate and complete.	20
All	Spreadsheet Data Analysis	Audit of spreadsheets using a specific software product.	10
Follow-Up, Review			
All	Follow-up	For all Council Resources identify audit recommendations due in the period April 2012 to March 2013. Risk assess and follow up to ensure implementation of all high risk recommendations.	100
All	Informal follow-up	Advise Resources on a monthly basis of actions due within that month. Collate responses for reporting.	25
All	Report to CIAB	Advise CIAB on an ongoing basis of actions due.	5
All	Empower	Undertake a review of Empower self-assessment tool to establish costs and benefits that have accrued since implementation.	30
All	Audit Scotland reports	For all Council Resources identify audit recommendations due in the period April 2012 to March 2013 arising from Audit Scotland reports. Risk assess and follow up to ensure implementation of all high risk recommendations.	20
All	External Audit Actions	For all Council Resources identify External Audit recommendations due in the period April 2012 to March 2013. Collate evidence to substantiate progress and level of implementation.	5
Grant Certificates			
Community and Enterprise	Grant certificates	Prepare grant certificates as required.	70
Governance			
All	Governance Assurance	Validate and compare Resource self assessments and review of corporate governance improvements	20
Operational			
All	Information Governance	Review of self-assessment checklist sent to Resources and align to similar work undertaken by the Information Governance Board. Follow-up returns and test check responses.	20

All	Privacy Strategy	Test check implementation of strategy across Resources to ensure adequate progress and consistent application in practice. Assess whether any remaining gaps in controls.	20
Finance and Corporate	OSIC	Follow-up of audit actions arising from March 2012 visit of Office of Scottish Information Commissioner.	5
All	Information Governance	Continue rolling programme: processes surrounding transfer of data to provide assurance adequate procedures and controls in operation.	30
Community and Enterprise	Carbon Reduction Commitment	Check that evidence requirements have been met including Chief Officer declaration, supporting organisational structure, meter data and registration, validity of estimates, accreditations and an issues and risk log	20
Finance and Corporate	Procurement Capability Assessment	Review evidence gathered for the assessment in conjunction with the PCA team.	15
All	Top risk	Identify top risk not covered by the audit plan and test check controls listed as mitigating the risk are in place and working.	25
All	Complaints	Review data from complaints process and establish common areas of complaint. Identify one area for routine audit to provide assurance over adequate procedures and controls.	40
Community and Enterprise	Fleet Services Review	Undertake a detailed review within two areas of operation to establish procedures are adequate and applied, controls are in operation and anti-fraud checks are imbedded within processes.	70
Community and Enterprise	Roads Depot	Undertake a detailed review within one depot to establish procedures are adequate and applied, controls are in operation and anti-fraud checks are imbedded within processes.	30
Education	School visit	Routine school visit to review adequacy of procedures, administration and financial processes. Test check of controls to assess application in practice.	40
Finance and Corporate Community and Enterprise	Pool Cars	Review procedures and controls in operation. Test new telematic controls to assess effectiveness in mitigating risks against costs of implementation.	40
Finance and Corporate	Pension Reform	Review administration and funding of automatic opt-in. Assess preparedness for auto-enrolment and controls in place to comply with new legislation.	30
Social Work	'Looked after'/accommodated children	Review plans, activities and progressing of permanent arrangements for adequacy. Obtain evidence of effective partnership working.	40
Finance and Corporate	Internal Control	Devise a schedule of basic internal controls and test check across Resource.	30
Finance and Corporate	FOI	Respond to FOI requests	20
Planning, Year End			
All	Audit plan 2014/15	Undertake consultation, risk assessment, resource and section planning, set scopes and objectives and seek approval through preparation of reports	30
All	Annual Report (Resources)	Prepare an annual report for each Resource detailing audit findings, opinion and performance.	20
TOTAL			2,150

Resource	Audit Assignment
Community and Enterprise	Partnership risks
Community and Enterprise	Renewable Energy Fund
Community and Enterprise	Training on grant administration
Finance and Corporate	Contract award - etendering
Finance and Corporate	Contracts register
Education	VAT on cashless meals
Finance and Corporate	'Tell Us Once' programme
Finance and Corporate	Development of management costing model
Education	SEEMIS VAT
Finance and Corporate	Payroll - BACS
Finance and Corporate	Payroll - RTI
All	Development of LOL course re basic book-keeping and local management controls
All	Cash Counts
Finance and Corporate	New complaints procedure

A. Analysis of work by work type

Type of work	Number of planned days 2013/14	Number of planned days 2012/13
Previous Year	20	40
Advice and Guidance, Consultancy, Steering Groups	90	145
Benefits (including Welfare Reform)	110	70
Computer	120	105
Contract	130	150
Contingency	220	220
Fraud Audit Plan, NFI	170	115
Financial	490	420
Follow Up, Review	185	95
Grant Certificates	70	90
Governance	20	20
Operational	475	225
Planning, Year-End	50	50
Total	2,150	1,745

B. Analysis by client

Client	Number of planned days 2013/14	Number of planned days 2012/13
All	795	560
CDC	155	115
Community and Enterprise	210	195
Education Resources	105	75
Finance and Corporate Resources	570	460
Housing and Technical Resources	235	225
Social Work Resources	80	115
Total	2,150	1,745