

Report

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Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	18 February 2014
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Internal Audit Plan 2014/2015
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ present the proposed Internal Audit Plan for 2014/2015

2. Recommendation(s)

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

- (1) that the proposed Internal Audit Plan for 2014/2015 (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 2014/2015 Internal Audit Plan. New Public Sector Internal Auditing Standards (PSIAS) applied from 1 April 2013. A self-assessment check against the PSIAS has been undertaken in December 2013 to assess the level of compliance during 2013/2014 and a separate report detailing the results from this assessment and presenting an action plan to address gaps identified by this exercise is included elsewhere on the agenda for this meeting.

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 2014/2015, the strategy is to:-

- recognise areas of continuing significant risk such as information governance and Welfare Reform
- recognise areas of inherent risk such as procurement
- retain the focus on financial controls to reflect the Council's top identified risks and meet External Audit expectations
- continue with 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
- include all essential assignments prior to risk evaluation
- ensure 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 2014/2015**
- 4.1. A copy of the proposed Internal Audit Plan for 2014/2015 is attached at Appendix One. This shows the name of the proposed assignment, the lead 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 2014/2015 Audit Plan will be delivered within the context of the Terms of Reference as set out in the Internal Audit Charter presented to the Forum in June 2013.
- 4.3. The Forum is asked to endorse the draft Plan for onward submission to the Executive Committee.
- 4.4. In determining items for inclusion in the draft Plan, all proposed assignments were 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 2,000 audit days can be delivered and is sufficient to resource delivery of the 2014/2015 Plan.
- 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 5 February 2014, to intimate to the Audit and Compliance 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 2015.
- 6. Financial Implications**
- 6.1. The budget for next year will be comparable to that of the current year with an adjustment for proposed 2014/2015 savings. This is considered to be sufficient to deliver the Audit Plan.
- 7. Other Implications**
- 7.1. Although the Plan attempts to link to most of the Council's existing top risk areas, within the Council's top ten risks, the following are the two areas that may not be directly covered either by the Plan or through the utilisation of contingency time; reduced funding and savings difficulty and reduction in political consensus. One of these areas was covered in a recent year's plan with good assurance overall of the

controls in operation and is also covered indirectly by a core requirement to include a significant level of financial audit work within each plan. The other is in an area where an audit may not add significant value. For both of these risk areas, controls are in place that have been assessed as adequate. If required, time can be allocated from contingency to address these risks. Appendix Three details coverage by audit work type 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 research into the Plan's content, there was extensive consultation during preparation of the Plan. Consultation invitations were extended to the following main consultees:
- Internal Audit Team
 - Finance and Corporate Resources Senior Management Team
 - Executive Directors (in conjunction with Heads of Support Services)
 - Price WaterhouseCoopers, the Council's external auditors
 - 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)

29 January 2014

Link(s) to Council Values/Objectives

- ◆ Objective: Governance and Risk Management

Previous References

- ◆ Internal Audit Plan 2013/2014 – RASF 23 April 2013
- ◆ Internal Audit Charter – RASF 18 June 2013

List of Background Papers

- ◆ 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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Lead 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 2013/2014.	40
Advice and Guidance, Consultancy, Steering Groups			
All	Advice and Guidance	Respond to requests from Resources.	20
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.	15
All	Equifax checks	Run equifax company and directors checks, present to Services and manage journals.	5
Social Work	Home Care	Provide assistance to reconcile home care hours delivered.	10
Social Work	External Inspection	Support preparation for external inspections.	10
Finance and Corporate	Financial Appraisals	Assist in reviewing the process for undertaking financial appraisals to inform contract award decisions.	10
Community and Enterprise	Emergency Planning	Provide advice and guidance on robustness of Emergency Planning within SLC.	10
Finance and Corporate	Information Governance Board	Attend as required, research, prepare written advice, complete actions and report on progress throughout the year.	10
Finance and Corporate	Attend SLACAIG meeting and sub groups	Attend as required, respond to requests, participate in consultations and provide updates.	5
Social Work	Health and Care Integration Working Group	Attend working group, participate in informal discussions with partners, develop a formal risk register, deliver allocated actions and continue to monitor internal audit arrangements for this new form of service delivery.	35
Benefits			
Housing and Technical	Advice and Guidance	Review Benefits rolling programme of work and outputs. Assist in delivery where required. Prepare assurance statement at year end.	10
All	Action Plan – Welfare Reform Monitoring Group	Assess progress with the implementation of the action plan and preparedness for the implementation of Universal Credit.	30

Lead Resource	Audit assignment	Outline Scope	Expected days
Housing and Technical	Under-Occupancy	Provide assurance that approved policy is implemented timeously and consistently applied.	40
Housing and Technical	Investigation of Benefit Fraud and transfer to Single Fraud Investigation Service	Review benefit fraud remit and identify risks to SLC arising from the transfer of benefit fraud investigation to DWP.	30
Computer			
All	Control Objective Database	Update control objective database to reflect current system controls and inform audit work during 2014/2015.	10
All	User Verification (Council-wide)	Review consistency of procedures for granting and deleting system access, assess appropriateness of permissions and ongoing monitoring arrangements. Validate procedural controls to establish protection against the risk of unauthorised entry.	40
Finance and Corporate	Data Management	Follow CIPFA IT Governance audit programmes covering framework and procedures, data quality, storage, media library management, retention and disposal, back-up and restoration , security requirements and monitoring.	40
Finance and Corporate	System Security - systems hosted externally	Follow CIPFA IT Governance audit programmes covering framework and procedures, access control, user access management, security testing, surveillance and monitoring, security incident management, security technology, cryptographic key management, protection against malicious software, network security management and monitoring.	40
Contract			
Finance and Corporate	E-tendering	Sample check contracts awarded through e-tendering. Examine processes and ensure compliance with procedures for award of contracts using this method. Establish costs and benefits and determine suitability.	30
All	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.	30
Community and Enterprise	ASN transport	Test options appraisal for service delivery and match to contract type. Review arrangements for effective management and test for adequacy.	20
All	Gateway Review Groups	Participate in Gateway Review Groups as required.	100
Contingency			
All	Contingency - General	Respond to requests for unplanned work.	80
All	Contingency - Investigative	Respond to requests for investigative high risk work.	100
Fraud			
All	NFI	Investigation of 2013/2014 matches and prepare for the full 2014/2015 exercise.	40

Lead Resource	Audit assignment	Outline Scope	Expected days
All	Fraud Risk Evaluation Diagnostic (FRED) 2	Undertake self-assessment against best practice and develop action plan to be implemented in 2015/16.	10
Finance and Corporate	Serious Organised Crime	Follow up findings from 2013/2014 audit assignment to ensure that emerging risks are known and mitigated.	10
Education	School Funds	Issue a self-assessment checklist of basic controls surrounding school fund administration to primary schools and collate responses.	25
All	Fraud Alerts	React to fraud alerts through professional publications and network groups and disseminate information as appropriate. Retain interest in previous anti-fraud work to provide ongoing assurance of effectiveness of controls.	10
Community and Enterprise	School Meal Income	Conduct anti-fraud review to establish controls and assess effectiveness of operation.	20
All	Credit Card Income	Conduct anti-fraud review to ensure adequate information governance controls.	15
Financial			
All	Journal Entry Data 2013/2014	Provide 2013/2014 journal entry data to External Audit for the audit of the financial accounts for the year ended 31 March 2014.	5
All	Continuous Controls Monitoring (CCM)	Continue to download data in current CCM areas (Oracle FMS, Oracle Payables, ICON and i-Procurement). Use data for analysis and to inform internal and external audit testing. Continue to develop formal reports to allow exceptions and unusual trends in financial controls to be reported to Resources for further investigation.	50
Finance and Corporate	Charitable Trusts	Provide advice and guidance to Treasury in their preparation of South Lanarkshire Council's Charitable Trust accounts for the year ended 31 March 2014.	20
All	External Audit Work Programme	Deliver programme of work to support External Audit.	15
All	Grant Award and Administration	Review adequacy of controls over the award and administration of grants by Resources and assess adequacy of evidence supplied regarding measurable outcomes	45

Lead Resource	Audit assignment	Outline Scope	Expected days
All	Cash Counts	Using data generated by CCM, undertake a sample of unannounced visits to count petty cash and review book-keeping procedures and adequacy of controls in operation.	20
Finance and Corporate	Payroll	Undertake a full payroll audit including starters, deductions, variations to pay, payment and leavers.	120
Finance and Corporate	Fixed Assets	Test procedures and system for adding, deleting, depreciating and valuing assets.	40
All	Budget Monitoring	Use of CCM data to establish correct opening and closing budget balances and track movements throughout the year.	25
Finance and Corporate	Procedural checks on expenses	Test check procedures surrounding processing and reviewing expenses.	20
Follow-Up, Review			
All	Follow-up	For all Council Resources, identify audit recommendations due in the period April 2013 to March 2014. Risk assess and follow up to ensure implementation of all high risk recommendations.	100
All	Informal follow-up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	25
All	Report to CIAB	Advise CIAB on an ongoing basis of actions due.	5
All	Audit Scotland reports	For all Council Resources identify audit recommendations due in the period April 2013 to March 2014 arising from Audit Scotland reports. Risk assess and follow up to ensure implementation of all high risk recommendations.	25
All	External Audit Actions	For all Council Resources identify External Audit recommendations due in the period April 2013 to March 2014. Collate evidence to substantiate progress and level of implementation.	5
Grant Certificates			
Community and Enterprise	Grant certificates	Prepare grant certificates as required.	70

Lead Resource	Audit assignment	Outline Scope	Expected days
Governance			
All	Governance Assurance	Review corporate governance arrangements and validate content of Governance Statement.	20
Operational			
All	Inventory	Review inventory procedures and adequacy of ongoing inventory arrangements across Resources	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
Finance and Corporate	Internal Control	Continue rolling programme of tests within Resource (2014/2015 - Accounts Payable).	25
Education	School visit	Routine primary school visit to review adequacy of procedures, administration and financial processes. Test check of controls to assess application in practice.	40
Finance and Corporate	FOI	Respond to FOI requests.	20
All	Complaints	Continue rolling programme, reviewing data from complaints process and identify one area for routine audit to provide assurance over adequate procedures and controls.	40
Social Work	Facility Visit	Undertake a full review of risks within a sample facility to identify significant financial and operational risks. Test check of controls to assess application in practice.	40
All	Top risk – Information Governance	Test check controls listed as mitigating the risk are in place and working.	25
Finance and Corporate	Data Protection	Review of processes, procedures and adequacy of controls surrounding data protection. Development of an action plan to address gaps and assist with preparation for an independent review.	30
Finance and Corporate	Information Governance	Review rolling programme of tests and revise, considering work of Information Governance Board. Test progress with delivery of actions by the Information Governance Board and devise a rolling programme of tests for next three years, commencing 2015/16.	20

Lead Resource	Audit assignment	Outline Scope	Expected days
Finance and Corporate	IMPROVE	Assess relevance of performance information reported, review performance levels and adequacy of reporting of such throughout the year.	30
All	Health and Safety	Review performance monitoring and self-audit arrangements across Resources.	25
Finance and Corporate	Workforce Planning	Review and assess adequacy of workforce planning arrangements.	30
Community and Enterprise	Waste Management IT system	Test system specification and implementation to ensure that this delivers the required controls over the recording of waste collection and disposal	30
Planning, Year End			
All	Audit plan 2015/16	Undertake consultation, risk assessment, resource and section planning, set scopes and objectives and seek approval through preparation of reports.	30
All	Annual Assurance Report	Prepare annual assurance report for 2013/2014.	20
All	Annual Report (Resources)	Prepare an annual report for each Resource detailing audit findings, opinion and performance.	20
TOTAL			2,000

Audit Assignment
Partnership risks
Renewable Energy Fund
'Tell Us Once' programme
Development of management costing tool
Softbox system for foster care/kinship payments
Compliance with PVG scheme
Travel Provider VFM audit
Assessment of risk exposure from failure of bonds
Discretionary Housing Payments

A. Analysis of work by work type

Type of work	Number of planned days 2014/2015	Number of planned days 2013/2014
Previous Year	40	20
Advice and Guidance, Consultancy, Steering Groups	130	90
Benefits (including Welfare Reform)	110	110
Computer	130	120
Contract	180	130
Contingency	180	220
Fraud Audit Plan, NFI	130	170
Financial	360	490
Follow Up, Review	160	185
Grant Certificates	70	70
Governance	20	20
Operational	420	475
Planning, Year-End	70	50
Total	2,000	2,150