SOUTH LANARKSHIRE COUNCIL

Report

Report to:	**Risk and Audit Scrutiny Forum**
Date of Meeting:	**20 September 2017**
Report by:	**Executive Director (Finance and Corporate Resources)**

Subject:	**Internal Audit Plan 2017/2018**

1. Purpose of Report
1.1. The purpose of the report is to:-

♦ present the proposed Internal Audit Plan for 2017/2018

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

(1) that the proposed Internal Audit Plan for quarters two to four of 2017/2018 (Appendix One), delivered within the context of the Internal Audit Charter (Appendix Two), is endorsed for onward approval by the Executive Committee

3. Background
3.1. In March 2017, the Forum approved a programme of assignments deferred from 2016/2017 into the first quarter of 2017/2018 (Appendix Three) and that a further Plan covering quarters two to four would be presented in quarter two of 2017/2018 covering the remainder of the year together with a Strategic Plan through to 31 March 2020.

3.2. Public Sector Internal Auditing Standards (PSIAS) require a specific risk based approach to be taken when preparing audit plans. All requirements were followed in preparation of the 2017/2018 Internal Audit Plan. The assessment of the internal audit function's compliance with PSIAS is being independently assessed to fulfil the requirement for such an independent assessment to be undertaken once every five years. It is anticipated that this assessment will be concluded by September 2017.

3.3. The content of the Audit Plan each year is determined by the requirement to deliver a programme of work that will inform the annual audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control arrangements. The preparation of the annual Audit Plan has focussed on the delivery of this objective.

3.4. For 2017/2018, this continues to require an overall strategy and Plan that;
  ♦ links to the organisation's objectives and priorities
  ♦ sets out a programme of work compliant with PSIAS
  ♦ includes required corporate assignments prior to risk evaluation
  ♦ appropriately prioritises assignments
  ♦ provides assurance in relation to the top risks facing the Council
  ♦ provides general assurance in relation to governance, risk management and control arrangements
  ♦ meets External Audit expectations

3.5. During preparation of the 2017/2018 Audit Plan for quarters two to four, the Council's external auditor, Audit Scotland, has been consulted and their input reflected in the draft Plan.

4. **Internal Audit Plan 2017/2018**

4.1. A copy of the proposed Internal Audit Plan for quarters two to four of 2017/2018 is attached at Appendix One. This shows the name of the proposed assignment, the lead Resource (if relevant) and a brief outline scope for each proposed assignment. Objectives and scopes will be refined by auditors prior to the commencement of work and 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.

4.2. These audits will be conducted in accordance with PSIAS and within the context of the Internal Audit Charter, which is attached at Appendix Two. This Charter sets out the role and remit of Internal Audit and is materially unchanged from the Charter that was presented to the Forum in June 2013. The 2017/2018 Plan, including the plan previously presented for quarter one (Appendix Three) will inform the overall audit opinion for 2017/2018 which will be expressed in an annual report as either 'good', 'adequate' or 'poor', the definitions of which are detailed in Appendix Four.

4.3. The suggested Plan provides time to deliver a range of assignments that meets corporate obligations as well as seeking to provide assurance around the general control environment of the Council. In previous years, the main focus of the Plan has been to assess how adequately the Council's top risks are mitigated together with an assessment as to the management of emerging risks and whether these responses are sufficient to mitigate against loss to the Council. For 2017/2018, this approach has also been applied within the Plan but with a greater focus on a pro-active approach that builds on previous audit work. This is considered to provide adequate focus around the significant risks and challenges the Council faces.

4.4. Three of the Council's top ten risks are not directly covered by the Plan (see Appendix Five); (1) failure to develop a sustainable Council and communities, (2) failure to demonstrate continuous improvement, limited strategic direction and a lack of cohesive change management and (3) failure to manage increasing levels of adverse weather. Of these risks, the sustainability agenda will be considered in the delivery of all audits within the Plan and change management covered by the programme of Service reviews underway. The remaining risk in relation to adverse weather is not included in the Plan as an audit is unlikely to add value. If required, further time can be allocated from contingency to review any of these risk areas during 2017/2018.

4.5. Capacity planning established at the outset that 1,053 audit days were available in 2017/2018[1] (see 5.1), of which 250 have been allocated to external clients[2]. Of the remaining 803 days, 63 days have been allocated to deliver assignments that fulfil a corporate requirement to have internal audit representation on a group or deliver a key function of the Internal Audit Service or provide time to attend working groups. A further 236 days will be used to manage fraud risks and 50 days, defined as contingency, used to respond to adhoc requests and unplanned work. The remaining 454 days have been allocated to provide assurance around the management of risks, both identified within the Council's top risk register and emerging, to ensure compliance with PSIAS and generally accepted best practice or to provide assurance over areas of a more general nature.

4.6. The number of days allocated to contingency has been decreased to maximise the number of assignments that can be delivered in the year. Should additional contingency time be required, the remaining assignments will be re-prioritised and deferred to a future year, if required.

4.7 In terms of best practice, a contingency list will also be prepared. Assignments from this may be delivered if time is available or if significant risks in such areas emerge as the year progresses.

4.8 Progress against the audit strategy will be monitored and reported to the Forum as part of regular monitoring reports that are presented at each meeting. Delivery of the strategy will be evidenced by completion of the 2017/2018 Plan and this will be tracked through performance indicators. Any subsequent changes to the Plan, arising from a change in the organisation's priorities or risks, will be agreed with the Executive Director (Finance and Corporate Resources) and presented to the RASF to endorse.

4.9 In addition to this, a strategic plan of work for 2018 to 2020 is included at Appendix Six. This assists with the coordination of audit work with the Council's External Auditors, Audit Scotland This will be reviewed at the start of both 2018/2019 and 2019/2020 to determine the resources available to deliver the Plan and to re-assess the risks. An annual Plan will continue to be presented to the Forum for endorsement.

4.10 The Forum is asked to endorse this approach and the draft Plan for onward submission to the Executive Committee on 27 September 2017.

5.   Employee Implications
5.1. A full employee capacity plan was prepared at commencement of the audit planning process. This determined that 1,388 audit days can be delivered in 2017/2018 (inclusive of days to deliver an internal audit service to external clients), a decrease of 29.9% in terms of days available when compared to 2016/2017. 335 days have been allocated to the Q1 Plan and 1,053[3] to the Quarter Two – Four Plan. This decrease in days available is attributable to the deletion of posts following savings exercises.

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[1] For quarters two to four
[2] South Lanarkshire Leisure and Culture Ltd 100 days, SEEMIS 60 days, Lanarkshire Valuation Joint Board 30 days and South Lanarkshire Integration Joint Board 60 days
[3] SLC 803 days, External Clients 250 days

5.2.   Each assignment in the Plan will be allocated to members of the audit team and target commencement and completion dates will be identified and communicated to Resources. Executive Directors have been asked, by 29 September 2017, 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 deliver the Plan by 31 March 2018.

6.   Financial Implications

6.1.   Capacity planning has been based on a prudent projection of resources that will be available to the Service in 2017/2018 and reflects the planned 2017/2018 budget. This is considered to be sufficient to deliver the Audit Plan.

7.   Other Implications

7.1.   Specific time has been allocated within the Plan to map all sources of assurance throughout the Council. This will be used in the periodic review of the Plan presented to the Forum, as required by PSIAS, and to inform the audit opinion expressed within the annual Statement of Assurance.

7.2.   To mitigate against the risk of non-delivery of the Plan, 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. As part of the process, there has been extensive consultation during preparation of the Plan and consultation invitations were extended to the following main consultees:-

- Internal Audit Team
- Finance and Corporate Resources Senior Management Team
- Executive Directors
- Audit Scotland, the Council's External auditors

8.2   All returned suggestions were included within the initial "audit universe" for risk evaluation.

Paul Manning
Executive Director (Finance and Corporate Resources)

30 August 2017

Link(s) to Council Values/Objectives
- Value – Accountable, Effective and Efficient
- Objective – Embed Governance and Accountability

Previous References
- Internal Audit Plan 2017/2018 – Quarter One - RASF 7 March 2017

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
SLC (corporate)			
Housing and Technical	Advice and guidance (Benefits)	Respond to requests from Resources (Benefits).	6
All	Contract Scrutiny Groups	Participate in Gateway Review Groups as required.	10
All	Attend Scottish Local Authority Chief Internal Auditors Group (SLACIAG), Scottish Local Authority Investigators Group (SLAIG) and computer audit sub-group (CASG)	Attend as required, respond to requests, participate in consultations and provide updates.	12
Community and Enterprise	Carbon Reduction Commitment	Provide an overview 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.	1
Finance and Corporate	Journal entry data	Provide 2016/2017 journal entry data to External Audit for the audit of the financial accounts for the year ended 31 March 2017.	5
All	Audit plan 2018/2019	Undertake consultation, risk assessment, Resource and Section planning, set scopes and objectives and seek approval through preparation of reports.	10
Finance and Corporate	Information Governance Board	Attend as required, research, prepare written advice, complete actions and report on progress throughout the year.	5
Finance and Corporate	Good Governance Group	Attend Good Governance Group and participate in preparation of the annual governance statement in 2017/18.	2
All	Serious Organised Crime Working Group	Attend and participate in the Serious Organised Crime working group in 2017/18.	2
All	Community Payback Order Working Group	Attend and participate in the Community Payback Order Working Group in 2017/18.	5
All	Historic Abuse Working Group	Attend and participate in the Historic Abuse Working Group in 2017/2018.	5
Total number of SLC (corporate) days in 2017/2018 Audit Plan			**63**

SLC General Contingency			
All	General contingency	Conclude all 2016/2017 audits. Respond to requests for unplanned work during 2017/2018, including advice and guidance to Resources.	50
Total number of general contingency days in 2017/2018 Audit Plan			**50**

SLC Top/Emerging Risk			
All	Procurement	Provide assurance that procurement practices are robust in areas assessed as being subject to higher risk of fraud.	50
Finance and Corporate	General Data Protection Regulation	Undertake an assessment of level of preparedness in advance of May 2018 deadline.	25
Education	Teacher Census	Review process and return for Teacher Census in September 2017.	5
Community and Enterprises	Mobile Working	Undertake a review of mobile working to ensure risks are managed and benefits are being realised.	25
Finance and Corporate	IT audit	Continue the rolling programme of audits in relation to Cyber Security.	40
Education	Attainment Scotland Fund/Pupil Equity Fund	Review processes in place to ensure good governance of funds and compliance with Council Standing Orders regarding spend.	35
Finance and Corporate	Financial Strategy	Test current financial planning process against best practice.	10
Total number of top/emerging risk days in 2017/2018 Audit Plan			**190**

SLC Fraud Risk			
All	Fraud contingency	Respond to requests for investigative work.	100
All	National Fraud Initiative	Preparation for the full 2016/12017 exercise and investigation of matches.	40
All	Fraud Risk Evaluation Diagnostic (Phase 2)	Update the fraud risk register as required and implement residual actions.	5
All	Fraud alerts	React to fraud alerts through internal and external sources and disseminate information as appropriate.	1

All	Procurement	Use of Continuous Controls Monitoring data for anti-fraud review (including duplicate invoice checks).	25
Community and Enterprise	Service	Ensure processes and procedures within Service are robust and that improvement actions have been fully implemented.	65
Total number of fraud risk days in 2017/2018 Audit Plan			**236**

SLC General Assurance			
All	User verification (leavers and movers data matching)	Using IDEA, undertake a data match of systems users (per system) against both leavers (per Human Resources Management System) and movers (per payroll cost centre changes) to identify any instances where systems permissions have not been removed, when appropriate.	5
Social Work	Community Payback Order process	Undertake a review of revised processes to ensure fully implemented and these address improvement areas identified.	15
All	Community Empowerment Act	Provide assurance that South Lanarkshire Council is fully complying with the Act.	20
Community and Enterprise	Taxis	Undertake a review of revised processes to ensure fully implemented and these address improvement areas identified.	15
All	Overtime, travel and subsistence	Review processes around overtime, travel and subsistence to ensure that correct processes are applied and that costs are minimised.	20
Social Work	Medication	Assess processes around control of medication within facilities.	20
Finance and Corporate	Payables	Undertake programme of routine tests around controls (including External Audit testing).	20
Finance and Corporate	E invoicing	Review procedures and sample check process to ensure consistent application with effective embedded controls.	30
Community and Enterprise	City Deal	Provide assurance around the effective and compliant delivery of projects including grants claims process.	35

All	Continuous Controls Monitoring (CCM)	Continue to download data in current CCM areas (Oracle Financial Management Systems, Payables, iProcurement and ICON Income Management System). Use data for analysis and to inform internal and external audit testing. Prepare formal reports to allow exceptions and unusual trends in financial controls to be reported to Resources for further investigation.	42
Total number of general assurance days in 2017/2018 Audit Plan			**222**

Compliance with PSIAS/Best Practice			
All	Follow-up	For all Council Resources, identify audit recommendations due in the period April 2016 to March 2017. Risk assess and follow-up to ensure implementation of all high risk actions.	15
All	Informal follow-up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	15
All	Audit Scotland actions - follow-up	Follow-up status of actions for Audit Scotland reports for actions falling due between April 2016 to March 2017. Prepare an audit file to evidence progress for the specific Audit Scotland reports being followed up by External Audit. Discuss the progress of these actions with relevant Head of Service and agree final position.	5
All	External audit actions – follow-up	For all Council Resources, identify external audit recommendations due in the period April 2017 to March 2018. Follow-up to ensure implementation of all actions.	5
All	PSIAS external inspection	Conclude PSIAS external inspection of Internal Audit.	2
Total number of compliance days in 2017/2018 Audit Plan			**42**
TOTAL NUMBER OF DAYS IN 2017/2018 SLC AUDIT PLAN			**803**

South Lanarkshire Council
Internal Audit Charter

Purpose

Internal Audit is an in-house, independent assurance function that provides an objective opinion and consultative guidance to South Lanarkshire Council and external clients on how well risks are controlled within their operations.

Internal Audit provides managers and elected members with assurance on how well processes and procedures in place are controlling the associated risks and recommends actions for improvements to ensure controls are effectively managed.

This complies with the definition of Internal Audit included within the Public Sector Internal Audit Standards:

"Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish it's objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

Compliance with the Public Sector Internal Audit Standards (PSIAS) is mandatory from 1 April 2013.

The Standards were revised from 1 April 2017 to incorporate new and revised international standards resulting in additional public sector requirements and interpretations.

The Internal Audit service reports to the Executive Committee through the Risk and Audit Scrutiny Forum (RASF) who for the purposes of PSIAS are defined as the Board . This Forum serves as the Audit Committee for SLC and independently provides assurance on the soundness of the Council's control environment and the adequacy of the risk management framework. It also delivers scrutiny and oversees external financial reporting processes. The Forum is made up of ten members of the Council. Membership changes with each new Council to ensure political balance and the Forum is chaired by a member of the opposition party.

An Annual Statement of Assurance is provided to this Forum and elected members by the Audit and Compliance Manager, to report on the effectiveness of the control environment and governance arrangements in place. Assurance is based on the professional practices outlined within Internal Audit's Audit Manual.

The authority to deliver an internal audit service is contained within SLC's Financial Regulations, Standing Orders and Scheme of Delegation (all of which are available on the intranet) as well as in the Anti-Fraud and Corruption Strategy.

For internal audit work delivered to external bodies, authority is provided by the Accounts Commission's 'Code of Guidance on Following the Public Pound' as well as Service Level Statements agreed with clients.

As well as professional standards Internal Audit will be bound by SLC local standards including the Employee Code of Conduct and the Code of Corporate Governance.

Relationship with the Risk and Audit Scrutiny Forum

The Executive Director Finance and Corporate Resources and the Audit and Compliance Manager should seek to maintain sound working relationships with appropriate elected members and ensure that good channels of communication are maintained. Within South Lanarkshire Council, the Audit and Compliance Manager is considered to be the Chief Internal Auditor. The Chair of the RASF and the Audit and Compliance Manager may meet privately from time to time to discuss audit findings, the performance of the Forum and other related matters. Internal Audit report all findings from concluded assignments via progress reports to the Risk and Audit Scrutiny Forum.
Lines of communication between the Chairs of all Committees and the Audit and Compliance Manager will be open at all times.

All elected members are free to raise concerns directly with the Audit and Compliance Manager and input to the audit plan but these will be assessed in terms of risk prior to any audit work being undertaken.

Enquiries from elected members will follow the Council's protocols and guidance.

Objective

Internal Audit's objectives are to:

- improve internal control through provision of advice and guidance on preventative measures and good governance
- safeguard public expenditure and ensure control over Council capital, revenue and project expenditure and minimise loss through a programme of routine and contract audits
- promote compliance with all corporate standards and frameworks, ensure that management information is produced accurately and safeguard the Council's computer and on-line transactions with particular emphasis on security, efficiency and sustainable service delivery
- deliver objective assurance over controls within operational and financial systems and governance arrangements
- contribute to efficiency by identifying opportunities and leading the mangement of the fraud risk
- promote risk awareness and plan risk based audit work within available resources
- meet agreed targets directing all efforts towards sound performance in all areas

In delivering the above objectives, Council values and Performance and Development requirements will be adhered to.

Role and Scope of Work

To provide the assurance of controls in place within processes and procedures across the entire control environment of the organisation, Internal Audit work will:

- independently review and appraise all systems of financial and operational control in terms of their adequacy and application;
- ascertain the extent of compliance with financial and operational procedures, policies, regulations and legislation and their impact on operations;
- advise on control implications for new and modified IT systems;
- provide advice and guidance and contribute to working groups and ad-hoc strategic exercises;

- provide consultancy services (which is defined for the purposes on PSIAS as pertaining to the provision of advice and guidance to Council Resources) on a secondment or group representation basis, provided this does not compromise independence and that a sufficient period elapses before auditors formally review those services where consultancy has been provided (usually one year);
- perform periodic governance checks;
- provide written assurance in selected areas as well as an overall opinion at least once per annum;
- recommend improvements in control, performance and productivity in achieving corporate objectives;
- follow-up the extent to which earlier recommendations have been implemented;
- work in partnership with the external auditors;
- detect, prevent and investigate fraud and crime in accordance with approved anti-fraud strategies and policies.

Internal Audit undertakes investigitative work in respect of potential fraud, irregularity and serious breaches of governance and as such, is required to be notified of all suspected or detected fraud, corruption or impropriety. It also monitors devolved responsibility for investigation by Resources.

Internal audit testing may go beyond the records and adopt a more direct approach, including interviews, fact finding and on site surveys.

The existence of Internal Audit does not diminish the responsibility of management to exercise sound systems of internal control. It is clearly and solely a management responsibility to ensure that activities are conducted in a secure, efficient and well-ordered manner and that finances are safeguarded and used to maximum effect. This includes identifying and managing risks including fraud.

Internal Audit charges a fee for work performed for external clients, subject to agreed Service Level Statements. In addition, Internal Audit will undertake work relating to external bodies funded by the Council or partners, as authorised by the Following the Public Pound guidance.

Internal Audit may work jointly with neighbouring authorities, Scottish Government departments and external auditors on a variety of projects, aimed at improving the control and/or efficiency environment of public sector bodies.

Independence

Internal Audit is located within Audit and Compliance Services, under the direction of the Proper Officer, the Executive Director Finance and Corporate Resources.

The Audit and Compliance Manager has management responsibilities outwith Internal Audit for Funding and Compliance Services. Arrangements are in place for any audit work in this area to be managed indepenently by an Audit Adviser with the Audit and Compliance Manager as the client.

The establishment structure will comprise qualified and technician posts with a mix of professional specialisms. Structural reviews may take place from time to time and regular resource monitoring is reported to the Risk and Audit Scrutiny Forum. Any reduction in resources which might jeopardise the delivery of assurance will be immediately reported to the Executive Director Finance and Corporate Resources in the first instance.

As far as is practicable, Internal Audit should not participate in the day-to-day operation of any internal systems of financial or operational control.

Plans will be formed to reflect organisational audit needs but within available resources.

Upon request from the Executive Director Finance and Corporate Resources, appropriate specialists from other departments should be made available to take part in any audit requiring specialist knowledge.

Within SLC, the Employee Code of Conduct provides guidance on the type and nature of interests that should be declared (including paid employment outside the Council and personal interests in contracts). Auditors must declare their interests in accordance with the Code of Conduct and with regard to the audit principle of independence, and notify the Audit and Compliance Manager of any conflicts of interest which may arise. This formal declaration is renewed on an annual basis as part of the performance development review process but can be revisited should any conflicts arise.

Auditors will not be assigned to review or be involved in any activity where they have previously had operational or other involvement, usually within a period of one year. This includes instances where Internal Audit employees have been consulted during system, policy or procedural developments.

Access

Internal Auditors have authorisation from the Council to examine all council records, IT systems, cash, stores and other property, to obtain explanations and to enter Council property or land.

Access is unrestricted and shall be granted on demand and not necessarily be subject to prior notice.

Reporting

All planned audit assignments will formally be reported and every assignment will be closed after review by audit management. All Internal Audit reports will be submitted to the Executive Director Finance and Corporate Resources, and to recipients within the Resource being audited, incluing the Executive Director, Head of Service and the auditee. Circulation to the Chair of the Resource Committee is the responsibility of the Executive Director. Copies of reports relating to routine planned assignments will also be forwarded to external auditors.

Best practice dictates that the Head of Internal Audit must report to those charged with governance. In SLC this means that the Audit and Compliance Manager reports to the Corporate Management Team (CMT), which is made up of Executive Directors covering all Council Resources, who for the purposes of PSIAS are defined as Senior Management. The CMT endorses, as a minimum the Internal Audit Plan and the Internal Audit Annual Report, which provides the opinion on the Council's internal control environment for both financial and operational matters and its overall governance arrangements.

Internal Audit also reports plans, annual assurance and all findings to the RASF who will in turn recommend further reporting to the Executive Committee. For external clients, reports and opinions will also be offered to audit committees, where these exist, or to client Boards and senior management teams.

Escalation

The Audit and Compliance Manager has direct access, reports and is accountable to the Executive Director Finance and Corporate Resources, the Proper Officer, as defined in Section 95, Local Government Act 1973 and meets with this officer on a regular one to one basis.

This relationship will be the escalation route for issues arising within Internal Audit. In addition, general management duties will be delegated from the Executive Director Finance and Corporate Resources to the Audit and Compliance Manager and will cover audit matters as well as general management duties, including participation in the Senior Management Team.

The Audit Manager will plan for regular formal consultations with Heads of Service and Executive Directors, especially when preparing the formal audit plan. Feedback on performance and value of work undertaken will be sought. Heads of Service will be copied on every report affecting their area of responsibility. Effective relationships will be maintained by both parties and confidentiality of information will be protected, unless this would prevent the delivery of audit assurance. Timing of work is subject to consultation but this will not preclude unannounced visits when necessary or requested by Executive Officers or Members.

Managers are expected to provide requested information within a reasonable timescale and earlier than the equivalent timescale for Freedom of Information (FOI) Requests. Managers are expected to respond to assignment feedback requests, usually within seven days and to draft reports within fourteen days.

Auditors will use escalation processes so that slippage can be dealt with swiftly within the constraints of local service delivery.

Responsibilities

In delivering assurance, Internal Audit adopts a predominantly systems-based approach to audit. In discharge of this duty, the Audit and Compliance Manager will:

- prepare an <u>annual plan</u> for formal agreement
- deliver a range of <u>audit assignments</u>, resulting in reports for management. Occasionally, letters or memos, rather than full reports will be issued. This usually occurs where few concerns are raised during the audit or where work is of a rolling nature, for example spot cash counts
- make <u>recommendations</u> for improvements
- provide <u>Committee reports</u> and other briefings to provide advice or raise awareness of performance or risk issues
- ensure a system of <u>close supervision</u> of audit work, and maintain a review of audit files through the supervisory structure
- maintain a skill level within the section specifically for the <u>investigation of fraud</u>
- provide an <u>annual opinion</u> within a full annual audit assurance statement, for agreement with the Chief Executive and Executive Director Finance and Corporate Resources and onward presentation to the Risk and Audit Scrutiny Forum and Executive Committee.

Lead Resource	Audit assignment	Outline Scope	Expected days
All	Internal controls (Direct Awards)	Review Direct Awards and sub-contracts process across Council services. Test to provide assurance that controls, including authorisation levels, are effective and robust.	50
All	Employee fraud	Undertake audit testing to identify potential fraudulent mileage, payroll and expense claims by employees.	20
Finance and Corporate	Procurement Performance Indicators (PIs)	Assess the top risk areas for procurement and align to the procurement PIs. Identify any gaps in reporting and reporting in areas of low risk.	25
Education	Anti-fraud review	Test the controls declared during 2015/16 in relation to the financial controls in place within schools.	30
Education	School funds – annual checks	Check key controls are in place for a rolling sample of schools each year. Agree individual school action plans where gaps are identified.	30
Education	Nurseries	Assess progress of the actions agreed in relation to income collection for nursery provision. Test to obtain assurances that all expected controls are in place and are operating effectively.	30
All	Follow-up	For all Council Resources, identify audit recommendations due in the period April 2016 to March 2017. Risk assess and follow-up to ensure implementation of all high risk actions.	19
Community and Enterprise	School catering monies – spot checks	Carry out a rolling programme of unannounced spot checks within school catering units dealing with cash.	30
Housing and Technical	Allocations fraud, including Council properties data match	Assess fraud risks in relation to allocations. Undertake a data match of Council properties to deceased records to identify any potential illegal succession to Council properties	30
Social Work	Self Directed Support	Provide assurance of compliance with Act and review procedures around service options and adequacy of controls to mitigate against potential risks.	20

Lead Resource	Audit assignment	Outline Scope	Expected days
Community and Enterprise	Progress with targets (10% Energy reduction and LED lighting)	Provide assurances with regards to progress in meeting both the 10% energy reduction target and the LED lighting targets. Highlight any risks identified.	10
All	Continuous Controls Monitoring (CCM)	Continue to download data in current CCM areas (Oracle Financial Management System, Payables, iProcurement and ICON Income Management System). Use data for analysis and to inform internal and external audit testing. Prepare formal reports to allow exceptions and unusual trends in financial controls to be reported to Resources for further investigation.	41
Total number of days			**335**

Definition of overall audit assurance   **Appendix Four**

Audit opinion	Definition
Good	Expected controls are in place and non-compliance, weakness nor adverse governance impact have not been identified.
Adequate	Expected controls are in place but some non-compliance, weaknesses, areas for improvement or governance impacts of a minor or moderate nature have been identified.
Poor	Expected controls are not in place or are in place but are not working in the intended manner resulting in more significant weaknesses with material room for improvement. This level also applies where there has been a material impact on the governance of the authority.

Extract from South Lanarkshire Council's Top Risk Register (January 2017) **Appendix Five**

Ranking	Key risk	Inherent risk score	Residual risk score	Sample of controls	Controls (good, adequate, poor)
1	**Reduction in funding; income generated by the Council; and savings difficulties**	9	8	• **Embedded structured and systematic approach to savings identification and prioritisation** • **Robust processes in place to report annual budget and council tax proposals to elected members** • **Four weekly monitoring and reporting of financial performance**	**Adequate**
2	**Failure to tackle poverty, disadvantage and deprivation**	9	8	• **South Lanarkshire Single Outcome Agreement (SOA), encourages a coherent approach from all partners** • **Corporate Welfare Reform Officer Working Group in place** • **Benefits are Changing team in place to ensure direct contact with tenants affected by changes.**	**Adequate**
3	**Failure to maintain the required pupil/teacher ratio**	9	8	• **Continuous monitoring of expected school staffing requirements; estimated pupil numbers including S5 and S6; and update of records with SEEMiS** • **Ongoing recruitment adverts**	**Adequate**
4	Failure to develop a sustainable Council and communities	9	8	• Sustainable development has been established as a Connect priority objective • The Sustainable Development Member Officer Working Group is responsible for the implementation of	Good

				the Council's Sustainable Development Strategy 2012-2017 • A Carbon Management Group meets regularly and a Carbon Management Plan is in place	
5	Failure to demonstrate continuous improvement; limited strategic direction; and a lack of cohesive change management	9	7	• Service reviews • Preparation of Annual Performance Report • Empower self assessment activity and associated improvement plans	Good
6	**Information management not subject to adequate control**	**9**	**7**	• **Awareness raising and data protection training** • **Information Governance Group** • **Confidential Waste Policy**	**Adequate**
7	**Fraud, theft, organised crime and cyber security attacks**	**9**	**7**	• **Anti fraud and corruption strategy** • **Active National fraud Initiative participant** • **Information sharing protocols between the Council and the Police**	**Adequate**
8	**The Council is not sufficiently prepared to deliver the Integration Joint Board strategic directions set out in the Strategic Commissioning Plan 2016-2019**	**9**	**7**	• **Chief Officer appointed** • **IJB Directions issued to the Council and NHS Board** • **Preparation of detailed risk registers**	**Adequate**
9	Failure to manage increasing levels of adverse weather	9	7	• Dedicated Flood Risk Management Team • Annual reviews of winter weather procedures • Remote monitoring of high risk flooding sites using telemetry solutions	Good

10	IT development and functionality does not meet service requirements	9	5	• ICT Project Board authorisations for all Service Plan commitments and unplanned work • Dedicated IT development fund • Testing of IT system recovery and business recovery	Adequate

Note: **Risk covered by proposed audit assignment in 2017/18 in bold.**

Proposed 2018/2019 Plan

Lead Resource	Audit assignment	Outline Scope	Expected days
All	Corporate audit activity	Undertake programme of corporate work.	60
All	General contingency	Conclude all audits. Respond to requests for unplanned work, including advice and guidance to Resources.	50
All	Fraud Plan	Deliver of a programme of anti-fraud reviews and undertake investigations as required.	230
All	Compliance Plan	Undertake a programme of audits to comply with best practice/PSIAS.	40
All	Top risks	Undertake a programme of work to provide assurance around controls covering top risks.	150
Finance and Corporate	Procurement and Commercial Improvement Programme (PCIP)	Review evidence gathered for the assessment in conjunction with the PCIP team.	15
Community and Enterprise	Waste Contract	Testing of residual waste contract.	40
Finance and Corporate	Universal credits	Procedural check to obtain assurances that housing benefits are being stopped timeously where a person has moved over to Universal Credit.	30
Finance and Corporate	IT Audit	Continue the rolling programme of audits in relation to Cyber Security.	40
Finance and Corporate	Self Service Controls	Testing of controls around self-service of personnel tasks.	30
Community and Enterprise	Job costing	Test job costing methodology to ensure robust.	35
Finance and Corporate	ICON Income Management System and Treasury Management	Undertake programme of routine tests around controls (including External Audit testing).	30
Finance and Corporate	Arm's Length External Organisations (ALEOs)	Review SLC ALEO arrangements in context of Audit Scotland report (published Spring 2018).	25
All	Budgetary Control	Review budgetary control processes to ensure effective and controls robust.	30

Lead Resource	Audit assignment	Outline Scope	Expected days
Community and Enterprise	Carbon Reduction Commitment (CRC)	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.	30
Community and Enterprise	Energy Efficiency Targets	Establish progress with towards meeting Energy Efficiency targets.	30
All	Electronic Documents and Records Management System (EDRMS)	Review effectiveness of new processes.	30
Education	Attainment Scotland Fund/Pupil Equity Fund	Undertake an Impact Analysis to establish outcomes from spend.	30
Social Work	Mobile Working	Undertake a review of mobile working to ensure risks are managed and benefits are being realised.	25
Estimated Number of Audit Days 2018/2019			950

Proposed 2019/2020 Plan

Lead Resource	Audit assignment	Outline Scope	Expected days
All	Corporate audit activity	Undertake programme of corporate work.	60
All	General contingency	Conclude all audits. Respond to requests for unplanned work, including advice and guidance to Resources.	50
All	Fraud Plan	Deliver of a programme of anti-fraud reviews and undertake investigations as required.	230
All	Compliance Plan	Undertake a programme of audits to comply with best practice/PSIAS.	40
All	Top risks	Undertake a programme of work to provide assurance around controls covering top risks.	150
Housing and Technical	Job costing	Test job costing methodology to ensure robust.	35

Community and Enterprise	Waste Contract	Testing of recyclic waste contract.	40
Finance and Corporate	IT Audit	Continue the rolling programme of audits in relation to Cyber Security.	40
Finance and Corporate	Self Service Controls	Testing of controls around self-service of finance tasks.	30
Finance and Corporate	Payroll	Undertake programme of routine tests around controls (including External Audit testing).	20
Finance and Corporate	Council Tax/Rates	Undertake programme of routine tests around controls (including External Audit testing).	20
Finance and Corporate	Debtors	Undertake programme of routine tests around controls (including External Audit testing).	20
All	Digital Maturity Assessment	Undertake an assessment of progress in delivering digital targets.	40
Finance and Corporate	Cloud utilisation	Establish extent of use and test controls that mitigate risks.	30
Education	Governance	Assess impact of revised governance structures and SLC controls to support.	40
Community and Enterprise	Planning	Review legislative changes and assess level of compliance.	35
Education	Purchasing Cards	Test use and control of purchasing cards by Resource.	35
All	Benefit Realisation	Test improvement programme to establish if benefits have been realised.	35
Estimated Number of Audit Days 2019/2020			**950**