

Report

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Report to:	Finance and Information Technology Resources Committee
Date of Meeting:	16 March 2010
Report by:	Executive Director (Finance and Information Technology Resources)

Subject:	Internal Audit - Annual Audit Plan 2010/2011
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ present the Internal Audit Plan for 2010/2011.

2. Recommendation(s)

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

- (1) that the Internal Audit Plan for 2010/2011 be approved.

3. Background

- 3.1. The revised Code of Practice for Internal Audit recommends that, for flexibility, audit plans are constructed on an annual, or more frequent, basis. The 2010/2011 Annual Internal Audit Plan complies with this guidance and has been compiled as a result of a risk assessment of all suggested areas for audit work.
- 3.2. Only limited consultation and risk evaluation took place during the preparation of the 2010/2011 audit plan for a number of reasons; the inclusion of a time intensive project to validate whether or not a change to “continuous controls monitoring” (CCM) rather than traditional financial audit would be more efficient, skills loss through early retirement, increased part-time working, increased external client work for Strathclyde Fire and Rescue and SEEMIS, a high proportion of essential work which includes annual governance and information security work and high risk work remaining from last year’s contingency list. Replies from the consultation exercises that were undertaken were few.

4. Annual Audit Plan

- 4.1. A total of 2,470 audit days is provided for during 2010/2011 to deliver around 80 assignments for all Council Resources and a service to external clients. A summary of the plan, outlining the objectives and scope of assignments, is attached at Appendix One. Delivery of these assignments will enable assurance to be provided on the Council’s control environment and governance arrangements. This assurance will be noted in the Council annual statement of internal control, which forms part of the annual accounts. The Committee is asked to approve the plan.

- 4.2. Only jobs which are assessed as high risk are programmed into the plan. Some areas of concern have not been built into the plan due to resourcing and timing constraints. These jobs have been prioritised and placed on a contingency list to be assigned, should resources become available.
- 4.3. In line with the Code of Practice, the Internal Audit Annual Plan has taken account of:
- ◆ the need to continually review and assess audit practices and investigate new and more efficient ways to deliver the service
 - ◆ the importance of the advice and guidance role that Internal Audit fulfils
 - ◆ the requirement to dedicate auditor time to more complex audit areas
 - ◆ on-going participation of South Lanarkshire Council in the National Fraud Initiative
 - ◆ the need to be pro-active in the prevention and detection of fraud
- 4.4. The Corporate Management Team approved the plan on 4 February 2010. The Risk and Audit Scrutiny Forum, at their meeting on 25 February 2010, also approved the plan and the contingency approach for additional jobs.

5. Employee Implications

- 5.1. The Internal Audit Annual Plan 2010/2011 assumes an establishment of 15.6 people within the Internal Audit Section.
- 5.2. Account has been taken for the need for other leave, absence and holidays. Training is arranged to suit individual requirements as part of the annual PDR process and one audit assistant is continuing his studies for the Institute of Internal Auditors qualification in 2010/2011.
- 5.3. Where practical, trainees will also be afforded the opportunity to undertake a full audit, under strict supervision, to ensure the development of a range of audit skills during their placement.

6. Financial Implications

- 6.1. The plan should be delivered within the section budget for 2010/2011 which has yet to be determined.

7. Other Implications

- 7.1. During late 2009/2010 Internal Audit will participate in the EMPOWER pilot and some improvement areas may be identified for development. Delivery of these improvements may impact on the delivery of the 2010/2011 Internal Audit Plan. As is current practice, any proposed amendments to the Plan will be presented to the Risk and Audit Scrutiny Forum for prior approval.

8. Equality Impact Assessment and Consultation Arrangements

- 8.1. Equality issues are considered as part of the annual audit planning process and due consideration is given to individual's rights during investigations. As the audit plan does not introduce a new policy, function or strategy, no formal equality impact assessment is required.
- 8.2. In preparation of the plan, key officers were consulted regarding management concerns.

- 8.3. PWC was also invited to contribute to the content of the plan and have been given the opportunity to review and comment on the draft 2010/2011 audit plan. PWC have indicated that there are some areas that they will place reliance on Internal Audit's work, including Continuous Controls Monitoring, and use to support the audit opinion in the Council's Annual Report and Accounts 2010.
- 8.4. Clients are consulted on every audit report prior to final issue.

Linda Hardie
Executive Director (Finance and Information Technology Resources)

17 February 2010

Link(s) to Council Values and Objectives

- ◆ Value: Accountable, effective and efficient
- ◆ Value: Fair and open

Previous References

None

List of Background Papers

- ◆ Internal Audit Annual Plan 2010/2011
- ◆ Internal Audit Strategy
- ◆ Internal Audit Code of Practice
- ◆ Internal Audit Planning Spreadsheets

Contact for Further Information

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

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Appendix One: Annual Internal Audit Plan 2010/2011

Risk Area	Council Value	Job	Scope	Objective	Client	Days
Fraud and Theft	Accountable, effective and efficient	NFI 2010/11	Co-ordinate, oversee and report on NFI activity covering compliant investigation of 10/11 SPD matches and acceptable conclusion of the 2009/10 NFI exercise.	To ensure compliance of National Fraud Initiative activity with Audit Scotland guidelines.	CDC	30
Fraud and Theft	Accountable, effective and efficient	NFI Follow-Up	Follow up control issues identified during the 2009/10 NFI exercise, in particular licence application matches to right to work, blue badge and residential home matches and registered deaths and insurance matches to Housing Benefit.	To ensure that all controls issues identified during the 2009/10 NFI exercise are properly addressed and improvements made to reduce the number of future NFI matches.	CDC	30
Fraud and Theft	Accountable, effective and efficient	Management of Fraud Risk	Facilitate delivery of and report progress with agreed actions for delivery by Resources and Internal Audit and to update the actions plan for 2010/11 and beyond if necessary. This includes chairing the corporate anti fraud group and maintaining a fraud risk register.	To demonstrate the extent of the fraud risk and to improve the management of fraud.	CDC	5
Fraud and Theft	Accountable, effective and efficient	Management of Fraud Risk - School Income	Review the procedures in place for collecting and recording school income, in particular through the cashless system. Ensure that reconciliations are carried out centrally to verify that all due income has been collected, properly receipted, recorded, banked and that explanations are sought and received for all discrepancies.	To ensure all cash collected by Community Resources for school meals is banked and properly accounted for.	CDC	15
Fraud and Theft	People focused	Management of Fraud Risk - Recruitment Checks	Review recruitment procedures and ensure they cover, right to work checks, reference checks, disclosure and qualification checks and are in line with other expected controls. Select a sample of cases and ensure procedures have been followed.	To ensure that recruitment checks are in place which adequately protect the Council from inappropriate appointments and potential conduct breaches.	CDC	8

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Risk Area	Council Value	Job	Scope	Objective	Client	Days
Fraud and Theft	Accountable, effective and efficient	Management of Fraud Risk - Mobile Phones	Review the procedures in place for the purchase/lease and allocation of mobile phones (i.e. authorised users) and ensure these are adhered to within Resources. Identify the quantity and location of Council Mobile phones and compare to asset register. Map the billing process and select a sample of mobile phone bills received and test that they relate to an authorised user and are checked and settled for personal calls. This assignment should consider using data mining to identify high bills and duplicate payments.	To ensure Council mobile phones are not used for private purposes and that there are adequate controls for payment of bills	CDC	25
Fraud and Theft	Accountable, effective and efficient	Management of Fraud Risk - High OT Earners	Carry out data-mining to identify employees who earn a high percentage of overtime when compared to basic salary. Use the results to follow up a sample of high earners to ensure all overtime earned was required, genuine and properly authorised. Compare the cost of overtime with cost of employing additional staff.	To identify cases where employees are earning high overtime in relation to their basic salary and to provide assurance that all overtime claimed is genuine and necessary.	CDC	20
Governance Gaps	Accountable, effective and efficient	Benefits Follow-Up	Formally follow up recommendations made in 2009/10 audit reports for the Benefits Service	To provide assurance that recommendations made in 2009/10 audit reports are implemented.	H&T	5
Fraud and Theft	Accountable, effective and efficient	Benefits - Fraud Prevention	Complete standard benefits fraud CIPFA tests, amended where necessary to reflect SLC specific issues	To provide assurance that the procedures in place within the Benefits Service adequately detect and prevent fraud.	H&T	25
Fraud and Theft	Accountable, effective and efficient	Benefits - Intervention	Review intervention processes and procedures and ensure appropriate cases are identified for intervention based on the associated risks. Check that intervention targets are met and all identified fraud is properly and quickly reported to the fraud section.	To provide assurance that intervention procedures are in place which focus on regular review of high risk cases.	H&T	20

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Risk Area	Council Value	Job	Scope	Objective	Client	Days
Governance Gaps	Accountable, effective and efficient	Benefits - Rolling Programme	Assist with the implementation of the rolling programme for benefits checking and provide training on audit techniques/new audit programme where necessary.	To assist in implementing the H&T programme of benefits rolling audits that will provide assurance over the adequacy of general benefits processing controls.	H&T	20
Governance Gaps	Accountable, effective and efficient	Benefits - SA	Follow up recommendations arising from the 2009/10 Audit Scotland Housing Benefits self-assessment Report	To ensure the action plan arising from the 2009/10 benefits self assessment is implemented.	H&T	30
Regulation and Legislation	Fair and Open	2010 Trust Fund and Charitable Accounts	Review the accounting records of Council administered Trust Funds, agree them to the Trusts' accounts, seek explanations for unusual items, and sign the independent examiners report as required by the Office of Scottish Charity Regulators (OSCR).	To provide an independent examiners certificate as required by charity regulations.	F&IT	15
Regulation and Legislation	Accountable, effective and efficient	ICON VAT Flags	Carry out an analytical review of "vat flags" set on ICON E returns, highlight instances where the wrong "vat flag" has been set on a particular income source, and calculate any under/over payment of output vat that may have resulted.	To provide assurance that VAT management within ICON system is satisfactory.	F&IT	35
Costing of Projects	Accountable, effective and efficient	Roads Costing System	Map roads costing processes to identify essential business requirements and conduct a procedural review. Check system for inclusion of requirements. Document key controls and test check adequacy. Review reporting function. Examine security levels. Test links with i-procurement. Check new process for aggregating daily import files.	To provide assurance that the Roads Costing system is fit for purpose and can produce relevant and timely management information.	Ent	40
Reduction in Funding	Accountable, effective and efficient	Regeneration Services	Review the policy and strategy for external and matched funding. Map the process for securing external funding, tracking monies received and assessing funds that can be levered in relation to monies received. Review decisions and business cases for initial bids.	To provide assurance that a structured approach has been taken to bidding for and allocating external funds	Ent	45

Appendix One: Annual Internal Audit Plan 2010/2011

Risk Area	Council Value	Job	Scope	Objective	Client	Days
			Sample check for adequacy of control and accuracy of figures at all key stages covering bid application, receipt, allocation, ledger control and coding, monitoring of qualifying criteria and grant conditions, project management and closures and internal and external reporting.			
Reduction in Income	Accountable, effective and efficient	Non-delivery of Savings	Outline the total savings environment by project. Select a sample of income and expenditure savings and determine the service changes required to achieve the saving. Confirm that these changes are reflected in service plans and that local budgets at the outset reflect the agreed changes. For a selection of income generating projects compare original unit and value projections to the actual year to date outturns. For expenditure cuts compare prior and current year budgets and also compare budget projections to actual year to date outturns. Assess monitoring arrangements and variance explanations	To provide clear evidence that services have adjusted budgets to take account of agreed savings and provide assurance that year to date actual activity will achieve the agreed saving	F&IT	35
Reduction in Income	Fair and Open	Charging Policies	Using ICON and the ledger, identify all streams of chargeable income and inconsistencies in ledger coding for like charges. Compare identified streams and actual prices to the central list of charges, identifying differences and making comparison to publicised charges made by other authorities. Identify management reports which align units to income. Identify where income reconciliations are needed and whether or not in place. Differentiate between chargeable income streams which are invoice and cash based, making recommendations on where to invoice. Identify instances where	To conduct an analytical review of income generated from charging to provide a planning benchmark and provide assurance that correct and equitable charges are being levied	CDC	45

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Risk Area	Council Value	Job	Scope	Objective	Client	Days
			charges should be levied but are not.			
Costing of Projects	Accountable, effective and efficient	Costing Study of Trading Operations	Analyse costing returns and select samples for development. Extract input and output units. Analyse spend between variable and fixed costs. Populate standard management accounting pro-formas with full and part year actual and budget information. Analyse and summarise interpretation of findings.	To work up selected sets of management accounts which align units to costs in order to help identification of efficiencies or to support the pilot study by Audit Scotland	H&T	40
Governance Gaps	Self aware and improving	CCM	Identify all key controls within the Council's main financial systems with reference to external audit and CIPFA programmes, select those best suited to validation through automatic download of system information. Design quarterly extracts to investigate potential for data extract using IMPROVE. For analysis, arrange data extract and plot graphically or tabularly to show trends and report on exceptions for IDEA use and presentation. Review output with system owners, note data extract costs and prepare business cases which compare traditional audit work to CCM	To highlight variances in key financial controls for client investigation and potential improvement and assess whether or not there is a business case for more formal introduction of Continuous Controls Monitoring (CCM) as an alternative to traditional audit work.	CDC	235
Governance Gaps	Accountable, effective and efficient	Control Testing	Routine testing using CIPFA programmes of financial controls falling outside the CCM project but within systems which would have been next on a rolling programme. Undertake work for PWC to place reliance upon and if specified.	To provide assurance that routine financial system controls are effective and operational where these have not been covered by the CCM project.	CDC	35
IT Failures	Self aware and improving	Quality of Financial Management System	Convert and refine ISO procedural tests identified by IT Services on main financial systems to audit programmes. Undertake rolling programme of tests. Design outcome reporting to comply with quality requirements.	Assist in the accreditation of financial systems to ISO9001 to improve opportunities for sharing services.	F&IT	35
Governance Gaps	Accountable, effective and efficient	2010 Formal Follow-Up	For all Council Resources identify high risk assignments and high risk audit recommendations due to be	Provide sound assurance, as part of the Council's governance arrangements and improvement agenda, that audit actions are being delivered and that improvements	CDC	80

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Risk Area	Council Value	Job	Scope	Objective	Client	Days
			followed up in the period April 2009 to March 2010. Perform follow-up work through enquiry and hard testing to ensure implementation of all relevant recommendations and compare to informal declarations.	are being made.		
Governance Gaps	Accountable, effective and efficient	2010 Informal Follow-Up	Advise Resources on a monthly basis of audit actions due within that month through auto e mail. Collate responses for reporting to Corporate Management Team and the Risk and Audit Scrutiny Forum.	Provide limited assurance that audit actions are being delivered by services.	CDC	30
Reduction in Funding	Accountable, effective and efficient	2010 GC CW&SS	Identify grant conditions, examine accounting and operational records to confirm compliance and prepare grant certificate	To provide assurance that the Council has complied with the terms and conditions of the Cycling, Walking & Safer Streets grant.	Ent	15
Reduction in Funding	Accountable, effective and efficient	2010 GC Leader	Identify grant conditions, examine accounting and operational records to confirm compliance, follow-up previous recommendations for improvement and prepare grant certificate	To provide assurance that the Council has improved its compliance with the terms and conditions of the Leader grant.	Ent	15
Reducing Scope for Choice v Service Demands	Accountable, effective and efficient	Ledger Coding	Review ledger hierarchy and assess if reflective of service structure. Review budget monitoring for material variances and indication of misposting. Analysis of sample of accounts to assess accuracy of posting. Review procedures. Assess controls to prevent misposting. Assess level of correction and action taken to address issues.	To provide assurance that Education income and expenditure is appropriately coded and monitored.	Educ	45
Governance Gaps	Accountable, effective and efficient	Housing Audit	For the HRA, examine how the budget setting process is aligned to plans and demand, review regular budgetary control processes and examine controls around key risk areas. Review business activity and financial reporting.	To provide assurance that the Housing Revenue Account is being routinely controlled throughout the year and being used for appropriate purposes OR Undertake work to help address issues which may arise as a result of the 2009/10 regulatory inspection of Housing	H&T	45
Reduction in Income	Accountable, effective and efficient	Community Halls Financial and Operational Management	Analyse income from community halls and track pattern of income. Investigate any unusual trends highlighted by analysis. Establish costs of maintaining and running facilities, validate income generated	To provide assurance over the financial and operational management within community halls.	Comm	45

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Risk Area	Council Value	Job	Scope	Objective	Client	Days
			and compare net operating cost. Review 2010/11 budgets. Document extent of 'free lets' and quantify cost to SLC. Establish various types of management structures and test check adequacy of controls for each type of management structure.			
Fraud and Theft	Accountable, effective and efficient	School Inventory	Review a sample of school inventories and ensure the person responsible is aware of the inventory procedures, the inventories are up to date and reflect purchases/disposals made throughout the period, include all relevant information e.g. description, model number, location, purchase price	To ensure school inventories are complete and up to date	Educ	35
Reduction in Funding	Accountable, effective and efficient	EMAs	Review current guidance. Assess adequacy of procedures. Establish level of grants paid. Sample check payments. Review adequacy of records. Assess controls in place to prevent erroneous payments and deter fraud.	To ensure that Education Maintenance Allowance (EMA) monies are appropriately disbursed and that robust controls are in place to deter fraud.	Educ	35
Reputational Damage	Accountable, effective and efficient	IMPROVe	Identify the key controls required to ensure robust performance reporting, check that system controls are in place and working. Sample check performance information for each Resource to assess the appropriateness of Resource/Connect measures and the mix of these measures. Identify common PI's and check that outputs and resultant reports are consistent across Resources and that the appropriate performance targets are being measured .	To provide assurance that the Improve performance management system is configured with appropriate internal controls which allow complete and accurate reports.	CDC	35
Ineffective Energy Management	Sustainable development	Energy Efficiency	Validate declared energy controls and actions including responsibilities, strategies and plans for the management of energy, identify initiatives and	To provide assurance that SLC are adequately reducing the internal demand for energy through conservation and efficiency measures and that best use is being made of limited funding.	H&T	45

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Risk Area	Council Value	Job	Scope	Objective	Client	Days
			review progress. Examine monitoring and reporting arrangements and check how these inform future improvements. Review initiative spending and examine actual savings compared to anticipated levels. Review the operation of the energy fund.			
Ineffective Energy Management	Sustainable development	Carbon Reduction Commitment	Identify approved targets and compare to external requirements. Review carbon reduction strategy, plans to deliver, arrangements for calculating emissions and purchasing allowances to cover excess emissions. Examine monitoring and reporting of carbon emissions data for completeness and accuracy and review the "evidence pack" required as audit trail behind the figures.	To provide assurance that SLC has made adequate preparations to meet the requirements of the Carbon Reduction Commitment which begins in April 2010	H&T	45
Reduction in Income	Accountable, effective and efficient	Building Warrants Controls	Review the adequacy of controls over the issue of building warrants and completion certificates. Examine procedures for the processing of applications, the obtaining of appropriate professional advice where necessary, assessing the value of works and recovering the correct fee. Check that sufficient information and documentation is in place to support approved licensing applications.	To provide assurance that operational and financial measures within Building Control are adequate.	Ent	35
Delays in Schools Mod Programme	Accountable, effective and efficient	SEEMIS Data	Map key modules within SEEMIS, identify key controls for input, extract and validation or use of data. Examine core processes within each module for future testing. Examine data relating to teacher and pupil school rolls and financial information. Test check controls and provide assurance data is accurate, complete and	To provide assurance that the data contained within SEEMIS is accurate and current and properly reflected in output reports.	Educ	35

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Risk Area	Council Value	Job	Scope	Objective	Client	Days
			timeous. Establish procedures and responsibilities for maintenance of data. Establish management use of this information re decision-making and assess whether data supports decisions.			
Regulation and Legislation	Accountable, effective and efficient	InfoProp Reconciliation	Map commonality of asset registers and reconciliation process, review procedures, specifically validate that defined responsibilities are being exercised, examine checking systems and activity and assess the reporting and escalation process.	To assist in development of a robust reconciliation process which ensures consistency between financial, Estates and operational asset registers.	Ent	10
Vulnerable Clients	Tackling disadvantage and deprivation	Care of Older People	For all aspects of the care cycle check that actions are being taken on time, that data input and extract is accurate and complete, that unmet need is minimised, that performance is monitored, that exceptions are being addressed and that actions are being taken to improve care services. Care cycle elements cover referrals, SLC client assessment, service delivery by both in-house teams and external contractors and regular reviews.	To provide assurance that the care cycle for older people is delivering services on time and complies with internal processing standards	SW	30
Vulnerable Clients	Accountable, effective and efficient	Aids and Adaptations	Establish internal and external responsibilities for Aids and Adaptations check that adequate controls are in place to safeguard any SLC asset investment. Identify expected controls in relation to the ordering, storage and allocation of aids and adaptations and test if these controls are in place and working. Identify if income is received for Aids and Adaptation and if so assess the adequacy of control.	To provide assurance that adequate procedures are in place for the management of aids and adaptations through the Equipu Service Level Agreement	SW	45
Reducing Scope for Choice v Service Demands	Accountable, effective and efficient	Audit of Organisational Change	Review change management arrangements including guidance on managing change, policy and planning, organisation, restructuring	To provide assurance that procedures recommended by the Audit Commission are in place for the proper management and control of change within the Council.	CDC	25

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Risk Area	Council Value	Job	Scope	Objective	Client	Days
			of specific services/Resources, budgets and options for competitive/alternative service delivery mechanisms.			
IT Failures	Accountable, effective and efficient	Purchase Card System	Identify system expected controls, test actual controls and compare total purchase card expenditure across all Resources. Assess nature and appropriateness of spend to identify efficiencies. On a sample basis, review adequacy of procedures and controls.	To provide assurance that controls are in place for ordering and payment using purchase cards	CDC	20
IT Failures	Accountable, effective and efficient	SEEMIS System-Housekeeping	Complete standard computer audit programme, amended where necessary to reflect specific SEEMIS requirements	To ensure SLC comply with computer security best practice in its use of SEEMIS software	Educ	35
IT Failures	Accountable, effective and efficient	Access Checks	Complete standard computer audit programme for two systems selected from updated control objectives database. This will include SWIS plus one other.	To ensure that system access controls are effective and cover threats arising from a diverse user population.	SW	30
IT Failures	Accountable, effective and efficient	Control Objectives	From the updated control objectives database, select two recently implemented or upgraded systems, identify adequacy of control objectives, compare to system controls and test the operation of system controls. Complete standard internally designed audit programme	To confirm that adequate consideration is given to internal control during development and implementation phases of new systems.	CDC	30
IT Failures	Accountable, effective and efficient	Information Governance	Roll-out programme of information governance work arising from PWC 08/09 study. In particular implement information security and governance standard internal controls questionnaires or tests. <i>(rolling programme of tests to be developed by 31/3/09 as part of the 2009/10 audit work)</i>	To implement rolling programme of information governance assurance checks.	CDC	40
IT Failures	Accountable, effective and efficient	PC Controls	Complete standard CIPFA computer audit tests amended where necessary to reflect SLC specific issues	To ensure compliance with CIPFA recommended best practice in relation to use of desktop personal computers.	F&IT	15

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Risk Area	Council Value	Job	Scope	Objective	Client	Days
Poor Contracts Management	Self aware and improving	Compliance with McClelland	Using the best practice assessment prepared by Scottish Chief Internal Auditors' Group (SLACIAG) evaluate and score SLC progress, collecting core evidence, compare and report on results over time and against participating authorities when data becomes available.	To update information used in the national benchmark procurement study "Are we buying in?" and assess improvements in SLC's position over time and against other authorities	F&IT	25
Increased Costs in Provision of Service	Accountable, effective and efficient	Use of External Consultants	Identify value of spend by consultant and by Resource. Identify areas of duplication of consultancy services across Resources. Choose sample of Resources with material spend and review business case and decision-making process leading to appointment of consultants including pre-assessment of in-house skills. Review a sample of projects and examine consultant's remit and service delivered. Assess cost of consultancy against benefits derived.	To provide assurance that the use of consultants is value for money and that there have been tangible benefits from use of external consultancy services.	CDC	35
Poor Contracts Management	Accountable, effective and efficient	Telecommunications	Examine telephone register and procedures for validation of extensions and users. Spot check ownership and standing charges, assess budget setting process and outline actual expenditure for both standing charges and bills. Assess reconciliations between ledger information and other billing records. Review contract management arrangements including call billing and approval processes. If time allows, use data-mining to identify high usage.	To provide assurance that charges for land line telephones are correct and properly allocated.	F&IT	35
Poor Contracts Management	Working with and respecting others	Children's Games	Establish SLC contribution (financial, staff etc) and responsibilities relating to preparation for Games. Check that financial commitments are reflected in budgets and that monitoring arrangements are in place. Assess SLC progress and delivery.	To provide assurance that SLC are adequately protected from financial risk and that defined commitments are being delivered in relation to the Children's Games.	CDC	35

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Risk Area	Council Value	Job	Scope	Objective	Client	Days
			Establish if SLC exposed to any risks e.g. financial and that controls are in place to mitigate. Review partnership arrangements against recommended best practice and assess effectiveness. Review control environment and good governance arrangements.			
Poor Contracts Management	Accountable, effective and efficient	Analytical Review of Contract Award	Obtain data, for each contract awarded, of the contractors requesting and returning tender documentation and the eventual outcome of the process. Obtain tender evaluations and note scoring. Analyse and identify any trends or patterns. Compare contract award to recommended credit limits and examine wider financial and capacity appraisals.	Undertake an analytical review of the award of contracts throughout 2009/10 to provide assurance that contracts have been appropriately awarded.	CDC	35
Poor Contracts Management	Accountable, effective and efficient	Contract Spend	Undertake analytical review to identify variations to contract. For a sample of contracts verify variations and check that valuations are in line with original contract rates. For same sample confirm that as part of the project appraisal, the need was identified, options evaluated and appraised, a feasibility study undertaken and that design meets need.	To provide assurance that there is a sound business case prior to procurement, that project matches need and that payments agree with contractual rates.	CDC	35
External	External	SLL Advice and Guidance and Audit Planning	Provide controls advice and guidance as requested and risk assess ideas for the 2011/12 internal audit plan	Assist South Lanarkshire Leisure with improving its control environment and governance arrangements	SLL	5
External	External	SLL Follow Up Triggers	Send out monthly reminders of due audit actions, track responses and report on progress with delivery	Assist South Lanarkshire Leisure with improving its control environment and governance arrangements	SLL	1
External	External	SLL Annual Report	Prepare an annual internal audit assurance report for presentation to the Board which summarises all the findings from the year's audit work and provide an audit opinion on the adequacy of governance arrangements and control environment.	Provide South Lanarkshire Leisure with an internal audit opinion	SLL	4

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Risk Area	Council Value	Job	Scope	Objective	Client	Days
External	External	SLL Stock Check	Attend one stock count (as directed by KPMG) to verify stock count is undertaken in accordance with written procedures and that quantities and valuation of stock on hand at 31 March 2010 is accurate and complete.	Provide assurance of adequate control over SLL stocks and that figures used in accounts are complete and correct	SLL	10
External	External	SLL Payroll Data-Mining	For the Clydesdale area, carry out data-mining to identify employees who earn a high percentage of overtime when compared to basic salary. Use the results to follow up a sample of high earners to ensure all overtime earned was required, genuine and properly authorised. Compare the cost of overtime with cost of employing additional staff.	To identify cases where employees are earning high overtime in relation to their basic salary and to provide assurance that all overtime claimed is genuine and necessary.	SLL	25
External	External	SLL Fraud Awareness Training	Lead fraud awareness training workshop to equip managers to be proactive in the detection of fraud within leisure facilities	Assist SLL to provide fraud awareness training to managers	SLL	15
External	External	SLL Travel Expenses	Analytical review of expense claims to establish total reimbursed and material claims. Review of procedures and test check sample of expense claims to confirm compliance. Identification of recurring errors for action.	Provide assurance to South Lanarkshire Leisure that expenses reimbursed to employees are paid at the correct rates and for eligible expenditure.	SLL	15
External	External	SLL Community Facilities	Share findings from SLC audit reviewing operational and financial management of community facilities. Review budget monitoring process for Service and actual against budgeted income and expenditure. Investigate a sample of cost centres with material under or over spend.	Provide assurance to South Lanarkshire Leisure that existing facilities are soundly managed.	SLL	5
External	External	LVJB Follow Up Triggers	Send out monthly reminders of due audit actions, track responses and report on progress with delivery	Assist LVJB with improving its control environment and governance arrangements	LVJB	1
External	External	LVJB Annual Report, Plan and Admin	Report on 2010/11 audit findings, provide controls advice and guidance as requested and risk assess ideas for the 2011/12 internal audit plan	Assist LVJB with improving its control environment and governance arrangements	LVJB	4

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Risk Area	Council Value	Job	Scope	Objective	Client	Days
External	External	LVJB Spend Analysis	Analyse budgets to identify controllable and non-controllable costs. Verify sample of charges incurred to supporting documentation. Review sample of expenditure lines to establish value for money secured in goods and services procured.	Provide assurance that budgets are controlled and expenditure incurred secures value for money for the Board.	LVJB	25
External	External	SFR Formal Follow Up	Review previous year audit actions and identify high risk issues. Follow-up and obtain evidence of implementation	Assist SFR with improving its control environment and governance arrangements	SFR	5
External	External	SFR Follow Up Triggers	Send out monthly reminders of due audit actions, track responses and report on progress with delivery	Assist SFR with improving its control environment and governance arrangements	SFR	1
External	External	SFR Annual Report	Report on 2010/11 audit findings	Assist SFR with improving its control environment and governance arrangements	SFR	5
External	External	SFR Advice and Guidance, Fraud and Audit Planning	Provide controls advice and guidance as requested and risk assess ideas for the 2011/12 internal audit plan	Assist SFR with improving its control environment and governance arrangements	SFR	4
External	External	SFR Employee Expenses	Analytical review of expense claims to establish total reimbursed and material claims. Review of procedures and test check sample of expense claims to confirm compliance. Identification of recurring errors for action.	Provide assurance to SFR that expenses reimbursed to employees are paid at the correct rates and for eligible expenditure.	SFR	25
External	External	SFR Pension Transition Arrangements	Review documentation to ensure that the correct direct grant is paid by the Scottish Government to SFR for "top-up" payments for pension and related allowances and gratuities. Review and test controls to confirm integrity of data supporting grant paid.	To provide assurance that SFR receives the correct direct grant due under the new financial arrangements for the funding of pension payments.	SFR	10
External	External	SFR Petty Cash	Review procedures and assess level of compliance. Visit facilities and perform cash count. Test check records to ensure provide adequate audit trail. Review nature of expenditure to ensure compliant with guidance. Assess reasonableness of petty cash held in relation to spend.	Provide assurance to SFR that petty cash is well controlled and used appropriately.	SFR	25

Appendix One: Annual Internal Audit Plan 2010/2011

Risk Area	Council Value	Job	Scope	Objective	Client	Days
External	External	SEEMIS Internal Audit Service	Follow-up earlier control issues when Seemis under Council ownership, review new governance arrangements and include Seemis samples in SLC financial controls work	Provide the new Board of Seemis LLP with assurance over their governance arrangements and control environment	Seemis	30
Governance Gaps	Accountable, effective and efficient	Annual Governance Checks	Using the SLC Directors' self assessment framework, spot check evidence behind declarations and conduct cross cutting governance checks using standard audit programme. Document review and assess Resource compliance with governance requirements. Identify and suggest areas for local and corporate improvement	To provide input to the Council's governance statement by reporting on outcome of selected governance checks.	CDC	20
Governance Gaps	Accountable, effective and efficient	General Contingency	Respond to requests	Allow for unforeseen requests for high risk regulatory audit work unforeseen during audit plan period.	CDC	113
Fraud and Theft	Accountable, effective and efficient	Investigative Contingency	Respond to alerts on a risk basis	Allow for unforeseen requests for high risk investigatory audit work.	CDC	200
Governance Gaps	Accountable, effective and efficient	Advice and Guidance	Respond to requests.	Respond to requests for advice and guidance.	CDC	27
Governance Gaps	Accountable, effective and efficient	Bulletins	Prepare internet based advisory bulletins informed by 09/10 audit assignments	Prepare internet based advisory bulletins informed by the 09/10 audit assignments.	CDC	12
IT Failures	Accountable, effective and efficient	Steering Group Attendance	Attend working group and IT steering group meetings, assist in identification and design of system controls and objectives. Provide internal audit advice and perform limited testing if required. Current projects include HRMS and Information Governance.	To encourage adequate consideration of internal control and operational risk during system developments and implementations.	CDC	10

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Risk Area	Council Value	Job	Scope	Objective	Client	Days
IT Failures	Accountable, effective and efficient	I-procurement Consultancy	Identify the number of i-Procurement orders that have not been matched with a related purchase invoice, and are being accrued in the Oracle General Ledger. Prepare an "aged analysis" of these orders, and identify "hotspot" cost centres that have long outstanding orders. Determine why these orders are not being cleared, and establish if any process improvements are needed. Using data matching software, match these outstanding orders against non i-Proc invoices processed for the same amount and same supplier, to determine whether invoices related to outstanding orders have already been paid through a non i-Proc route (and need to be closed).	On going provision of consultancy services to Resources during or following the implementation of electronic procurement system.	CDC	25
Governance Gaps	Accountable, effective and efficient	Audit Planning	Undertake consultation, risk assessment, Resource and section planning, set scopes and objectives and seek approval through preparation of reports	To provide a 2011/12 risk based internal audit plan for approval	CDC	35