

# Report

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>27 September 2022</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Internal Audit Activity as at 9 September 2022</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ update the Risk and Audit Scrutiny Committee (RASC) on progress by, and performance of, the Internal Audit service in the period 4 June to 9 September 2022
- ◆ provide a summary of audit reports presented to Glasgow City Region City Deal Cabinet (the Cabinet) during the same period
- ◆ advise of the planned external assessment of the Council's internal audit function's level of compliance with the Public Sector Internal Audit Standards (PSAIS)

## 2. Recommendation(s)

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

- (1) that progress and performance be noted;
- (2) that findings from the audit reports presented to the Cabinet be noted; and
- (3) that the planned external assessment of the Council's internal audit service level of compliance with PSIAS be noted.

## 3. Background

3.1. Findings from internal audit assignments are reported to the Committee throughout the year. The last progress report to the Committee was in June 2022 and reported on work completed in the period 8 January to 3 June 2022. This report covers all work completed in the period 4 June to 9 September 2022. Performance information is also included.

## 4. Delivery of the Internal Audit Plan: Progress and Performance

4.1. In January 2022, the Committee approved the first phase of the Audit Plan for 2022/2023. An update on progress with the delivery of this Plan is set out in Appendix 1. The proposed Audit Plan for the remainder of the year is set out in a separate item on the agenda of today's meeting. As at 9 September 2022, 20% of the first phase of the 2022/2023 Audit Plan was complete.

4.2. Key performance indicators reflecting quality, on time and within budget as at 31 July 2022 are summarised in Appendix 2 together with explanations. 100% of draft reports have been issued on time and 100% within budget against targets of 80% respectively. Quality continues to be monitored through internal quality control procedures.

- 4.3. Client contributions to the delivery of the Audit Plan take the form of responding to draft reports, agreeing to closing meetings and signing reports quickly once agreed. 100% of audit assignments were concluded to a signed action plan, where this was required, within 4 weeks of the issue of a draft report against a target set of 80%.
- 4.4. Appendix 3 lists all assignments completed in the period 4 June to 9 September 2022 together with a summary of overall assurances from each area of work.
- 4.5. Members are asked to note progress and performance.

## **5. Glasgow City Region City Deal**

- 5.1. At the June 2022 Cabinet meeting of the Glasgow City Region City Deal, audit reports were presented on; change control and contract management; equality impact assessment and anti-bribery, corruption and fraud measures. In addition, the Internal Audit Annual Report and Draft Governance Statement for 2021/2022 was presented to Cabinet. A link to these reports can be found [here](#).
- 5.2. The first audit included South Lanarkshire's Hamilton Community Growth Area in the sample selected. Audit work confirmed that a reasonable level of assurance could be placed on the control environment. The audit did identify some scope for improvement in the existing arrangements and an action plan set out three recommendations across all sampled areas which management should address. Implementation of actions, relevant to South Lanarkshire Council, will be followed up to ensure that these are delivered in full and on time.
- 5.3. The second audit was in relation to equality impact assessments. The report presented concluded that there was assurance that the control environment around such assessments was satisfactory.
- 5.4. The final audit was in relation to anti-bribery, corruption and fraud measures within City Deal authorities which concluded that a reasonable level of assurance could be placed on the control environment. The audit, again, identified some scope for improvement in existing arrangements and an action plan set out two recommendations which management should address across City Deal authorities. Implementation of actions, relevant to South Lanarkshire Council, will be followed up to ensure that these are delivered in full and on time.
- 5.5. In a similar manner to South Lanarkshire Council, an Annual Internal Audit Report is presented to Cabinet following the end of each financial year that expresses an overall audit opinion. The Annual Report included the following opinion by the Head of Audit and Inspection, Glasgow City Council "based on the audit work undertaken and the assurances provided by the member authorities, it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2021/0222".
- 5.6. As detailed above, actions, where relevant to South Lanarkshire Council, will be logged and followed up. Findings will be reported within activity reports to the Committee.
- 5.7. Members are asked to note audit findings and opinion for the year 2021/2022.

## **6. Public Sector Internal Audit Standards – External Review**

- 6.1. The internal audit service is delivered within South Lanarkshire Council (SLC) within the context of the Public Sector Internal Audit Standards (PSIAS) (revised 1 April 2017), compliance with which is mandatory under Section 95 of the Local Government (Scotland Act) 1973. This sets out a series of standards to ensure a professional, independent and objective internal audit service is delivered that supports good governance within an organisation.
- 6.2. Each year, a self-assessment exercise is undertaken to assess the ongoing level of compliance with these Standards. Once, every 5 years, this assessment is required to be undertaken by an external assessor. To deliver this requirement, a group of Local Authorities undertake these assessments on a reciprocal, no-fee basis. The allocation of the reviews is undertaken by the Chief Internal Auditor's Group and care is taken to ensure that reviews rotate and are not undertaken by neighbouring Authorities. In 2017/2018, South Lanarkshire Council's review was undertaken by Stirling Council and the report on the assessment can be found [here](#).
- 6.3. The requirement for an external assessment next falls in 2022/2023 and East Lothian Council will undertake this review. Arrangements are being developed with the intention to commence the review around October 2022 and for the report on the outcome to be presented to the Committee in March 2023. Periodic updates will be provided in activity reports to the Committee in the interim.
- 6.4. Members are asked to note the process for the external assessment of compliance with PSIAS and that findings will be reported to RASC in March 2023.

## **7. Progress against Strategy**

- 7.1. The Public Sector Internal Audit Standards (PSIAS) require progress against the audit strategy to be monitored and reported to the Committee as part of regular monitoring reports that are presented at each meeting.
- 7.2. Delivery of the strategy in 2022/2023 will be evidenced by the completion of the Internal Audit Plan in-year and will be monitored through the performance indicators regularly reported to the Committee.

## **8. Employee Implications**

- 8.1. There are no employee issues.

## **9. Financial Implications**

- 9.1. A breakeven position for 2022/2023 is forecast at the end of the financial year for the Internal Audit section.

## **10. Climate Change, Sustainability and Environmental Implications**

- 10.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

## **11. Other Implications**

- 11.1. The main risks to the delivery of the Audit Plan are, generally, vacancies and team up-skilling requirements, unforeseen service demands and delays with client sign-off. These are mitigated by coaching and training, regular meetings and escalation processes as well as inclusion of contingency time within the annual plan. The risk of significant, subsequent amendments to the Plan, arising from a change in the Council's priorities or risks, are reduced given the approach in 2022/2023 that has allowed capacity and content to be reassessed mid-year.

## **12. Equality Impact Assessment and Consultation Arrangements**

12.1 There is no requirement to equality assess the contents of this report.

11.2. Heads of Service are consulted on each and every audit assignment.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

9 September 2022

### **Links to Council Values/Priorities/Outcomes**

- ◆ Accountable, Effective, Efficient and Transparent

### **Previous References**

- ◆ Risk and Audit Scrutiny Committee - 2022/2023 Internal Audit Plan - 26 January 2022
- ◆ Risk and Audit Scrutiny Committee - Internal Audit Activity as at 3 June 2022 - 22 June 2022

### **List of Background Papers**

- ◆ Figtree extracts of Action Plans

### **Contact for Further Information**

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

Yvonne Douglas, Audit and Compliance Manager

Ext: 2618

(Tel: 01698 452618)

E-mail: [yvonne.douglas@southlanarkshire.gov.uk](mailto:yvonne.douglas@southlanarkshire.gov.uk)

**2022/2023 Internal Audit Plan**
**Appendix 1**

Lead Resource	Audit assignment	Outline Scope	Progress
<b>Key year end tasks</b>			
FCR	External Audit	Provide 2021/2022 general ledger data to External Audit for the audit of the financial accounts for the year ended 31 March 2022.	Complete
All	2021/2022 Annual Report	Prepare annual statement of assurance for 2021/2022. Present to RASC.	Complete
All	Governance Statement	Undertake review of evidence that supports SLC's Annual Governance Statement and provide 2021/2022 annual assurance statement for Glasgow City Region – City Deal.	Complete
<b>Corporate tasks</b>			
All	Attend internal and external working groups	Attend, respond to requests, participate in consultations and providing updates.	Ongoing throughout year.
All	Committee reporting	Prepare reports to present to RASC and to External Client Committees and Boards.	Ongoing throughout year.
FCR	Fusion	Support implementation of project.	Ongoing throughout year.
All	2023/2024 Audit Plan	Undertake consultation, risk assessment, Resource and Section planning, set scopes and objectives and seek approval through preparation of reports.	Commenced Quarter 3.
All	National Fraud Initiative (NFI)	Coordinate data uploads for new NFI exercise in 2022/2023. Develop and communicate plan for investigation of matches in 2023/2024.	Commenced Quarter 3.
All	Advice and guidance	Provision of advice and guidance on online banking for school funds and on the revision of duplicate invoice checks.	Online banking – complete Duplicate invoice checks – included as part of Fusion.

Lead Resource	Audit assignment	Outline Scope	Progress
<b>Core programme of audit work</b>			
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	Ongoing throughout year.
All	Follow Up	For all Council Resources, identify audit recommendations due in the period April 2021 to March 2022. Risk assess and follow-up to ensure implementation of all high risk actions.	Ongoing throughout year.
CER/HTR/FCR	Follow Up	Undertake follow up of procurements audits within Roads and Property Services and debtors review within Benefits and Revenue Services.	Some initial work undertaken but the majority of audit testing commence Q3.
All	Anti-fraud checks	Rolling programme of anti-fraud checks – including procurement, petty cash and purchase cards.	Most significant anti-fraud work in 2022/2023 to date has been in relation to COVID-19 grants. Rolling programme of anti-fraud checks commence Q3
All	Continuous Controls Monitoring (CCM)	Continue to download data in current CCM areas. Use data for analysis and to inform internal and external audit testing.	Ongoing throughout year.
EDR	Optimisation software	Review of optimisation software to establish benefit of using within other Council Services.	Added to scope of Additional Support Needs (ASN) audit.
FCR/CER	Investigative contingency	Undertake investigations as required (including COVID-19 grants).	Ongoing throughout year.
All	General contingency	Conclude all 2021/2022 audits and responded to requests for unplanned work 2022/2023.	Ongoing throughout year.
All	Resource audits	Deliver a programme of risk-based audits across Council Resources.	Included in Audit Plan (see separate item on Agenda).

Lead Resource	Audit assignment	Outline Scope	Progress
N/A	Audit Plan	Deliver internal audit service to External Clients	Ongoing throughout year.

## Key audit performance indicators as at 31 July 2022

## Appendix 2

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	4/4	100%	80%	
Draft reports delivered within 6 weeks of file review	3/3	100%	80%	
2022/2023 Audit Plan completed to draft by 31 March 2023	4/15	20%	100%	This relates to first phase of the 2022/2023 Audit Plan. Many of the assignments remain ongoing throughout the year or have a planned start date of Quarter 3.
Internal Audit recommendations delivered on time	4/4	100%	90%	
Client to agree findings and actions within 4 weeks of draft issue	3/3	100%	80%	



Job Number	Assignment name	Draft Issue	Final Issue	Assurance Info
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Previous Years				
I710067	Ordering Process	13/06/2022	13/06/2022	Provision of advice and guidance re process.

Current Year				
I350100	Governance Statement - City Deal	23/05/2022	27/05/2022	Provision of Statement of Assurance for City Deal 2021/2022.
I350099	Governance Statement - Resource Peer Reviews	31/05/2022	31/05/2022	Review of 2021/2022 Resource Directors' Statements of Assurance.
I821035	2021/2022 Annual Report	09/06/2022	22/06/2022	Provision of annual statement of assurance.
I222113	LEADER Grant Closure	01/08/2022	08/08/2022	Provision of LEADER audit certificate for the period to closure.

External Clients				
I924185	Lanarkshire Valuation Joint Board (LVJB) Follow Up	06/06/2022	17/06/2022	Reported to LVJB.
I929188	LVJB New houses process / recording	06/06/2022	17/06/2022	Reported to LVJB.
I929189	LVJB Conflict of Interest	06/06/2022	17/06/2022	Reported to LVJB.
I914173	South Lanarkshire Leisure and Culture (SLLC) Follow Up	07/09/2022	15/09/2022	Reported to SLLC.
I919174	SLLC Booking System	07/09/2022	15/09/2022	Reported to SLLC.
I919175	SLLC Data Protection	07/09/2022	15/09/2022	Reported to SLLC.
I913190	SLLC Governance Plan	07/09/2022	15/09/2022	Reported to SLLC.