Report

Report to:	**Risk and Audit Scrutiny Forum**
Date of Meeting:	**23 February 2012**
Report by:	**Executive Director (Finance and Corporate Resources)**

Subject:	**Internal Audit Plan 2012/2013**

1. Purpose of Report

1.1. The purpose of the report is to:-

♦ present the proposed Internal Audit Plan for 2012/2013

2. Recommendation(s)

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

(1) that the proposed Internal Audit plan for 2012/2013 is endorsed for onward approval by the Executive Committee

(2) note the proposed contingency jobs outlined in Appendix Two

3. Background

3.1. The CIPFA Code of Practice for Internal Audit in Local Authorities requires a specific risk based approach to be taken when preparing audit plans. All requirements have been followed in preparation of the 2012/2013 Internal Audit Plan.

3.2. External Audit have been consulted and have provided constructive feedback on the 2012/2013 Audit Planning Strategy and Plan. The points raised will be addressed. There is no requirement, however, for any amendment to the Audit Plan.

3.3. Prior to the commencement of the planning process, a planning strategy was prepared. With a specific commitment to develop a value-added service for 2012/2013, the strategy targeted the following:

- allocated time to accommodate Resource requests for the provision of advice and guidance and consultation services
- continuing focus on financial controls to reflect the Council's top identified risks and meet External Audit expectations
- continuing commitment to Continuous Controls Monitoring as a means of providing both intelligent data for audit sampling and useful management information that can be used by Resources
- inclusion of essential assignments prior to risk evaluation
- reduced time spent on benefits work with reliance placed on the output from the Resource's own rolling programme of benefit audits
- enhancement of internal quality assurance procedures to develop the audit skills of the team
- ensuring adequate coverage of Resources, risk areas and audit work areas.

4. Internal Audit Plan 2012/2013

4.1. A copy of the proposed Internal Audit Plan for 2012/2013 is attached at Appendix One. This shows the name of the proposed assignment, the Resource affected and the outline objective and scope of each proposed assignment. Objectives and scopes will be refined by auditors prior to commencement of the work once a full risk analysis has been completed and key controls identified. Clients will be involved in this initial risk and control assessment and will be consulted prior to the preparation of the audit remit for each assignment.

4.2. The Forum is asked to endorse the draft Plan for onward submission to the Executive Committee.

4.3. In determining items for inclusion in the draft Plan, all proposed assignments were fully risk assessed, using an approved model. This takes account of factors such as the time since last audit, the work of other review bodies, the value and the number of people affected. Not all highly scored assignments can be included due to resource constraints. Neither would simple inclusion of highly scoring proposals provide the required coverage in other areas. Adjustments were made to an initial draft to ensure adequate coverage by Resource, by work type and to ensure compliance with the planning strategy. Each assignment is specifically aligned to one of the Council's top risks. There is adequate focus on the significant risks and challenges the Council faces, but a contingency list has been prepared to allow further risk related work during the year, should time allow. This is attached at Appendix Two. The Forum is asked to note this approach.

5. Employee Implications

5.1. A full employee capacity plan was prepared as part of the planning process. This determined that 1,930 audit days can be delivered in 2012/2013.

5.2. Each assignment in the Plan is currently being allocated to members of the audit team. Once assigned, Audit Advisers will plan start and stop dates which will be communicated to Resources. Executive Directors have been asked, by 31 March 2012, to intimate to the Audit Manager any periods in the year which should be avoided. Every effort will be made to accommodate timing concerns within the constraints of the need to complete delivery of the Plan by 31 March 2013.

6. Financial Implications

6.1. The budget for next year will be comparable to that of the current year with an adjustment for proposed 2012/2013 savings. This is considered to be sufficient to deliver the Audit Plan.

7. Other Implications

7.1. Although the Plan attempts to cover most Council top risk areas, the following are the main areas that are not covered; equal pay, increase in anti-social behaviour, effects of new legislation, employee relations, business continuity, long term planning and reduction in political consensus. Some of these areas were covered in either recent years' plans or are in areas where an audit may not add significant value. For all of these risk areas, controls are in place that have been assessed as either good or adequate. If required, time can be allocated from contingency to address these risks. Appendix Three details coverage by audit work type and by Resource and this analysis indicates that there is an adequate spread of work.

7.2. To mitigate against the risk of non delivery, the progress of every assignment is monitored using the Council's risk management software, Figtree. In addition,

Executive Directors have been asked to remind their teams of specific audit responsibilities and timescales.

8.   Equality Impact Assessment and Consultation Arrangements

8.1.   There is no requirement to conduct an equality impact assessment on the proposed Audit Plan but there has been extensive consultation. As well as professional, technical and benchmarked research into the Plan's content, there was extensive consultation during preparation of the Plan. Consultation invitations were extended to the following main consultees:

- PricewaterhouseCoopers, the Council's external auditors
- Executive Directors (in conjunction with Heads of Support Services and Risk Sponsors)
- The Finance and Corporate Resources Senior Management Team
- Internal Audit Team
- Members of the Risk and Audit Scrutiny Forum

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

Paul Manning
Executive Director (Finance and Corporate Resources)

1 February 2012

Link(s) to Council Values/Improvement Themes/Objectives
- Value: Accountable effective and efficient
- Improvement Theme: Governance and accountability

Previous References
None

List of Background Papers
- Internal Audit Planning Strategy 2012/13
- 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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Proposed 2012/13 Internal Audit Plan as at 1 February 2012 (by Resource)   Appendix One

Resource	Audit assignment	Scope	Objective	Expected days
				1,930
All	Prior year work	Progress clients to agree drafts for prior year work, finalise reports and actions and complete QA process. Progress return of Resource investigative reports for concerns raised in 2011/12	To quickly complete all prior year work to prevent delay in delivery of 2012/13 audit plan	40
All	Formal follow-up	For all Council Resources identify audit recommendations due in the period April 2010 to March 2011. Risk assess and follow up to ensure implementation of all high risk recommendations.	To provide assurance that inter nal audit recommendations due for the period April 2010 to March 2011 have been implemented	70
All	Informal follow-up	Advise Resources on a monthly basis of actions due within that month. Collate responses for reporting to CMT and RASF.	To provide assurance that internal audit recommendations have been implemented timeously	25
All	Advice and Guidance	Respond to requests	Deliver advice and guidance aimed at improving the Council's control environment	40
All	Bulletins	Share good practice across Council Resources	Provide written guidance in high risk areas	15
Education	Advice and Guidance	Review current communications process, in particular areas of high complaints, and highlight potential areas for improvement	Provide assurance that current communication within consultation process for Primary Schools Modernisation Programme is effective	5
All	Advice and Guidance	Determined by Resource request	Assist Resources to prepare for external scrutiny	10
All	Advice and Guidance	Determined by Resource request	Assist Resources with the management of change in structure	10
All	Business Case Documentation	Review of specific business case documentation used to support justifications and compare to issued guidance. Assess whether further guidance needed.	Provide guidance to embed business case methodology within decision-making process	20
All	Service Costing	Assist Services (training and complaints) to extract financial data, apportionment of overheads, advise on selection of units of measure and calculate. Present unit costing data.	Assist in compliance with BV requirements to improve knowledge and use of service costs	30
All	Steering Group Attendance	Attend as required, research, preparation of written advice where necessary and report on progress and control issues by year end	To assist Resource in identification of control risks and advise on required controls	10
All	Working Group Attendance	Attend as required, research, preparation of written advice where necessary and report on progress and control issues by year end	To assist Resource in identification of control risks and advise on required controls	5
All	Audit plan 2013/14	Undertake consultation, risk assessment, resource and section planning, set scopes and objectives and seek approval through preparation of reports	Prepare a risk based internal audit plan for 2013/14	30
All	Develop assurance mapping techniques	Develop and present to Risk and Audit Scrutiny Forum assurance mapping process for audit planning	Investigate assurance mapping for planning purposes	20

Resource	Audit assignment	Scope	Objective	Expected days
All	National Fraud Initiative	Investigation of 2011/12 matches and preparations for the 2012/13 exercise.	To comply with Audit Scotland's NFI investigative and data download requirements	25
Housing and Technical	Direct debits	Check that income accounts have no direct debit payments and that incoming direct debits have been properly authorised and relate to specific payments (via bank line download). CCM output to be used.	Provide assurance that direct debits intimated to Councils are valid	10
Social Work	Anti Fraud procedural review of direct funding	Review procedures in areas most prone to fraud to gain assurance that instructions mitigate the potential risk and that employees are suitably trained and aware.	Provide assurance that anti fraud controls are in place in high risk areas	15
Housing and Technical	Anti Fraud procedural review of sub-letting	Review procedures in areas most prone to fraud to gain assurance that instructions mitigate the potential risk and that employees are suitably trained and aware.	Provide assurance that anti fraud controls are in place in high risk areas	15
Social Work	Blue Badge Scheme	Review procedures and controls in operation. Sample check to provide assurance that expected controls are in operation.	Provide assurance that new arrangements are working effectively and that charging polices are being consistently applied	30
All	Fraud Risk Evaluation Diagnostic assessment	Facilitate delivery of and report progress with agreed actions for delivery by Resources and Internal Audit	Improve the management of fraud risk within South Lanarkshire Council	20
Housing and Technical	Benefits Appeals	Review benefits appeal applications to ensure accuracy of recording and the correct action has been undertaken	To gain assurance that appeals are being dealt with correctly	30
Housing and Technical	Benefits Overpayment Recovery	Review overpayment procedures and ensure controls are in place to identify and recover all overpayments. Test controls are working effectively	To gain assurance that adequate procedures are in place for identifying and recovering benefit overpayments.	30
Housing and Technical	Rolling Benefits Support Programme	Review rolling programme work and outputs. Assist in delivery where required. Prepare assurance statement at year end	To ensure programme is in place to provide assurance as to the adequacy of controls within Benefit Section	10
Finance and Corporate	Continuous Controls Monitoring cfwd 2011/12	Complete 2010/11 programme of work. Regular data download, analysis and presentation including joint investigation of exceptions and unusual trends in financial controls not covered by the 2010/11 work.	Prepare dashboard presentations of financial control information which will inform other audit work or provide general financial assurance	20
Housing and Technical Finance and Corporate	Continuous Controls Monitoring - Icon (including VAT flags) and Iprocurement	Continue to download data in current CCM areas (Oracle FMS and Oracle Payables) and extend CCM work to Icon income management and Oracle i-Procurement systems.	Prepare dashboard presentations of financial control information which will inform other audit work or provide general financial assurance	60
Housing and Technical	Debt Recovery Contract	Review award and management of contract. Assess and test processes for passing debt for collection. Test check for consistent application and review collection performance.	Provide assurance that debt recovery contract is being soundly managed and represents value for money to the Council	30
Finance and Corporate	Telephone Contract and Billing	Review the contract in place with the new telephone contractor. Assess main risks and test check controls to ensure no gaps.	To gain assurance that the contract in place with the new telecom provider is being managed effectively and key controls are in place	40

Resource	Audit assignment	Scope	Objective	Expected days
Housing and Technical	Contract Management	Review and test tendering and award process, contract management and post contract evaluations	Provide assurance that contracts are being soundly managed with controls in operation that manage key risks and ensure value for money is secured	30
Education	RM Contract Performance	Identify costs associated with PC upgrades and requests for service, analyse request patterns and examine inventories reconciling locations, security and inactive equipment (including libraries in sample)	Provide assurance that computer assets used under the RM managed service contract are providing value for money	20
Finance and Corporate	Quick Quote	Examine criteria set for pilot exercise and the results of this process. Test roll-out of Quick Quote (including communications to suppliers) as the preferred method for low value quotes. Establish tangible benefit to the Council.	Provide assurance that the use of Quick Quote is effective in ensuring contracts are awarded to the correct bidder.	30
Social Work	Information Governance	Delivery of selected tests from pre-designed rolling programme of information governance tests (data disclosure and third parties)	To confirm improvements at local level in governance and security of information for ongoing quality accreditation	15
Finance and Corporate	Information Governance Follow-up	Identify audit recommendations due to be delivered. Risk assess and follow-up to ensure implementation of all high risk recommendations.	To provide assurance that external audit recommendations due to be delivered have been implemented	5
All	User Verification	Review procedures for system access, permissions and housekeeping. Validate whether or not the procedural controls are sufficient to protect against the risk of unauthorised entry.	Provide assurance that system accesses and permissions are appropriate	20
Finance and Corporate	Education and Training of IT Users	Review that the training framework for IT users to ensure it is aligned with corporate objectives and the IT strategy. Confirm that training needs are accurately identified and effectively delivered. Obtain assurance that there are adequate processes for feedback and for monitoring the effectiveness of the training. Ensure individual training records are accurate and updated correctly.	To provide assurance that IT training provided is appropriate, effective and meets Council and Resource objectives	20
Finance and Corporate	Software Licences	Review the adequacy of the current licensing arrangements for the Council's core IT systems and desktop applications. Assess the extent to which all applications, both standard and non standard, are licensed and the process to monitor.	To provide assurance that all application used by the Council are appropriately licensed.	30
All	Control objectives overview for new systems	Check that controls database records reflect recently implemented new systems. For a sample of new systems, identify risks and controls and test to what extent sound controls have been embedded in new system and in revised manual practices.	To report on the extent to which new systems have retained former controls	15
Community and Enterprise	Grant certificates	Prepare grant certificates	To provide assurance that the Council has complied with the terms and conditions of the grant	50
Finance and Corporate	Trust Funds and Charitable Accounts	Examination of income and expenditure items and produce independent examiners certificates using the test programme designed in 2010/11 amended to reflect any change in rules.	To provide independent examiners certificate as required by charity regulations	15
Community and Enterprise	Certification of evidence pack submitted with Annual Carbon Footprint Report	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	Certify that evidence behind Annual Carbon Footprint Report is robust and accurate	25

Resource	Audit assignment	Scope	Objective	Expected days
LVJB	Audit Service LVJB	Scope will be defined in the SLA	To deliver an audit service to LVJB	30
SFR	Audit service SFR	Scope will be defined in the SLA	To deliver an audit service to SFR	75
Trust	Audit Service Leisure and Cultural Trust	Scope will be defined in the SLA	To deliver an audit service to SLLC	80
All	Petty cash spot checks	Using CCM output, deliver the standard CIPFA test programme modified to take account of need to identify total cash spending, VAT and procurement issues. This will involve spot visits to premises twice in the year. Also assess need for imprest accounts in the light of I Proc and new purchase card system.	Identify total petty cash spending and assess level of control	20
Education	Cash income spot checks - musical instruments and nursery fees	Identify and compare procedures relating to collection, recording, banking and reconciliation.	Confirm that local income processes are well controlled	30
All	Equifax checks	Run equifax company and directors checks, present to services and manage journals	Provide company financial checks as part of the financial appraisal process	15
Finance and Corporate	Financial Strategy cfwd 2011/12	Assess Council practices against National Audit Office Best Value toolkit and other best practice	Report on the level of compliance with best practice in financial strategy and management	30
Finance and Corporate	Four Weekly Payroll	Test that anticipated administrative savings have been achieved and compare value of interim non payroll payments.	Provide assurance that transitional controls for the move to four weekly payroll were effective and that the new system is accruing expected efficiencies	30
Finance and Corporate	Review of internal controls - Payroll	Test check application of service declared controls	Provide assurance of adequate payroll controls	20
Finance and Corporate	PCA assessment	Review evidence gathered for the assessment in conjunction with the PCA team.	Provide assurance that procurement has compiled adequate, appropriate and qualitative evidence for the Procurement Capability Assessment	15
Finance and Corporate	Non Iproc ordering and authorisation	Follow CIPFA std programme for non Iproc orders, selecting higher risk samples from CCM output and report on proportions of orders through Iproc and AP only	Provide assurance that traditional buying controls have not been diluted in anticipation of iProc implementation	40

Resource	Audit assignment	Scope	Objective	Expected days
Community and Enterprise	Quality and accuracy of trading services management information – Fleet Services	Examine contract rates, content and method of charge and expenditure control (CCM) for Fleet Services	Provide assurance that the Fleet Services trading account is accurate	40
Finance and Corporate	Travel and Subsistence	Review procedures in relation to payment of travel and subsistence. Test check local controls and ensure that payment is only made for eligible, approved expenditure. Test check provision of driving licence and insurance documentation in advance of payment of expenses.	Provide assurance of adherence to travel and subsistence policy across Council Resources	30
Finance and Corporate	Savings and Efficiencies - delivery and reporting of 2011/12 savings	Review for a sample of 2011/12 savings, progress and delivery throughout financial year	Provide assurance that 2011/12 savings have been delivered.	20
Finance and Corporate	Accounts Payable - BACS payments	Design BACS payment audit test programme based on service procedures and test check proper application of adequate controls	Provide assurance that BACS payments comply with expected controls	20
Finance and Corporate	Procurement	Sample check contracts awarded through e-tendering. Examine processes and ensure compliance with procedures for award of contracts using this method. Establish costs and benefits and determine suitability.	Provide assurance that e-tendering process is effective and secures best value for the Council	30
Community and Enterprise	Interface between roads costing and i-proc	Test check costs are allocated accurately to the correct job, can be substantiated, data is properly authorised and reports reflect the data on the system	Provide assurance that the CPA system is working with other existing software programmes	30
Community and Enterprise	Controls test against Council top risks	Test check declared controls to mitigate risk	Provide assurance adequate and effective controls in place to manage risk of climate change and adverse weather	20
Finance and Corporate	Win time flexible working system	Map process identifying key risks and examine efficacy of mitigating controls	Provide assurance that system controls ensure accuracy of time recorded and adjustments	15
Housing and Technical	Common Repairs	Review and test of procedures surrounding identification of repairs, allocation of costs to homeowners, award of contract, invoicing, payment arrangements and debt collection	Provide assurance that all required repairs are completed and delivered to an acceptable standard and that correct costs are invoiced to homeowners and subsequently recovered	40
Community and Enterprise	Lighting Stores	Review procedures and internal controls in operation. Test check actual controls to ensure adequate.	Provide assurance that Lighting Stores are being well managed and assets of the Council are protected from risk of theft or loss	30
Finance and Corporate	Nationality Checks	Review of process and test check applications to ensure compliance with legislative requirements	Provide assurance that process is managed correctly by South Lanarkshire Council	20
Education	Child Protection Files held within schools	Review child protection files for completeness, accuracy and ease of reference. Examine performance against procedural requirements for delivery of joint assessments, care and reviews	Gain assurance that good care delivery can be evidenced in files and reports	20

Resource	Audit assignment	Scope	Objective	Expected days
Social Work	Community Pay-Back Orders	Review of process and recording activity surrounding Community Pay-Back Orders	Gain assurance that service is effective and being adequately managed	30
Social Work	Adult Incapacity	Review of process surrounding Adult Incapacity	Gain assurance that service is effective and being adequately managed	20
All	Contingency - Investigative	Investigate circumstances leading to fraud incidents, identify control issues and recommend mitigations	Respond to requests for investigative high risk work	120
All	Contingency - General	Scope will be determined by the nature of the request	Respond to requests for unplanned work	100
All	Governance Assurance	Validation and comparison of Resource self assessments and review of corporate governance improvements	To provide assurance over governance arrangements	20

Contingency list of 2012/13 audit assignments   Appendix Two

Resource	Audit Assignment
Community and Enterprise	Training on grant administration
Finance and Corporate	Contract award - etendering
Finance and Corporate	Contracts register
Community and Enterprise	Project review for grant funding
Community and Enterprise	Vat on cashless meals
Finance and Corporate	Use of reserves
Finance and Corporate	Treasury Management - loans fund activity/CHAPS payments
Finance and Corporate	General ledger
Finance and Corporate	IT inventory
Housing and Technical	Landlord registration
Finance and Corporate	Funding and Compliance review
All	Compliance with financial regulations
All	Develop and implement self assessments of local management controls prior to audits
Finance and Corporate	Workforce strategy and planning
Community and Enterprise	Changes to Planning Legislation
Finance and Corporate	Social Media Policy
Finance and Corporate	'Tell Us Once' programme
Community and Enterprise	Special uplift
Finance and Corporate	Pensions and recruitment
Housing and Technical	Quality assurance and review process
Finance and Corporate	Payroll - Quick Pays
All	Consistency and reliability of LFR data
All	Controls test against Council top risks
All	Scheme of Delegation
Housing and Technical	Change to pay model in Property Services
Education	Lottery grant awards
All	System administrator/Super User activity

2012/13 Analysis of planned audit work by work type and client   Appendix Three

A. ANALYSIS BY WORK TYPE

Type of work	Number of planned days
Prior Year	40
Advice and guidance	100
External Clients	185
Benefits	70
Computer	105
Contract	150
Contingency	220
Consultancy	45
Fraud Action Plan (includes NFI)	115
Financial	420
Follow-up	95
Grant certification	90
Governance	20
Operational	225
Planning	50
Total	**1,930**

B. ANALYSIS BY CLIENT

Client	Number of planned days
All	565
CDC	115
Community and Enterprise	195
Education Resources	75
Finance and Corporate Resources	460
Housing and Technical Resources	225
Social Work Resources	110
External clients	185
Total	**1,930**