

Lindsay Freeland  
Chief Executive  
South Lanarkshire Council  
Council Offices  
Almada Street  
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7 December 2016

Dear Lindsay

### **South Lanarkshire Council 2016/17**

#### **Corporate Governance – Review of the adequacy of Internal Audit**

Audit Scotland's Code of Audit Practice (the Code) sets out the wider dimension of public sector audit. The Code requires external auditors to carry out an annual assessment of the adequacy of the internal audit function.

Our assessment of internal audit is based on a standard review programme and, importantly, discussions with the Audit and Compliance Manager. Our objectives are:

- to establish the effectiveness of internal audit arrangements as part of the council's wider governance arrangements, and
- to identify areas of internal audit work upon which we are able to place formal reliance, in terms of Internal Standard on Auditing 610 (Considering the Work of Internal Audit).

We have now completed our assessment of the Council's internal audit service for 2016/17. This letter sets out our findings. It should be understood that this assessment does not constitute an external assessment for the purposes of the Public Sector Internal Audit Standards (PSIAS) and should not be considered as such.

From 1 April 2013, all public sector internal audit services were required to adopt PSIAS. These standards replaced the 2006 CIPFA Code of Practice for Internal Audit in Local Government. We have used PSIAS to inform our assessment of the council's internal audit service.

Under *International Standard on Auditing 610 - Using the work of internal auditors* and *International Standard on Auditing 330 - The Auditor's Response to Assessed Risks* we are permitted to place reliance on the work of internal audit in prior periods for up to three years. We have therefore reviewed internal audit's work programmes for 2014/15-2016/17 to identify areas where we can potentially place reliance on their work.

For our financial statements audit responsibilities we plan to place formal reliance on aspects of internal audit's work in the following areas:

- 2016/17 Finance and Corporate - E-invoicing
- 2016/17 Internal controls (Direct Awards)
- 2016/17 User verification
- 2016/17 Housing and Technical - Debtors system

- 2015/16 Internal control - self-approvers function within iProc
- 2014/15 E-tendering
- 2014/15 Payroll
- 2014/15 Accounts Payable

In terms of our wider responsibilities under the Code in relation to governance and performance, we also plan to place formal reliance on selected aspects of the work of internal audit in a number of areas, including:

- 2016/17 Information governance
- 2016/17 City Deal
- 2016/17 Risk based procurement
- 2016/17 NFI
- 2016/17 IT audit
- 2016/17 Welfare Reform (universal credits)
- 2015/16 Financial planning
- 2015/16 Social Work - Asset Management
- 2014/15 Cash Counts
- 2014/15 Procedural checks on expenses

As part of South Lanarkshire Council's external quality control arrangements the Chief Internal Auditor from Stirling Council is due to undertake a review of the internal audit section's compliance with the Public Sector Internal Audit Standards during January 2017. We will consider the outcome of this review as part of the 2016/17 audit to ensure that no issues are identified that would impact upon our ability to place reliance on the work of internal audit.

We will also continue to monitor and review completed internal audit assignments to ensure that work upon which we plan to place reliance has been delivered. Any failure to complete areas where formal reliance has been agreed could impact on our plan and agreed audit fee.

If you have any questions about the contents of this letter then please do not hesitate to contact me.

Yours Sincerely



Dave Richardson  
Senior Audit Manager

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