

Report

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

Subject:	2022/2023 Internal Audit Plan
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ seek approval of the proposed Internal Audit Plan for 2022/2023

2. Recommendation(s)

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

- (1) that the proposed Internal Audit Plan for 2022/2023 be approved.

3. Background

3.1. Public Sector Internal Auditing Standards (PSIAS) require a specific risk-based approach to be taken when preparing audit plans. All requirements have been followed in preparation of the 2022/2023 Internal Audit Plan. The Internal Audit function's compliance with PSIAS is due to be externally assessed by East Lothian Council in 2022/2023. The outcome of this assessment will be presented to the Risk and Audit Scrutiny Committee (RASC) in March 2023.

3.2. The first phase of the annual 2022/2023 Internal Audit Plan was presented to the Committee in January 2022 and attached at Appendix 1 is an update on progress with completing this programme of work.

3.3. The content of audit plans is determined by the requirement to deliver a programme of work that informs the annual audit opinion on the overall adequacy and effectiveness of an organisation's framework of governance, risk management and control arrangements. The Internal Audit Plans for South Lanarkshire Council in 2022/2023 support this objective by:-

- ◆ linking to the Council's objectives and priorities
- ◆ providing assurance (as part of a rolling programme of work) in relation to top risks that have been identified by the Council
- ◆ delivering a balanced plan in compliance with PSIAS that maximise resources available
- ◆ committing resources to support corporate activity
- ◆ prioritising assignments to ensure key areas of work are completed in year.

4. Internal Audit Plan 2022/2023

4.1. The earlier presentation of the first phase of the 2022/2023 Internal Audit Plan to RASC (in January 2022) recognised some time was needed to fully assess the extent

of the function's role in the implementation of Oracle Fusion within South Lanarkshire Council, a significant new human resources and financial accounting system.

- 4.2. Two full-time posts within Internal Audit have been deployed to date in this financial year with arrangements now being put in place to release one of these posts back to the Service to deliver core internal audit assignments. An additional auditor is now being recruited for the remaining duration of the project. In year capacity has been impacted by the requirement to assist with the implementation of Oracle Fusion as well as other temporary resourcing pressures in 2022/2023. A further review of overall capacity has been undertaken ahead of drafting this final phase of the Audit Plan. Assumptions that underpinned earlier assessments have been reviewed and the number of days available to deliver the 2022/2023 Internal Audit Plan revised.
- 4.3. Once capacity had been determined, the content of the Plan was developed. This considered the assessed top risks of the Council. These risks are revised on an annual basis and, in 2022/2023, the review was ongoing at the date of this report. Discussions with Risk Management have identified some potential changes to the top risk register in relation to 'cost of living' (the risk the Council fails to support households significantly impacted by this crisis) and 'Community Wealth Building' (the risk that the Council fails to maximise the benefits of the Strategy). Over-arching all of this is the risk that the Council fails to achieve the outcomes of the Council Plan. Previous, identified risks remain valid with only 'the impact of the UK leaving the EU' deemed to be an area of lessening risk.
- 4.4. The proposed final Internal Audit Plan for 2022/2023 is attached at Appendix 2. This represents the Plan for the full year and incorporates the work included in Phase 1 of the 2022/2023 Internal Audit Plan along with a further programme of work for the remainder of the year. The Plan reflects time required to deliver a range of assignments that seek to align to corporate objectives as well as providing assurance around the general control environment of the Council. Each audit is conducted in accordance with the revised PSIAS and within the context of the Internal Audit Charter. A summary of how each assignment links to the three key assurance areas is included at Appendix 3.
- 4.5. The Plan sets out the name of the proposed assignment, the lead Resource 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.
- 4.6. Progress against the audit strategy will be monitored and reported to the RASC as part of regular monitoring reports that are presented at each meeting. Delivery of the strategy will be evidenced by the completion of the 2022/2023 Internal Audit Plan. The risk of significant subsequent changes 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 to be reassessed mid-year. A level of contingency time continues to be built in to provide some flexibility throughout the remainder of the year. Key performance indicators will be reported to the RASC within routine activity reports and the annual assurance report.
- 4.7. The Committee is asked to approve the final phase of the 2022/2023 Internal Audit Plan attached at Appendix 2.

5. Employee Implications

- 5.1. A full employee capacity plan was prepared at commencement of the audit planning process and has now been revised. This has determined that 1,109 audit days can be delivered in 2022/2023 (inclusive of days to deliver an internal audit service to external clients). This is broadly similar to the number of days that were available in previous years albeit recent years have not been directly comparable given resources deployed by the Service to respond to the pandemic and in year capacity in 2022/2023 being impacted by a period of planned leave and secondments.

6. Financial Implications

- 6.1. Capacity planning has been based on available budget. This is considered to provide sufficient resources to deliver the Audit Plan.

7. Climate Change, Sustainability and Environmental Implications

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

8. Other Implications

- 8.1. 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.

9. Equality Impact Assessment and Consultation Arrangements

- 9.1. There is no requirement to conduct an equality impact assessment on the proposed Audit Plan. Evidence is available of a level of consultation during preparation of the Plan commensurate with the capacity to deliver in 2022/2023.

Paul Manning

Executive Director (Finance and Corporate Resources)

9 September 2022

Link(s) to Council Values/Priorities/Outcomes

- ♦ Accountable, effective, efficient and transparent

Previous References

- ♦ 2022/2023 Internal Audit Plan, Risk and Audit Scrutiny Committee - 26 January 2022

List of Background Papers

- ♦ Internal Audit planning documentation
- ♦ Internal Audit Charter

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	Status
Key year end tasks			
FCR ¹	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
Corporate tasks			
All	Attend internal and external working groups	Attend, respond to requests, participate in consultations and provide updates.	Ongoing
All	Committee reporting	Prepare reports to present to RASC and to External Client Committees and Boards.	Ongoing
FCR	Fusion	Support implementation of project.	Ongoing
All	2023/2024 Audit Plan	Undertake consultation, risk assessment, Resource and Section planning, set scopes and objectives and seek approval through preparation of reports.	Commence Q3
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.	Commence Q2
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
Core programme of audit work			
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	Ongoing
All	Follow Up	For all Council Resources, identify audit recommendations due in the period April	Ongoing

¹ Finance and Corporate Resources

Lead Resource	Audit assignment	Outline Scope	Status
		2021 to March 2022. Risk assess and follow-up to ensure implementation of all high risk actions.	
CER ² /HTR ³ /FCR	Follow Up	Undertake follow up of procurement audits within Roads and Property Services and debtors review within Benefits and Revenue Services.	Commence Q3
All	Anti-fraud checks	Rolling programme of anti-fraud checks – including procurement, petty cash and purchase cards.	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
EDR ⁴	Optimisation software	Review of optimisation software to establish benefit of using within other Council Services.	Added to scope of ASN audit
FCR/CER	Investigative contingency	Undertake investigations as required (including COVID-19 grants).	Ongoing
All	General contingency	Conclude all 2021/2022 audits and responded to requests for unplanned work 2022/2023.	Ongoing
All	Resource audits	Deliver a programme of risk-based audits across Council Resources (to be presented June 2022)	Included in Audit Plan (see Appendix 2)
N/A	Audit Plan	Deliver internal audit service to External Clients	Ongoing

² Community and Enterprise Resources

³ Housing and Technical Resources

⁴ Education Resources

Lead Resource	Audit assignment	Outline Scope	Days
Key year end tasks			
FCR ⁵	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.	11
All	2021/2022 Annual Report	Prepare annual statement of assurance for 2021/2022. Present to RASC.	10
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.	5
Corporate tasks			
All	Attend internal and external working groups	Attend, respond to requests, participate in consultations and provide updates.	39
All	Committee reporting	Prepare reports to present to RASC and to External Client Committees and Boards.	10
FCR	Fusion	Support implementation of project.	374 ⁶
All	2023/2024 Audit Plan	Undertake consultation, risk assessment, Resource and Section planning, set scopes and objectives and seek approval through preparation of reports.	10
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.	30
All	Advice and guidance	Provision of advice and guidance.	10
Core programme of audit work			
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	6
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.	15
CER ⁷ /HTR ⁸	Follow Up	Undertake follow up of procurement audits within Roads and Property Services.	60

⁵ Finance and Corporate Resources

⁶ This includes 25 days for external clients.

⁷ Community and Enterprise Resources

⁸ Housing and Technical Resources

Lead Resource	Audit assignment	Outline Scope	Days
All	Anti-fraud checks	Rolling programme of anti-fraud checks – including procurement, petty cash, COVID-19 grants and purchase cards. Re-brief Conflict of Interest policy and develop annual process for briefing within Resources. Review and update Fraud Policies and present to Committee for approval.	123
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.	25
EDR ⁹	Equity Strategy	Provide assurance of good governance around spend and tracking of benefits deriving from spend.	25
EDR	Education Maintenance Allowance	Test systems and processes to ensure compliance with all relevant legislation and Scottish Government requirements.	10
CER	Sustainability	Provide assurance that plans are practically deliverable in the short, medium and long term and that in-year progress against targets is monitored and reported.	25
SWR ¹⁰	Self-Directed Support	Assess compliance with assessment and review timescales. Review evidence to ensure that this demonstrates that the assessed needs of users are being met.	20
FCR	Community Wealth Building Strategy	Test controls in place to mitigate the risk to the Council of the Strategy not being fully delivered.	30
EDR	Additional Support Needs Transport	Test effectiveness of new systems and procedures and implementation of agreed actions.	30
FCR	Cyber Security	Assess the Council's level of resilience and ability to use technology securely and to respond and prevent cyber crime.	30
FCR	Purchase Cards	Provision of advice and guidance regarding key controls attached to extending the use of Purchase Cards across the Council.	10
All	Investigative contingency	Undertake investigations as required.	55
All	General contingency	Respond to requests for unplanned work.	34
N/A	Audit Plan	Deliver internal audit service to External Clients.	112
TOTAL DAYS			1,109

⁹ Education Resources

¹⁰ Social Work Resources

Resource	Audit Assignment	Scope of Work	Area of Assurance
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.	Other tasks
All	2021/2022 Annual Report	Prepare annual statement of assurance for 2021/2022. Present to RASC.	Governance
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.	Governance
All	Attend internal and external working groups	Attend, respond to requests, participate in consultations and provide updates.	Other tasks
All	Committee reporting	Prepare reports to present to RASC and to External Client Committees and Boards.	Governance
FCR	Fusion	Support implementation of project.	Internal Controls
All	2023/2024 Audit Plan	Undertake consultation, risk assessment, Resource and Section planning, set scopes and objectives and seek approval through preparation of reports.	Other tasks
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.	Internal Controls
All	Advice and guidance	Provision of advice and guidance.	Internal Controls
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	Governance
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.	Internal Controls
CER /HTR	Follow Up	Undertake follow up of procurement audits within Roads and Property Services.	Internal Controls
All	Anti-fraud checks	Rolling programme of anti-fraud checks – including procurement, petty cash, COVID-19 grants and purchase cards. Re-brief Conflict of Interest policy and develop annual process for briefing within Resources.	Internal Controls

		Review and update Fraud Policies and present to Committee for approval.	
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.	Internal Controls
EDR	Equity Strategy	Provide assurance of good governance around spend and tracking of benefits deriving from spend.	Internal Controls
EDR	Education Maintenance Allowance	Test systems and processes to ensure compliance with all relevant legislation and Scottish Government requirements.	Internal Controls
CER	Sustainability	Provide assurance that plans are practically deliverable in the short, medium and long term and that in-year progress with the achieving of targets is monitored and reported.	Risk Management
SWR	Self-Directed Support	Assess compliance with assessment and review timescales. Review evidence to ensure that this demonstrates that the assessed needs of users are being met.	Internal Controls
FCR	Community Wealth Building Strategy	Test controls in place to mitigate the risk to the Council of the Strategy not being fully delivered.	Risk Management
EDR	Additional Support Needs Transport	Test effectiveness of new systems and procedures and implementation of agreed actions.	Internal Controls
FCR	Cyber Security	Assess the Council's level of resilience and ability to use technology securely and to respond and prevent cyber crime.	Internal Controls
FCR	Purchase Cards	Provision of advice and guidance regarding key controls attached to extending the use of Purchase Cards across the Council.	Internal Controls
All	Investigative contingency	Undertake investigations as required.	Internal Controls
All	General contingency	Respond to requests for unplanned work.	Internal Controls
N/A	Audit Plan	Deliver internal audit service to External Clients.	N/A