

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	17 November 2021
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2021/2022 Internal Audit Plan – Six Months to 31 March 2022
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ seek approval for the proposed second phase of the 2021/2022 Internal Audit Plan for the six months to 31 March 2022

2. Recommendation(s)

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

- (1) that the proposed second phase of the 2021/2022 Internal Audit Plan for the six months to 31 March 2022 is 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 2021/2022 Internal Audit Plan.

3.2. To reflect the evolving risks and challenges that the Council continues to face, the Audit Plan for 2021/2022 has been presented to the Committee as two, separate six month plans. The first of these six month plans, for the period to 30 September 2021, was approved in March 2021 and an update with the progress of this Plan is set out in Appendix 1. The second of these Plans, covering the remainder of the year, is detailed at Appendix 2. Presenting the Audit Plan in this way in 2021/2022 has ensured that the Plans are current, relevant and deliverable. These Plans include core elements of audit work, time to complete key financial year-end tasks and the resources required to support Council Services disburse COVID-19 grants.

3.3. The over-arching strategy continues to be one that delivers the key objective of the Service which is to provide general assurance in relation to governance, risk management and control arrangements through:-

- ◆ linking to the Council's objectives and priorities, providing assurance in relation to top risks that have been identified by the Council
- ◆ undertaking a balanced programme of work delivered 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

- 3.4. A summary of how each assignment links to these key assurance areas is included at Appendix 3.
- 3.5. Progress against the audit strategy has been and will continue to be monitored and reported to the Committee as part of regular activity reports that are presented at each meeting. Delivery of the strategy will be evidenced by the completion of the 2021/2022 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 to planning in 2021/2022 although a level of contingency time has been built in to provide some flexibility through to the end of the financial year. A formal review of the second phase of the Audit Plan will be undertaken in January 2022. Key performance indicators will continue to be reported to the Committee within routine activity reports and as part of the annual assurance report.

4. Internal Audit Plan 2021/2022

- 4.1. In 2021/2022, audits have been and will continue to be conducted in accordance with the revised PSIAS and within the context of the Internal Audit Charter. A formal review of the function's compliance with PSIAS will be undertaken in 2021/2022 in preparation for an external assessment in 2022/2023 to comply with the requirement for an independent review once every 5 years.
- 4.2. A copy of the proposed second phase of the Internal Audit Plan for the six months to 31 March 2022 is attached at Appendix 2. This shows the name of the proposed assignment, the lead Resource (if relevant) 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. Resources 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.
- 4.3. The Council's top risks have been reassessed in 2021/2022 and, as in previous years, this review did not result in significant changes. Previously identified risks were mostly still valid albeit the majority of the top risks have been impacted by the pandemic. Time to test revised controls has been included in the second, six month Plan along with further time to conclude the exercise that seeks to map out the key 'lines of defence' against each of the top risks. From this, an overview will be provided of the governance and risk management arrangements in place.
- 4.4. Resources within the team have been impacted in the year by the continuing need to support the payment of COVID-19 grants on behalf of the Scottish Government. Aside from this time, the focus of the Plans is on new and revised processes and areas of heightened risk to provide assurance that both controls that remain unchanged and those that have been revised, are effective and robust.
- 4.5. The Committee is asked to approve the second phase of the Audit Plan for the six months to 31 March 2022.

5. Internal Audit Plan 2022/2023

- 5.1. The audit planning process for 2022/2023 will shortly commence and Resources and External Audit will be consulted by the end of the calendar year to discuss ideas and suggestions for inclusion in the Plan. Suggestions are also being sought from members of the Committee. Ideas and suggestions should focus on specific risk areas where there are known control weaknesses.

- 5.2. Once the consultation process has been concluded, the comprehensive list of audit 'ideas' will be risk assessed and an audit plan presented to the Committee for approval.
- 5.3. In both 2020/2021 and 2021/2022, Internal Audit Plans have been presented at six-monthly intervals to the Committee and, ahead of preparing the 2022/2023 Internal Audit Plan, some consideration will be given to whether this more agile approach is a more effective model for future years. The pandemic has highlighted both the need and benefit of having relevant, flexible Plans that can direct remote audit work but has also presented challenges in ensuring that a cohesive plan of work is delivered across the year.
- 5.4. This review will consider current practice across other local authorities as well as best practice guidance published by relevant professional bodies. The outcome of this exercise will be reported to the Committee in conjunction with the presentation of a proposed audit plan for 2022/2023.

6. Employee Implications

- 6.1. A full employee capacity plan was prepared at the commencement of the audit planning process. This determined that, 1,174 audit days can be delivered in total through to 31 March 2022 (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 2020/2021 albeit these years are not directly comparable given resources required to respond to the pandemic.
- 6.2. Capacity planning for the year includes assumptions that some resources will be required on an ongoing basis to collate and verify EU European Social Fund grant payments and that 0.5 of a post will be required to support implementation of Oracle Fusion through to 31 March 2022.

7. Financial Implications

- 7.1. Capacity planning has been based on the 2021/2022 budget for the Service. This is considered to provide sufficient resources to deliver the proposed Audit Plan.

8. Climate Change, Sustainability and Environmental Implications

- 8.1. There are no significant implications in terms of climate change, sustainability and environmental issues associated with this report.

9. Other Implications

- 9.1. To mitigate against the risk of non-delivery of this first phase of the Plan, the progress of every assignment will be monitored using the Council's risk management software, Figtree.

10. Equality Impact Assessment and Consultation Arrangements

- 10.1. There is no requirement to conduct an equality impact assessment on the proposed Audit Plan. As part of the early planning process, there was extensive consultation and feedback sought from the following main consultees:

- ◆ Internal Audit Team
- ◆ Finance and Corporate Resources Management Team
- ◆ Executive Directors
- ◆ Audit Scotland, the Council's external auditors
- ◆ Members of the Risk and Audit Scrutiny Committee

10.2. All returned suggestions were included within the initial “audit universe” for risk evaluation.

Paul Manning
Executive Director Finance and Corporate Resources

2 November 2021

Link(s) to Council Objectives/Improvement Themes/Values

- Achieve results through leadership, good governance and organisational effectiveness

Previous References

- 2020/2021 Internal Audit Plan– Risk and Audit Scrutiny Committee, 21 September 2020
- 2021/2022 Internal Audit Plan – Six Months to 30 September 2021 – Risk and Audit Scrutiny Committee, 3 March 2021

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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Progress with Six Month Internal Audit Plan to 30 September 2021 Appendix 1

Lead Resource	Audit assignment	Progress	Status
Participation in and delivery of corporate tasks			
All	Contract Scrutiny Groups	No requirement to date and none has been identified through to 31 March 2022	Complete
All	Provision of reports to Committee	Reports being prepared and presented to Risk and Audit Scrutiny Committee and to External Client Committees and Boards.	Ongoing
All	Attend internal and external working groups	Attending, responding to requests, participating in consultations and providing updates.	Ongoing
All	Audit plan 2021/2022	Completed initial analysis of 'lines of defence' against key risks. Undertook consultation, risk assessment, Resource and Section planning, set scopes and objectives and sought approval through preparation of reports.	Complete (first phase)
All	Annual Report	Prepared annual statement of assurance for 2020/2021. Presented to Risk and Audit Scrutiny Committee.	Complete
FCR CER	City Deal – Governance Statement	Provided 2020/2021 Governance Statement for submission to Glasgow City Council.	Complete
Provision of support tasks			
FCR	General Ledger Data	Provided 2020/2021 general ledger data to External Audit for the audit of the financial accounts for the year ended 31 March 2021.	Complete
All	COVID	Provided COVID-19 support to Council Services. Provided advice and guidance regarding key controls within processes. Undertaking investigative and data analysis work	Complete Ongoing
Delivery of an internal audit programme of core tasks and assignments			
All	National Fraud Initiative (NFI)	Facilitating the investigation of 2020/2021 matches.	Ongoing
All	Fraud	Reacting to fraud alerts through internal and external sources and disseminating information as appropriate. Reviewed anti-fraud policies and refreshing Learn on Line modules. Undertaking investigations as required.	Ongoing
All	Anti-Fraud review	Developed a programme of tests for the Follow Up of Audit Scotland report (Emerging Fraud Risks – July 2020). Test check controls in place within new or changed processes.	Complete Ongoing
All	Informal Follow Up	Prompting Resources on a quarterly and monthly basis of actions due within that period. Collating responses for reporting.	Ongoing

Lead Resource	Audit assignment	Progress	Status
All	Follow Up	For all Council Resources, identified audit recommendations due in the period to March 2021. Risk assessing and following-up to ensure implementation of all high risk actions.	Complete Ongoing
All	Procurement	Rolling programme of testing of procurement practices in areas assessed as being subject to higher risk of fraud.	Ongoing
FCR	BACs Reconciliation	Assisted with development of routine reconciliations.	Complete
All	Continuous Control Monitoring (CCM)	Continuing to download data in current CCM areas. Using data for analysis and to inform internal and external audit testing. Preparing formal reports to allow exceptions and unusual trends in financial controls. Actioning as required.	Ongoing
All	Contingency	Concluded all 2020/2021 audits and responded to requests for unplanned work through to 30 September 2021. Provided advice and guidance.	Complete
All	Inventory/Stock	Reviewing processes in place for the recording of inventory and stock. Providing assurance these are adequate and effective and incorporate key controls.	Ongoing
SWR	Justice Services	Concluding review of management information to ensure timely and accurate.	Ongoing
Delivery of an internal audit service to external clients			
N/A	Audit Plan	Delivering internal audit service to External Clients	Ongoing

Note: shaded areas represents assignments carried forward to Phase 2 to conclude work

Lead Resource	Audit assignment	Scope of Work	Expected Days
Participation in and delivery of corporate tasks			
All	Provision of reports to Committee	Prepare reports to present to Risk and Audit Scrutiny Committee and to External Client Committees and Boards.	2
All	Attend internal and external working groups	Attend, respond to requests, participate in consultations and provide updates.	9.5
All	Audit plan 2021/2022	Complete further analysis of 'lines of defence' against top risks and report to Resource Risk Sponsors.	23
All	Oracle Fusion	Participate in corporate project to implement Oracle Fusion.	64
FCR	PSIAS/Best Practice review	Preparation for an external assessment of the function's compliance with PSIAS. Comparison of existing arrangements with best practice and developing action plan to address any gaps.	6
FCR	External Audit	Provide interim general ledger data to External Audit for the audit of the financial accounts for the year ended 31 March 2022.	2
All	Excel	Develop basic Excel skills matrix and training materials for the Service. Roll out of skills matrix to Council Services.	12
Provision of support tasks			
All	COVID	Undertaking investigative and data analysis work.	14
Delivery of an internal audit programme of core tasks and assignments			
All	National Fraud Initiative (NFI)	Conclude investigation of 2020/2021 matches and prepare reports for presentation to Risk and Audit Scrutiny Committee.	41
All	Fraud	React to fraud alerts through internal and external sources and disseminate information as appropriate. Refresh Learn on Line modules. Undertake investigations as required.	23.5
All	Anti-Fraud review	Test check controls in place within new or changed processes.	63
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	2
All	Follow Up	Risk assess and follow-up to ensure implementation of all high risk actions.	24

Lead Resource	Audit assignment	Scope of Work	Expected Days
All	Procurement	Rolling programme of testing of procurement practices in areas assessed as being subject to higher risk of fraud.	14
FCR	BACs Reconciliation	Assistance to undertake routine reconciliations.	1.5
All	Continuous Control Monitoring (CCM)	Continue to download data in current CCM areas. Use data for analysis and to inform internal and external audit testing. Prepare formal reports to allow identification of exceptions and unusual trends in financial controls. Action as required.	20
All	Contingency	Respond to requests for unplanned work through to 31 March 2022. Provide advice and guidance.	20
All	Inventory/Stock	Review processes in place for the recording of inventory and stock. Provide assurance these are adequate and effective and incorporate key controls.	15
SWR	Justice Services	Conclude review of management information to ensure timely and accurate.	15
All	Purchase Cards	Provide assurance that the use of purchase cards is controlled at the outset, that usage is governed and complies with written procedures and that all spend is correctly incurred and independently monitored.	17.5
CER	LEADER	Provision of annual audit certificate.	0.5
EDR/FCR	Advice and Guidance	Provision of advice and guidance on online banking for school funds and on the revision of duplicate invoice checks.	2.5
All	Sustainability	Preparation of a position statement and development of a bank of routine audit tests to be included in all routine audits from 2022/2023.	16
All	Top Risks	Review of top risks and testing of revised controls to mitigate.	40
All	Objective work flows	Provide assurance that key internal controls are embedded in new work flows.	12
Delivery of an internal audit service to external clients			
N/A	Audit Plan	Deliver internal audit service to External Clients	159
Total			619

Resource	Audit Assignment	Scope of Work	Area of Assurance
All	National Fraud Initiative (NFI)	Facilitate the investigation of 2020/2021 matches.	Governance
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	Governance
FCR	PSIAS/Audit Committee best practice	Prepare for an external assessment of compliance with PSIAS. Comparison of existing arrangements with best practice.	Governance
All	Sustainability	Prepare a position statement and develop a bank of routine audit tests to be included in all routine audits from 2022/2023.	Governance
All	Audit plan 2021/2022	Analysis of 'lines of defence' against key risks.	Risk Management
All	Top Risks	Review of top risks and testing of revised controls to mitigate.	Risk Management
All	Follow Up	Identify audit recommendations due in the period to March 2021. Risk assess and following-up to ensure implementation of all high risk actions.	Internal Controls
All	Procurement	Rolling programme of testing of procurement practices in areas assessed as being subject to higher risk of fraud.	Internal Controls
FCR	BACs Reconciliation	Assistance to undertake routine reconciliations.	Internal Controls
All	Continuous Control Monitoring (CCM)	Continue to download data in current CCM areas. Use data for analysis and to inform internal and external audit testing. Prepare formal reports to allow exceptions and unusual trends in financial controls. Action as required.	Internal Controls
All	Audit plan 2021/2022	Analysis of 'lines of defence' against key risks.	Internal Controls
All	Oracle Fusion	Participation in corporate project.	Internal Controls
All	Purchase Cards	Provide assurance that the use of purchase cards is controlled at the outset, that usage is governed and complies with written procedures and that all spend is correctly incurred and independently monitored.	Internal Controls

All	Objective work flows	Provide assurance that key internal controls are embedded in new work flows.	Internal Controls
CER	LEADER	Provide an annual audit certificate.	Internal Controls
EDR/FCR	Advice and Guidance	Provide advice and guidance on online banking for school funds and revision of duplicate invoice checks.	Internal Controls
All	Fraud	React to fraud alerts through internal and external sources and disseminating information as appropriate. Review anti-fraud policies and refresh Learn on Line to modules. Undertake investigations as required.	Internal Controls
All	Anti-Fraud review	Follow Up Audit Scotland report (Emerging Fraud Risks – July 2020). Develop a programme of tests. Test check controls in place within new or changed processes.	Internal Controls
All	Inventory/Stock	Review processes in place for the recording of inventory and stock. Provide assurance these are adequate and effective and incorporate key controls.	Internal Controls
SWR	Justice Services	Review management information to ensure timely and accurate.	Internal Controls
All	COVID	Provide COVID support to Council Services. Provide advice and guidance regarding key controls within processes. Undertaking investigative and data analysis work.	Internal Controls

Corporate tasks			
All	Audit plan 2021/2022	Undertake consultation, risk assessment, Resource and Section planning, set scopes and objectives and seek approval through preparation of reports.	Other tasks
All	Contract Scrutiny Groups	Participate in Contract Scrutiny Groups as required.	Other tasks
All	Provision of reports to Committee	Prepare reports and present to Risk and Audit Scrutiny Committee and to External Client Committees and Boards.	Other tasks
All	Attend internal and external working groups	Attend, respond to requests, participate in consultations and providing updates.	Other tasks
All	Annual Report	Prepare annual statement of assurance for 2020/2021. Present to Risk and Audit Scrutiny Committee.	Other tasks

FCR CER	City Deal – Governance Statement	Provide Governance Statement to Glasgow City Council for 2020/2021.	Other tasks
FCR	Provision of data to External Audit	Provide 2020/2021 general ledger data to External Audit for the audit of the financial accounts for the year ended 31 March 2021 and interim data for the year to 31 March 2022	Other tasks
N/A	Audit Plan	Deliver internal audit service to External Clients	Other tasks
All	Excel	Develop basic skills matrix and training materials for the Service. Roll out of this matrix across Council Services.	Other tasks