

REPORT TO: Audit and Governance Committee

MEETING DATE: 30 April 2013

BY: Executive Director (Support Services)

SUBJECT: Audit Plan 2013/14

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit's operational plan for 2013/14.

2 RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to approve the Audit Plan for 2013/14.

3 BACKGROUND

- 3.1 The annual audit plan has been prepared in accordance with Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013.

- 3.2 In preparing the annual audit plan a range of factors have been taken into account, including:

- the Council Plan 2012-17 and the key actions that the Council will pursue in order to meet its objectives;
- areas highlighted by the Council's External Auditors and Senior Officers;
- corporate and departmental risk registers;
- the Council's core financial systems;
- changes in service delivery;
- the findings from previous years audit work;
- the need to incorporate flexibility for reactive/investigatory work.

- 3.3 Internal Audit's primary role is to independently review internal control systems within the Council. Internal Audit will evaluate the adequacy and effectiveness of controls in responding to risks within the Council's governance, operations and information systems, regarding the:

- Achievement of the Council's strategic objectives.
 - Reliability and integrity of financial and operational information.
 - Effectiveness and efficiency of operations and programmes.
 - Safeguarding of assets.
 - Compliance with laws, regulations, policies, procedures and contracts.
- 3.4 The Internal Audit Manager is required to give an opinion on the Council's control environment in the annual Controls Assurance Statement and the audit work carried out will contribute to this opinion.
- 3.5 The provision of the Internal Audit service is on an in-house basis by the Council's Internal Audit Unit, which is comprised of the Internal Audit Manager, three Senior Auditors and one Senior Audit Assistant.
- 3.6 The resources available have been applied to individual audits and a detailed operational plan has been produced for 2013/14 (see Appendix A).
- 3.7 Internal Audit will adopt a risk based approach to audit assignments as the principal means of providing assurance on the adequacy, reliability and effectiveness of internal controls. Testing of controls will be carried out on a sample basis. A standard sample size basis is used for financial systems audits and the samples are selected to provide coverage for the full financial year.
- 3.8 For each individual audit, a detailed audit report will be prepared for the relevant Executive Director. Copies of the audit report will be provided to the Chief Executive, External Audit and to the Chair of the Audit and Governance Committee.
- 3.9 All audit reports will highlight areas where expected controls have been met and areas where there is scope for improvement. A detailed action plan will be attached to each report listing all recommendations made and recording management responses to the recommendations. For each audit, the Executive Summary and Action Plan will be presented to the Audit and Governance Committee.
- 3.10 Follow-up audits will be carried out to review the implementation of the recommendations made.

AUDIT COVERAGE

Financial and Non-Financial Audits

- 3.11 Internal Audit will review the Council's systems to provide assurance on the adequacy and effectiveness of internal controls. The audit plan includes a range of financial and non-financial audits.

Statutory Audits

- 3.12 Internal Audit undertakes audit work in respect of specific grant awards made to the Council by the Scottish Government, to ensure compliance with grant conditions.

Best Value Audit

- 3.13 Internal Audit will review the systems in place for the preparation and reporting of Statutory Performance Indicators.

Investigations

- 3.14 Time has been allocated to carry out work on the National Fraud Initiative (which is coordinated for Scottish Local Authorities by Audit Scotland) and to undertake fraud and irregularity investigations.

PERFORMANCE INDICATORS

- 3.15 Internal Audit reports on the completion of the annual audit plan, the percentage of audit recommendations accepted by Management and the percentage of audit staff with CCAB accounting qualifications.

OTHER FACTORS

- 3.16 The Committee should note that reactive work may impact heavily on the Internal Audit Unit's ability to complete the audit plan. Contingency days are built in for 2013/14 in the investigations section, but by its nature reactive work is difficult to predict.
- 3.17 The plan and its completion have added importance, given its contribution to the annual Controls Assurance Statement to be prepared at the end of 2013/14.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
- 6.2 Personnel - None
- 6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	19 April 2013

INTERNAL AUDIT PLAN

2013/14

CONTENTS

PAGE

1. Introduction	see attached report
2. Financial and Non-Financial Audits	1
3. Statutory Audits	4
4. Best Value Audit	4
5. Investigations	4
6. Other Audit Work	4
7. Training	5

AUDIT PLAN 2013/14

AUDITABLE AREAS	SCOPE OF THE AUDIT	WEEKS
FINANCIAL AND NON-FINANCIAL AUDITS		
Creditors	The Council spends significant sums on goods and services. We will review the ordering, receipting and payment procedures in place.	6
Housing Revenue Account	We will examine the controls in place for reconciliations undertaken in respect of the Housing Revenue Account.	6
Journal Processing	We will review the arrangements in place for the authorisation and processing of journal entries.	5
Community Care Finance Unit (CCFU)	We will examine the operating arrangements in place for the delivery of services currently undertaken by the CCFU.	6
Law and Licensing	We will examine the internal controls in place surrounding the receipt of licence fees.	5
Insurance and Claims	The Council's insurance arrangements will be reviewed, including the processing of and accounting for claims.	6
Payments to Scottish Water	The Council is required by law to bill and collect Scottish Water charges along with Council Tax. We will examine the controls in place in respect of payments made by the Council to Scottish Water.	5

AUDITABLE AREAS	SCOPE OF THE AUDIT	WEEKS
Benefits	Internal Audit will undertake detailed testing on a sample of Housing Benefit and Council Tax Benefit cases.	5
Welfare Reform	We will review the arrangements in place within the Council for the administration of the Scottish Welfare Fund.	6
Housing Allocations	We will review the arrangements in place for Housing Allocations to ensure compliance with the Council's Policy.	6
Housing Repairs and Maintenance	The audit will review the arrangements in place for repairs and maintenance carried out by the Council's Property Maintenance section.	6
Modernisation Programme	We will review the Modernisation/Extensions (Existing Stock) Programme which forms part of the Council's Housing Capital Investment Plan.	6
Trading Operations	The Council has a number of trading operations and we will review the arrangements in place to ensure compliance with statutory requirements.	6
Procurement – Scheme of Delegation	We will examine the scheme of delegation to ensure that all procurement activity is undertaken by relevant officers with delegated authority.	5

AUDITABLE AREAS	SCOPE OF THE AUDIT	WEEKS
Residential Units for Young People	We will examine the IT arrangements operating within the Council's Residential Units for Young People to ensure compliance with Council policies and procedures.	6
Mobile Payment Devices	We will review the internal controls in place for the use of mobile chip and PIN payment devices recently introduced by the Council's Revenues section.	6
East Lothian Investments Ltd	We will examine the internal controls and procedures operating within East Lothian Investments Ltd.	6
Schools Audit	We will examine the financial procedures in place at one school to ensure that internal controls are operating effectively.	5
Gifts and Hospitality Policy	We will review the arrangements in place within departments for compliance with the Council's Policy on acceptance by employees of offers of gifts and hospitality.	4
Contracts Audit	We will review contracts awarded by the Council to ensure compliance with Standing Orders and Corporate Procurement Procedures.	6
Special Projects	Internal Audit will review specific areas that are identified by Senior Officers.	6

AUDITABLE AREAS	SCOPE OF THE AUDIT	WEEKS
STATUTORY AUDITS		
Miscellaneous Grants	For grants awarded to the Council by the Scottish Government, Internal Audit is required to provide a statement of compliance with grant conditions on an annual basis.	4
Tyne Esk LEADER Programme	A review will be undertaken of the systems and processes in place for administering the Tyne Esk LEADER Programme.	4
BEST VALUE AUDIT		
Review of Statutory Performance Indicators	Internal Audit will review the systems in place for the preparation and reporting of Statutory Performance Indicators.	6
INVESTIGATIONS		
National Fraud Initiative	Internal Audit participates in the National Fraud Initiative, which is coordinated for Scottish Local Authorities by Audit Scotland. This initiative seeks to identify potential frauds and overpayments by matching data held within the Council to that held by other bodies.	10
Fraud and Irregularity	We will investigate all instances of suspected fraud or irregularity that are brought to our attention.	20
OTHER AUDIT WORK		
Review of Previous Years' Work	Internal Audit will review the outcome of our previous years' work to ensure recommendations have been actioned as agreed and that risks accepted by management have been properly managed.	6

AUDITABLE AREAS	SCOPE OF THE AUDIT	WEEKS
Attendance at Stocktakes	Internal Audit will attend the year-end stocktakes at Property Maintenance, Road Services and Waste Services. We will review the final stock sheets.	1
Community Councils and Management Committees	Community Councils – Internal Audit provide advice and support to Community Councils. Management Committees – Internal Audit will audit the annual accounts of Management Committees.	4
Advice and Consultancy	<p>Consultation on New Systems – for all new systems implemented, Internal Audit will provide advice on internal control matters.</p> <p>Tender Evaluations – attendance at tender openings and evaluations when requested by departments.</p> <p>Returned Cheques – investigating and recording the reasons for returned cheques.</p> <p>Financial Reports – providing departments with financial information about companies and offering advice where applicable.</p> <p>Consultancy – providing advice and consultancy on a range of internal control issues.</p>	6
TRAINING		
Training	An adequate allocation of budget resources and time will be given to maintaining and improving the knowledge base and quality of the staff resource. This includes time for staff to undertake continuous professional development (CPD) and to acquire skills and knowledge required to undertake specialist audit assignments.	8