

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 March 2014

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Audit Plan 2014/15

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit's operational plan for 2014/15.

2 RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to approve the Audit Plan for 2014/15.

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 2014/15 (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 is prepared for the relevant Depute Chief Executive. Copies of the audit report are provided to the Chief Executive, External Audit and to the Chair of the Audit and Governance Committee. In addition, the Executive Summary and Action Plan are also presented to the Audit and Governance Committee.
- 3.9 For planned audits undertaken in 2014/15, copies of the full audit reports will be available to members of the Audit and Governance Committee, should they wish to receive a copy.
- 3.10 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.
- 3.11 Follow-up audits will be carried out to review the implementation of the recommendations made.

AUDIT COVERAGE

Financial and Non-Financial Audits

- 3.12 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

- 3.13 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

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

Investigations

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

INTERNAL AUDIT PERFORMANCE INDICATORS

- 3.16 Internal Audit will report 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

- 3.17 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 2014/15 in the investigations section, but by its nature reactive work is difficult to predict.
- 3.18 The plan and its completion have added importance, given its contribution to the annual Controls Assurance Statement to be prepared at the end of 2014/15.

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	6 March 2014

INTERNAL AUDIT PLAN

2014/15

CONTENTS

PAGE

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

AUDIT PLAN 2014/15

AUDITABLE AREAS	SCOPE OF THE AUDIT	WEEKS
FINANCIAL AND NON-FINANCIAL AUDITS		
Borrowings	We will examine the systems and controls in place in respect of borrowings – the audit will focus on the draw down and repayment of loans and the associated authorisation and monitoring procedures in place.	6
Pensions	We will review the systems and controls in place in respect of pensions – the audit will focus on the accuracy and completeness of pension data sent to the Lothian Pension Fund.	6
Payroll Overtime	A review of the internal controls in place for the authorisation, processing and monitoring of Payroll Overtime will be carried out.	6
Cash Handling and Banking	We will examine the cash handling and banking arrangements in operation throughout the Council.	6
Fees and Charges	For a range of Council services we will review the arrangements in place for the setting up, reviewing and updating of fees and charges.	6
Non-Domestic Rates	We will examine the internal controls surrounding the administration of Non-Domestic Rates.	6
Frameworki – Payments on Schedule	We will examine the adequacy and effectiveness of the internal controls in place for payments made to suppliers via Frameworki.	6

AUDITABLE AREAS	SCOPE OF THE AUDIT	WEEKS
Fleet Management	We will review the adequacy and effectiveness of the Council's fleet management.	6
Self Directed Support	We will report on the progress being made by the Council in implementing Self Directed Support.	6
Bathroom Adaptations	We will examine the adequacy and effectiveness of the Council's Framework Agreement for bathroom adaptations.	8
Public Records (Scotland) Act 2011	We will examine the adequacy of the existing arrangements in place within the Council for meeting the requirements of the Public Records (Scotland) Act 2011 – the audit will focus on how the Council uses, stores, makes secure, shares and destroys information.	5
Schools Audit	We will examine the internal controls operating within one secondary school and one primary school in East Lothian.	10
Fostering and Kinship Care Allowances	We will review the arrangements in place for the payment of fostering and kinship care allowances and fees.	6
Partnership Funding	We will examine the arrangements in place for partnership funding provided by the Council.	6
Residential Homes for Older People	A review of the financial arrangements operating at the Council's residential homes for older people will be undertaken.	6

AUDITABLE AREAS	SCOPE OF THE AUDIT	WEEKS
Gifts and Hospitality – Members	We will review the arrangements in place for the recording and acceptance of offers of gifts and hospitality by Members.	5
Contracts Audit	We will examine payments made to suppliers in respect of specific contracts.	6
IT Disaster Recovery	We will review the IT disaster recovery arrangements for the Council’s main data centres (John Muir House and Penston House).	6
Mandatory and Discretionary Financial Assistance	We will review the adequacy and effectiveness of the arrangements in place for the processing of mandatory and discretionary housing grants.	5
Special Projects	Internal Audit will review specific areas that are identified by Senior Officers.	6
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	We will examine the adequacy and effectiveness of the internal controls in place for the Tyne Esk LEADER Programme.	4
Fisheries Local Action Group (FLAG)	We will examine the arrangements in place for the payment of grants by East Lothian Fisheries Local Action Group (FLAG).	3

AUDITABLE AREAS	SCOPE OF THE AUDIT	WEEKS
BEST VALUE AUDIT		
Review of Performance Indicators	Internal Audit will review the systems in place for the preparation and reporting of Performance Indicators.	6
INVESTIGATIONS		
National Fraud Initiative	We will continue to follow-up work identified by the 2012/13 NFI data matching exercise.	4
Fraud and Irregularity	Internal Audit will investigate all instances of suspected fraud or irregularity.	10
Fraud and Corruption	We will examine the policies and procedures in place within the Council for the prevention and detection of fraud and corruption.	4
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
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 where applicable.	4

AUDITABLE AREAS	SCOPE OF THE AUDIT	WEEKS
Standards and Policies	<p>Internal Audit will report to the Audit and Governance Committee on the following:</p> <ul style="list-style-type: none"> • The outcome of Internal Audit's assessment against Public Sector Internal Audit Standards (PSIAS) • The updated Internal Audit Charter • The Council's updated Whistleblowing Policy 	6
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	<p>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.</p>	6