

REPORT TO: Audit and Governance Committee

MEETING DATE: 22 March 2016

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Plan 2016/17

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit's operational plan for 2016/17.

2 RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to approve the Audit Plan for 2016/17.

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 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 2016/17 (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, Head of Service, External Audit and to members 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.
- 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 Performance Indicators.

Investigations

- 3.14 Time has been allocated to carry out work on the National Fraud Initiative and to undertake fraud and irregularity investigations.

Integration Joint Board

- 3.15 The Committee is asked to note that in 2016/17 internal audit services to the East Lothian Integration Joint Board will be provided by East Lothian Council's internal audit team.
- 3.16 For 2016/17, time has been allocated to carry out the audit work for the Integration Joint Board.

INTERNAL AUDIT PERFORMANCE INDICATORS

- 3.17 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

- 3.18 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 2016/17 in the investigations section, but by its nature reactive work is difficult to predict.
- 3.19 The plan and its completion have added importance, given its contribution to the annual Controls Assurance Statement to be prepared at the end of 2016/17.

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

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INTERNAL AUDIT PLAN

2016/17

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AUDIT PLAN 2016/17

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
FINANCIAL AND NON-FINANCIAL AUDITS			
Housing Rents	We will examine the processes and controls in place for housing rents.	Medium	6
Housing Benefit and Council Tax Reduction	We will examine the systems in place for the processing, assessment and payment of Housing Benefit and the award of Council Tax Reduction.	Medium	6
PPP Contract Monitoring	A review will be undertaken of the arrangements in place for the performance monitoring of the PPP contract.	High	6
Gas Servicing and Maintenance	We will review the adequacy and effectiveness of the contractual arrangements in place for undertaking gas servicing and maintenance of all Council properties (both HRA and non HRA).	High	6
Contracts Audit	We will examine payments made to suppliers in respect of specific contracts.	High	6
Freedom of Information (FOI)	We will carry out a review of the arrangements in place to ensure compliance with legislative requirements and timescales for responding to FOI requests.	Medium	5
Home to School Transport	We will examine the payments made to operators for Home to School transport for both Mainstream and Additional Support Needs pupils to ensure compliance with the contract rates in place.	Medium	4

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Funding – Third Sector Organisations	We will continue our review of the partnership arrangements in place with Third Sector Organisations and assess if the Council is getting value for money from grants awarded to Third Sector Organisations. In 2016/17 we will examine the grant awards made by Children’s Wellbeing.	Medium	6
Information Security	We will carry out an assessment of the arrangements in place within the Council to ensure that information is appropriately controlled.	Medium	5
Prevention of Tenancy Fraud	We will review the adequacy and effectiveness of the arrangements in place for the prevention of tenancy fraud, including a review of tenancy changes.	High	6
Property Maintenance – Housing Repairs	Our review will cover both housing repairs undertaken directly by Property Maintenance and work allocated to external contractors.	Medium	6
Public Services Network (PSN)	We will evaluate the Council’s security arrangements, policies and controls to ensure PSN compliance.	Medium	5
Income – Waste Services	We will review the current arrangements in place for the collection and re-sale of recycled materials.	Medium	6
Road Services Contracts	We will examine the arrangements in place for the procurement and monitoring of contracts within Road Services.	Medium	6

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Capital Projects – Payment Certificates	We will review the issuing, authorisation and payment of interim and final certificates for capital projects.	Medium	6
Schools Audit	We will examine the internal controls operating within one secondary school in East Lothian.	Medium	4
Workforce Planning	We will review the processes and controls in place for managing secondments and 'acting up' roles.	Medium	6
Housing Voids	We will assess the arrangements in place for the management and reporting of housing voids.	Medium	4
Fuel Management	We will review the fuel management arrangements in place at the Council's fuel depots.	Medium	4
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.	Medium	4

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
BEST VALUE AUDIT			
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	Medium	5
INVESTIGATIONS			
National Fraud Initiative	Time has been allocated for co-ordinating and submitting data for the 2016/17 National Fraud Initiative exercise.	High	4
Fraud and Irregularity	Internal Audit will investigate all instances of suspected fraud or irregularity.	High	10
Whistleblowing Concerns	We will investigate concerns raised under the Council's Whistleblowing Policy.	High	6
OTHER AUDIT WORK			
Integration Joint Board	Time has been allocated for work that will be undertaken by Internal Audit for the East Lothian Integration Joint Board (IJB). A separate audit plan will be prepared which will be presented to the IJB Audit and Risk Committee for approval.	Medium	24
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.	Medium	8
Financial Procedures – Schools	We will provide a series of training sessions on Financial Procedures to relevant staff within East Lothian schools.	Medium	2

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	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.	Medium	1
Community Councils and Management Committees	<p>Community Councils – Internal Audit provide advice and support to Community Councils.</p> <p>Management Committees – Internal Audit will audit the annual accounts of Management Committees where applicable.</p>	Medium	4
Advice and Consultancy	<p>Consultation on New Systems – for 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 service areas.</p> <p>Returned Cheques – investigating and recording the reasons for returned cheques.</p> <p>Financial Reports – providing service areas 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>	Medium	6

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
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.	–	6