

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 14 March 2017

**BY:** Depute Chief Executive – Resources & People Services

**SUBJECT:** Internal Audit Plan 2017/18

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## **1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of Internal Audit's operational plan for 2017/18.

## **2 RECOMMENDATION**

- 2.1 The Audit and Governance Committee is asked to approve the Audit Plan for 2017/18.

## **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 service area 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 2017/18 (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 2017/18 internal audit services to the East Lothian Integration Joint Board will be provided by East Lothian Council's Internal Audit team.

- 3.16 For 2017/18, time has been allocated to carry out 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 2017/18 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 2017/18.

## **4 POLICY IMPLICATIONS**

- 4.1 None

## **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

## **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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<b>DATE</b>	2 March 2017

**INTERNAL AUDIT PLAN**

**2017/18**

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**AUDIT PLAN 2017/18**

<b>AUDITABLE AREAS</b>	<b>SCOPE OF THE AUDIT</b>	<b>INTERNAL AUDIT ASSESSED RISK</b>	<b>WEEKS</b>
<b>FINANCIAL AND NON-FINANCIAL AUDITS</b>			
Council Tax – Liability	We will review the arrangements in place for determining Council Tax liability.	Medium	6
Non-Domestic Rates	An audit of Non-Domestic Rates (NDR) will be carried out. The review will focus on the procedures in place for the Billing and Collection of NDR.	Medium	6
Debtors	A review of the systems and processes in place for raising debtor invoices will be carried out to ensure that sundry income due to the Council is properly identified, collected and accounted for.	Medium	6
Review of Overtime	We will review the adequacy and effectiveness of the monitoring arrangements in place for those employees receiving overtime on a regular basis.	Medium	6
Housing Rent Arrears	We will examine the processes and controls in place for the recovery of housing rent arrears.	High	6
Procurement of goods and services – Property Maintenance	We will review the arrangements in place within the Council's Property Maintenance Section for the procurement of goods and services.	High	5
Non-Residential Charging	We will examine the arrangements in place for the assessment and charging of clients receiving non-residential care.	Medium	5

<b>AUDITABLE AREAS</b>	<b>SCOPE OF THE AUDIT</b>	<b>INTERNAL AUDIT ASSESSED RISK</b>	<b>WEEKS</b>
Care at Home Payments	We will review the internal controls in place for payments made to care at home providers used by the Council.	Medium	5
Throughcare and Aftercare	We will review the arrangements in place for supporting young people looked after by East Lothian Council who are about to leave care or have recently left care.	Medium	5
Social Care Fund	We will review the arrangements in place within Adult Services for monitoring the use of the Social Care Fund.	Medium	5
Homelessness	We will review the procurement and payment arrangements in place for accommodation provided to homeless clients.	High	5
Counter fraud arrangements	We will examine the counter fraud arrangements operating within the Council with a view to ensuring that these are robust.	Medium	4
Performance Bonds	We will review the processes in place within the Council for the use of performance bonds.	Medium	5
Review of complaints procedure	We will review the procedures in place for the handling of complaints received by the Council.	Medium	5

<b>AUDITABLE AREAS</b>	<b>SCOPE OF THE AUDIT</b>	<b>INTERNAL AUDIT ASSESSED RISK</b>	<b>WEEKS</b>
Common Repairs	We will review the systems and processes in place for dealing with common repairs projects where a statutory notice has been issued by the Council and the Council is required to enforce the notice.	Medium	6
Taxicard scheme	We will examine the arrangements in place for the Council's Taxicard scheme, which provides subsidised taxi travel for people with severe and permanent physical disability who don't have regular access to private motorised transport.	Medium	4
School Meals Income	We will examine the arrangements in place for the collection, recording and banking of school meals income.	Medium	6
ALEOs	We will review the governance arrangements operating within an Arms Length Organisation.	Medium	4
Special Projects	Internal Audit will review specific areas that are identified by Senior Officers.	–	6
<b>STATUTORY AUDITS</b>			
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
<b>BEST VALUE AUDIT</b>			
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	Medium	5



AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
<b>INVESTIGATIONS</b>			
National Fraud Initiative	Time has been allocated for co-ordinating and reviewing data matches identified following the 2016/17 National Fraud Initiative exercise.	High	6
Fraud and Irregularity	Internal Audit will investigate all instances of suspected fraud or irregularity.	High	10
Whistleblowing	We will investigate concerns raised under the Council's Whistleblowing Policy.	High	6
<b>OTHER AUDIT WORK</b>			
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
Training	We will examine the effectiveness of the controls surrounding training and development activity across the Council including attendance at conferences.	Medium	4
Learning and Development	We will review the arrangements in place for community learning and development and the links to the Area Partnerships/Managers.	Medium	4
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

<b>AUDITABLE AREAS</b>	<b>SCOPE OF THE AUDIT</b>	<b>INTERNAL AUDIT ASSESSED RISK</b>	<b>WEEKS</b>
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 independently examine 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
<b>TRAINING</b>			
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
Annual Self Assessment / External Quality Assessment	Time has been allocated for both internal and external assessment of the internal audit function against the Public Sector Internal Audit Standards.	–	5