
Report to: Audit Committee

Date of Meeting: 25 April 2019

Subject: Internal Audit Plan 2019/20

Report by: Internal Audit Manager

1.0 Purpose

1.1. This report presents an Internal Audit Plan for 2019/20 for approval.

2.0 Recommendations

2.1 It is recommended that the Committee:

- notes the resources available to Internal Audit;
- approves the Internal Audit Plan for 2019/20; and
- notes that progress will be reported to the Audit Committee on an ongoing basis.

3.0 Considerations

3.1. The Public Sector Internal Audit Standards 2017 (PSIAS) require the preparation of a risk based Internal Audit Plan setting out the team's annual work programme. For 2019/20, this has again been done within the context of a Joint Working Agreement with Falkirk Council.

3.2. Internal Audit's role is to provide a balanced and evidence based opinion to Members on the adequacy of the Council's arrangements for risk management, governance, and control.

3.3. To do this, the Internal Audit team must be:

- independent;
- objective in performing audit work; and
- adequately resourced, experienced, qualified, and knowledgeable.

3.4. All staff involved in the delivery of Internal Audit services are experienced and professionally qualified, and the role, authority, and responsibility of the team is formalised within an Internal Audit Charter. The Charter is clear that Internal Auditors will have no direct operational responsibility or authority over any of the activities audited, and that they must exhibit the highest level of professional objectivity at all times.

3.5. The resource available to deliver the 2019/20 Clackmannanshire Council Internal Audit Plan is summarised in the table below:

Activity	Planned Days
Planned Assignment Time	341
Ad Hoc / Consultancy Work	30
Work on Recommendations Outstanding	10
Total Direct Internal Audit Activity	381¹

3.6. Direct Internal Audit Time is allocated to:

- **Annually Recurring Assignments:** these are assignments that Internal Audit is committed to undertaking on an annual basis. They will be completed as demand requires, and time permits, over the course of the year. A summary of each of these assignments is set out at **Appendix 1**;
- **Committed Assignments – April 2019 to September 2019:** It is inevitable that there will be changes to the risk profile of the Council, and the wider external environment (locally and nationally) over the course of the year. On that basis, it would be prudent to ‘commit’ to undertaking a fixed programme of assignments for only the first six months of the year. Details of the reviews to be undertaken between April and September are set out at **Appendix 2**.
- **Indicative Plan – October 2019 to March 2020:** while it is desirable to ensure that there is a degree of flexibility in the latter part of the year to react to any changes in the Council’s risk profile, there remains a need to set out an ‘indicative’ plan for that period. This is set out at **Appendix 3**.

3.7. As required by PSIAS, this Plan has been developed taking account of key financial and other risks. This has been done by:

- considering the risks included on the Council’s Corporate Risk Log. The links between planned Internal Audit assignments and corporate risks are included within Appendices 1 to 3; and
- consulting with senior managers.

3.8. For each assignment, a more detailed Terms of Reference will be agreed with the relevant Strategic Director prior to the commencement of fieldwork. This will be linked to the relevant corporate risk(s) and set out the scope of work to be undertaken.

3.9. On completion of each review, Internal Audit will issue a draft report to the Strategic Director. In most instances, this will include an opinion on the adequacy of risk management, governance, and control arrangements in the area under review, and an action plan setting out any recommendations for

¹ Including provision of Internal Audit service to Central Scotland Valuation Joint Board and Clackmannanshire and Stirling Integration Joint Board.

improvement. The assurance will be provided in line with the definitions set out at **Appendix 4**.

- 3.10. For some assignments, no overall assurance will be provided. This may be the case where, for example, Internal Audit undertake work in relation to a developing system and issue a Position Statement rather than a full report (although recommendations may still be raised), or where we are involved as part of a longer term workstream.
- 3.11. Where Internal Audit makes recommendations, the Strategic Director will be required to provide formal responses (including action dates). The report and completed action plan will then form the final record of the assignment. Strategic Directors are responsible for ensuring that all recommendations are implemented by the agreed action date, and the corporate Pentana system is used to monitor and manage this.
- 3.12. Progress with completing the 2019/20 Internal Audit Plan will be reported to Committee throughout the year. Internal Audit will work closely with the Council's appointed External Auditors, Audit Scotland, to ensure that work is co-ordinated and complimentary.
- 3.13. On an annual basis, an Internal Audit Assurance Report will be presented to Committee. This will give an overall opinion on the Council's risk management, governance, and control arrangements, based on the work Internal Audit has carried out over the course of the year.

4.0 Sustainability Implications

- 4.1. None noted

5.0 Resource Implications

5.1. Financial Details

- 5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

- 5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

5.4. Staffing

6.0 Exempt Reports

- 6.1. Is this report exempt? Yes (please detail the reasons for exemption below) No

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box)

- Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all
- Our families; children and young people will have the best possible start in life
- Women and girls will be confident and aspirational, and achieve their full potential
- Our communities will be resilient and empowered so that they can thrive and flourish

(2) **Council Policies** (Please detail)

8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes No

9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

10.0 Appendices

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

- **Appendix 1:** Internal Audit Plan 2019/20 – Annually Recurring Assignments.
- **Appendix 2:** Internal Audit Plan 2019/20 – Committed Assignments – April 2019 to September 2019.
- **Appendix 3:** Internal Audit Plan 2019/20 – Indicative Assignments – October 2019 to March 2020.
- **Appendix 4:** Definition of Internal Audit Assurance Categories.

11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes (please list the documents below) No

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
Stuart Crickmar	Strategic Director Partnership & Performance	

INTERNAL AUDIT PLAN 2019/20 – ANNUALLY RECURRING ASSIGNMENTS

No.	Service	Purpose and Scope of Assignment
A1	All Services	<p>Continuous Auditing The purpose of continuous auditing work is to consider, review, and test transactional systems on an ongoing basis.</p> <p>For 2018/19 this focussed on the testing of payments to suppliers of goods and services to identify any duplicate amounts paid. Given the findings arising from that work, we will again direct continuous auditing resource towards the analysis of creditors payments.</p>
A2	All Services	<p>National Fraud Initiative The National Fraud Initiative (NFI) is a bi-ennial counter fraud exercise using data matching to identify potential fraud and error. In Scotland, the NFI is administered by Audit Scotland, with the results of the data matching exercise made available to individual Councils via a secure website.</p> <p>The Internal Audit Manager is the 'key contacts' for Clackmannanshire Council. The role of the 'key contact' is to co-ordinate the gathering of data from Services and to upload that data to the secure NFI web portal. When the outcomes arising from Audit Scotland's data matching are released back to the Council, it is the responsibility of the 'key contact' to co-ordinate and support Services in their investigation of those matches.</p>
A3	Place	<p>Climate Change Act Public Body Duties Audit The Climate Change (Scotland) Act introduced the requirement for public bodies to report on their climate change duties. The Council must submit an Annual Report to the Sustainable Scotland Network (SSN). This report must cover areas such as climate change governance, management, and strategy, emissions, targets, and projects.</p> <p>Internal Audit will review reporting arrangements, and the accuracy of the information included in the report, prior to submission to the SSN.</p>
A4	All Services	<p>Follow Up of Internal Audit Recommendations All recommendations made by Internal Audit are uploaded to the Pentana performance management system, with responsibility for implementing each recommendation allocated to the relevant manager.</p> <p>While Internal Audit will not follow up on the implementation of all recommendations, we have allocated time to the targeted follow up of a sample of these.</p>

No.	Service	Purpose and Scope of Assignment
A5	All Services	<p>Consultancy Work The Public Sector Internal Audit Standards are clear that the provision of ad hoc consultancy and advice to Services is a key element of Internal Audit's role.</p> <p>This time will be used to work closely with Services on things like: involvement in corporate projects and working groups; the provision of advice on guidance and controls; short term assignments requested by Services; and input into the investigation of actual or alleged irregularities.</p>
A6	Clackmannanshire and Stirling Integration Joint Board	<p>Clackmannanshire and Stirling Integration Joint Board NHS Forth Valley's Chief Internal Auditor will fulfil that role for the Integration Joint Board (IJB) for the three years from 01 April 2019. He will present an Internal Audit Plan for 2019/20 to the IJB Audit Committee in due course.</p> <p>Clackmannanshire Council's Internal Audit team will again provide resource to support the IJB Chief Internal Auditor in discharging his duties.</p>
A7	Central Scotland Valuation Joint Board	<p>Central Scotland Valuation Joint Board To be determined and agreed with Board management.</p>

**INTERNAL AUDIT PLAN 2019/20 – COMMITTED ASSIGNMENTS – APRIL 2019 TO
SEPTEMBER 2019**

No.	Service	Purpose and Scope of Assignment
A8	Place	<p>Procurement – Waste Services</p> <p>As part of our 2017/18 Internal Audit Plan we reviewed Procurement Governance Arrangements and contract management and monitoring in relation to three specific contracts.</p> <p>Work on Procurement within Waste Services was included within the Indicative Assignments element of our 2018/19 Plan. Due to re-prioritisation this work has been carried forward into 2019/20.</p> <p>This review will build on previous Procurement Governance work, following up on recommendations arising from that. We will also review arrangements in relation to a sample of procurement exercises within Waste Services.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Insufficient financial resilience.
A9	Partnerships and Performance / All Services	<p>Creditors Purchase to Pay Cycle (Purchase Order / Invoice Processing and Authorisation)</p> <p>This work will focus on transactional testing of a sample of Purchase Orders, and non-Purchase Order Invoices, for appropriate authorisation, in line with approval limits.</p> <p>The same sample will be checked against the Council's Contract Register to assess the extent of on / off contract purchasing.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Insufficient financial resilience.
A10	All Services	<p>System Administration – Access Privileges to Key Corporate Systems</p> <p>Internal Audit, in conjunction with Service management, will identify all systems from which payments can be generated / processed. For each, we will review system administrator access, and other high risk access combinations, to ensure appropriate segregation of duties is maintained (within and between systems).</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • IT system failure; and • Insufficient financial resilience.

No.	Service	Purpose and Scope of Assignment
A11	All Services	<p>Savings Tracking Based on the suite of savings agreed by Council, we will review the overarching process for reporting on the achievement of those savings to Senior Leadership Team and elected Members.</p> <p>We will test a sample of savings from across all Services to assess arrangements for tracking, recording, and reporting on progress.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Insufficient pace and scale of organisational change.
A12	All Services	<p>Business Continuity Planning Work will focus on the process for co-ordinating and reporting on Business Continuity Planning at a corporate level (Policy and Corporate Business Continuity Plan).</p> <p>We will also review whether up to date Business Continuity Plans are in place across Services for all identified high risk activities, and associated arrangements for ensuring that these are properly tested.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Potentially applicable to all corporate risks, depending on scenario / circumstances.

**INTERNAL AUDIT PLAN 2019/20 – INDICATIVE ASSIGNMENTS – OCTOBER 2019 TO
MARCH 2020**

No.	Service	Purpose and Scope of Assignment
A13	All Services	<p>Building Security (Operational Buildings) This will build on work undertaken during 2018/19.</p> <p>We will again review controls established to manage the risks to the security of operational Council buildings.</p> <p>We will visit a sample of buildings across all Council Services and test local security controls and arrangements.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Health and safety non-compliance; • Information not managed effectively; and • Harm to child(ren).
A14	All Services	<p>Workforce Planning We will review the approach adopted to develop a corporate Workforce Plan, and the extent to which this is implemented to ensure that workforce skills are appropriate, sustainable, financially viable, and compatible with the Council's Vision and Values.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Inadequate workforce planning.
A15	People	<p>Social Work Information System – Project Planning, Management, and Implementation This work will focus on project governance arrangements, including Project Initiation Documentation, project planning, budget and progress planning and monitoring, roles and responsibilities, and arrangements for reporting to Senior Leadership Team and to elected Members.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Information not managed effectively; and • IT system failure.

No.	Service	Purpose and Scope of Assignment
A16	Place	<p>Housing Rents We will assess compliance with Housing Rent policies and regulations. In particular, this will involve review of arrangements for the calculation of rent due, rent collection (all methods of collection), service charges, and the adequacy of management information.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Council and community impact of Welfare Reform; and • Insufficient financial resilience.

DEFINITION OF INTERNAL AUDIT ASSURANCE CATEGORIES

Level of Assurance	Definition
Substantial Assurance	Largely satisfactory risk, control, and governance systems are in place. There may be some scope for improvement as current arrangements may undermine the achievement of objectives or leave them vulnerable to error or abuse.
Limited Assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or abuse.
No Assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or abuse is unacceptable. Significant improvements are required.

