
Report to: Audit and Finance Committee

Date of Meeting: 16th March 2017

Subject: Internal Audit Plan 2017/18

Report by: Internal Audit Manager

1.0 Purpose

- 1.1. This report presents an Internal Audit Plan for 2017/18.

2.0 Recommendations

- 2.1. The Committee is asked to:
- 2.11 note the resources available to Internal Audit, within the context of the consortium audit agreement with Falkirk Council;
- 2.12 approve planned Internal Audit coverage for 2017/18; and
- 2.13 note that progress will be reported to Audit and Finance Committee on an ongoing basis.

3.0 Considerations

- 3.1. The Public Sector Internal Audit Standards 2013 (PSIAS) require the Internal Audit Manager to prepare a risk based Internal Audit Plan (the Plan) setting out the section's annual work programme. The Plan should take account of the Council's risk and performance management arrangements, and detail the resources available to Internal Audit.
- 3.2. The Internal Audit Plan (the Plan) for 2017/18 will be delivered via a consortium arrangement with Falkirk Council. The Head of Internal Audit at Falkirk will fulfil the role of Head of Internal Audit in Clackmannanshire. The Plan also recognises the need for the new team to familiarise itself with key financial systems and controls.
- 3.3. The Internal Audit Manager will have overall responsibility for ensuring delivery of all planned assignments. Clackmannanshire Council's Internal Audit Officer will work closely with various members of Falkirk Council's Internal Audit Team to deliver audit work, in line with the Internal Audit Charter and Manual. Brief resumes of the Falkirk Council staff who will be engaged in the delivery of audit work have been made available.

- 3.4. The priority for 2017/18 will be the completion of all planned work, to allow Internal Audit to provide a robust, evidence based, opinion on the Council's arrangements for risk management, governance, and control. To do this, the team's time will be allocated as follows:

Activity	Planned Days
Planned Assignment Time	331
Ad Hoc / Consultancy Work	40
Work on Recommendations Outstanding	10
Total Direct Internal Audit Activity	381¹

- 3.5. Details of individual assignments are set out at **Appendix 1**.
- 3.6. For each of the assignments listed, a more detailed Terms of Reference will be agreed with the relevant Chief Officer prior to the commencement of fieldwork. This will set out key risks, and the scope of work to be undertaken.
- 3.7. On completion of each review, Internal Audit will issue a draft report to the relevant manager. 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 improvement. The assurance will be provided in line with the definitions set out at **Appendix 2**.
- 3.8. In some cases 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.
- 3.9. Where Internal Audit do make recommendations, Service managers 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, with the implementation of recommendations monitored and managed via the corporate Covalent system.
- 3.10. Progress with completing the 2017/18 Internal Audit Plan will be reported to Committee throughout the year. Progress Reports will summarise findings arising from each completed assignment, as well as recommendations that remain outstanding beyond their agreed implementation date.
- 3.11. On an annual basis, an Internal Audit Annual 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.

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

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)

- The area has a positive image and attracts people and businesses
- Our communities are more cohesive and inclusive
- People are better skilled, trained and ready for learning and employment
- Our communities are safer
- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

(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 – Assignments Planned for Period April 2017 to March 2018
- Appendix 2 - 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)

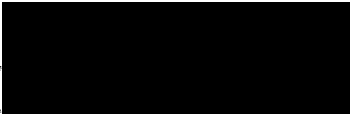

Yes (please list the documents below) No

- Joint working agreement between Falkirk Council and Clackmannanshire Council For Internal Audit Services 2017– 2018
- Details of Falkirk Council staff engaged in Clackmannanshire's Internal Audit Work

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Gordon O'Connor	Internal Audit Manager	01324 506 339

Approved by

NAME	DESIGNATION	SIGNATURE
Stephen Coulter	Head of Resources and Governance	
Nikki Bridle	Depute Chief Executive	

ASSIGNMENTS PLANNED FOR PERIOD APRIL 2017 TO MARCH 2018

No.	Service	Purpose and Scope of Assignment
A1	All Services	<p>Pensions Transactional Testing Internal Audit will review arrangements for joining, opting out of, and leaving the pension scheme.</p> <p>In addition, pension calculation, communication, administration, and payment arrangements will be reviewed for a sample of Clackmannanshire Council employees.</p>
A2	Resources and Governance / All Services	<p>Payroll Transactional Testing The focus of this work will be on the testing of the processing of a sample of new starts, payroll related changes, and leavers.</p> <p>This will include the accuracy and timeliness of processing, as well as the authorisation of payroll related changes and the adequacy of management information.</p>
A3	Resources and Governance / All Services	<p>Recruitment and Selection This review will cover the recruitment of permanent, temporary, and casual staff, from identification of need through to signing of contract of employment.</p> <p>The sample reviewed will include individuals recruited both internally and externally, and will consider the arrangements that have been established to undertake pre-employment checking.</p>
A4	Housing and Community Safety / All Services	<p>Sundry Debtors We will review arrangements for the identification, invoicing, and collection of sundry debts.</p> <p>This will focus on the framework of policies and procedures that govern the Council's approach to debt management, collection, monitoring, and write off, as well as transactional testing to assess the effectiveness of these arrangements.</p>
A5	Resources and Governance / All Services	<p>Procurement / Contract Monitoring Internal Audit will undertake a review of the Council's procurement governance arrangements, encompassing roles, responsibilities, policies, and procedures. We will identify and assess controls established to ensure that these are reflected in operational practice.</p> <p>In particular, we will focus on systems for the ongoing monitoring of contracts, and for dealing with, and reporting on, any mid contract variations that arise.</p>

No.	Service	Purpose and Scope of Assignment
A6	Resources and Governance	<p>Cyber Security Internal Audit will assess controls established to manage cyber security risks.</p> <p>This will include review of policies, security standards, and associated procedures and guidance; cyber security roles and responsibilities; arrangements for communicating risks to staff; systems for the monitoring of, and reporting on, attempted cyber security attacks; and continuity and recovery plans should the Council fall victim to a cyber security breach.</p>
A7	Social Services	<p>Public Protection (Children and Adults) - Governance Internal Audit will review Public Protection governance arrangements. This will include strategy, policy and procedures, and arrangements for ensuring their practical application.</p> <p>In particular, we will review arrangements for partnership working (for example through information sharing protocols) and for the provision of meaningful management information and reports.</p>
A8	Social Services / Education Services	<p>Social Care and Education Transport This review will cover the arrangements established to transport users of social work services to and from their care setting and pupils with Additional Support Needs to and from school.</p> <p>We will focus on the process for procuring transport, and for the subsequent monitoring of service delivery. This will include arrangements established to assess the efficiency and effectiveness of service provision, as well as the extent to which transport provision meets the needs of service users.</p>
A9	All Services	<p>Cash and Income Collection Internal Audit will undertake a programme of visits to cash-handling sites across Council Services, with a view to ensuring that appropriate systems of control have been established to protect Council and client funds and valuables, and the staff responsible for handling these.</p>
A10	To Be Confirmed In Year	<p>To Be Confirmed In Year Rather than fully commit all available Direct Audit Days at the outset, resource will be set aside to plan and undertake a review in response to any change in the Council's risk profile that arises over the course of the year.</p> <p>This will also help the Internal Audit team target resource following an initial period of familiarisation (given the move to a consortium audit approach to the delivery of Internal Audit services).</p>

No.	Service	Purpose and Scope of Assignment
A11	All Services	<p>Follow Up of Internal Audit Recommendations All recommendations made by Internal Audit will be uploaded to the Covalent 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>
A12	All Services	<p>Ad hoc / Consultancy Work The Internal Audit Charter is 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>
A13	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 Head of Resources and Governance is 'key contact' for Clackmannanshire Council. The Internal Audit Manager will assist with the co-ordination and management of the NFI process for Clackmannanshire Council.</p>
A14	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 2017/18 this will focus on the testing of payments to suppliers of goods and services, to identify and recover any duplicate amounts paid.</p>
A15	Clackmannanshire and Stirling Integration Joint Board	<p>Clackmannanshire and Stirling Integration Joint Board Stirling Council's Audit Manager is fulfilling that role for the Integration Joint Board (IJB) for the three years from 01 April 2016. He will present an Internal Audit Plan for 2017/18 to the IJB Audit Committee in due course.</p> <p>Clackmannanshire Council's Internal Audit Team will provide resource to support the IJB Audit Manager in discharging his duties.</p>
A16	Central Scotland Valuation Joint Board	<p>Central Scotland Valuation Joint Board To be determined and agreed with Board management.</p>

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.