

---

**Report to: Audit and Finance Committee**

---

**Date of Meeting: 15 March 2018**

---

**Subject: Internal Audit Plan 2018/19**

---

**Report by: Internal Audit Manager**

---

### **1.0 Purpose**

- 1.1. This report presents an Internal Audit Plan for 2018/19.

### **2.0 Recommendations**

- 2.1. The Committee is asked to:
- note the resources available to Internal Audit, within the context of the joint working agreement with Falkirk Council;
  - approve planned Internal Audit coverage for 2018/19; and
  - 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 2017 (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 2017/18 Internal Audit Plan was delivered via a joint working agreement arrangement with Falkirk Council. This was initially set up as a one year pilot, with extension dependent upon satisfactory delivery of planned Internal Audit work.
- 3.3. On the basis that all planned 2017/18 work will be delivered, the joint working agreement will be rolled forward for a further two years (covering 2018/19 and 2019/20) with the option of a further year.
- 3.4. As with 2017/18, the Internal Audit Manager will have overall responsibility for ensuring delivery of all planned assignments. Clackmannanshire Council's Internal Audit Officer will continue to work with various members of Falkirk Council's Internal Audit Team to deliver audit work.

- 3.5. The resource available to Internal Audit will remain unchanged, and is summarised in the table below:

Activity	Planned Days
Planned Assignment Time	331
Ad Hoc / Consultancy Work	40
Work on Recommendations Outstanding	10
<b>Total Direct Internal Audit Activity</b>	<b>381<sup>1</sup></b>

- 3.6. Planned Assignment Time can be further broken down into the following three categories:

- **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 2018 to September 2018:** 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 2018 to March 2019:** 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. For each planned assignment, 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.
- 3.8. On completion of each review, Internal Audit will issue a draft report to the Chief Officer. 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 4**.
- 3.9. 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.

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

- 3.10. 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 Pentana system.
- 3.11. Progress with completing the 2018/19 Internal Audit Plan will be reported to Committee throughout the year.
- 3.12. 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 )

- 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:** Internal Audit Plan 2018/19 – Annually Recurring Assignments.
- **Appendix 2:** Internal Audit Plan 2018/19 – Committed Assignments – April 2018 to September 2018.
- **Appendix 3:** Internal Audit Plan 2018/19 – Indicative Assignments – October 2018 to March 2019.
- **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)**

NAME	DESIGNATION	TEL NO / EXTENSION
Gordon O'Connor	Internal Audit Manager	07872 048 030

**Approved by**

NAME	DESIGNATION	SIGNATURE
Stephen Coulter	Head of Resources and Governance	Signed: S Coulter
Nikki Bridle	Depute Chief Executive	Signed: N Bridle

## INTERNAL AUDIT PLAN 2018/19 – ANNUALLY RECURRING ASSIGNMENTS

No.	Service	Purpose and Scope of Assignment
A1	All Services	<p><b>Continuous Auditing</b> The purpose of continuous auditing work is to consider, review, and test transactional systems on an ongoing basis.</p> <p>For 2017/18 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><b>National Fraud Initiative</b> 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 and Internal Audit Manager are joint 'key contacts' for Clackmannanshire Council. The role of the 'key contact' is to co-ordinate the gathering of data from Services and to the 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	Development and Environmental	<p><b>Climate Change Act Public Body Duties Audit</b> 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><b>Cash and Income Collection</b> 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>

No.	Service	Purpose and Scope of Assignment
A5	All Services	<p><b>Follow Up of Internal Audit Recommendations</b> All recommendations made by Internal Audit will be 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>
A6	All Services	<p><b>Ad hoc / Consultancy Work</b> 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>
A7	Clackmannanshire and Stirling Integration Joint Board	<p><b>Clackmannanshire and Stirling Integration Joint Board</b> Stirling Council's Audit Manager fulfils that role for the Integration Joint Board (IJB) for the three years from 01 April 2016. He will present an Internal Audit Plan for 2018/19 to the IJB Audit Committee in due course.</p> <p>Clackmannanshire Council's Internal Audit team will again provide resource to support the IJB Audit Manager in discharging his duties.</p>
A8	Central Scotland Valuation Joint Board	<p><b>Central Scotland Valuation Joint Board</b> To be determined and agreed with Board management.</p>

**INTERNAL AUDIT PLAN 2018/19 – COMMITTED ASSIGNMENTS – APRIL 2018 TO  
SEPTEMBER 2018**

No.	Service	Purpose and Scope of Assignment
A9	Social Services	<p><b>Public Protection (Children and Families) - Governance</b> This assignment is carried forward from 2017/18.</p> <p>We will review Public Protection governance arrangements, including strategy, policy and procedures, and processes 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> <p>Our work in this area will help provide assurance on the management of the corporate risk 'Harm to Children'.</p>
A10	Education / All Services	<p><b>Building Security (Operational Council Buildings)</b> Internal Audit will 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. Particular emphasis will be placed on school security.</p> <p>This audit work links to the corporate risks 'Health and Safety Non-Compliance' and 'Harm to Children'.</p>
A11	Strategy and Customer / All Services	<p><b>PREVENT (Counter Terrorism) and Serious Organised Crime Readiness</b> We will review the Council's approach to embedding the duties and principles set out in:</p> <ul style="list-style-type: none"> <li>• <a href="#">PREVENT Duty Guidance for Scotland</a>; and</li> <li>• <a href="#">Scotland's Serious Organised Crime Strategy</a>.</li> </ul> <p>This will include overarching governance arrangements, and more detailed plans setting out operational actions. This work will help provide assurance on the management of the corporate risks 'Failure to Prevent Extremism and / or Radicalisation' and 'Failure to Address Serious Organised Crime'.</p>
A12	Resources and Governance	<p><b>Supplier Set Up and Supplier Bank Account Changes</b> We will review controls over the input and authorisation of supplier information to the Tech One system, and the subsequent, ongoing, maintenance of the supplier database. This will include the process for making any changes, particularly to supplier bank account details. Internal Audit work in this area links into the corporate risk 'Insufficient Financial Resilience'.</p>

No.	Service	Purpose and Scope of Assignment
A13	Internal Audit	<p><b>External Quality Assessment – Participation in External Quality Assurance Programme</b></p> <p>Clackmannanshire Council's Internal Audit section will be subject to External Quality Assessment (EQA). Five yearly EQA is required by the Public Sector Internal Audit Standards.</p> <p>The review will be undertaken by another Local Authority's Internal Audit Manager, and will require preparation and engagement on the part of Internal Audit.</p>

**INTERNAL AUDIT PLAN 2018/19 – INDICATIVE ASSIGNMENTS – OCTOBER 2018 TO MARCH 2019**

No.	Service	Purpose and Scope of Assignment
A14	Resources and Governance / All Services	<p><b>Health and Safety – Statutory Electrical Inspections</b></p> <p>The Health and Safety Act 1974 places a duty on employers to ensure, so far as is reasonably practicable, the health, safety and welfare at work of their employees.</p> <p>The Electricity at Work Regulations 1989 build on this by requiring the proper maintenance of fixed electrical wire installations.</p> <p>We will review the Council's arrangements for ensuring compliance with these requirements across its operational estate, and by doing so will provide assurance on the mitigation of the corporate risk 'Health and Safety Non-Compliance'.</p>
A15	Resources and Governance	<p><b>GDPR Readiness</b></p> <p>This work will focus on the Council's plans and processes for implementing and embedding the General Data Protection Regulations, which come into force on 25 May 2018.</p> <p>We will review roles and responsibilities, policies and procedures, and arrangements for ensuring that all staff are aware of, and receive adequate guidance and training to comply with, the new Regulations.</p> <p>Our work in this area relates to mitigation of the corporate risk 'Information Not Managed Effectively'.</p>
A16	All Services	<p><b>Sickness Absence</b></p> <p>We will review the Council's corporate approach to managing and monitoring both short and long term sickness absence. This will include the availability of policy, guidance, and training to staff, and the adequacy and clarity of corporate and Service specific management information.</p> <p>If time allows we will also review arrangements within one, or a small sample of, specific business areas.</p>
A17	Development and Environmental	<p><b>Procurement – Waste Services</b></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>2018/19 work will build on that, following up on recommendations arising from these reviews. We will also review procurement arrangements within a specific business area, possibly Waste Services, although this may change as the year progresses.</p>

No.	Service	Purpose and Scope of Assignment
A18	Development and Environmental	<b>LED Streetlighting Project – Benefits Realisation</b> The Council's project to replace conventional street lights with LED street lights commenced in December 2014, continuing through to 2019/20. The project aims to reduce power bills and carbon emissions. Our work will focus on arrangements for measuring and assessing the outcomes and benefits accruing from the project, and for reporting on these.

## DEFINITION OF INTERNAL AUDIT ASSURANCE CATEGORIES

Level of Assurance	Definition
<b>Substantial Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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.

