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**Report to: Audit Committee**

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**Date of Meeting: 03 December 2020**

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**Subject: Internal Audit Plan 2020/21**

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**Report by: Internal Audit Manager**

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**1.0 Purpose**

- 1.1. This report presents a 2020/21 Internal Audit Plan for approval.

**2.0 Recommendations**

- 2.1 It is recommended that the Committee:

- notes the resources available to Internal Audit;
- notes that the plan is indicative and flexible;
- approves the Internal Audit Plan for 2020/21; and
- notes that assignments not completed during 2020/21 will be carried forward into 2021/22.

**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 2020/21, this has again been done within the context of a Joint Working Agreement with Falkirk Council (this Agreement has been extended to cover the period to 31 March 2023).
- 3.2 This Plan must be considered within the context of the impact of the COVID-19 pandemic. Priorities, resource, and Directorate capacity has, and will continue to, fluctuate and change over the course of 2020/21. This Internal Audit Plan must be considered indicative and flexible. It is unlikely that all planned assignments will be completed, and Internal Audit resource will be (and has been) directed to areas where there is the greatest need (for example in relation to new and amended processes arising as a result of COVID-19).

#### 4.0 Clackmannanshire Council Internal Audit Plan – Internal Audit Resources and Reporting Arrangements

- 4.1 Internal Audit's role is to provide a balanced and evidence based opinion on the adequacy of the Council's arrangements for risk management, governance, and control.
- 4.2 To do this, the Internal Audit team must be:
- independent;
  - objective in performing audit work; and
  - adequately resourced, experienced, qualified, and knowledgeable.
- 4.3 All members of the Internal Audit team are experienced and professionally qualified. The role, authority, and responsibility of the team is formalised within an Internal Audit Charter, and an updated Charter is included elsewhere on this Agenda. 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.
- 4.4 The resource available to deliver the 2020/21 Internal Audit Plan is summarised in the table below:

Activity	Planned Days
Annually Recurring Assignments	51
Priority Assignments	130
Indicative Assignments	120
Consultancy Work	30
Work on Recommendations Outstanding	10
Central Scotland Valuation Joint Board	20
Clackmannanshire and Stirling IJB	20
<b>Total</b>	<b>381</b>

- 4.5 Key points relating to this table are:
- **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;
  - **Priority Assignments:** Largely as a result of COVID-19, it is inevitable that there will be changes to the council's risk profile over the course of the year. On that basis, Internal Audit will commit to undertaking a programme of priority assignments. Details of these reviews are set out at Appendix 2.

- **Indicative Assignments:** Indicative assignments are set out at Appendix 3. These will be undertaken if time allows. Any assignments not completed will be carried forward into the 2021/22 Internal Audit Plan.
- 4.6 As required by PSIAS, this Plan was developed taking account of key financial and other risks. This was done by:
- considering the Council's Corporate Risk Log;
  - reviewing key governance documents (such as the Corporate Plan and Committee papers); and
  - consulting with senior managers.
- 4.7 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.
- 4.8 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 improvement. The assurance will be provided in line with the definitions set out at Appendix 4.
- 4.9 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.
- 4.10 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. Chief Officers 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.
- 4.11 Progress with completing the 2020/21 Internal Audit Plan will be reported to Committee throughout the year (accepting that this Plan is being presented later in the year than would ordinarily be the case). Internal Audit will work closely with the Council's appointed External Auditors, Audit Scotland, to ensure that work is co-ordinated and complimentary.
- 4.12 Each year, 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.

## 5.0 Sustainability Implications

5.1. None Noted.

## 6.0 Resource Implications

### 6.1. Financial Details

6.2. 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 ☐

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

### 6.4. Staffing

## 7.0 Exempt Reports

7.1. 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	<input type="checkbox"/>
Our families; children and young people will have the best possible start in life	<input type="checkbox"/>
Women and girls will be confident and aspirational, and achieve their full potential	<input type="checkbox"/>
Our communities will be resilient and empowered so that they can thrive and flourish	<input type="checkbox"/>

(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 2020/21 – Annually Recurring Assignments.
- Appendix 2: Internal Audit Plan 2020/21 – Priority Assignments.
- Appendix 3: Internal Audit Plan 2020/21 – Indicative Assignments.
- 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 and Performance	

## INTERNAL AUDIT PLAN 2020/21 – ANNUALLY RECURRING ASSIGNMENTS

No.	Directorate	Purpose and Scope of Assignment
A01	All Directorates	<p><b>National Fraud Initiative</b></p> <p>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. Data matches relate to areas such as Housing Benefit, Council Tax Discount, Payroll, Pensions, and Creditors.</p> <p>The Internal Audit Manager is 'key contact' 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 (October 2020). When the outcomes arising from Audit Scotland's data matching are released back to the Council (January 2021) it is the responsibility of the 'key contact' to co-ordinate and support Services in their investigation of those matches.</p> <p><b>Risk Mitigated:</b></p> <ul style="list-style-type: none"> <li>Insufficient Financial Resilience.</li> </ul>
A02	All Directorates	<p><b>Continuous Auditing</b></p> <p>This will focus on the testing of payments to suppliers of goods and services to identify any potential duplicate amounts paid.</p> <p><b>Risk Mitigated:</b></p> <ul style="list-style-type: none"> <li>Insufficient Financial Resilience.</li> </ul>
A03	Place	<p><b>Climate Change Act Public Body Duties Audit</b></p> <p>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>

## INTERNAL AUDIT PLAN 2020/21 – PRIORITY ASSIGNMENTS

No.	Directorate	Purpose and Scope of Assignment
A04	Partnerships and Performance / All Directorates	<p><b>Staff Wellbeing and Support Arrangements</b> We will review staff wellbeing governance arrangements. This will include overarching accountability and responsibility, as well as policy and strategy.</p> <p>We will also review the extent to which operational arrangements have been established, how staff are made aware of, and signposted to, relevant support, and how the outcomes of support are reported to Senior Leadership Group and elected Members.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Health and Safety breach; and</li> <li>• Inadequate workforce planning.</li> </ul>
A05	All Directorates	<p><b>Contract Management and Monitoring</b> We will review contract monitoring and management arrangements in relation to a sample of contracts across various Directorates. Work will focus on assessing compliance with sections 14.7 (ordering) and 15.5 (payment) of Financial Regulations.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Insufficient financial resilience; and</li> <li>• Failure to address Serious Organised Crime.</li> </ul>
A06	Partnerships and Performance / All Directorates	<p><b>Capital Planning and Expenditure Monitoring</b> This work will focus on the annual capital bid process (including the prioritisation of projects) and arrangements for monitoring and managing subsequent spend.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Insufficient financial resilience;</li> <li>• Insufficient pace and scale of organisational transformation.</li> </ul>
A07	Partnerships and Performance / All Directorates	<p><b>Corporate Risk Management Arrangements</b> This review will focus on arrangements for embedding the Council's approach to risk management. In particular, we will review its effectiveness and proportionality, the role of the Senior Leadership Group, the links between business planning and risk management, and the extent to which risk management feeds into, and drives, the Council's approach to decision making.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• N/A – overarching approach.</li> </ul>

## INTERNAL AUDIT PLAN 2020/21 – INDICATIVE ASSIGNMENTS

No.	Directorate	Purpose and Scope of Assignment
A08	Partnerships and Performance	<p><b>IT and Information Security Governance</b> This high level review will cover governance arrangements in relation to IT and information security, including accountabilities, roles (group and individual), responsibilities, and the framework of policies, guidance, and training.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• IT system failure; and</li> <li>• Information not managed effectively.</li> </ul>
A09	Place / All Directorates	<p><b>Operational Fleet – Management and Monitoring</b> This review will focus on arrangements for ensuring that the mix and number of operational vehicles owned and rented (across all Directorates) is aligned with business need.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Insufficient financial resilience; and</li> <li>• Health and safety breach.</li> </ul>
A10	All Directorates	<p><b>Savings Tracking</b> Following on from work undertaken during 2019/20, and based on the suite of savings agreed by Council, we will review the achievement of a sample of savings, and arrangements for reporting to Senior Leadership Group and elected Members.</p> <p><b>Risk Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Insufficient pace and scale of organisational transformation.</li> </ul>
A11	People	<p><b>Education Placement Requests</b> The Council has a legal obligation under Section 28 of the Education (Scotland) Act 1980 to offer parents and carers the choice of school at which their child can be educated. The Education (Scotland) Act also gives parents and carers the right of appeal in the event that a placing request is refused. We will review the decision making process and its practical application. This will include reviewing a sample of completed placement requests and submitted appeals.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Impact of poverty, inequality, and changing demographics; and</li> <li>• Increasing attainment gap.</li> </ul>



## 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.

