
Report to: Audit & Scrutiny Committee

Date of Meeting: 27 October 2022

Subject: Internal Audit Plan 2022/23

Report by: Internal Audit Manager

1.0 Purpose

1.1. This report presents a 2022/23 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;
- agrees the Internal Audit Plan for 2022/23; 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 2022/23, this has again been done within the context of a Joint Working Agreement with Falkirk Council (this Agreement covers the period to 31 March 2023).

3.2 Priorities, resource, and Directorate capacity has, and will continue to, fluctuate and change over the course of 2022/23. This Internal Audit Plan must be considered indicative and flexible. There is a chance that all planned assignments will not be completed as Internal Audit resource will continue to be directed to areas where there is the greatest need.

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 The Internal Audit team are experienced and professionally qualified. The role, authority, and responsibility of the team is formalised within an Internal Audit Charter. The updated Charter was approved by the Committee at the August 2022 meeting. 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 2022/23 Internal Audit Plan is summarised in the table below:

Activity	Planned Days
Annually Recurring Assignments	45
Committed Assignments	261
Consultancy Work	15
Work on Recommendations Outstanding	15
Central Scotland Valuation Joint Board	20
Clackmannanshire and Stirling IJB	25
Total	381

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;
- **Committed Assignments April 2022 to March 2023:** 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 assignments, however, a degree of flexibility is required to react to any changes in the Council's risk profile. Details of these reviews are set out at Appendix 2.

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 3.
- 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 Recommendations for 2022/23 onwards will be subject to a grading process, as per the table below. This will ensure recommendations are addressed according to priority.

Grade	Description
1	Key risks and / or significant deficiencies which are critical to the achievement of the strategic objections. Consequently management needs to address and seek resolution urgently.
2	Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt, but not immediate action by management.
3	Less significant issues and / or areas for improvement which we consider merit attention, but do not require to be prioritised by management.

- 4.12 Progress with completing the 2022/23 Internal Audit Plan will be reported to Committee throughout the year. Internal Audit will work closely with the Council's appointed External Auditors to ensure that work is co-ordinated and complimentary.
- 4.13 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

Financial Details

- 6.1. 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
- 6.2. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

Staffing

- 6.3. No implications other than those set out in the report.

7.0 Exempt Reports

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

8.0 Declarations

- 8.1 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)

9.0 Equalities Impact

- 9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?
Yes No

10.0 Legality

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

11.0 Appendices

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

- Appendix 1: Internal Audit Plan 2022/23 Annually Recurring Assignments.
- Appendix 2: Internal Audit Plan 2022/23 Committed Assignments.
- Appendix 3: Definition of Internal Audit Assurance Categories.

12.0 Background Papers

12.1 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 Partnerships and Performance	

INTERNAL AUDIT PLAN 2022/23 ANNUALLY RECURRING ASSIGNMENTS

No.	Directorate	Purpose and Scope of Assignment
A01	All Directorates	<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. Data matches relate to areas such as Housing Benefit, Council Tax Discount, Payroll, Pensions, and Creditors.</p> <p>The Internal Audit Manager and Senior Internal Auditor are '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 (November 2022). When the outcomes arising from Audit Scotland's data matching are released back to the Council (from January 2023 onwards) it is the responsibility of the 'key contact' to co-ordinate and support Services in their investigation of those matches.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Insufficient Financial Resilience; and • Failure to Address Serious Organised Crime.
A02	All Directorates	<p>Continuous Auditing This will focus on the testing of payments to suppliers of goods and services to identify any potential duplicate amounts paid.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Insufficient Financial Resilience.
A03	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. Internal Audit will review reporting arrangements, and the accuracy of the information included in the report, prior to submission to the SSN.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Continued Contribution to Climate Change
A04	All Directorates	<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. 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>
A05	Clackmannanshire and Stirling Integration Joint Board	<p>Clackmannanshire and Stirling Integration Joint Board NHS Forth Valley's Chief Internal Auditor has fulfilled that role for the Integration Joint Board (IJB) for the three years since 01 April 2019. From 2022/23 that lead role transfers to the Clackmannanshire Council Internal Audit Manager for three years. The Internal Audit Plan for 2022/23 will be presented to the IJB Audit Committee once 2021/22 work has been finalised and handover has taken place.</p>

No.	Directorate	Purpose and Scope of Assignment
A06	Central Scotland Valuation Joint Board	<p>Central Scotland Valuation Joint Board Agreed with Board management on 1 July 2022.</p>
A07	All Directorates	<p>Work on Recommendations Outstanding All recommendations made by Internal Audit are uploaded to the Pentana performance management system, with accountability and 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>

INTERNAL AUDIT PLAN 2022/23 COMMITTED ASSIGNMENTS

No.	Directorate	Purpose and Scope of Assignment
A08	Partnership and Performance / All Directorates	<p>Non Domestic Rates This review will evaluate the controls established in the calculation of Non Domestic Rates (NDR). We will focus on reviewing the controls over the processing, checking, and authorisation of a sample of each of the following NDR transaction types; Calculation of Rates, Changes in Liability, Exemptions, and Reliefs.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Insufficient Financial Resilience; and • Impact of poverty, inequality, and changing demographics.
A09	All Directorates	<p>Building Security We will perform unannounced visits to a number of sites across the Council to ensure compliance with physical security requirements.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Health and Safety breach; and • Harm to Child(ren).
A10	Partnership and Performance / All Directorates	<p>Payroll Transactional Testing We will focus on a sample of overtime, new starts, leavers, and payroll related change transactions to ensure that they are properly authorised, actioned in a timely manner, and accurately processed.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Insufficient financial resilience.
A11	Partnership and Performance / All Directorates	<p>IT and Information Security Governance 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>Risk Mitigated:</p> <ul style="list-style-type: none"> • Information not managed effectively; • IT system failure; and • Health and Safety breach.
A12	People / All Directorates	<p>Purchase Order Arrangements at Clackmannanshire for Adult Social Care This audit will test a sample of Adult Social Care payments made, and review purchase order and invoice authorisation to ensure compliance with policies and procedure.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Insufficient financial resilience; and • Failure to address Serious Organised Crime.

No.	Directorate	Purpose and Scope of Assignment
A13	All Directorates	<p>Physical Income Security Arrangements We will perform unannounced visits to a number of income generating and cash storing sites across the Council.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Insufficient financial resilience; and • Health and Safety breach.
A14	Partnership and performance / People	<p>Leisure Income Follow Up Review This review will follow up on the previous 2021/22 report to ensure recommendations have been implemented. This will include sample testing.</p>
A15	People	<p>Refugee Schemes Governance This is a high level review, therefore, we will undertake walkthrough testing. We will review the roles and responsibilities, policies and procedures, and financial management information.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Impact of poverty, inequality, or changing demographics; • Insufficient Financial Resilience; and • Increasing attainment gap.
A16	All Directorates	<p>Supplier Set Up and Bank Account Changes This review will test a sample of new suppliers, and suppliers with a change in bank account details, to ensure policies and procedures are followed.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Insufficient Financial Resilience; • Failure to address Serious Organised Crime; and • Information not managed effectively.

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.

