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**Report to: Audit and Scrutiny Committee**

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**Date of Meeting: 12 June 2025**

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**Subject: Internal Audit Plan 2025/26**

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**Report by: Internal Audit Manager**

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**1.0 Purpose**

1.1. This report presents the 2025/26 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 2025/26; and
- notes that progress will be reported to the Audit and Scrutiny Committee on an ongoing basis.

**3.0 Considerations**

3.1 As Committee is aware the Public Sector Internal Audit Standards 2017 (PSIAS – the Standards) require the preparation of a risk based Internal Audit Plan setting out the team’s annual work programme. The Standards were issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA). They were in place until 31 March 2025. From 01 April 2025 the IIA Global Internal Audit Standards 2024 (GIAS) apply. The new GIAS continues to require the preparation of a risk based Internal Audit Plan setting out the team’s annual work programme. GIAS is supplemented by the Application Note: Global Internal Audit Standards in the UK Public Sector issued by relevant standards setters for the UK public sector including CIPFA.

3.2 As part of the GIAS requirements, the Code of Practice and Local Government Application Note states that the Internal Audit Manager should review and adjust the plan as necessary and in response to changes in the Council’s business, risks, operations, and priorities. In agreeing the Plan, Committee should be aware that the priorities and Internal Audit resource could, therefore, change over the course of 2025/26 and so this Plan must be

considered flexible. Internal Audit resource will continue to be directed to areas where there is the greatest need.

- 3.3 Internal Audit services are provided on the basis of a Joint Working Agreement with Falkirk Council. Work is underway to agree the new Joint Working Agreement for 2025/26, with Clackmannanshire Council undertaking a recruitment exercise to increase their own resources. Exact resourcing impacts will be clearer once recruitment is undertaken. Further updates will be provided at future meetings of this Committee.
- 3.4 Sufficient Internal Audit work was undertaken in 2024/25 to support a balanced opinion on the overall adequacy of the Council's control environment. On the basis of work undertaken, and given the consistency of limited assurances across the reports issued, Internal Audit provided **LIMITED** assurance in relation to the Council's arrangements for risk management, governance, and control for the year to 31 March 2025.

#### **4.0 Clackmannanshire Council Internal Audit Plan 2025/26: Internal Audit Resources and Reporting Arrangements**

- 4.1 The definition of Internal Auditing as per the GIAS is that Internal Auditing is an independent, objective assurance and advisory service designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.
- 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 which 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. The updated Charter was approved by the Committee at the 24 October 2024 meeting. All members of the team complete annual declarations on their independence and objectivity. Assurance can, therefore, be given that the team completing the assignments are independent and that objectivity is not compromised.
- 4.4 The resource available to deliver the 2025/26 Internal Audit Plan is summarised in the table overleaf:

Activity	Planned Days
Annually Recurring Assignments	166
Committed Assignments	170
Other Client Work	45
<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.

Time has also been allocated to recording the direct management and planning activities which contribute to the overall work programme. This includes annual planning tasks, as well as annual assurance work; attendance at Audit Committee and other corporate or strategic meetings; and team management. A summary of each of these assignments is set out at Appendix 1;

- **Committed Assignments:** It is inevitable that there will be changes to the Council's risk profile over the course of the year. On that basis, while Internal Audit will commit to undertaking a programme of assignments, 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; and
- **Other Client Work:** This covers time allocated to the delivery of Internal Audit services to: Clackmannanshire and Stirling Integration Joint Board and Central Scotland Valuation Joint Board.

The role of the IJB Chief Internal Auditor rotates on a three yearly basis between Clackmannanshire Council, Stirling Council, and NHS Forth Valley. From 1 April 2025 the role transferred to Stirling Council's Internal Audit Service Manager. There may still be a resource commitment required to undertake some of this audit work.

Conclusions and findings arising from this work will be reported to the relevant client Committee. A summary of this work is set out at Appendix 3.

4.6 The preparation of an annual Internal Audit Plan is a requirement under Standard 9.4 of the GIAS. As required by the Standards, this Plan has been developed taking account of key financial and other risks. This has been done by:

- considering the Council's Corporate Risk Log and assigning the most relevant corporate risk(s) to each assignment, however, there are some corporate risks which are considered in all audit assignments;
- reviewing key governance documents (such as the Corporate Plan and Committee papers);

- considering materiality (based on expenditure); sensitivity (management concerns, regulatory compliance, system complexity, other investigative work, etc); time elapsed since an area was last reviewed; overall audit assurance level when it was last subject to review; appropriate coverage across all Council services; and
- consulting with senior managers, and the Chair and Vice Chair of the Audit and Scrutiny Committee.

As part of the discussion with the Chair and Vice Chair of the Audit and Scrutiny Committee we have assigned a priority rating to each assignment in the Plan to make it easier to understand why those elements have been included.

- 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 rating 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 Responsible Owner / Auditee 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 are subject to a grading process, as per the table below. This ensures 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 2025/26 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 complementary.

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 2025/26 Annually Recurring Assignments
- Appendix 2: Internal Audit Plan 2025/26 Committed Assignments
- Appendix 3: Internal Audit Plan 2025/26 Other Client Work
- Appendix 4: Definition of Internal Audit Assurance Categories

## 12.0 Background Papers

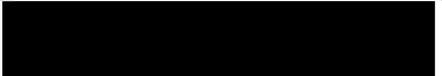
12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes  (please list the documents below) No

### Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Isabel Wright	Internal Audit Manager	

### Approved by

NAME	DESIGNATION	SIGNATURE
Chris Alliston	Strategic Director Partnership and Performance	



## INTERNAL AUDIT PLAN 2025/26 ANNUALLY RECURRING ASSIGNMENTS

No.	Client	Priority <sup>1</sup>	Purpose and Scope of Assignment
1.	Internal Audit	1	<p><b>Global Internal Audit Standards: Self Assessment</b> Internal Audit is required to operate in compliance with the Global Internal Audit Standards (the Public Sector Internal Audit Standards were superceded from 01 April 2025). The Internal Audit Manager must establish a quality assurance and improvement programme comprising an annual self assessment and five yearly independent external assessment.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Insufficient financial resilience; and</li> <li>• Major governance failures.</li> </ul>
2.	Internal Audit	1	<p><b>Strategic Audit Planning and Annual Assurance Work</b> The Internal Audit Manager is required to prepare an annual risk based audit plan. An Annual Assurance Report is also prepared, with other related tasks as required.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Insufficient financial resilience; and</li> <li>• Major governance failures.</li> </ul>
3.	Internal Audit	1	<p><b>Audit Committee / Working Group preparation and attendance</b> The Internal Audit Manager is required to prepare an annual risk based audit plan to be presented at Audit Committee annually. Along with regular attendance and presentation of progress reports, an annual assurance report, bi-annual Audit Charter review and report, and other reports as required. Also, attendance at various internal and external working groups.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Insufficient financial resilience; and</li> <li>• Major governance failures.</li> </ul>
4.	Internal Audit	1	<p><b>Team Management and other related tasks</b> The running of the team including review of all Terms of Reference, draft reports, and final reports as well as audit timetabling and reviews of working papers. Regular team meetings also undertaken.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Insufficient financial resilience; and</li> <li>• Major governance failures.</li> </ul>
5.	All Directorates	2	<p><b>Continuous Auditing</b> This will focus on the testing of payments to suppliers of goods and services to identify any potential duplicate amounts paid. In addition, data analytics will be undertaken where appropriate, as part of other assignments from this year's programme.</p> <p><b>Risk Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Insufficient Financial Resilience.</li> </ul>

<sup>1</sup> The priority grading of each element of the Internal Audit Plan is a visual way to explain why assignments are on the Plan. It is based on similar grading for classifying recommendations and can be seen below the table.

## Appendix 1

No.	Client	Priority <sup>1</sup>	Purpose and Scope of Assignment
6.	All Directorates	1	<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. Data matches relate to areas such as Housing Benefit, Council Tax Discount, Payroll, Pensions, and Creditors.</p> <p>The Internal Audit Manager and the 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. The outcomes arising from Audit Scotland's data matching were released back to the Council in January 2025 with match investigation to continue throughout the year. It is the responsibility of the 'key contacts' to co-ordinate and support the Services in their investigation of those matches.</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> <li>• Information not managed effectively.</li> </ul>
7.	All Directorates	3	<p><b>Consultancy Work and Contingency</b> The Internal Audit Standards are clear that the provision of 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; and short term assignments requested by Services.</p>
8.	All Directorates	1	<p><b>Work on Recommendations Outstanding</b> 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 will monitor outstanding recommendations.</p> <p><b>Risk Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Major governance failures.</li> </ul>
9.	Place	2	<p><b>Validation Work Requests</b> Time allocated to any national programmes where, as an Accountable Body (AB), Clackmannanshire Council has overall responsibility for the delivery and cash flow of the project. Agreements may require an annual Internal Audit review of the functions and services undertaken. For example, Internal Audit may test a sample of applications to ensure that there is compliance with criteria.</p> <p>May also cover other unplanned annual audit validation work requests.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Major governance failures;</li> <li>• Insufficient financial resilience; and</li> <li>• Impact on poverty, inequality and changing demographics.</li> </ul>

## Appendix 1

No.	Client	Priority <sup>1</sup>	Purpose and Scope of Assignment
10.	Place	3	<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> <p><b>Risk Mitigated:</b></p> <ul style="list-style-type: none"> <li>Continued Contribution to Climate Change</li> </ul>

### Key:

Priority	Comments
1	Potential significant key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Requirements outwith our control, such as from external stakeholders or legislative / statutory requirements.
2	Risks or potential weaknesses that impact on individual objectives or impact the operation of a single process / service.
3	Less potential significant issues and / or areas for improvement that we consider merit attention.

## INTERNAL AUDIT PLAN 2025/26 COMMITTED ASSIGNMENTS

No.	Client	Priority <sup>1</sup>	Purpose and Scope of Assignment
11.	Partnership and Performance / Health and Social Care Partnership  <b>Deferred from 2024/25</b>	1	<p><b>Follow Up of the Review of Purchase Orders Arrangements at Clackmannanshire Council for Adult Social Care</b></p> <p>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 procedures. We will also review the implementation of previous recommendations made.</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>
12.	All Directorates	1	<p><b>Stirling and Clackmannanshire City Region Deal</b></p> <p>The Stirling and Clackmannanshire City Region Deal (CRD) aims to deliver a total investment of £214m over ten years to support the economic development of the Stirling and Clackmannanshire City Region.</p> <p>The Terms of Reference of the CRD Joint Committee ('the Joint Committee') require the Committee to make suitable arrangements for the review and audit of its activities.</p> <p>Each CRD partner is responsible for making its own arrangements for the Internal Audit of its activities and for providing assurance to their organisation's Audit Committee (or equivalent) on their organisation's arrangements for risk management, governance and control.</p> <p>This will be a high-level review to provide assurance to this Committee.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Insufficient financial resilience;</li> <li>• Information not managed effectively; and</li> <li>• Major governance failures.</li> </ul>
13.	Partnership and Performance	2	<p><b>Disposal of IT Equipment</b></p> <p>This review is to ensure all IT equipment is disposed of properly. This should include ensuring laptop data is returned to factory settings; that all data unique to Clackmannanshire Council is removed; and that serial numbers are documented to provide an audit trail.</p> <p>We will also review the disposal agreement to confirm whether it is a formal contract that is being adhered to by both parties.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Information not managed effectively;</li> <li>• IT systems failure; and</li> <li>• Major governance failures.</li> </ul>
14.	All Directorates	1	<p><b>Building Security</b></p> <p>We will perform unannounced visits to a number of sites across the Council to ensure compliance with physical security requirements.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Health and Safety breach;</li> <li>• Major governance failures; and</li> <li>• Harm to children.</li> </ul>

## Appendix 2

No.	Client	Priority <sup>1</sup>	Purpose and Scope of Assignment
15.	Place	2	<p><b>Stores Management</b> To determine whether adequate stores management procedures are in place around stock management, record keeping, and physical security.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Insufficient financial resilience;</li> <li>• Failure to address Serious Organised Crime;</li> <li>• Health and Safety breach; and</li> <li>• Information not managed effectively.</li> </ul>
16.	Partnership and Performance	2	<p><b>Council Tax Refunds</b> To determine whether there are effective controls in place, including segregation of duties from identifying a credit balance, requesting the refund, and authorising the refund for payment. This audit will test a sample of Council Tax Refunds to ensure the process is correctly followed.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Failure to address Serious Organised Crime;</li> <li>• Insufficient financial resilience; and</li> <li>• Major governance failures.</li> </ul>
17.	People	2	<p><b>Medication within Schools</b> To review the medication procedures at schools / Early Years Centres to ensure that there is an up-to-date policy.</p> <p>To ensure there is a register of what medicines are in storage for which child (including dosage and expiry date), and that this is regularly reviewed and updated.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Harm to children; and</li> <li>• Health and Safety breach.</li> </ul>

**Key:**

Priority	Comments
1	Potential significant key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Requirements outwith our control, such as from external stakeholders or legislative / statutory requirements.
2	Risks or potential weaknesses that impact on individual objectives or impact the operation of a single process / service.
3	Less potential significant issues and / or areas for improvement that we consider merit attention.

## INTERNAL AUDIT PLAN 2025/26 OTHER CLIENT WORK

No.	Service	Purpose and Scope of Assignment
18.	Clackmannanshire and Stirling Integration Joint Board	<p><b>Clackmannanshire and Stirling Integration Joint Board</b>  NHS Forth Valley's Chief Internal Auditor fulfilled this role for the Integration Joint Board (IJB) for the three years from 2019/20 to 2022/23. From 2022/23 that lead role transferred to the Clackmannanshire Council Internal Audit Manager for three years. As of 2025/26, the role has been transferred to the Stirling Council Internal Audit Service Manager.</p> <p>Clackmannanshire Council's Internal Audit service may still need to provide an audit resource to the annual programme of work.</p>
19.	Central Scotland Valuation Joint Board	<p><b>Central Scotland Valuation Joint Board</b>  The Internal Audit Plan for 2025/26 will be presented to the Central Scotland Valuation Joint Board Audit Committee on 27 June 2025.</p>

## 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.