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| Agenda Item | 6 |
| Report No | AS/3/20 |

THE HIGHLAND COUNCIL

Committee: Audit & Scrutiny Committee

Date: 24th September 2020

Report Title: **Internal Audit Plan 2020/21**

Report By: Corporate Audit Manager

1. Purpose/Executive Summary

1.1 This report presents the 2020/21 Internal Audit plan for approval.

2. Recommendations

2.1 Members are asked to approve the 2020/21 Internal Audit Plan which is provided at **Appendix 1**.

3. Implications

3.1 Resources & Risk:

Resource implications are outlined in section 5.2. Should there be any changes to the planned resources or delay in recruitment which impacts upon the ability to deliver the audit plan then there is a risk that this is insufficient to provide the annual audit opinion. Should this be the case then the Council's External Auditors may decide to undertake further work which could be at additional cost to their agreed audit fee.

3.2 There are no Legal, Community (Equality, Poverty, Rural and Island), Climate Change/ Carbon Clever or Gaelic implications

4. Internal Audit Plan 2020/21

- 4.1 In accordance with the Public Sector Internal Audit Standards (the PSIAS), the Corporate Audit Manager (Chief Audit Executive) prepares a risk-based audit plan which outlines the assignments to be carried out, their respective priorities and the estimated resources needed for the year.
- 4.2 This has now been undertaken and the 2020/21 Internal Audit Plan is attached at **Appendix 1**. Section 5 below sets out the audit planning process which is followed each year, in addition details are provided of the changes made as a result of the Covid-19 pandemic.

5. Audit Planning Process

- 5.1 The Plan has been produced in accordance with the Internal Audit Charter and the requirements of the PSIAS. The starting point is the 5-year rolling risk-based Strategic Plan. As part of this, the "Audit Universe" which contains details of all possible auditable areas was mapped to the financial materiality of the area, any relevant Corporate and/or Service risks, and any Programme commitments. The audits which were listed for review in 2020/21 were then discussed at the annual audit planning meetings with the Executive Chief Officers (ECOS).

The Audit Universe has been updated to reflect the new Council structure but requires further refinement which will be done when the ECOs have finalised their Service structures. Also, at the time of preparing the Plan the new Service budgets were not available. As a result, it was not possible to update the risk scores of the auditable areas. This will be undertaken for the 2021/22 Plan with the assistance of the ECOs and their management teams.

The Plan also reflects new risks arising from Covid-19 and includes new areas of activity such as business grants, whereas for other audits the planned audit scope has will address these e.g. review of resilience arrangements will consider lessons learned.

- 5.2 Committee are aware that following a restructure in autumn 2018 the Internal Audit Section's establishment was set at 9 full time posts; 6 Audit staff, 2 Corporate Fraud staff and the Corporate Audit Manager (1.2 FTE reduction). There is now a risk that any unplanned reduction in the available resources such as long-term sickness absence, vacancies or demand for additional audit work could impact upon the ability to provide the audit opinion required by the PSIAS. In calculating the available resources for this year these were reduced as a result of the following:

Covid-19 – which meant that the majority of audit activity had to be paused as the Council was operating under emergency powers. This has affected the work in progress as detailed at 5.4 below. Furthermore, time was built into the plan to allow for the disruption to audit activity and for staff who were redeployed into supporting Covid-19 activities such as supporting the helpline and the Humanitarian Aid Centre administration, which has further reduced the available audit days.

Vacant post

1 audit post is vacant and in calculating the available resources, it has been assumed that this will be filled by 01/11/20. It is anticipated that the post can be filled through internal recruitment by offering a staff development opportunity.

The PSIAS require that the CAE confirms that there are no significant threats to the independence of the Internal Audit activity such as inappropriate scope or resource limitations. This confirmation can be provided at this stage of preparing the plan, but it should be noted that any delay in filling the above vacancy or any other unexpected changes will impact upon the ability to provide the annual audit opinion.

- 5.3 The Audit Plan includes the work undertaken by the Corporate Fraud Team. This includes acting as the Single Point of Contact with the Department of Work and Pensions, and Police Scotland, investigating all fraud referrals including those involving suppliers, employees, Council Tax and NDR benefits/ discounts, and any possible frauds arising from the National Fraud Initiative. This year, time is also allowed for referrals arising from Covid-19 frauds.
- 5.4 There are audits in progress from the 2019/20 Plan which were not completed by the year-end. This is usually the case with time allowed in the plan for any audits carried forward for these to be completed during quarter 1 of the new year. However, due to Covid-19 it will be later in the year before this is completed.
- 5.5 The Audit Plan refers to the planned work with regard to Highland Council only. In addition, the Section also undertakes work for:
- The Pension Fund
 - The Valuation Joint Board
 - HITRANS
 - High Life Highland.

Separate plans are prepared for each of these organisations and approved by their relevant Boards/ Committees.

Designation: Corporate Audit Manager

Date: 28th August 2020

Author: Donna Sutherland

Background Papers:

Internal Audit Plan 2020/21**Appendix 1****Internal Audit activity – audits brought forward**

| Service | Audit Ref and Name | Audit Scope | Audit Type | Planned Days | Comments |
|------------------------------|--|---|-------------------|---------------------|--|
| Communities & Place | HCC03/005.bf.bf - Fleet Management arrangements | Review of the fleet management arrangements to ensure that these accord with the requirements of the Councils operator's licence. This will also include review of the Tranman system. | Operational Risk | 5 | |
| Education & Learning | HAB02/001.bf - Review of the systems for the payment of relief and temporary school staffs | Review of the process for the submission of hours claimed using payroll forms to ensure that this is appropriate and that appropriate controls are exercised over such claims. Also to ensure that these are used for the correct groups of staff and cannot be used to bypass the system for the management of vacancies within the Council. | Strategic Risk | 17 | |
| Infrastructure & Environment | HCC02/002.bf - Car Parks | Review of car park arrangements across the Council including deployment of staff, income systems and parking enforcement arrangements. | Operational Risk | 1 | Audit completed and final report has been issued |
| Infrastructure & Environment | HEB03/002.bf - Review of capital projects | Review of the project management arrangements in place in respect of selected Flood Team projects and that these comply with relevant project governance guidance and procedures. | Contract Audit | 17 | Audit completed and final report has been issued |

| Service | Audit Ref and Name | Audit Scope | Audit Type | Planned Days | Comments |
|---------------------|---|---|-----------------------|---------------------|------------------------------|
| Property & Housing | HEC05/001.bf - Collection of school meals income | Review of the arrangements for the collection of school meals income to ensure that this is operating as efficiently as possible. This will also include review of the arrangements for the effective management of debt. | Operational Risk | 3 | Draft report has been issued |
| Resources & Finance | HDA08/015.bf - Pension Fund Contributions | Review of the arrangements for the admission of members to the Fund and collection of contributions. Also there are appropriate controls over fund transfers to ensure these are calculated accurately and processed promptly. | Operational Risk | 10 | |
| Resources & Finance | HDA16/002.bf - Review of purchase to pay arrangements | Corporate review of the arrangements for the purchasing and payment of goods and services to ensure that appropriate controls are in place. This will also link with budgetary control arrangements and consideration of the roles and responsibilities of budget holders in approving expenditure and monitoring and control of their budgets. | Main Financial System | 22 | |
| Resources & Finance | HDA16/003.bf - Procurement | Review of significant areas of expenditure to ensure that contract suppliers are in place and are used as appropriate. | Main Financial System | 18 | |

| Service | Audit Ref and Name | Audit Scope | Audit Type | Planned Days | Comments |
|---------------------|---|---|-------------------|---------------------|--|
| Resources & Finance | HDD04/004.bf - Cyber Security | Review of the Council's Cyber Security arrangements to ensure that these are appropriate and effective. This will also include review of the service's incidence response arrangements. | Strategic Risk | 18 | Agreed with management that this will be combined with audit HRF34/001 - ICT & Digital Services. |
| Resources & Finance | HDD04/005.bf - ICT Contract Management Arrangements | Review of the arrangements for the management of the ICT contract with Wipro to ensure that these are working effectively. | Strategic Risk | 1 | Audit completed and final report has been issued |

Internal Audit activity – new planned audits

| Service | Audit Ref and Name | Audit Scope | Audit Type | Planned Days | Comments |
|----------------------|--|--|-------------------|---------------------|--|
| Chief Executive | HCX02/001 - Review of Resilience Arrangements | Review of resilience arrangements operating within the Council including business continuity and emergency planning. Now includes lessons learned post Covid-19. | Strategic Risk | 30 | Scope and budget increased to include lessons learned. |
| Education & Learning | HEL07/001 - Workforce Planning and Staffing Arrangements - Education | Strategic Development and Improvement, Education Policy, Workforce planning and staffing, | Not Applicable | 6 | |

| Service | Audit Ref and Name | Audit Scope | Audit Type | Planned Days | Comments |
|---|---|--|-----------------------|---------------------|-----------------|
| Performance & Governance | HPG06/001 - Governance of Arms Length External Organisations and Partnerships | Review of the arrangements for the effective governance of ALEOs and partnerships to ensure that these are working as effectively as possible and there is clarity over roles and responsibilities with no duplication by different organisations. | Corporate Governance | 25 | |
| Performance & Governance | HPG09/001 - Compliance with the General Data Protection Regulations | Review of the arrangements across the Council for compliance with the General Data Protection Regulations (GDPR). | Operational Risk | 20 | |
| Performance & Governance - Internal Audit | HIA12/001 - Follow Ups 2020-21 | Annual allowance for follow up of audits which are not subject to a specific follow-up review. | Follow-up | 20 | |
| Resources & Finance | HRF01/001 - Review of financial management and reporting | High level review of the Council's financial management arrangements. | Main Financial System | 20 | |
| Resources & Finance | HRF05/001 - Pension Fund Investments | Review of the arrangements in place for Pension Fund investments. | Operational Risk | 15 | |
| Resources & Finance | HRF08/002 - Pension Fund Annual Governance Assurance Statement 2019-20 | Allowance of time for work associated with producing the annual audit opinion and annual Governance Assurance Statement (AGS). | Not Required | 3 | Work completed. |

| Service | Audit Ref and Name | Audit Scope | Audit Type | Planned Days | Comments |
|---------------------|---|---|-----------------------|---------------------|--|
| Resources & Finance | HRF16/001 - HC Annual Governance Statement 2019-20 | Allowance for work to be undertaken in order to support the annual audit opinion and Annual Governance Statement within the annual accounts. | Not Required | 7 | Work completed. |
| Resources & Finance | HRF22/001 - Review of CT and NDR discounts and exemptions | Review of the systems for the award of discounts and exemptions to ensure these comply with the relevant legislation or Council policies. Ensure that these are regularly reviewed to ensure that ongoing awards are still valid. | Main Financial System | 25 | Scope will consider new discounts awarded as a result of Covid-19. |
| Resources & Finance | HRF30/001 - Review of workforce planning arrangements | Corporate review of workforce planning arrangements across the Council. Scope will include consideration of: <ul style="list-style-type: none"> - baseline data available to assist Services in knowing their current workforce; - planning for future needs of the Service; - monitoring of progress against workforce plans. | Strategic Risk | 30 | |
| Resources & Finance | HRF30/002 - Review of Absence Management Arrangements (follow-up) | Follow-up review to ensure that the management agreed actions from the previous audit of absence management arrangements (ref HDD01/005) have been satisfactorily implemented. | Follow-up | 15 | |

| Service | Audit Ref and Name | Audit Scope | Audit Type | Planned Days | Comments |
|---|--|--|-------------------|---------------------|--|
| Resources & Finance | HRF30/003 - Review of Human Resources Arrangements | Review of HR arrangements including policies and procedures and whether these are fit for purpose. | Operational Risk | 20 | |
| Resources & Finance | HRF34/001 - ICT & Digital Services | Review of the risks arising from Covid-19 and staff homeworking and what controls were put in place to manage or mitigate these. | Computer Audit | 20 | Will be amalgamated with cyber security audit. |
| Resources & Finance | HRF40/001 - Commercial and Procurement Services | Review of supply chain arrangements particularly what has been learned from Covid-19. | Strategic Risk | 20 | |
| Transformation & Economy (Economy) | HAC03/002.bf - Review of the arrangements for the funding to External and Third Sector Organisations | Review of the arrangements for the funding and payment to organisations o ensure this is undertaken in a consistent manner. Also that any arrangements accord with Council policies including the single grants process, procurement requirements and Following The Public Pound guidance. | Operational Risk | 21 | |
| Transformation & Economy (Transformation) | HTE04/001 - Review of Transformation Programme Outcomes | Review of the Transformation Programme to date to ensure that the planned outcomes have already or are on course to be achieved. This will also include consideration of the process to ensure that any redesign recommendations and commercial opportunities identified have been implemented and followed through. | Strategic Risk | 30 | Audits amalgamated to reflect change in approach agreed by HC on 25/06/20. Scope may be changed. |

| Service | Audit Ref and Name | Audit Scope | Audit Type | Planned Days | Comments |
|------------------------------------|--|---|-------------------|---------------------|-----------------|
| Transformation & Economy (Economy) | HTE05/001 - Leader Programme 2019-20 | Annual review of the administration of the Programme to ensure that the Service Level Agreement (SLA) with the Scottish Government is complied with and all activity accords with the relevant policies and procedures. | Operational Risk | 25 | |
| Transformation & Economy (Economy) | HTE05/003 - Review of Covid-19 business grants | Review of the processes followed for the award of grants to businesses to ensure that these were in accordance with the Scottish Government's guidance and these contained appropriate controls. | Operational Risk | 20 | |

Investigations – planned activity

| Service | Audit Ref and Name | Audit Scope | Audit Type | Planned Days | Comments |
|---|---|--|---------------------|---------------------|-----------------|
| Performance & Governance - Internal Audit | HIA10/001 - SPOC work for DWP 2020-21 | Allocation of time for work undertaken by the Corporate Fraud Team for Single Point of Contact (SPOC) for DWP. | Other work | 30 | |
| Performance & Governance - Internal Audit | HIA10/002 - SPOC work for Police Scotland 2020-21 | Allocation of time for work undertaken by the Corporate Fraud Team for Single Point of Contact (SPOC) for Police Scotland and other associated activities relating to the SOC. | Other work | 40 | |
| Performance & Governance - Internal Audit | HIA11/001 - Tenancy Fraud Investigations 2020-21 | Allocation of time for the investigation of any allegations relating to tenancy fraud. | Fraud Investigation | 40 | |

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| Performance & Governance - Internal Audit | HIA11/002 - National Fraud Initiative | Balance of time for any work required arising from the previous exercise including reporting to Committee. Revised to include NFI exercise for Covid-19 grant payments. | Other work | 25 | |
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