

Agenda Item	<b>3</b>
Report No	<b>AS/5/21</b>

## THE HIGHLAND COUNCIL

**Committee:**                    **Audit & Scrutiny Committee**

**Date:**                         **17<sup>th</sup> June 2021**

**Report Title:**                **Internal Audit Plan 2021/22**

**Report By:**                  **Corporate Audit Manager**

### **1.                                    Purpose/Executive Summary**

1.1    This report presents the 2021/22 Internal Audit plan for approval.

### **2.                                    Recommendations**

2.1    Members are asked to approve the 2021/22 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 2021/22 Internal Audit Plan is attached at **Appendix 1**. Section 5 below sets out the audit planning process which has been followed this year which is a departure from the normal process as a result of the Covid-19 pandemic.

#### **5. Audit Planning Process**

- 5.1 The Plan is produced in accordance with the Internal Audit Charter and the requirements of the PSIAS. To comply with the standards, in preparing the plan, consultation should take place with senior management. This is usually undertaken in January/ February each year where annual audit planning meetings are undertaken with the Executive Chief Officers (ECOs) in order to identify any areas of risk, new developments and other matters that should be considered for inclusion in the annual audit plan. This plan would then normally be approved by the March meeting of the Audit & Scrutiny Committee. The Covid-19 pandemic, and the Council's necessary response, has impacted upon this normal process and Committee were informed in March of the reasons for the delay.

Individual meetings were held in May with the ECOs and their management teams and the draft plan was then discussed at a meeting of the Executive Leadership Team.

The plan has been produced as follows:

- Audits from the 2020/21 audit plan which were either in progress or had not commenced at year-end have been carried forward into 2021/22 following discussion with the ELT.
- Consideration was given to horizon scanning of risks and changes affecting local authorities through guidance and publications issued by the Chartered Institute of Internal Auditors, CIPFA and Audit Scotland.
- Discussions took place with the ECOs and their management teams which included review of the Corporate and Directorate risks, discussion of new developments including any new functions and changes agreed by Council on 13/05/21 and any other areas of assurance available. In addition, those audits which were originally proposed for the 2020/21 audit plan but had to be removed due to the disruption caused by Covid-19 were considered for carry forward into 2021/22 where still relevant.

Work is still to be undertaken to update the "Audit Universe" which contains details of all possible auditable areas in order to reflect the revised organisational structure recently agreed by Council. This will be undertaken in the autumn and will incorporate revised risk scoring in conjunction with the ECOs and their new teams.

- 5.2 The establishment consists of 9 full time posts; 6 Audit staff, 2 Corporate Fraud staff and the Corporate Audit Manager. 1 audit post is still vacant following an unsuccessful attempt at internal recruitment last year which was for a fixed period only. The aim is to advertise this shortly both internally and externally as a permanent post which it is expected will generate more interest. The audit resources have been calculated taking this vacancy into account and assumed that the post will be filled by the autumn.

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 affecting the available audit resources 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 exercise which is in progress. This year, time is also allowed for referrals arising from Covid-19 frauds and the ongoing fraud checks for business grant applications.
- 5.4 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: 3<sup>rd</sup> June 2021

Author: Donna Sutherland

Background Papers:

**Internal Audit Plan 2021/22****Appendix 1****Internal Audit activity – audits brought forward**

<b>Directorate</b>	<b>Audit Ref and Name</b>	<b>Audit Scope</b>	<b>Planned Days</b>	<b>Comments</b>
Communities & Place	HCC03/005.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.	2	Report being drafted.
Performance & Governance	HGX02/001.bf - Review of Resilience Arrangements and Lessons Learned post Covid-19	Review of resilience arrangements operating within the Council including business continuity and emergency planning.	27	Audit being undertaken in 2 stages with lessons learned being reviewed later.
Performance & Governance	HPG06/001.bf - 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.	20	Being planned.
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.	8	Draft report issued
Resources & Finance	HDA16/003.bf- Procurement: Off contract spend and reporting	Review of the controls in place for the effective use of contract suppliers.	18	Being planned.

Resources & Finance	HRF01/001.bf - Review of financial management and reporting	High level review of the Council's financial management arrangements.	17	Fieldwork in progress.
Resources & Finance	HRF22/001.bf - 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. Expanded to include any new changes/ implications arising from Covid-19.	17	Fieldwork in progress.
Resources & Finance/ Corporate	HRF30/001.bf - 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"> <li>- baseline data available to assist Directorates in knowing their current workforce;</li> <li>- planning for future needs of the Directorate;</li> <li>- monitoring of progress against workforce plans.</li> </ul>	22	Scheduled for later part of the year.
Depute CEX	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. Expanded to include review of the controls in place for homeworking arising from Covid-19 to ensure risks are appropriately mitigated.	34	Fieldwork in progress.
Depute CEX	HTE04/001.bf - Review of the Council's approach to recovery	Examination of the Council's approach to Covid-19 recovery to ensure that the planned outcomes will be achieved. This will examine a sample of priorities and review of the evidence that supports their delivery.	20	ToR issued.

Internal Audit activity – new planned audits

<b>Directorate</b>	<b>Audit Ref and Name</b>	<b>Audit Scope</b>	<b>Planned Days</b>	<b>Comments</b>
Communities & Place	HCP09/001 - Customer Services	"Light touch" review of the operation of the Customer Resolution & Improvement Team to ensure that the anticipated benefits and improved customer services are being achieved.	12	
Communities & Place	HCP14/001 - Review of award of Ward fund schemes	Review of the systems for the award of Ward funds including ward discretionary funds, place based funds and Covid-19 funds. Scope will cover the application process, approval of funds, payments and monitoring arrangements to ensure that these accord with relevant Council and Area policies and priorities.	20	
Education & Learning	HEL07/002 - ICT arrangements in schools	Review of the controls in place for the management of network capacity and storage in schools particularly with regard to the use of chrome books and educational software.	28	
Education & Learning/ Health & Social Care	HEL07/00 - Children's Services Inspection	Review of arrangements for the preparation for inspections. This will include acting as the "critical friend" in reviewing the approach and assessing whether all expected supporting information is available e.g. self-assessments, improvement plans and performance management frameworks.	23	
Health & Social Care	HSC07/001 - Health Services for Children	Review of the arrangements for the provision of health services for children.	20	
Health & Social Care	HSC11/001 - Review of commissioned children's services	Review of the arrangements for the commissioning of services for children to ensure that these are designed and delivered to meet the specified needs and demonstrate best value. There are appropriate arrangements for the	25	

		monitoring and evaluation of service delivery to ensure the expected outcomes are delivered.		
Infrastructure & Environment	HIE08/002 - Harbours - fuel sales	Review of the arrangements for the sale of fuel within harbours. Scope will include purchasing arrangements, secure holding of fuel, systems for the access to and sale of fuel including setting of retail prices, and debt recovery arrangements.	20	
Infrastructure & Environment	HIE13/001 - Review of Coastal Communities Fund	Review of operation of the Fund to ensure this complies with Council policy including review of the application process, approval of applications, payments and monitoring arrangements.	15	
Infrastructure & Environment	HIE18/001 - LEADER Programme 2020-21	Final 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.	20	
Infrastructure & Environment	HIE18/002 - Review of Covid-19 business grants	Second audit review of Covid-19 business grants which will examine different grant schemes from that previously audited.	23	
Infrastructure & Environment/ Communities & Place	HIE18/003 - Visitor Management Plan resources	Review of the resources provided by the Infrastructure & Environment and Communities & Place Directorates towards the Council's Visitor Management Plan and whether the intended benefits are achieved. This includes roads management and improvements, parking management, seasonal rangers, motorhomes services, enhanced bus services, increased public toilet provision and waste management services.	28	
Performance & Governance	HPG01/001 - Review of local democracy	Review of the local arrangements for democracy and decision making within Area Committees to ensure that good	25	

	and governance arrangements	governance principles are adhered to and best practice is followed.		
Performance & Governance	HPG13/001 - Effectiveness of out of hours arrangements	Review of the arrangements for the provision of out of hours services to ensure that these are working as effectively as possible. This will include examination of examples provided by the ELT where scope for improvement was identified.	15	
Resources & Finance/ Performance & Governance	HRF11/002 - Payment of Members' Expenses	Review of the systems for the payment of expenses to Members to ensure that these accord with the relevant procedures and operates as efficiently as possible using the new system for submitting claims.	10	To leave audit until later part of year to allow for expenses to resume.
Resources & Finance	HRF15/001 - Review of the control and usage of Imprests	Review of the systems operated within Directorates for the control and usage of imprests. Also to consider whether the usage is appropriate and whether alternative systems should be used.	20	
Resources & Finance	HRF16/002 - HC Annual Governance Statement 2020-21	Allowance for work to be undertaken in order to support the annual audit opinion and Annual Governance Statement within the annual accounts.	7	
Resources & Finance	HRF24/001 - Review of provision of welfare support services	Review of the arrangements for the provision of welfare support services particularly in response to increased uptake arising from the effect of Covid-19. NB Housing Benefit and Council Tax Reduction is outside the scope of this review.	23	
Depute CEX	HDX07/002- ICT & Digital Services	Allowance of time for annual ICT audit activity. Scope TBC agreed following transfer of this function to the Depute CEX's remit.	30	
Depute CEX	HDX07/001 - Review of transformation projects	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	25	



		process to ensure that any commercial opportunities identified have been implemented and followed through.		
Internal Audit	HIA07/003 - External Quality Assessment - Review of Aberdeen City Council	Allowance of time for undertaking the EQA of Aberdeen City Council's compliance with PSIAS by Highland Council.	5	
Internal Audit	HIA07/004 - External Quality Assessment - Review by Moray Council	Review of HC's compliance with PSIAS - to be undertaken by Moray Council. Time required for preparation and submission of information for the EQA.	5	
Internal Audit	HIA12/002 - Follow Ups Allowance 2021-22	Annual allowance for follow up of audits which are not subject to a specific follow-up review.	15	
Internal Audit	HIA13/002 - Advice and consultancy allowance 2021-22	Contingency time for any requests for advice or consultancy work incl. acting as a critical friend to Directorates.	10	

Investigations – planned activity

<b>Directorate</b>	<b>Audit Ref and Name</b>	<b>Audit Scope</b>	<b>Planned Days</b>
Internal Audit	HIA10/003 - SPOC work for DWP 2021-22	Allocation of time for work undertaken by the Corporate Fraud Team for Single Point of Contact (SPOC) for DWP.	50
Internal Audit	HIA10/004 - SPOC work for Police Scotland 2021-22	Allocation of time for work undertaken by the Corporate Fraud Team for Single Point of Contact (SPOC) for Police Scotland.	150

Internal Audit	HIA11/003 - Tenancy fraud investigations 2021-22	Allocation of time for investigating allegations of tenancy fraud.	30
Internal Audit	HIA11/004 - NFI work 2021-22	Allocation of time in respect of NFI exercise and reporting to Committee.	10