

Agenda Item	<b>9</b>
Report No	<b>AS/11/22</b>

## THE HIGHLAND COUNCIL

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

**Date:**                         **28<sup>th</sup> September 2022**

**Report Title:**                **Internal Audit Plan 2022/23**

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

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

1.1    This report presents the 2022/23 Internal Audit plan for approval.

### **2.                                    Recommendations**

2.1    Members are asked to approve the 2022/23 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 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 2022/23**

- 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 2022/23 Internal Audit Plan is attached at **Appendix 1**.

#### **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 must take place with senior management (see details of this in the bullet points below). This Plan is normally approved by the March meeting of the Audit & Scrutiny Committee. This was affected by the Local Government election in May which meant that this meeting took place earlier in the February. It was intended that the Plan would be approved in June but all meetings during this Committee cycle were cancelled. Therefore, this is first opportunity to present the Plan to Committee for approval.

The plan has been produced as follows:

- Audits from the 2021/22 audit plan which were in progress at year-end have been carried forward. It should be noted that this is an annual rolling plan and there is always an element of carry forward work.
  - There is an element of committed requirements each year such as the work to support the annual audit opinion for the annual accounts and within the Internal Audit Annual Report (both appear as separate agenda items).
  - 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 to consider matters such as the Corporate and their Service Directorate risks, new developments including any new functions and changes that occurred during the preceding year or were imminent e.g. areas of new funding or new legislation.
  - The draft plan for the Council was then discussed at a meeting of the Executive Leadership Team in August.
- 5.2 The establishment consists of 9 full time posts; 6 Audit staff, 2 Corporate Fraud staff and the Corporate Audit Manager, and these are all filled.

The PSIAS require that the CAE confirms that there no significant threats to the independence of the Internal Audit activity such as inappropriate scope or resource limitations. This confirmation can be provided. Should there be any unexpected changes affecting the available audit resources which could impact upon the ability to provide the annual audit opinion then Committee will be informed accordingly.

- 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 investigation of Whistleblowing concerns. Appendix 1 details the allocation of time for planned activities. In addition to this, a contingency is held for allocating time for any unplanned

fraud or whistleblowing investigations.

- 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: 12/09/22

Author: Donna Sutherland

Background Papers:

**Internal Audit Plan 2022/23****Appendix 1****Internal Audit activity – audits brought forward**

<b>Service Directorate</b>	<b>Audit Ref and Name</b>	<b>Audit Scope</b>	<b>Audit Type</b>	<b>Planned Days</b>	<b>Risk Priority *</b>	<b>Comments</b>
Communities & Place	HCP09/001.bf - 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.	Operational Risk	5	M	Draft report issued
Communities & Place	HCP14/001.bf - 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.	Operational Risk	8	M	Final report issued
Depute Chief Executive	HDX07/001.bf - Review of Transformation Programme	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 commercial opportunities identified have been implemented and followed through.	Strategic Risk	17	H	Fieldwork in progress

<b>Service Directorate</b>	<b>Audit Ref and Name</b>	<b>Audit Scope</b>	<b>Audit Type</b>	<b>Planned Days</b>	<b>Risk Priority *</b>	<b>Comments</b>
Depute Chief Executive	HTE04/001.bf.bf - Review of Recovery	Review of the Recovery Programme to date to ensure that the planned outcomes have already or are on course to be achieved. This also includes review of the arrangements for the delivery of the future Transformation Programme that are efficient and effective with appropriate governance arrangements in place.	Strategic Risk	0	H	Final report issued
Education & Learning	HEL07/002.bf - 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.	Operational Risk	24	M/H	Being planned
Infrastructure, Environment & Economy	HIE04/001.bf - Review of winter maintenance payments	Unplanned review agreed to examine the arrangements in respect of winter maintenance standby duties.	Operational Risk	19	M	Fieldwork in progress
Infrastructure, Environment & Economy	HIE08/002.bf - 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.	Operational Risk	5	M	Final report issued

<b>Service Directorate</b>	<b>Audit Ref and Name</b>	<b>Audit Scope</b>	<b>Audit Type</b>	<b>Planned Days</b>	<b>Risk Priority *</b>	<b>Comments</b>
Infrastructure, Environment & Economy	HIE13/001.bf - 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.	Operational Risk	5	M	Final report issued
Infrastructure, Environment & Economy	HIE18/002.bf - Review of Covid-19 business grants	Second audit review of Covid-19 business grants which will examine different grant schemes from that previously audited.	Strategic Risk	5	M/H	Draft report issued
Infrastructure, Environment & Economy	HIE18/003.bf - 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.	Operational Risk	26	M	Fieldwork in progress
Performance & Governance	HGX02/001.bf - Review of Resilience Arrangements and Lessons Learned post	Review of resilience arrangements operating within the Council including business continuity and emergency planning. Increased scope to review lessons learned post COVID-19.	Strategic Risk	23	M/H	

	Covid-19					
<b>Service Directorate</b>	<b>Audit Ref and Name</b>	<b>Audit Scope</b>	<b>Audit Type</b>	<b>Planned Days</b>	<b>Risk Priority *</b>	<b>Comments</b>
Performance & Governance	HPG01/001.bf - Review of local democracy and governance arrangements	Review of the local arrangements for democracy and decision making within Area Committees to ensure that good governance principles are adhered to and best practice is followed.	Strategic Risk	5	M/H	Final report issued
Performance & Governance	HPG13/001.bf - 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.	Operational Risk	9	M	Final report issued
Property & Housing	HPH10/002.bf - Review of Capital Projects	Review of controls over the management of capital projects to ensure that these are delivered as planned, to the specified quality, time and budget.	Contract Audit	5	M/H	Final report issued
Resources & Finance/ Performance & Governance	HRF11/002.bf - 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. This will also review the new payment system.	Main Financial System	10	M	Fieldwork complete

<b>Service Directorate</b>	<b>Audit Ref and Name</b>	<b>Audit Scope</b>	<b>Audit Type</b>	<b>Planned Days</b>	<b>Risk Priority *</b>	<b>Comments</b>
Resources & Finance	HRF15/001.bf - 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.	Main Financial System	9	M	Fieldwork in progress
Resources & Finance/ Performance & Governance	HRF30/002.bf.bf - 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	14	M/H	Fieldwork in progress
Health & Social Care	HSC11/001.bf - 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 monitoring and evaluation of service delivery to ensure that the expected outcomes are being delivered.	Operational Risk	25	M/H	TOR issued
<b>Total Days</b>				<b>214</b>		

**\* Key to risk priorities:**

H - High

M/H – Medium High

M – Medium

L – Low

C - Commitment



Internal Audit activity – new planned audits/ activities

<b>Service Directorate</b>	<b>Audit Ref and Name</b>	<b>Audit Scope</b>	<b>Audit Type</b>	<b>Planned Days</b>	<b>Risk Priority *</b>	<b>Comments</b>
Communities & Place	HCP05/002 - Waste Management Income Systems	Review of the income processes for households (special collections, brown bins, sale of bins and commercial waste. This will also cover the roles of the Service centre and Business Support in providing permits.	Operational Risk	20	M	
Communities & Place	HCP11/001 - Review of Community Asset Transfers	Review of the Community Asset Transfer (CAT) process to ensure that this is operating as effectively as possible and accords with the legislative requirements.	Operational Risk	20	M	
Communities & Place	HCP20/001 - 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.	Main Financial System	23	M	Fieldwork complete
Depute Chief Executive	HDX03/002 - ICT & Digital Services	Scope TBC	Computer Audit	30	H	

<b>Service Directorate</b>	<b>Audit Ref and Name</b>	<b>Audit Scope</b>	<b>Audit Type</b>	<b>Planned Days</b>	<b>Risk Priority *</b>	<b>Comments</b>
Education & Learning	HEL03/001 - Review of financial arrangements in Schools	Review to ensure that the financial arrangements are in accordance with the requirements of Council policies and procedures, including Financial Regulations. This will involve visiting a sample of schools which will be agreed with the Service and will cover financial systems such as ordering and payment of invoices, use of imprests and school funds.	Main Financial System	30	M/H	
Infrastructure, Environment & Economy	HIE04/002 - Review of roads maintenance	Review of the arrangements for roads maintenance (resurfacing works, pot holes etc.) to ensure that these are operating effectively and in accordance with Council policies and procedures. This will also follow up on the weaknesses identified previously in an area to ensure that the management agreed actions continue to be complied with and will examine arrangements in place in a sample of other area depots.	Strategic Risk	30	M	
Infrastructure, Environment & Economy	HIE19/001 - City and Region Deal	Scottish Government (SG) has now introduced the need for regular Internal Audit reviews of the City Region Deal. Scope TBC with Service Directorate and to incorporate SG requirements.	Strategic Risk	20	H	TOR issued

<b>Service Directorate</b>	<b>Audit Ref and Name</b>	<b>Audit Scope</b>	<b>Audit Type</b>	<b>Planned Days</b>	<b>Risk Priority *</b>	<b>Comments</b>
Performance & Governance	HPG11/001 - Verification of Statutory Performance Indicators	Review of the arrangements for the collection and reporting of the Council's Statutory Performance Indicators to ensure that these are in accordance with the requirements of the Accounts Commission's Audit Direction.	Operational Risk	15	L	
Performance & Governance	HPG14/001 - Climate Change Plans and Implementation	Review of the Council's planning arrangements in order to meet it's obligations for Climate Change. This will also examine how these translate into actions that are measured and monitored across the Council. Also how these links with policies and procedures across the Council to ensure that these are aligned with plans.	Strategic Risk	20	M/H	
Performance & Governance	HPG15/001 - Gaelic Language Plan	Review of the arrangements for the production and delivery of the Gaelic Language Plan (GLP3) to ensure that this clearly demonstrates that the Council is meeting it's obligations. This will also consider the effectiveness of the current arrangements including how objectives are set, measured and monitored	Operational Risk	15	M	

<b>Service Directorate</b>	<b>Audit Ref and Name</b>	<b>Audit Scope</b>	<b>Audit Type</b>	<b>Planned Days</b>	<b>Risk Priority *</b>	<b>Comments</b>
Property & Housing	HPH01/001 - Housing Rent Collection	Review of the processes in place for the effective collection of housing rents including rent arrears.	Operational Risk	20	M	
Property & Housing/ Education & Learning	HPH07/001 - Management of PPP1 contract	Review of the planning arrangements for the hand-back of those schools under the PPP1 contract to ensure that their condition is as expected. Also how the additional financial costs for maintaining these schools will be identified and planned for both in terms of staff resources and additional revenue/ capital costs.	Operational Risk	30	M	
Property & Housing	HPH10/003 - Property Capital Projects	Contract audits of capital projects. - Scope TBC	Contract Audit	30	M/H	
Property & Housing	HPH11/002 - Corporate Landlord Model	Review of progress in implementing the Corporate Landlord Model to ensure that this is operating as agreed by Committee and if the expected corporate benefits are being achieved.	Strategic Risk	25	H	
Property & Housing	HPH11/003 - Ceasation of utility costs	Review of the arrangements for the transfer of liability/ ending supply of utilities when assets are closed/ transferred/ rented to other organisation to ensure that the Council no longer pays for these. This will consider the connections between processes such as asset	Operational Risk	20	M	

		rationalisation, community asset transfers, etc.				
<b>Service Directorate</b>	<b>Audit Ref and Name</b>	<b>Audit Scope</b>	<b>Audit Type</b>	<b>Planned Days</b>	<b>Risk Priority *</b>	<b>Comments</b>
Resources & Finance/ CEX	HRF01/002 - Review of Health and Prosperity Strategy	The Strategy sets out the priorities for Council spend to deliver ambitious, sustainable and connected services, to ensure the Highlands recovers from the pandemic and thrives into the future. It has three inter-related strands covering: 1) Future Highlands – Ambitious, Sustainable, Connected; 2) Recovery and Risks and 3) Delivering Sustainable Services. This audit will examine a sample of areas of additional funding agreed as part of Phases 1 and 2 to ensure that the expected benefits have been achieved and can be demonstrated that they meet the expectations set out in the Strategy.	Strategic Risk	25	H	
Resources & Finance/ Health & Social Care	HRF15/002 - Review of the use and control of imprests in HSC establishments	Review of the use and control of imprests in Health & Social Care (HSC) establishments. This will consider the reasons for the use of imprests and controls, and whether these accord with the Petty Cash Imprest instructions within Financial Regulations. The audit will also assess whether the cash amounts held are necessary, if there are viable	Main Financial System	25	M	

		alternatives to using cash including links with Welfare Support, and whether changes are necessary as a result of the implications of New Ways of Working.				
<b>Service Directorate</b>	<b>Audit Ref and Name</b>	<b>Audit Scope</b>	<b>Audit Type</b>	<b>Planned Days</b>	<b>Risk Priority *</b>	<b>Comments</b>
Resources & Finance/ CEX	HRF16/003 - Annual Governance Statement 2021-22	Allowance for work to be undertaken in order to support the annual audit opinion and Annual Governance Statement within the annual accounts.	Governance Assurance Statement	5	C	Complete
Resources & Finance/ Corporate	HRF30/005 - Review of Workforce Planning Arrangements	Corporate review of workforce planning arrangements across the Council. Scope will include consideration of: - baseline data available to assist Service Directorates in knowing their current workforce; - planning for future needs of the Service; - monitoring of progress against workforce plans. This will sample arrangements from different Service Directorates across the Council.	Strategic Risk	30	M/H	
Resources & Finance/ CEX	HRF40/003 - Procurement	Allocation of time for audit of procurement function - scope TBC. Will also consider progress in achieving the expected outcomes set out in the Procurement and Contract Management project.	Main Financial System	20	M/H	

<b>Service Directorate</b>	<b>Audit Ref and Name</b>	<b>Audit Scope</b>	<b>Audit Type</b>	<b>Planned Days</b>	<b>Risk Priority *</b>	<b>Comments</b>
Resources & Finance/ CEX	HRF40/004 - Review of the arrangements in place to reduce the risk of fraud in procurement	Review of the arrangements in place to reduce the risk of fraud occurring in procurement across the Council. This will consider the main areas of risk using the Audit Scotland publication "Red flags procurement" and will evaluate the controls in the Council to address these.	Main Financial System	15	H	TOR issued
Internal Audit	HIA07/003.bf - 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.	N/A	4	C	Being completed.
Internal Audit	HIA07/004.bf - 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.	N/A	5	C	Carried forward into this year per request from Moray.
Internal Audit	HIA12/003 - Follow Ups Allowance 2022-23	Annual allowance for follow up of audits which are not subject to a specific follow-up review.	N/A	15	C	
Internal Audit	HIA13/003 - Advice and consultancy allowance 2022-	Contingency time for any requests for advice or consultancy work incl. acting as a critical friend to Service Directorates.	N/A	10	C	

	23				
<b>Total Days</b>				<b>502</b>	

Investigations – planned activity

<b>Directorate</b>	<b>Audit Ref and Name</b>	<b>Audit Scope</b>	<b>Planned Days</b>
Internal Audit	HIA10/005 - SPOC work for DWP 2022-23	Allocation of time for work undertaken by the Corporate Fraud Team for Single Point of Contact (SPOC) for DWP.	50
Internal Audit	HIA10/006 - SPOC work for Police Scotland 2022-23	Allocation of time for work undertaken by the Corporate Fraud Team for Single Point of Contact (SPOC) for Police Scotland.	120
Internal Audit	HIA11/007 - Tenancy fraud investigations 2022-23	Allocation of time for investigating allegations of tenancy fraud.	30
Internal Audit	HIA11/004 - NFI work 2022-23	Allocation of time in respect of NFI exercise and reporting to Committee.	5
<b>Total Days</b>			<b>205</b>