
Report To:	Audit Committee	Date:	27 June 2024
Report By:	Head of Legal, Democratic, Digital and Customer Services	Report No:	FIN/40/24/APr/AP
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Subject:	INTERNAL AUDIT ANNUAL STRATEGY AND PLAN – 2024-25		

1.0 PURPOSE

- 1.1 For Decision For Information/Noting
- 1.2 The purpose of this report is to present the Internal Audit Annual Strategy and Plan for 2024-2025. The Plan factors in the current reported risks within the Corporate Risk Register.
- 1.3 There remains a 25 day allowance to be allocated and a proposed audit area will be submitted for approval to the next meeting of the Committee.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that Members approve the Internal Audit Annual Strategy and Plan for 2024-25 and note that a proposed further audit will be submitted proposed to the next meeting of the Committee.

Lynsey Brown
Head of Legal, Democratic, Digital & Customer Services

3.0 BACKGROUND AND CONTEXT

- 3.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising governance, risk management and control by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 3.2 The requirement for an Internal Audit function derives from local government legislation, including Section 95 of the Local Government (Scotland) Act 1973, which requires authorities to make arrangements for the proper administration of their financial affairs. Proper administration includes Internal Audit.
- 3.3 The Public Sector Internal Audit Standards include the requirement for the Chief Internal Auditor to prepare a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 3.4 It is intended that audit work will be focused on areas of greater risk taking into account management's own view of risk and meetings have been held with Directors and Heads of Service as appropriate. Each area has been assessed against a broad range of risk criteria and a risk score has been generated based on probability factors such as current control environment, results of last audit and time since the last audit.
- 3.5 Account has also been taken of the risks identified in the Council's Corporate, Directorate and Service Risk Registers with a new table in 3.4 of appendix 1 allocating the proposed audits to the relevant Corporate Risk Register area.
- 3.6 Outlined below are the current risk factors influencing our proposed audit coverage for 2024-2025:
- Inverclyde HSCP works closely with colleagues in the acute system across NHS Greater Glasgow & Clyde to ensure that service users are discharged to their home as soon as services are available in the community. Internal Audit will review the current arrangements in place to ensure these remain adequate and effective.
 - The HSCP Strategic Commissioning Plan (2024-27) identifies four strategic priorities for delivery. Internal Audit will review the adequacy and effectiveness of commissioning arrangements to ensure these are aligned to the overall strategic plan.
 - Fleet Services provide and maintain the fleet across all Council services. Vehicles and equipment are a critical corporate asset used in the delivery of front line services. Internal Audit will review the adequacy and effectiveness of vehicle maintenance arrangements.
 - Payroll is a complex process and employee costs form a significant part of the Council's expenditure and it is therefore important to have robust and effective controls in place. Internal Audit will review the adequacy and effectiveness of the payroll process.
 - The Council has recently updated its supplier management process which aims to provide a consistent and effective approach when managing suppliers. Internal Audit will review the adequacy and effectiveness of the supplier management process in place across the Council.
 - ASN Transport – a value for money review will be undertaken to ensure that current modes of transport are providing best value for the Council.
 - Records management is a key element of information governance and management arrangements. Internal Audit will review arrangements in place across Council services to ensure ongoing compliance with relevant policies.
 - Budgetary Control – As pressure on budgets increases the need for robust budgetary control procedures and processes is paramount. This Financial System Review will review the adequacy of processes/procedures and compliance with them.
 - Unallocated days- There remains 25 days to be allocated to the Audit Plan and the

specific audit area will be recommended to the next meeting of the Committee following further discussions between the Chief Internal Auditor and the Chief Executive.

- 3.7 The risk scoring system is maintained on a real-time basis and is altered as circumstances change. Regular reviews of the risk scores allow Internal Audit to address the changing risk exposure of the organisation more effectively and ensure audit effort is focused on those areas identified as higher risk.

4.0 PROPOSALS

- 4.1 The Audit Committee is asked to approve the Internal Audit Annual Strategy and Plan 2024-25.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic (LOIP/Corporate Plan)	X	
Equalities & Fairer Scotland Duty		X
Children & Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

- 5.2 There are no financial implications arising directly from this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend This Report	Virement From	Other Comments

Annually Recurring Costs/Savings

Cost Centre	Budget Heading	With Effect From	Annual Net Impact	Virement From (If Applicable)	Other Comments

5.3 Legal/Risk

The role of Internal Audit is to provide Audit Committee with assurance on the Council's governance, risk management and internal control arrangements. Consideration of this report enables the Audit Committee to discharge its responsibility for approving the Internal Audit Strategy and Plan and monitor its performance.

5.4 Strategic

This report relates to strong corporate governance.

6.0 CONSULTATIONS

- 6.1 Discussions have taken place with Directors and Heads of Service as appropriate in relation to the proposed annual audit plan coverage.
- 6.2 There will be regular ongoing discussion with External Audit to ensure respective audit plans are reviewed as circumstances change in order to minimise duplication of effort and maximise audit coverage for the Council.

7.0 LIST OF BACKGROUND PAPERS

- 7.1 None.

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) set out the requirement for the Chief Internal Auditor to prepare a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 1.2 The Chief Internal Auditor must review and adjust the plan as necessary in response to changes in the organisation's business, risks, operations and priorities.
- 1.3 The audit plan must incorporate or be linked to a strategic or high-level statement of how the Internal Audit Service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.
- 1.4 The strategy shall be reviewed on an annual basis as part of the audit planning process.

2. Internal Audit Objectives

- 2.1 The definition of internal auditing is contained within the PSIAS as follows:

“Internal auditing is an independent, objective assurance and consulting activity 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 risk management, control and governance processes.”

- 2.2 The primary aim of the internal audit service is to provide assurance services which requires the Chief Internal Auditor to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 2.3 The internal audit service also provides advisory services, generally at the request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.
- 2.4 The internal audit service supports the Chief Financial Officer in his role as Inverclyde Council's (the Council) Section 95 Officer.

3. Risk Assessment and Audit Planning

- 3.1 The internal audit approach to annual audit planning is risk-based and all areas which may be subject to audit review are contained within an Audit Universe which is subject to formal review, at least annually.
- 3.2 The risk scoring system is maintained on a real-time basis and is altered as circumstances change. Regular reviews of the risk scores allow Internal Audit to address the changing risk exposure of the organisation more effectively and ensure audit effort is focused on those areas identified as higher risk.

- 3.3 The Audit Universe is risk assessed each year to determine the Annual Audit Plan and ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk. Each area within the Audit Universe is assessed for impact against a number of broad risk categories as follows:

Strategy	Risks associated with the setting and achievement of strategic objectives.
Economy	Risks associated with the economy in which the Council operates.
Reputation	Risks associated with threats to the Council's name and standing in the sector.
Customer	Risks associated with customer relationships.
Legal/Regulatory	Risks associated with the requirement to comply with a wide range of statute.
Financial	Risks associated with financial loss or inefficiency.
Technology	Risks associated with application systems, their integrity, security and development.
Management Information	Risks associated with the provision of information for decision-making purposes.
Human Resources	Risks associated with people, e.g. recruitment, succession, development, motivation and morale etc.
Operations	Risks associated with the business operating process.
Business Continuity/Resilience	Risks associated with disaster scenarios which would threaten the continuing operation of the Council.
Security	Risks associated with security over customer and the Council's assets.
Stakeholder	Risks associated with management of stakeholder expectations (e.g. Government or local communities)
Fraud	Risks associated with asset misappropriation, corruption and financial statement fraud.

- 3.4 Account has also been taken of the risks identified in the Council's Risk Registers and risks identified by external scrutiny bodies through local scrutiny arrangements. In relation to the Corporate Risk Register, the key corporate risks have been considered for audit coverage in 2024/25 as follows:

CRR Reference	Previous Assurance Work	Planned Assurance Work 2024-25
Financial Current Risk Score: 16 (January 2024)	Internal Audit Plan: 2023/24 – Non-Domestic Rates; Commercial Waste Income – Billing and Collection 2022/23 – Debt Recovery 2021/22 – Insurance 2020/21 – Cash and Banking; Creditors 2019/20 – Sundry Debtors External Audit Annual Audit Plans: 2022/23, 2021/22, 2020/21 and 2019/20	Internal Audit Plan 2024/25 - Budgetary Control; Payroll; Internal Audit follow up exercises External Audit Annual Audit Plan 2023/24

CRR Reference	Previous Assurance Work	Planned Assurance Work 2024-25
Workforce Current Risk Score: 12 (January 2024)	Internal Audit Plan: 2023/24 – Succession Planning; Attendance Management 2022/23 – Workforce Planning Arrangements 2019/20 – Safe Recruitment	Internal Audit Annual Plan 2024/25 – Payroll; Audit follow up exercises External Audit Annual Audit Plan 2023/24 – Thematic Review
Council Assets Current Risk Score: 12 (January 2024)	External Audit Annual Audit Plans: 2022/23, 2021/22, 2020/21 and 2019/20	Internal Audit Annual Plan- Vehicle Maintenance External Audit Annual Audit Plan 2023/24
ICT Infrastructure Current Risk Score: 12 (January 2024)	Internal Audit Plan: 2023/24 – Cashless Catering Replacement System 2022/23 – SWIFT Replacement System 2021/22 – SWIFT Replacement System 2020/21 – Parent Pay 2019/20 – Business Support Redesign	Internal Audit follow up exercises
Net Zero Current Risk Score: 12 (January 2024)	Internal Audit Plan: 2022/23 – Climate Change – Utilities Management	Internal Audit follow up exercises
Partnership/ Supplier Failure Current Risk Score: 12 (January 2024)	Internal Audit Plan: 2023/24 – Procurement Compliance 2021/22 – Greenock Ocean Terminal 2020/21 – Corporate Procurement – Off Contract Spend 2019/20 – Governance of Community Groups; HSCP Contract Management	Internal Audit Annual Plan 2024/25 – Supplier Management Internal Audit follow up exercises
Information Governance Current Risk Score: 12 (January 2024)	Internal Audit Plan: 2022/23 – FOI Arrangements	Internal Audit Annual Plan 2024/25 – Records Management Internal Audit follow up exercises
People – Demographic Changes Current Risk Score: 12	Internal Audit Plan: 2023/24 – Succession Planning 2022/23 – Workforce Planning	Internal Audit Annual Plan 2024/25 – Delayed Discharges; HSCP Strategic Commissioning; ASN Transport Internal Audit follow up exercises
Cyber Attack Current Risk Score: 12 (January 2024)	Internal Audit Plan: 2022/23 – Cyber Security Arrangements	Internal Audit follow up exercises

- 3.5 There will be regular ongoing discussion with External Audit to ensure respective audit plans are reviewed as circumstances change in order to minimise duplication of effort and maximise audit coverage for the Council.

4 Service Delivery

- 4.1 The provision of the internal audit service is through a directly employed in-house team. The Chief Internal Auditor is provided through a shared management arrangement with West Dunbartonshire Council.
- 4.2 In relation to the total staff days allocated to the 2024/2025 plan, a resource allocation spreadsheet is completed for each member of staff which is split between annual leave, public holidays, training days, general administration and operational plan days.

The combined operational plan is 630 days which will be resourced as follows:

Team Member	Plan Days
Audit Practitioner	180
Audit Practitioner	180
Senior Corporate Fraud Officer	90*
Corporate Fraud Officer	180
Total Plan Days	630

*Senior Corporate Fraud Officer post is currently vacant but is expected to be filled by October 2024.

The Chief Internal Auditor does not directly carry out the assignments included in the annual audit plan but provides the quality review and delivery oversight of the overall plan. As such, no direct time is included within the plan. Where there are any resource issues which may impact on delivery of the plan, this will be reported to Audit Committee at the earliest opportunity.

- 4.3 Given the range and complexity of areas to be reviewed it is important that suitable, qualified, experienced and trained individuals are appointed to internal audit positions. The PSIAS requires that the Chief Internal Auditor must hold a professional qualification such as CMIIA (Chartered Internal Auditor), CCAB or equivalent and be suitably experienced.
- 4.4 Internal audit staff members identify training needs as part of an appraisal process and are encouraged to undertake appropriate training, including in-house courses and external seminars as relevant to support their development. All training undertaken is recorded in a personal training record for CPD purposes.
- 4.5 Internal audit staff members require to conform to the Code of Ethics of the professional body of which they are members and to the Code of Ethics included within the PSIAS. An annual declaration is undertaken by staff in relation to specific aspects of the Code.
- 4.6 Following each review, audit reports are issued in draft format to agree the accuracy of findings and agree risk mitigations. Copies of final audit reports are issued to the relevant Head of Service and Service Manager responsible for implementing the agreed action plan. A copy of each final audit report is also provided to External Audit.
- 4.7 The overall opinion of each audit report feeds into the Internal Audit Annual Report and Assurance Statement which is presented to the Audit Committee and is used by the s95 Officer in the preparation of the Annual Governance Statement.

5 Proposed Audit Coverage 2024-2025

- 5.1 The proposed audit coverage is set out in the table below. This includes a range of risk based reviews, limited scope financial reviews and regularity audits.
- 5.2 The Plan contains a contingency provision that will be utilised during the year in response to unforeseen work demands that arise e.g. special investigations and provision of ad hoc advice. Additionally, there remains an unallocated 25 day allowance for a further audit which elected members will be asked to consider at the next Committee meeting.

Audit Area	Strategic Area	Staff Days
Risk-Based Reviews		
Care and Support at Home - Delayed Discharge Arrangements	HSCP	25
Strategic Commissioning	HSCP	20
Vehicle Maintenance	Regeneration, Planning, Public Protection, Fleet and Waste	25
Payroll	Organisational Development, Policy and Communications	25
Supplier Management (B/f from 22/23)	Corporate	20
	Total	115
Limited Scope Financial System Reviews		
Budgetary Control	Finance	20
	Total	20
Value for Money Reviews		
ASN Transport (B/f from 23/24)	Education and Communities	20
	Total	20
Compliance Reviews		
Records Management	Corporate	30
	Total	30
Regularity Audits		
Education Control Self-Assessment	Education and Communities	20
Cost of Living Payments	HSCP	20
Catering Stock Control	Education and Communities	20
Corporate Purchase Card Checks	Corporate	20
	Total	80
Corporate Governance Reviews		
Annual Governance Statement (2023/24)	Corporate	5
	Total	5
Corporate Fraud Activity		
National Fraud Initiative	Corporate	150
Whistleblowing and Other Investigations	-	55
Liaison with DWP	-	10
Discretionary Payments	Finance	30
Fraud Awareness Training	Corporate	10
	Total	255
Other Work		
Audit follow up	Corporate	10
IJB – Internal Audit Service	-	20
Audit to be confirmed	To be Confirmed	25
Contingency	-	10
Completion of 2023-2024 Audit Plan	-	40
	Total	105
Total Staff Days for 2024/25		630

6 Quality and Performance

- 6.1 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment.
- 6.2 In addition, the performance of Internal Audit continues to be measured against key service targets focussing on quality, efficiency and effectiveness. For 2024/2025 these have been set as follows:

Measure	Description	Target
1. Draft Report	Percentage of draft reports issued within 3 weeks of completion of fieldwork.	90%
2. Final Report	Percentage of final reports issued within 2 weeks of issue of draft report.	100%
3. Audit Plan Delivery	Percentage of audits completed v planned.	85%
4. Audit Budget	Percentage of audits completed within budgeted days.	80%
5. Audit Recommendations	Percentage of audit recommendations agreed.	90%
6. Action Plan Follow Up	Percentage of action plans followed up – Internal and External Audit.	100%
7. Customer Feedback	Percentage of respondents who rated the overall quality of internal audit as satisfactory or above.	100%
8. NFI recommended matches	Percentage of National Fraud Initiative high risk matches investigated within timescales.	100%
9. DWP liaison	Percentage of cases referred to/ actioned for DWP within DWP timescales.	100%
10. Staff compliance with CPD	Number of training hours undertaken to support CPD.	80
11. Management engagement	Number of meetings with CMT and senior management as appropriate.	1 per quarter