

## INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2021-2022

### 1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) set out the requirement for the Shared Service Manager – Audit & Fraud 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 Shared Service Manager – Audit & Fraud 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 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.

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- 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 West Dunbartonshire Council operates.
Reputation	Risks associated with threats to West Dunbartonshire 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, eg 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 West Dunbartonshire Council.
Security	Risks associated with security over customer and West Dunbartonshire Council's assets.
Stakeholder	Risks associated with management of stakeholder expectations (eg 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 the Local Scrutiny Plan.
- 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 Shared Service Manager – Audit & Fraud is provided through a shared service arrangement with Inverclyde Council.

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- 4.2 In relation to the total staff days allocated to the 2021-2022 plan, each member of staff completes a resource allocation spreadsheet for the year which is split between annual leave, public holidays, training days, general administration and operational plan days. This spreadsheet is reviewed and updated each period by each member of staff against time charged to timesheets.

The combined operational plan is 1,215 days which will be resourced as follows:

Team Member	Plan Days
Auditor	185
Lead Auditor (0.5 FTE) (vacant) *	70
Auditor (0.5 FTE) (vacant) *	70
Auditor (0.5 FTE)	95
Audit Assistant	160
Section Lead – Corporate Fraud	150
Corporate Fraud Officer	185
Corporate Fraud Officer (vacant)	150
Intelligence Officer	150
<b>Total Plan Days</b>	<b>1,215</b>

\* Recruitment for the 2 x 0.5 FTE audit posts is currently underway. It is anticipated that these post will be filled by May 2021 and the resource allocation has been adjusted accordingly. Due to the Covid-19 Pandemic, recruitment for the Corporate Fraud Officer post was deferred as home visits and interviews under caution were halted. It is anticipated we will start the recruitment process as lockdown eases and those aspects of the team's work are restarted, subject to relevant protocols being in place.

The Shared Service Manager – Audit & Fraud 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. The internal auditor posts must also be CMIIA/CCAB or equivalent with previous audit experience.
- 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 Chief Officer and Service Manager responsible for implementing the agreed action plan. A copy of each final audit report is also provided to External Audit.

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- 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 Chief Financial Officer in the preparation of the Annual Governance Statement.

### 5 Proposed Audit Coverage 2021-2022

- 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 eg special investigations and provision of ad hoc advice.

Audit Area	Strategic Area	Risk Score	Staff Days
<b>Risk-Based Audit Reviews</b>			
IHMS – Inventory Management (c/f)	Supply, Distribution and Property	9940	30
Learning Disability Services – Financial Monitoring of Contracts (c/f)	HSCP	8260	30
Building Services	Supply, Distribution and Property	8050	30
Occupational Therapy Waiting Times (c/f)	HSCP	7788	30
Financial Assessment Process (c/f)	HSCP	7752	30
Corporate Procurement – Supplier Management	Corporate	6844	30
Overtime	Corporate	6844	40
Vehicle Tracking System	Corporate	6608	30
Project Management Arrangements	Regulatory and Regeneration	4956	30
Employee Expenses	Corporate	4473	30
<b>Total</b>			<b>310</b>
<b>Limited Scope Financial System Reviews</b>			
Debtors	Resources	5264	25
<b>Total</b>			<b>25</b>
<b>Corporate Governance Reviews</b>			
Annual Governance Statement (2020/2021)	Corporate	-	15
<b>Total</b>			<b>15</b>
<b>Other Work</b>			
Audit follow up	Corporate	-	40
National Fraud Initiative	Corporate	-	140
Fraud Referrals including Joint Working	Corporate	-	445
Liaison with DWP	-	-	10
Fraud Awareness Training	Corporate	-	15
IJB – Internal Audit Service	-	-	40
VJB – Internal Audit Service	-	-	20
Leisure Trust – Internal Audit Service	-	-	30
Covid-19 Recovery Assurance Work	Corporate	-	30
Contingency	-	-	35
Completion of 2020-2021 Audit Plan	-	-	65
<b>Total</b>			<b>865</b>
<b>Total Staff Days</b>			
			<b>1,215</b>

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### 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 2021-2022 these have been set as follows:

Measure	Description	Target
1. Final Report	Percentage of final reports issued within 2 weeks of draft report.	100%
2. Draft Report	Percentage of draft reports issued within 3 weeks of completion of fieldwork.	90%
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. NFI other matches	Percentage of National Fraud Initiative other matches investigated within timescales.	90%
10. DWP liaison	Percentage of cases referred to/ actioned for DWP within DWP timescales.	100%
11. Staff compliance with CPD	Number of training hours undertaken to support CPD	100
12. Management engagement	Number of meetings with CMT and senior management as appropriate	1 per quarter

- 6.3 Actual performance against targets will be included in the Internal Audit Annual Assurance Report for 2021-2022.