

## INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2020-2021

### 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.

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### 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.
- 4.2 In relation to the total staff days allocated to the 2020-2021 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 1,240 days which will be resourced as follows:

#### Team Member

Auditor (1 FTE) – 190 days  
 Auditor (0.6 FTE) – 85 days\*  
 Auditor (0.5 FTE) – 95 days  
 Auditor (0.4 FTE) – 76 days  
 Audit Assistant – 160 days  
 Section Lead – Corporate Fraud – 150 days  
 Corporate Fraud Officer – 190 days  
 Corporate Fraud Officer – 142 days  
 Intelligence Officer – 152 days

\* The post will become vacant from 1 April 2020. It is anticipated that this post will be filled by July 2020 and the resource allocation has been adjusted accordingly.

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.

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- 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 Strategic Director, Strategic Lead 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 Chief Financial Officer in the preparation of the Annual Governance Statement.

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## 5 Proposed Audit Coverage 2020-2021

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                                      | Service                              | Risk Score | Staff Days  |
|---|--------------------------------------|------------|-------------|
| <b>Risk-Based Audit Reviews</b>                 |                                      |            |             |
| LD Services – Financial Monitoring of Contracts | HSCP                                 | 8240       | 30          |
| IHMS – Inventory Management                     | Corporate                            | 8240       | 30          |
| Homelessness                                    | Housing                              | 8024       | 30          |
| Management of Rent Arrears                      | Housing                              | 7788       | 30          |
| OT Waiting Times                                | HSCP                                 | 7788       | 20          |
| Client Accounts Administration Process          | HSCP                                 | 7552       | 30          |
| Financial Assessment Process                    | HSCP                                 | 7552       | 30          |
| Corporate Procurement – up to £50k spend        | Corporate                            | 6844       | 30          |
| Overtime  | Corporate                            | 6844       | 40          |
| Roads Costing System Process                    | Roads and Transportation             | 5900       | 30          |
| Pupil Equity Funding                            | Education                            | 5000       | 25          |
| Project Management Arrangements                 | Regeneration, Environment and Growth | 4956       | 30          |
| Employee Expenses                               | Corporate                            | 3717       | 30          |
| <b>Total</b>                                    |                                      |            | <b>405</b>  |
| <b>Limited Scope Financial System Reviews</b>   |                                      |            |             |
| Council Tax – Discounts and Exemptions          | Finance                              | 7316       | 25          |
| <b>Total</b>                                    |                                      |            | <b>25</b>   |
| <b>Corporate Governance Reviews</b>             |                                      |            |             |
| Annual Governance Statement (2019/2020)         | Corporate                            | -          | 15          |
| <b>Total</b>                                    |                                      |            | <b>15</b>   |
| <b>Other Work</b>                               |                                      |            |             |
| Audit follow up                                 | Corporate                            | -          | 30          |
| National Fraud Initiative                       | Corporate                            | -          | 100         |
| Fraud Referrals including Joint Working         | Corporate                            | -          | 445         |
| SPOC 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          |
| Contingency                                     | -                                    | -          | 75          |
| C/f from 2019-2020 Audit Plan                   | -                                    | -          | 30          |
| <b>Total</b>                                    |                                      |            | <b>795</b>  |
| <b>Total Staff Days</b>                         |                                      |            | <b>1240</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 2020-2021 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 recommended 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 2020-2021.