

Scotland Excel Internal Audit Annual Report 2021-2022

**Renfrewshire Council
Internal Audit**

June 2022

Scotland Excel

Internal Audit Annual Report 2021/2022

Contents

		Page
1.	Introduction	1
2.	Responsibilities of Management and Internal Audit	2
3.	Internal Audit Activity during 2021/22	2
4.	Review of Internal Audit Performance	3
5.	Planned Audit Work for 2022/23	4
6.	Audit Assurance Statement	4

Scotland Excel

Internal Audit Annual Report

1 April 2021 – 31 March 2022

1. Introduction

1.1 As host Authority, Renfrewshire Council provides an internal audit service to Scotland Excel. This includes:

- The compilation of an annual audit plan following consideration and evaluation of those areas of greatest risk in the organisation's operation, and consultation with the Chief Executive;
- Delivery of the planned audit assignments;
- Follow up of previous audit recommendations;
- Provision of any ongoing advice and support on audit and risk management related matters;
- Provision of an Annual Report and Assurance Statement, and presentation to elected members of Scotland Excel.

1.2 The Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which defines Internal Audit's role as:

".....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."

1.3 In line with the Standards, the purpose of this Annual Report is to report on:

- The status/outcome of the planned Internal Audit reviews 2021/22 relating to Scotland Excel;
- The outcome of Internal Audit reviews of supporting Renfrewshire Council corporate systems;
- Internal audit performance;
- Planned audit work for 2021/22;
- The annual assurance statement which provides an opinion on the overall adequacy and effectiveness of the organisation's internal control environment.

2. Responsibilities of Management and Internal Audit

- 2.1 It is the responsibility of management to ensure that for the areas under their control there is an adequate and effective system of internal control which facilitates the effective exercise of the organisation's functions and which includes arrangements for the management of risk.
- 2.2 Internal Audit is not a substitute for effective control exercised by management as part of their responsibilities. Internal Audit's role is to independently assess the adequacy of the risk management, internal controls and governance arrangements put in place by management and to undertake sufficient work to evaluate and conclude on the adequacy of those controls for the period under review.

3. Internal Audit Activity during 2021/2022

- 3.1 One specific engagement on the arrangements for developing workforce planning is nearing completion and will be reported to management as soon as possible.
- 3.2 The Annual Report for 2020/2021 was submitted to the Executive Subcommittee on 18 June 2021.
- 3.3 The implementation rate of audit recommendations is a measure of operational culture and effectiveness. During 2021/22, there were no outstanding internal audit recommendations which required to be followed up.
- 3.4 Internal Audit also carried out reviews of the main corporate systems operating within Renfrewshire Council which support Scotland Excel's activity. The main findings in relation to these are summarised in Table 2 below and Renfrewshire Council management have agreed to implement the audit recommendations made in relation to each review:

Table 2

Audit Area	Conclusion
Payroll - Overpayments	<ul style="list-style-type: none">• Reasonable Assurance• Although there is a Salary Adjustment Policy in place, recovery action does not always strictly comply with the policy and recommendations were made to strengthen controls in this area.• There are satisfactory arrangements in place to ensure that employees and managers are aware of their responsibilities in relation to payroll processing and salary overpayments.• The introduction of monthly

	overpayment reports to services to inform them of employee overpayments has enabled services to address any issues that may lead to further overpayments. A dedicated team within the Council has been established to concentrate on overpayment recoveries.
Supporting Attendance	<ul style="list-style-type: none"> • Reasonable Assurance • The audit review identified that, the level of sickness absence monitoring in place was found to be adequate and that management are provided with adequate information to ensure that the supporting attendance policy is being followed.
Budgetary Controls	<ul style="list-style-type: none"> • Substantial Assurance • The audit identified that there were clear budgetary control roles and responsibilities for accounting staff and budget holders. Budget holders get the information they need from accounting staff. • The main findings from the review were in relation to having formal procedures i.e. an updated Budget Holders Manual and council specific budget monitoring procedures for accountants.

4. Review of Internal Audit Performance

- 4.1 Internal Audit produces regular reports on its performance during the year to the Renfrewshire Council, Audit, Risk and Scrutiny Board, against a range of measures set annually by the Director of Finance and Resources. These targets are set for all internal audit engagements and include Renfrewshire Council and other associated bodies, for which the team provides internal audit services. Table 3 shows the actual performance against targeted performance for the year.

Table 3

Internal Audit Performance 2021/22		
Performance measure	Target 2021/22	Actual 2021/22
% of audit assignments completed by target date	95%	98.4%

% of audit assignments completed within time budget	95%	96.8%
% completion of audit plan for the year*	95%	92.1%

* *this measures the completion percentage as at 31 March. 100% of the plan is ultimately delivered through the finalisation of the outstanding elements in the new financial year.*

4.2 The percentage completion of the revised audit plan is slightly below the target set for the year. This was due, in the main, to a higher than anticipated level of unplanned absence. The actual performance for the year for the two other indicators, is above the target performance level.

4.3 The Chief Auditor is required to develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit including conformance with the PSIAS. The review did not identify any areas of non-conformance that require to be addressed.

4.4 External Audit

External Audit's review of the internal audit service concluded that overall the service operates in accordance with the PSIAS.

4.5 Risk Management

The internal audit service through the Risk Manager, provides advice and support to Scotland Excel officers, as required.

5. Planned Audit Work for 2022/23

5.1 Following a risk-based assessment of the activities of Scotland Excel and consultation with the Chief Executive, the following internal audit work has been agreed for 2022/23:

- A review of contract monitoring;
- Follow up of previous audit work;
- Ad-hoc internal audit and risk management advice.

6. Audit Assurance Statement

6.1 Internal Audit has performed its work in accordance with the role defined in paragraph 1.2. The audit work performed and completed has been reported to the Chief Executive, and to the Executive Sub Committee in this annual report. Where areas for improvement in internal control have been identified appropriate recommendations have been made and accepted for action by management.

6.2 In view of the continued challenges common to all public bodies, there will be a requirement for the council and the bodies for which it is host authority to exercise very close scrutiny over revenue spending over financial

management and compliance with overarching governance arrangements, and this will continue to receive due internal audit attention.

- 6.3 It is not feasible for the system of internal control to be without any weakness. It is important to balance the risks involved in accepting systems limitations with the consequences if a problem emerges. Internal Audit recognises this and assesses this in its reporting mechanism.
- 6.4 The audit plan is always intended to be flexible and contingency time was utilised to undertake additional work on areas of emerging risk. Additionally, the gross operational internal audit days were reduced by 14% overall due to unplanned absence and no audit engagements were outsourced as was planned due to the pandemic. In this context, it is considered that reasonable assurance can be placed upon the adequacy and effectiveness of the Scotland Excel's internal control, risk management and governance arrangements, as evidenced by:-
- The results of the audit work in 2021/22 in relation to the corporate systems which supported Scotland Excel's activities.
 - Management action in response to audit recommendations.
 - Management self assessment of internal control, risk management and governance arrangements.
 - The regular review and updating of the Local Code of Corporate Governance by the Council in accordance with the Chartered Institute of Public Finance and Accountancy and Society of Local Authority Chief Executives framework for corporate governance requirements, and of the corporate governance arrangements within Scotland Excel.

Signed.

Asst Chief Auditor

Date

17 June 2022