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**REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 15 FEBRUARY 2023**

**SUBJECT: INTERNAL AUDIT SECTION UPDATE REPORT**

**BY: AUDIT AND RISK MANAGER**

**1. REASON FOR REPORT**

- 1.1 The report provides Committee with an update on the work of the Internal Audit Section.
- 1.2 This report is submitted to Committee in terms of Section III I (2) and (7) of the Council's Scheme of Administration relating to consideration of reports from the council's Internal Auditor and monitoring delivery of the audit service carried out by Internal Audit.

**2. RECOMMENDATION**

- 2.1 **Committee is asked to consider the contents of this report, seek clarification on any points noted and otherwise note the report.**

**3. BACKGROUND**

- 3.1 Public Sector Internal Audit Standards requires the Audit and Risk Manager to prepare and present reports to committee on Internal Audit's activity, performance relative to its Audit Plan, and any other relevant matters.
- 3.2 This report provides an update on audit activity and projects progressed since the last meeting.

**4. UPDATE OF PROGRESS AGAINST THE 2022/23 AUDIT PLAN**

**Audit Plan Update**

- 4.1 The Internal Audit Plan is a means of determining the priorities of the internal audit activity and how these fit with the wider goals of the Council. Enclosed as **Appendix 1** is an update on the progress undertaken by the Internal Audit Service regarding the completion of audit review projects against the Annual Audit Plan.

- 4.2 I am pleased to report that the majority of the Audit Plan should be completed within 2022/23. However, I intend to carry forward a planned review of a project within the capital programme to a future Audit Plan. Additional testing has been required during the year due to special investigations concerning the payroll system and overtime payments made to officers within Building Services. In addition, the duties of an Auditor had to be reassigned to complete data-matching investigations concerning the Council's participation in the National Fraud Initiative. This was due to the Corporate Investigations Officer being on long term sick leave.

#### **Public Sector Internal Audit Standards**

- 4.3 Internal performance monitoring against PSIAS has been ongoing over the last few years. However, a more structured internal assessment has recently been completed in preparation for the next External Quality Assessment, scheduled for later in 2023. Enclosed in **Appendix 2** is an Action Plan detailing recommendations for compliance with PSIAS.
- 4.4 All Scottish Local Authorities are required to have an External Quality Assessment (EQA) every 5 years. As part of the Council's membership of the Scottish Local Authorities Chief Internal Auditors' Group, it was agreed that this EQA requirement would be met by each local authority internal audit service undertaking a review of another council and will thereafter receive a review in return. An assessment of the Highlands Council's Internal Audit Service compliance with the Public Sector Internal Audit Standards is currently ongoing.

#### **Follow Up Reviews**

- 4.5 Internal Audit reports are regularly presented to elected members detailing not only findings but also the responses by management to the recommendations with agreed dates of implementation. Internal Audit will also undertake follow up reviews to evidence the effective implementation of these recommendations. Please see detailed the following completed follow up review:

#### **Planning Fees**

- 4.6 An audit was undertaken into the accounting arrangements for collecting and accounting of planning fees income. Planning application fees are set for all Scottish Local Authorities by the Scottish Government (Town and Country Planning (Scotland) Regulations). Approximately £833,000 of planning fees income was received by the Council in 2021/22. The audit also reviewed other related services, including pre-application advice, development enquiries, recovery of neighbour notification advertisements and non-material variation orders. The Follow Up Report to review the implementation of the agreed recommendations is given in **Appendix 3**.

## **5     SUMMARY OF IMPLICATIONS**

**(a)   Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

Internal audit work supports good governance and the delivery of efficient services.

**(b)   Policy and Legal**

No implications directly arising from this report.

**(c)   Financial Implications**

No implications directly arising from this report.

**(d)   Risk Implications**

The independent review of selected systems and procedures mitigates the risk associated with inadequate or ineffective control procedures.

**(e)   Staffing Implications**

No implications directly arising from this report..

**(f)   Property**

No implications directly arising from this report.

**(g)   Equalities/Socio Economic Impact**

No implications directly arising from this report

**(h)   Climate Change and Biodiversity Impacts**

No implications.

**(i)   Consultations**

There have been no direct consultations during the preparation of this report.

## **6.     CONCLUSION**

**6.1   This report provides committee with an update on internal audit work progressed in the latest review period.**

<b>Author of Report:</b>	Dafydd Lewis, Audit and Risk Manager
<b>Background Papers:</b>	Internal Audit files
<b>Ref:</b>	SPMAN-1042990102-133