

INTERNAL AUDIT SUMMARY OF ACTIVITIES

1. EXECUTIVE SUMMARY

1.1 The objective of the report is to provide a summary of Internal Audit activity and progress during Quarter 2.

1.2 Core activities together with a progress update statement are shown below.

- **15/16 Audit Plan progress:** Audit plan is currently on track.
- **Individual Audits undertaken:** 8 individual audits have been completed during the period. Of these 8 audits, 2 are rated high and 5 are rated substantial, the remaining review is of a consultancy nature and does not require a rating.
- **Continuous Monitoring Programme Testing:** A number of auditable units are subject to continuous testing. Reporting is by exception. Management have responded to previous quarter notifications and there are no outstanding issues.
- **National Fraud Initiative:** All matches are now complete with the exception of Payroll where work is on-going. A new release of Council Tax matches has taken place and work has commenced.
- **Development Plan:** Progress continues to be made against revised development plan action points. All items are currently on track.
- **Performance indicators:** Revised indicators are in place and current status is on track / green.

INTERNAL AUDIT SUMMARY OF ACTIVITIES

2. INTRODUCTION

2.1 The objective of the report is to provide an update on Internal Audit activity during Quarter 2 against a number of areas;

- 15/16 Audit Plan progress
- Individual Audits undertaken
- Continuous Monitoring Programme Testing
- National Fraud Initiative
- Development Plan
- Performance indicators

3. RECOMMENDATIONS

3.1 The Audit Committee is asked to note the content of the report.

4. DETAIL

4.1 The Audit Plan is currently on track however it should be noted that during the quarter individual audits were subject to delays resulting in over-run due to availability of service staff.

4.2 Audits completed to September are detailed in Table 1.

Table 1: Summary of Audits performed in Quarter 2 2015/16:

| Audit Name | Level of Assurance | No. of recommendations/ observations | High Recommendations |
|---|--------------------|--------------------------------------|----------------------|
| 2015/16 | | | |
| Airports | Substantial | 4 | 1 |
| LEADER | High | 0 | 0 |
| FLAG | High | 0 | 0 |
| Electronic signatures | N/a | 4 | 0 |
| Single Outcome Agreement | Substantial | 6 | 1 |
| Education – Scottish Qualification Authority | Substantial | 3 | 0 |
| Planning Enforcement | Substantial | 2 | 0 |
| Health and Social Care Integration - Governance | Substantial | 1 | 1 |

4.3 Audits planned for the Quarter 3 15/16 are shown in the table below. There is one amendment to the 15/16 Plan whereby a planned audit of Asset Management has been removed. This is a result of similar Best Value work carried out by Audit Scotland on the same subject area. We will review any finding arising and assess if further work is required. A replacement audit has been identified which will review Procurement - Tendering arrangements.

| Quarter 3 |
|---|
| Capital Projects – Scoping and Design protocols |
| Early Years – Compliance with Young People Bill (600 hrs) |
| Economic Development Action Plans |
| Education – Equality of Provision Looked After Children |
| Exclusions and Truancy |
| Performance Management - Scorecards |
| Procurement - PECOS |
| Procurement - Tendering |
| Taxi Licensing |
| Welfare Reform |
| Risk Management |

4.4 A number of areas which were previously subject to individual audits now form part of our continuous monitoring programme. These areas are tested on a regular basis and detailed reporting will be by exception to Audit Committee. Standard audit tests are applied relevant to each auditable unit. A follow up process is in place whereby management are advised of findings and where appropriate, requested to take remedial actions. There are currently no outstanding follow-up points arising from previous quarters testing. Table 2 below summarises activity to date outlining issues arising and provides a level of assurance together with follow up detail.

Table 2: Continuous monitoring programme results:

| Audit Unit | Areas Tested | Issues Arising | Assurance Level | Follow up |
|-------------------------|--|---|------------------------|---|
| Payroll and Overtime | <ul style="list-style-type: none"> Excessive & Regular Overtime Ghost Employees Duplicate Employees | <ul style="list-style-type: none"> Excessive overtime payments None None | Substantial | |
| Creditors | <ul style="list-style-type: none"> Control Framework Data Controls | Batch Header signed off by member of staff not on authorised signatory list | Substantial | Now added to the authorised signatory list, random checks being completed |
| General Ledger Controls | <ul style="list-style-type: none"> Review of feeder procedures Review a reconciliation between GL and sub ledger Follow up on | None | Substantial | N/A |

| Audit Unit | Areas Tested | Issues Arising | Assurance Level | Follow up |
|-------------------|---|--|------------------------|--|
| | journal authorisations | | | |
| Treasury | <ul style="list-style-type: none"> Borrowing and Lending Procedures Annual Borrowing & Daily Balances Borrowing and lending transactions Loans repayment and interest | <p>None</p> <p>None</p> <p>None</p> <p>No evidence that changes to Logotech borrowing and loans system are independently checked</p> | Substantial | Management have introduced an independent control check/ counter signatory protocol. |
| Budgeting | <ul style="list-style-type: none"> Annual Budget Cycle Budget Holders/ Monitoring | None | High | N/A |
| Debtors | <ul style="list-style-type: none"> Arrears and bad debt Procedures Outputs are complete and accurate | None | High | N/A |
| NDR | <ul style="list-style-type: none"> All relevant data from the valuation roll is promptly and correctly transferred to the assessment roll Bills are correctly calculated (including discounts and reliefs etc) for all relevant properties Authorisations of write-offs/refunds Arrears are pursued per prescribed timetable Reports are produced showing aged debt , current level of arrears | <p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p> | High | N/A |

| Audit Unit | Areas Tested | Issues Arising | Assurance Level | Follow up |
|--|--|---|------------------------|---|
| Establishment | <ul style="list-style-type: none"> • Aqualibrium, Campbeltown | Manual controls in place for stock. | Substantial | Phase 2 of the implementation of the new system is due to include a stock module. |
| | <ul style="list-style-type: none"> • Burnett Building, Campbeltown | None | | N/A |
| Imprest | <ul style="list-style-type: none"> • Aqualibrium, Campbeltown | Discrepancies between authorised signatory list and Imprest holders | Substantial | Records have been updated. |
| | <ul style="list-style-type: none"> • Burnett Building, Campbeltown | Minor variance in balance | Substantial | |
| Local Government Benchmarking Framework (LGBF) | <ul style="list-style-type: none"> • Asset management – Corporate asset 1 & 2 | None | High | N/A |
| | <ul style="list-style-type: none"> • Equal opportunities Policy – Corp 3b | Minor Inaccuracies in baseline figure | | N/A |
| | <ul style="list-style-type: none"> • Council Tax Collection - Corp 4 | None | | N/A |
| | <ul style="list-style-type: none"> • Council Tax Income – Corp 7 | None | | N/A |

4.5 The Audit Commission's NFI team carries out matching work on behalf of Audit Scotland. The 2014-15 exercise timetable is as follows:

| | |
|----------------------|--|
| From 29 January 2015 | The Audit Commission NFI team has made the 2014/15 exercise matches available. |
| 31 March 2016 | Audit Scotland will use the outcomes as at this date for the national report |
| June 2016 | Audit Scotland will publish the 2014/15 NFI report |

4.6 A new upload of Council Tax data and the Electoral Roll took place earlier this year and a new set of matches released in June 2015.

Table 3: National Fraud Initiative Matches:

| Datasets | Total New Matches | Matches Complete | Status of Sample Match Testing | Responsible Officer |
|-----------------------------------|--------------------------|-------------------------|---------------------------------------|----------------------------|
| Council Tax to Electoral Register | 720 | 0 | Cases to be investigated. | Revenues Supervisor |
| Council Tax rising 18's | 52 | 0 | Cases to be investigated. | Revenues Supervisor |
| Total | 772 | 0 | | |

4.7 Good progress has been made in a number of areas; work is on-going in respect of payroll matches and on- track for completion by target deadline. All requests for further information from partner organisations have been dealt with.

Table 3.1 – Further release of National Fraud Initiative Matches:

| Datasets | NFI Key Filter Matches | Matches Complete | Responsible Officer | Completion |
|-------------------------|-------------------------------|-------------------------|------------------------------|-------------------|
| Payroll | 420 | 162 | Payroll Supervisor | Sept 2015 |
| Housing Benefit | 178 | 177 | Counter Fraud Manager | Sept 2015 |
| Creditors | 248 | 49 | Creditors Supervisor | Sept 2015 |
| Personal Budgets | 4 | 4 | Finance Officer (Income Max) | Sept 2015 |
| Care Homes | 7 | 7 | Finance Officer (Income Max) | Sept 2015 |
| Insurance | 37 | 0 | Insurance Assistant | Sept 2015 |
| Total | 894 | 399 | | |

4.8 This section highlights progress made against the actions points in our 14/15 Internal Audit development plan. These include improvements identified as a result of our review against the Public Sector Internal Audit Standards.

Table 4: Internal Audit Development Key Actions:

| Area Improvement | For | Agreed Action | Progress Update | Timescale |
|-------------------------|------------|--|--|------------------|
| Training and CPD | | Formalise our plans for internal audit training, including continuing professional development (CPD) | On Track: Senior Audit Assistants are signed up to complete IIA Diploma qualification. Participation in Strategic Finance Training programme | Ongoing |
| Performance Indicators | | Review Performance Measures | Revised PI's prepared. | 30 Sept 2015 |
| Audit Plan Preparation | | 2016/17 Draft Plan submitted to December Audit Committee | Not scheduled. | 31 Dec 2015 |
| SharePoint site | | Upload Audit stage tracker information. | Base Sharepoint site developed and now in use by Internal Audit and Auditees. | 30 Sept 2015 |

4.9 Internal Audit scorecard data is available on pyramid. The indicators are currently showing as on track. The undernoted table is an extract of the key information.

| Internal Audit Team Scorecard 2015 – 16 | | | |
|---|----------------------------------|-----------------------------|--------|
| FQ 1 15/16 | | | |
| TEAM RESOURCES | | | |
| PRDs IA Team | Target | Percentage of PRDs complete | |
| | 90% | 100% | |
| | Number of eligible employees FTE | Number of PRDs complete FTE | |
| | 5 | 5 | |
| Financial | | | |
| Revenue Finance | ACTUAL | BUDGET | G ➔ |
| Year to date | £63,399 | £64,383 | |
| Year end | £241,951 | £241,951 | |
| NEW INTERNAL AUDIT MEASURES | | | |
| % of risks within the SRR audited in reporting period | Actual | 46% | G ➔ |
| | Target | 30% | |
| | Benchmark | | |
| Quarterly meetings held with Chair of Audit Committee | Actual | Yes | G ➔ |
| | Target | Yes | |
| | Benchmark | Yes | |
| % satisfaction rates from post audit surveys | Actual | 91% | G ➔ |
| | Target | 80% | |
| | Benchmark | 80% | |
| % Recommendations followed up | Actual | 100% | G ➔ |
| | Target | 100% | |
| | Benchmark | | |
| % customer satisfaction with audit reports | Actual | 87% | G ➔ |
| | Target | 80% | |
| | Benchmark | 80% | |
| Percentage qualified staff | Actual | 60% | G ➔ |
| | Target | 60% | |
| | Benchmark | 60% | |
| Internal Audit Training hours | Actual | 23 days | G ➔ |
| | Target | 71 days | |

5. CONCLUSION

5.1 The 15/16 Audit Plan is on track. Continuous monitoring testing has provided an overall substantial level of assurance. There are currently no material issues impacting on Internal Audit activity.

6. IMPLICATIONS

6.1 Policy - Internal Audit continues to adopt a risk based approach

6.2 Financial -None

6.3 Legal -None

6.4 HR - None

6.5 Equalities - None

6.6 Risk – None

6.7 Customer Service - None

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