

**INTERNAL AUDIT SUMMARY OF ACTIVITIES**

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**1. EXECUTIVE SUMMARY**

1.1 The objective of the report is to provide a summary of Internal Audit activity and progress during Quarter 3.

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, 7 are rated substantial and 1 is rated Limited.
- **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:** Good progress has been made in completing matches. 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.

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**INTERNAL AUDIT SUMMARY OF ACTIVITIES**


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**2. INTRODUCTION**

2.1 The objective of the report is to provide an update on Internal Audit activity during Quarter 3 against a number of areas;

- 15/16 Audit Plan progress
- Individual Audits undertaken
- Continuous Monitoring Programme Testing
- National Fraud Initiative
- Internal Audit 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. All Audits planned for completion during quarter 3 are anticipated to be complete by close of the period. A reduced number of reports are being submitted this cycle as a consequence of the early scheduling of the December meeting.

4.2 There is an emerging risk in respect of potential long term absence which may impact the timely completion of the 15/16 Audit Plan. Management are currently discussing mitigating actions.

4.3 Audits completed to November are detailed in Table 1.

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

Audit Name	Level of Assurance	No. of recommendations	High Recommendations
Early Years – Compliance with Young People Bill (600 hrs)	Substantial	5	1
Education – Equality of Provision Looked After Children	Substantial	4	0
Performance Management	Substantial	8	1
Procurement (PECOS)	Limited	11	1
Procurement - Tendering	Substantial	7	2
Risk Management	Substantial	2	0
Taxi Licencing	Substantial	2	0

4.4 Audits planned for the Quarter 4 15/16 are shown in the table below.

<b>Quarter 4</b>
Welfare Reform
Exclusions and Truancy
Economic Development Action Plans
Piers and Harbours
Capital Projects – Scoping and Design protocols
Homelessness
Town Heritage Initiative (THI)
Homecare (Resource Allocation System)
Children’s Hostels
Disposal of Equipment <10k

4.5 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:**

<b>Audit Unit</b>	<b>Areas Tested</b>	<b>Issues Arising</b>	<b>Assurance Level</b>	<b>Follow up</b>
Payroll and Overtime	<ul style="list-style-type: none"> <li>Excessive &amp; Regular Overtime</li> <li>Ghost Employees</li> <li>Duplicate Employees</li> </ul>	<ul style="list-style-type: none"> <li>Excessive overtime payments</li> <li>None</li> <li>None</li> </ul>	Substantial	Management are currently reviewing findings.
Creditors	<ul style="list-style-type: none"> <li>Sample of cheque requests tested for appropriate authorisation</li> </ul>	<ul style="list-style-type: none"> <li>Individuals not on the signatory list authorising cheque requests</li> </ul>	Substantial	Signatory List Updated.
Budgeting	<ul style="list-style-type: none"> <li>Ensure budget covers all areas of income and expenditure</li> </ul>	None	High	N/A
Debtors	<ul style="list-style-type: none"> <li>Security controls/User access</li> <li>Accuracy in posting to general ledger</li> </ul>	None	High	N/A

Audit Unit	Areas Tested	Issues Arising	Assurance Level	Follow up
Establishments	<ul style="list-style-type: none"> <li>• Oban High School</li> </ul>	<ul style="list-style-type: none"> <li>• Adhering to own constitution with regards to approval limits of transactions as opposed to those set out in circular 1.10.</li> <li>• School Fund committee does not follow a formal structure and no formal election is held.</li> </ul>	Substantial	Compliance issues identified do not present any significant risk. Education Management to review circular 1.10 and update accordingly.
Imprest	<ul style="list-style-type: none"> <li>• Municipal Buildings-Sinclair Street Helensburgh</li> </ul>	A number of key weaknesses were identified with residual risk above an acceptable. Key weaknesses include failure to have appropriate authorisation, reconciliation and record keeping arrangements in place. A discrepancy was also identified in respect of the balance held.	Very Limited	Management are reviewing findings and an update in respect of any further action will be given in due course.
Council Tax	<ul style="list-style-type: none"> <li>• Procedural instructions are issued and followed by staff</li> <li>• Ensure regular reconciliations in place between valuation list and the billing system</li> <li>• Relevant data from valuation list is promptly and correctly transferred to the billing system</li> <li>• Regular inspections of void properties are carried out and recorded.</li> </ul>	None	High	N/A

- 4.6 National Fraud Initiative (NFI). Data matching involves comparing computer records held by one body against other computer records held by the same or another body to see how far they match. This is usually personal information. Computerised data matching allows potentially fraudulent claims and payments to be identified but the inclusion of personal data within a data matching exercise does not mean that any specific individual is under suspicion. Where a match is found it indicates that there may be an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out
- 4.7 Good progress has been made with data matches scheduled for completion by September deadline. In respect of payroll, outstanding key matches are noted as being in progress. All requests for further information from partner organisations have been dealt with. \*Insurance matches are being progressed via Zurich Municipal, our Insurance Partners.

**Table 3.1 – Further release of National Fraud Initiative Matches:**

<b>Datasets</b>	<b>NFI Key Filter Matches</b>	<b>Matches Complete</b>	<b>Responsible Officer</b>	<b>Completion</b>
<b>Payroll</b>	420	315	Payroll Supervisor	Sept 2015
<b>Housing Benefit</b>	178	177	Counter Fraud Manager	Sept 2015
<b>Personal Budgets</b>	4	4	Finance Officer (Income Max)	Sept 2015
<b>Care Homes</b>	7	7	Finance Officer (Income Max)	Sept 2015
<b>Insurance</b>	37	*	Insurance Assistant	Sept 2015
<b>Total</b>	<b>646</b>	<b>399</b>		

- 4.9 This section highlights progress made against the actions points in our rolling 14/15 Internal Audit development plan. These include improvements identified as a result of our review against the Public Sector Internal Audit Standards. An additional action has been added in respect of Assurance Level review.

**Table 4: Internal Audit Development Key Actions:**

Area For Improvement	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	Complete
Audit Plan Preparation	2016/17 Draft Plan submitted to December Audit Committee	Submitted to December Committee	Complete
SharePoint site	Upload Audit stage tracker information.	Base Sharepoint site developed and now in use by Internal Audit and Auditees.	Complete
Assurance Levels	Review Assurance Levels.	Internal Audit Team are reviewing options for assurance levels.	31 March 2016

4.10 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.

<b>Internal Audit Team Scorecard 2015 – 16 FQ 2 15/16</b>			
<b>TEAM RESOURCES</b>			
PRDs IA Team <b>G</b> →	TARGET	Percentage of PRDs complete	
	90%	100%	
	Number of eligible employees FTE	Number of PRDs complete FTE	
	5	5	
<b>Financial</b>			
Revenue Finance	ACTUAL	BUDGET	<b>G</b> →
Year to date	£99,048	£101,117	
Year end	£253,277	£253,277	
<b>SF02 Assurance...that financial and management controls are operating effectively</b>		<b>Links to Enablers ABC 7</b>	<b>G</b> →
Audit risk assessment prepared by 31 January	Status	On Track	<b>G</b>
	Target		→
Annual Audit Plan	Status	On Track	<b>G</b>

	Target	On track	
Annual audit plan approved by 31 March	Status	On track	G
	Target		→
% of audit recommendations accepted	Actual	100%	G
	Target	100%	→
	Benchmark	100%	
% Recommendations followed up	Actual	100%	G
	Target	100%	→
Annual report on risk management	Status	Complete	G
	Target	Complete	↑

Percentage qualified staff	Actual	60%	G →
	Target	60%	
	Benchmark		
% satisfaction rates from post audit surveys	Actual	100%	G →
	Target	80%	
	Benchmark		
% customer satisfaction with audit reports	Actual	89%	G ↑
	Target	80%	
	Benchmark		
Internal Audit Training hours	Actual	25 days	R ↑
	Target	30 days	
	Benchmark		

## 5. CONCLUSION

5.1 The 15/16 Audit Plan is currently on track. Continuous monitoring testing has provided an overall substantial level of assurance. There is an emerging risk in respect of potential long term absence which may impact the timely completion of the 15/16 Audit Plan.

## 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

**Kevin Anderson,**  
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**4 DECEMBER 2015**

### **For further information contact:**

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