

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 1.

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

- **16/17 Audit Plan progress:** The Audit plan is currently on track.
- **Individual Audits undertaken:** 9 audits have been completed during the period. Of these Audits, one is rated as Limited and one is rated as No Assurance.
- **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. A No Assurance opinion is showing against one area in relation to stock control procedures at an Integrated Equipment store.
- **Development Plan:** One action point relating to the roll-out of Sharepoint has been rescheduled due to resourcing issues.
- **Performance indicators:** Current status is green / on track.

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 1 against a number of areas;

- 16/17 Audit Plan progress
- Individual Audits undertaken
- Continuous Monitoring Programme Testing
- 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 15/16 Audit Plan was completed subject to the undernoted exceptions.

- Asset Management: Superseded by Audit Scotland Best Value review
- Resource Allocation System: Removed due to use of system being discontinued April 2016.
- Piers and Harbours: Delayed pending on-going legal activity.

4.2 Audits completed to May are detailed in Table 1. At the time of writing there are two Quarter 1 Audits which are in progress and which will be reported to the September meeting of the Committee. These are Oban Airport and Debt Recovery / Write-off Procedures.

Table 1: Summary of Audits performed in Quarter 1 2016/17:

Audit Name	Level of Assurance	No. of recommendations	High Recommendations
2015/16			
Townscape Heritage Initiative	Substantial	2	0
Capital Contracts	Limited	3	1
Disposal of Equipment	Substantial	10	1
2016/17			
Homecare Contract Compliance	Substantial	3	0

Freedom of Information	Substantial	3	1
Criminal Justice	Substantial	2	0
Project Certification	Substantial	2	1
Parking at Council Buildings	No Assurance	1	1
Housing and Repair Grants	Substantial	4	0

4.3 Audits planned for the Quarter 2 16/17 are shown in the table below.

Quarter 2
Strategic Finance
Hub North Project Financing
Childrens Units
Leader and Flag
Local Government Benchmarking Framework
Procurement Off-contract Purchasing
Adult Care Charging Waivers
Resource-Link
Pool Cars

4.4 Internal Audit has received two requests from services to undertake additional compliance testing. The first is assisting Health and Safety staff with an internal assessment exercise in relation to Moving and Handling policies and procedures. The other request is in relation to compliance testing in respect of Keeper of Records requirement. This work will be scheduled into our programme via contingency days.

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:

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	Management are currently reviewing findings.
Capital Accounting	<ul style="list-style-type: none"> • Capital Project process 	<ul style="list-style-type: none"> • Business case are not 	Reasonable	The issues are being

Audit Unit	Areas Tested	Issues Arising	Assurance Level	Follow up
	<ul style="list-style-type: none"> • Training/ guidance for elected members 	<p>monitored/ reviewed throughout the life of the project.</p> <ul style="list-style-type: none"> • Capital planning & investment training is included within member induction programme however there is no detailed training offered. 		<p>considered by the Strategic Asset Management Board who will agree any action to be taken.</p>
General Ledger, Debtors & Creditors	<ul style="list-style-type: none"> • Computer files are regularly and sufficiently backed up. Back up files are held remotely in a secure location. 	<ul style="list-style-type: none"> • None 	Substantial	N/A
Establishment Visit	<ul style="list-style-type: none"> • Customer Service Centre – Oban 	<ul style="list-style-type: none"> • Facility Responsible Person’s contact information was not displayed as per Health and Safety requirements. Information was not prominently displayed in the facility. 	Reasonable	<p>Notice will be moved to prominent location and has been updated to show current details.</p>
Colgrain Primary School	<ul style="list-style-type: none"> • Supporting documentation for expenditure • Analysis of Trip Accounts 	<ul style="list-style-type: none"> • No evidence of detailed analysis of trip accounts. 	Limited	<p>Management to introduce detailed financial analysis of all trips.</p>
Kilcreggan Primary School	<ul style="list-style-type: none"> • Compliance with circular 1.10 	<ul style="list-style-type: none"> • No reconciliation between monies received from school uniforms and 	Reasonable	<p>Process will be reviewed and reconciliation undertaken.</p>

Audit Unit	Areas Tested	Issues Arising	Assurance Level	Follow up
Rosneath Primary School	Compliance with circular 1.10	<p>income received</p> <ul style="list-style-type: none"> • Bank reconciliation has not been carried out for last 10 months 	Limited	Management to ensure reconciliation carried out.
Imprest	<ul style="list-style-type: none"> • Customer Service Centre – Oban 	<ul style="list-style-type: none"> • It was noted that claim forms being used are outdated. • It was noted that there is no spare key available for the imprest tin. 	Substantial	<p>Management to request a copy of current form from Creditors.</p> <p>Management will arrange for a spare key.</p>
Creditors	<ul style="list-style-type: none"> • Authorisation of batch invoice payments • Duplicate invoices • Review of administration and use of Imprest accounts 	<ul style="list-style-type: none"> • Invoice was not appropriately authorised in accordance with agreed limits • None • On-going 	Substantial	Staff reminded of authorisation protocols, including limits.
General Ledger	<ul style="list-style-type: none"> • Creation and posting of journals demonstrate segregation of duties 	<ul style="list-style-type: none"> • None 	Substantial	N/A
Stock Take-Integrated Equipment Store Helensburgh	<ul style="list-style-type: none"> • Comparison of ledger balances back to physical count 	<ul style="list-style-type: none"> • There was a 45% discrepancy between stock sample and ledger balance 	No assurance	Monthly checks to ensure accurate recording of stock.
Marine Services Audit – Follow up	<ul style="list-style-type: none"> • Marine Services management actions that had previously been signed off as 	<ul style="list-style-type: none"> • Assigned PPE was not fully worn by ferry operatives as 		ASP (Ferry managers) have raised these issues with the crew

Audit Unit	Areas Tested	Issues Arising	Assurance Level	Follow up
	complete were tested for ongoing compliance.	<p>per guidelines issued.</p> <ul style="list-style-type: none"> • Ropes were not attached to slipway upon embarkation and disembarkation of passengers, the rope was held taught by one of the ferry operators. • No tickets were available in hut as per signage. Ferry operative advised that tickets should be purchased on vessel; where operative accepted cash without issuing tickets. • There was no record of handover of cashbox. 		<p>and discussions are on-going.</p> <p>Management to contact relevant staff to rectify problem.</p>

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. The Council is currently on track with NFI upload timetable and where matches have been released these are being reviewed. A report is scheduled to be published in June which provides a national overview of the NFI activity /success.

4.7 This section highlights progress made against the actions points in our 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 self-assessment activity.

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: Strategic Finance service have recently been awarded Employer Accreditation (CIPFA)	On-going
Audit Plan Preparation	2017/18 Draft Plan submitted to December Audit Committee	On track	December 2016
SharePoint site	Roll – out stakeholder system view	Rescheduled to due available resource.	Rescheduled December 2016
PSIAS – Internal Self-Assessment	IA team to review process and guidance documentation in preparation for External review	On Track	February 2017

4.8 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 4 15/16			
TEAM RESOURCES			
PRDs IA Team G →	TARGET	Percentage of PRDs complete	
	90%	100%	
	Number of eligible employees FTE	Number of PRDs complete FTE	
	3	3	
Financial			
Revenue Finance	BUDGET	ACTUAL	G →
Year end Outturn	£252,437	£250,937	

SF02 Assurance...that financial and management controls are operating effectively			
Audit risk assessment prepared by 31 January	Status	Complete	G ↑
	Target	Complete	
Annual Audit Plan	Status	Complete	G ↑
	Target	Complete	
Annual audit plan approved by 31 March	Status	Complete	G ↑
	Target	Complete	
% of audit recommendations accepted	Actual	100%	G →
	Target	100%	
	Benchmark	100%	
% Recommendations followed up	Actual	100%	G →
	Target	100%	
	Benchmark		
Percentage qualified staff	Actual	50%	R →
	Target	60%	
	Benchmark		
% satisfaction rates from post audit surveys	Actual	90%	G ↓
	Target	80%	
	Benchmark		
% customer satisfaction with audit reports	Actual	95%	G ↑
	Target	80%	
	Benchmark		
Internal Audit Training hours	Actual	77.5 days	G ↑
	Target	71 days	
	Benchmark		

5. CONCLUSION

5.1 The 16/17 Audit Plan is on track. Continuous monitoring testing has provided an overall substantial level of assurance.

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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