

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.

- **16/17 Audit Plan progress:** The Audit plan is currently on track.
- **Individual Audits undertaken:** 7 audits have been completed during the period. Of these Audits, 1 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.
- **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 2 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 16/17 Audit Plan is currently on track.

4.2 Audits completed to August are detailed in Table 1.

Table 1: Summary of Audits performed in Quarter 2 2016/17:

Audit Name	Level of Assurance	No. of Recommendations	High Recommendations
2016/17			
Census Submission Protocols	Reasonable	2	0
CAA Compliance - Oban Airport	Reasonable	4	0
Strategic Finance	Reasonable	8	4
Hub North Project Financing	Substantial	2	0
Leader and Flag	Reasonable	1	1
Adult Care Charging Waivers	No Assurance	12	11
Resource-Link	High	0	0

4.3 Audits planned for the Quarter 3 16/17 are shown in the table below.

Quarter 3
Property Maintenance
Tax Incremental Financing (TIF)
PECOS
Education Maintenance Allowances (EMA's)
TOTAL (Roads Costing)
ICT
Additional Support Needs – Needs Analysis
All Weather Pitch Facilities

4.4 Internal Audit has received a request via the Chief Executive to undertake an additional audit in respect of All Weather Pitch facilities. Terms of reference have been agreed and work has commenced. It is anticipated that this report will be submitted to the December meeting of the Audit Committee.

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 an overall level of assurance together with follow up detail.

Table 2: Continuous monitoring programme results:

Audit Unit	Areas Tested	Issues Arising	Overall 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 provided reason as to overtime requirement.
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"> • One invoice was not appropriately authorised in accordance with agreed limits • None • On-going 	Substantial	Management to review Re-issue protocols.

Audit Unit	Areas Tested	Issues Arising	Overall Assurance Level	Follow up
General Ledger	<ul style="list-style-type: none"> • Creation and posting of journals demonstrate segregation of duties • There are processes in place to ensure that all subsidiary systems feed into the general ledger. • The General Ledger is regularly reconciled with underlying systems. • Trial balances are produced on a regular basis and reviewed for reasonableness by a person within the finance function with appropriate authority 	<ul style="list-style-type: none"> • Of a sample of 20 journals tested, 5 were found to have been uploaded and posted by the same person • None 	<p>Limited</p> <p>Substantial</p>	<p>The journals related to calculated allocation journals where the user ran a model and posted the journal. The process will be reviewed to ensure that there are appropriate controls in place.</p>
Debtors	<ul style="list-style-type: none"> • Access to the Debtors system is restricted to appropriate personnel • Invoices and credit notes are promptly and appropriately authorised. • Invoices are allocated a sequential 	<ul style="list-style-type: none"> • None • None • None 	<p>Substantial</p>	<p>Manual and Access rights to be reviewed and updated where appropriate.</p>

Audit Unit	Areas Tested	Issues Arising	Overall Assurance Level	Follow up
	<p>number</p> <ul style="list-style-type: none"> • Financial procedures are documented which detail day to day operation of the Debtors system and are regularly reviewed. • User list and access rights are reviewed on a regular basis. 	<ul style="list-style-type: none"> • The Debtors manual was issued by the Head of Strategic in May 2013. There is no evidence of a review of this manual since its original issue. • The Debtors system administrator advises that the user list/ access rights have been reviewed in the past however this is not done on a regular basis. 		
Treasury	<ul style="list-style-type: none"> • Compliance with investment credit ratings and suggested investment duration. 	<ul style="list-style-type: none"> • All investments were found to have complied with the creditworthiness requirement for both sovereign and individual bank ratings. • All investments were also found to be compliant with the suggested investment term provided by CAPITA. However, this proved difficult to test as the CAPITA system is live and changes daily, reliance was based on the Credit updates sent 	Substantial	<p>Guidance to be updated to reflect credit rating protocols.</p> <p>Supporting documents / Audit Trail to be reviewed to ensure easy cross-reference.</p>

Audit Unit	Areas Tested	Issues Arising	Overall Assurance Level	Follow up
	<ul style="list-style-type: none"> Appropriate minimum credit ratings are stipulated in the procedural instructions, to be followed by the treasury team when considering investments. 	<p>through by CAPITA closest to the time of investment.</p> <p>Consideration should be given to an audit trail process which clearly evidences investments made.</p> <ul style="list-style-type: none"> Guidance states that the “minimum credit ratings criteria the Council use will be a Short Term rating Fitch or equivalents of F1 and a Long Term rating of A-.” However, Internal Audit was advised that the Treasury staff consider Standard & Poors credit ratings when investing. Consideration should be given to standardising guidance/ practice. 		
Establishment Visit - Willowview	<ul style="list-style-type: none"> Fire Safety 	<ul style="list-style-type: none"> Scottish Fire and Rescue undertook a fire safety Audit in May 2016. It was noted that this report highlighted a photocopier was causing an obstruction to a fire exit. At the 	Reasonable	Management have confirmed issues identified have been rectified.

Audit Unit	Areas Tested	Issues Arising	Overall Assurance Level	Follow up
	<ul style="list-style-type: none"> • Health & Safety 	<p>time of the Audit visit no action had been taken.</p> <ul style="list-style-type: none"> • Willowview has disability access via a ramp to reception. It was noted that the vegetation is encroaching the ramp and has the potential to become a H&S hazard over the summer 		
Leisure Establishment Visit – Mid Argyll Sports Centre	<ul style="list-style-type: none"> • Members are made aware of membership rules and conditions. • Advice regarding charges and payments are displayed at the establishment. 	<ul style="list-style-type: none"> • Membership rules are not currently displayed in facility. • There is no guidance displayed advising customers to obtain a receipt or to make cheques payable to the organisation. 	High	<p>Membership rules are now clearly displayed in Reception and Fitness Suite noticeboards</p> <p>Public notice now displayed at reception informing customers to obtain receipts after transactions and to make cheques payable to Argyll & Bute Council.</p>
Local Government Benchmarking Framework (LGBF)	<ul style="list-style-type: none"> • CORP6 Sickness (1) Absence • CORP 3b and 3c (2 and 3) Equal opportunities Policy • CORP 4 Council Tax Collection (5) • CORP 7 Council Tax Income (6) 	<ul style="list-style-type: none"> • Overall there were no significant issues <p>For: ENV1, 1a, 2, 2a Refuse Collection (23) the coordinator was unable to provide</p>	High	None

Audit Unit	Areas Tested	Issues Arising	Overall Assurance Level	Follow up
	<ul style="list-style-type: none"> • CORP 8 Payment of Invoices (7) • C&L3 Museums (11) • ENV1,1a,2,2a Refuse Collection (23) 	sufficient back up evidence to support the return in terms of residential properties. The figure in the return required to be amended due to miscalculation.		

4.6 A follow up process for National/External reports is in place whereby management are advised of recommendations within reports and where appropriate, requested to take required actions. Table 3 below details the National Reports issued during quarter 2 along with follow up detail.

Table 3: Issue of National Reports in Quarter 2:

National Report	Issued To	Detail	Management response/ Action taken
Ensuring employers comply with National Minimum Wage regulations	<ul style="list-style-type: none"> • Chief Officer, Health & Social Care • Head of Improvement and HR • Procurement & Commissioning Manager • Head of Strategic Finance 	It is important that the Government maintains its progress in ensuring all employers pay the minimum wage. This report finds that non-compliance with the National Minimum Wage in the social care sector remains a concern.	Report currently with management for consideration and will be subject to routine follow-up.
Discharging older from hospital	<ul style="list-style-type: none"> • Chief Officer, Health & Social Care • Head of Adult Services – East • Head of Adult Services – West 	There are currently far too many older people in hospitals who do not need to be there. Without radical action, this problem will worsen and add further financial strain to the NHS and local government.	For information only
Accounts Commission annual report	<ul style="list-style-type: none"> • Head of Strategic Finance 	This report highlights the Commission's	For information only

2015/16		work in auditing Scotland's 32 councils and various national reports and Best Value audits, which included ABC, carried out over the last year.	
Whole of Government Accounts	<ul style="list-style-type: none"> • Head of Strategic Finance 	What the UK government owns, owes, spends and receives.	Report currently with management for consideration and will be subject to routine follow-up.
Financial Sustainability of local authorities: capital expenditure and resourcing	<ul style="list-style-type: none"> • Head of Strategic Finance 	Authorities face a growing challenge to continue long-term investment in their existing assets	Report currently with management for consideration and will be subject to routine follow-up.
The National Fraud Initiative in Scotland	<ul style="list-style-type: none"> • Senior Management Team 	The security and transparency of Scotland's public finances have been strengthened after a national data-sharing exercise found nearly £17million of fraud and error across services.	For information only
Supporting Scotland's Economic Growth	<ul style="list-style-type: none"> • Executive Director, Development & Infrastructure Services • Head of Economic Development 	Enterprise bodies performing well but governments economic strategy needs more development.	For information only
Maintaining Scotland's roads	<ul style="list-style-type: none"> • Chief Executive • Executive Director, Development & Infrastructure • Head of Roads & Amenity Services • Head of Strategic Finance 	Urgent action is needed if the condition of Scotland's roads is to improve. This reports states proper maintenance of the roads network is vital for economic prosperity and for people to get around safely.	Report currently with management for consideration and will be subject to routine follow-up.

4.7 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. The national overview report has been published and is scheduled for discussion as a separate agenda item.

- 4.8 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

- 4.9 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 2016 – 17 FQ 1 16/17		
TEAM RESOURCES		
PRDs IA Team G →	TARGET	Percentage of PRDs complete
	90%	100%
	Number of eligible employees FTE	Number of PRDs complete FTE

	4	4	
Financial			
Revenue Finance	BUDGET	ACTUAL	G
YTD Position	£65,423	£70,172	➔
Year End Outturn	£217,780	£217,780	
SF02 Assurance...that financial and management controls are operating effectively			
Audit risk assessment prepared by 31 January	Status	On Track	G
	Target	On Track	↑
Annual Audit Plan	Status	On Track	G
	Target	On Track	↓
Annual audit plan approved by 31 March	Status	On Track	G
	Target	On Track	↓
% 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	100%	G
	Target	80%	↑
	Benchmark		
% customer satisfaction with audit reports	Actual	100%	G
	Target	80%	↑
	Benchmark		
Internal Audit Training days	Actual	11 days	R
	Target	15 days	↓
	Benchmark		

5. CONCLUSION

- 5.1 The 16/17 Audit Plan is on track. A number of individual issues have been identified via our continuous monitoring programme however 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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