

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 3.

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, 3 are rated as High and 4 are rated as Substantial, 1 Reasonable and 1 No assurance.
- **Continuous Monitoring Programme Testing:** A number of auditable units are subject to continuous testing. 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 3 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 Members are requested to:

- 1) Note the content of the report.
- 2) Approve the rescheduling of the Waste Management Audit

4. DETAIL

4.1 The 16/17 Audit Plan is currently on track. In addition to the reports submitted today there are an additional 3 audits currently in progress, being Common Good Property, Pool Cars and Risk Management.

4.2 There is one amendment to the 16/17 Audit plan which is as a result of service resourcing issues and competing workload commitments. This Audit will now take place in Quarter 1, 17/18 and has been factored into the draft 17/18 plan. As a substitute it is proposed that additional continuous monitoring activity will be undertaken.

4.3 Audits completed to November are detailed in Table 1.

Table 1: Summary of Audits performed in Quarter 3 2016/17

| Audit Name | Level of Assurance | No. of Actions | High Actions |
|-------------------------------|--------------------|----------------|--------------|
| Procurement - PECOS | High | 0 | 0 |
| Off-Contract Purchasing | High | 0 | 0 |
| TOTAL – Roads Costing System | High | 2 | 0 |
| Debt Recovery & Write-off | Substantial | 8 | 1 |
| ICT (Grant Thornton) | Substantial | 3 | 3 |
| Children's Units | Substantial | 8 | 1 |
| TIF Tax Incremental Financing | Substantial | 3 | 1 |
| Property Maintenance | Reasonable | 4 | 1 |
| All Weather Pitch Facilities | No Assurance | 7 | 7 |

4.4 Audits planned for the Quarter 4 16/17 are shown in the table below.

| |
|--------------------------|
| Quarter 4 |
| Additional Support Needs |
| Service Planning |
| Sustainable Communities |
| Common Good Property |

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 | Demand /Activity levels have resulted in a requirement for overtime. |
| General Ledger | <ul style="list-style-type: none"> Creation and posting of journals demonstrate segregation of duties | <ul style="list-style-type: none"> Sample of 20 journals tested, all were found to be uploaded and posted by separate individuals. | Substantial | N/A |
| Council Tax | <ul style="list-style-type: none"> All discounts, benefits, exemptions and allowances are properly calculated, recorded and authorised before being input to the system. | <ul style="list-style-type: none"> Sample of 50 discounts /exemptions, there was no supporting evidence available to support 2 of the discounts/ exemptions awarded. | Substantial | Management have reminded staff to ensure supporting evidence is recorded appropriately. |
| Treasury | <ul style="list-style-type: none"> Borrowing & lending transactions (incl. segregation of duties, lending limits & access | <ul style="list-style-type: none"> None | Substantial | N/A |

| Audit Unit | Areas Tested | Issues Arising | Overall Assurance Level | Follow up |
|--|--|---|-------------------------|--|
| | <ul style="list-style-type: none"> to the system) • Loans repayments & interest (incl. recording & payment of interest and any changes to standing data) | | Substantial | N/A |
| Creditors | <ul style="list-style-type: none"> • Authorisation of batch invoice payments | <ul style="list-style-type: none"> • Sample of 40 invoice batches, 5 instances of non-compliance with the authorised signatory list were identified. | Reasonable | Management to review limits and update authorised signatory list where appropriate. |
| 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. | <ul style="list-style-type: none"> • None • None | Substantial | N/A |
| School Fund Visit – Rockfield Primary School | <ul style="list-style-type: none"> • Compliance with circular 1.10 | <ul style="list-style-type: none"> • No formal elections are held. Elections are carried out informally at staff meetings. • School do not currently document minutes of their school fund committee meetings. • It was found that | Substantial | <ul style="list-style-type: none"> • Formal elections will be held at a meeting open to both staff and parents. • Minutes of committee meetings will be documented • Head Teacher |

| Audit Unit | Areas Tested | Issues Arising | Overall Assurance Level | Follow up |
|---|---|--|-------------------------|--|
| | | <p>reconciliations are periodically checked and signed by the Head Teacher.</p> <ul style="list-style-type: none"> • School use a certification slip in the rare event of un-receipted expenditure, however this is only signed by the Treasurer/Head Teacher. • No inventories are maintained with regards to equipment purchased through the general fund. | | <p>will review and sign all reconciliations going forward.</p> <ul style="list-style-type: none"> • Going forward, all un-receipted expenditure slips will be signed by the Treasurer / Head Teacher and the person incurring the expenditure. • Inventories of equipment purchased through the general fund will be maintained. |
| School Fund Visit – St Columba’s Primary School | <ul style="list-style-type: none"> • Compliance with circular 1.10 | <ul style="list-style-type: none"> • No formal elections are held. Elections are carried out informally at staff meetings. • School do not currently document minutes of their school fund committee meetings. | | <ul style="list-style-type: none"> • Formal elections will be held at a meeting open to both staff and parents. • Minutes of committee meetings will be documented. |

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 3 along with follow up detail.

Table 3: Issue of National Reports in Quarter 3:

| National Report | Issued To | Detail | Management response/ Action taken |
|--|--|--|--|
| Audit Scotland – Social Work in Scotland | <ul style="list-style-type: none"> • Chief Executive • Chief Officer, Health & Social Care • Head of Strategic Finance • Head of Governance & Law | Social work in Scotland is at a watershed and the public and service users must be more involved in shaping future provision. Current approaches to providing services will not be sustainable. | Report currently with management for consideration and will be subject to routine follow-up. |
| NAO – The Syrian Vulnerable Persons Resettlement Programme | <ul style="list-style-type: none"> • Chief Officer, Health & Social Care • Executive Director, Community Services • Business Improvement Manager, Community Services | This report examines the achievements of the Syrian Vulnerable Persons Resettlement programme to date, the processes in place to deliver the programme, progress against the targets set, and the risks to future delivery of the programme and whether these are being addressed. | Report currently with management for consideration and will be subject to routine follow-up. |
| NAO - Children in need of help or protection | <ul style="list-style-type: none"> • Chief Officer, Health & Social Care • Head of Children & Families • Executive Director, Community Services • Acting Head of Education | This report examines the department of Education’s progress in improving the system to help and protect children. | For information only. |

4.7 In addition to the Social Work in Scotland report mentioned in the table above we have previously issued National reports on Health and Social Care integration and Changing Models of Health and Social Care Integration. These reports make reference to risks in relation to governance and accountability. The partnership chief officer acknowledges these reports, and the issues contained within and, in an attempt to address some of these risks the partnership is currently undertaking an assurance mapping exercise. Internal Audit will review the outcome of this exercise together with some detailed follow up an update will be provided to the

March meeting of the Committee.

- 4.8 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.
- 4.9 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 | Report submitted for discussion. | 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 |

- 4.10 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.

| Internal Audit Team Scorecard 2016 – 17 FQ 2 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 | £121,988 | £110,112 | → |
| Year End Outturn | £259,149 | £259,149 | |
| 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 | 90% | G |
| | Target | 80% | ↓ |
| | Benchmark | | |
| % customer satisfaction with audit reports | Actual | 100% | G |
| | Target | 80% | ↑ |
| | Benchmark | | |
| Internal Audit Training days | Actual | 24 days | R |
| | Target | 30 days | ↑ |
| | Benchmark | | |

5. CONCLUSION

- 5.1 The 16/17 Audit Plan is currently on track. Our continuous monitoring programme has provided an overall substantial level of assurance. Planned sharepoint development work is currently on hold due to resource constraints.

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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