

INTERNAL AUDIT SUMMARY OF ACTIVITIES

1. EXECUTIVE SUMMARY

1.1 This report details the Internal Audit activity undertaken October to December 2014. The objective of the report is to provide an update with regards progress during Quarter 3 against a number of areas.

1.2 Good progress continues to be made. There is clear evidence of improved interaction and engagement between Internal Audit and Service Management.

- **14/15 Audit Plan progress:** Audit plan is currently on track.
- **Individual Audits undertaken:** seven individual audits have been completed during the period. Of these seven audits, six are rated substantial and one 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. Issues arising during the current quarter which require management action are in respect of excessive overtime payments and duplicate NI numbers. Testing also identified control weaknesses in relation to segregation of duties and use of system functionality within the Debtors systems.
- **National Fraud Initiative:** Data mismatches in relation to Council Tax records have been identified and work has commenced in relation to reviewing each case. Services have assisted in the data upload for the 2014 – 2015 exercise.
- **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 This report details the Internal Audit activity undertaken October to December 2014. The objective of the report is to provide an update with regards progress during Quarter 3 against a number of areas;

- 14/15 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. Seven audits have been completed as detailed at 4.2. In addition a number of audits are also in progress and are at various stages of completion including Winter Maintenance, Kinship Care and Flood Risk Control. These will be completed in Quarter 3 and are scheduled for submission at the March committee.

4.2 Audits completed to December are detailed in Table 1.

Table 1: Summary of Audits performed in Quarter 3, 2014/15:

Audit Name	Level of Assurance	No. of recommendations	High Recommendations
Airports	Substantial	2	0
Customer Service Centre	Substantial	7	0
Flag	Substantial	2	0
Income Maximisation Direct payments	Substantial	3	0
Land and Asset Disposal	Limited	8	3
Leader LAG	Substantial	1	0
Pyramid	Substantial	7	3

4.3 Audits planned for Quarter 4 are shown in the table below..

Quarter 4
Central Governance
Homecare Services
Business Support
Revenue and Benefits
Chord
Employment and Training
ICT
Adult Learning & Community Development
Information Security

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. Clients are notified by memo of any concerns and a follow up process is in place to ensure active management /rectification of issues raised. Table 2 below summarises activity to date outlining issues arising and provides a level of assurance.

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 Starters and Leavers 	<ul style="list-style-type: none"> Excessive overtime 7 instances have been highlighted. 6 duplicate NI numbers were found. 	Substantial	Payroll section to review.
Debtors	<ul style="list-style-type: none"> Authorisation of Credit Notes 	<ul style="list-style-type: none"> Reason for issue of credit note field not completed. Segregation of Duties. 	Limited	Debtors Supervisor to review and re-issue instructions to users.
Creditors	<ul style="list-style-type: none"> Bank Changes Process 	None	Substantial	
General Ledger Controls	<ul style="list-style-type: none"> Posting Authorisations Segregation of Duties 	None	Substantial	
Establishment Visits <ul style="list-style-type: none"> Argyll House Dunoon Queens Hall 	<ul style="list-style-type: none"> Cash Reconciliation's Authorisations Procedures Roles , Responsibilities and Remits 	None	Substantial	

Audit Unit	Areas Tested	Issues Arising	Assurance Level	Follow up
School Fund checks <ul style="list-style-type: none"> • Strachur • Hermitage Academy • Rosneath • Rockfield • St Columba • Inveraray • Rhu 	<ul style="list-style-type: none"> • Compliance with Standard Circular 1.10. General Purpose Funds 	<ul style="list-style-type: none"> • Use of pre-numbered receipts. • Segregation of Duties • Record Keeping 	Substantial	Headteacher to ensure compliance. Management to review and update circular.

4.5 The Audit Commission's NFI team carries out matching work on behalf of Audit Scotland. The 2014-15 exercise has now commenced and all services have completed relevant data uploads.

4.6 Council Tax data in relation to Council Tax Reduction Scheme has returned a number of matches and these are currently being reviewed as per the table below.

4.7 A mail run has been completed regarding the matches and the Council Tax team are processing the returns they have received.

Table 3: National Fraud Initiative Matches:

Datasets	Total Matches	Matches Complete	Status of Sample Match Testing	Responsible Officer
Council Tax to Electoral Register	694	8	Mail Merge Complete	Revenues Supervisor
Council Tax rising 18's	147	121	Mail Merge Complete	Revenues Supervisor
Total	841	129		


4.8 This section highlights further progress made against the actions points on 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 For Improvement	Agreed Action	Progress Update	Timescale
<ul style="list-style-type: none"> • Training and CPD 	<ul style="list-style-type: none"> • Formalise our plans for internal audit training, including continuing professional development (CPD) requirements. 	On Track: <ul style="list-style-type: none"> • Senior Audit Assistants are signed up to complete IIA Diploma qualification. 	<ul style="list-style-type: none"> • Ongoing

Area For Improvement	Agreed Action	Progress Update	Timescale
<ul style="list-style-type: none"> • Induction Programme 	<ul style="list-style-type: none"> • Development of Induction process for new members of staff joining the team. 	On Track: <ul style="list-style-type: none"> • Audit Manual is being updated to include induction section 	<ul style="list-style-type: none"> • 31/12/2014
<ul style="list-style-type: none"> • Audit Plan Preparation 	<ul style="list-style-type: none"> • 2015/16 Plan to be submitted to December committee for comment and feedback 	On Track: <ul style="list-style-type: none"> • Draft Plan submitted to Committee for review. 	<ul style="list-style-type: none"> • 30/11/2014
<ul style="list-style-type: none"> • Audit manual 	<ul style="list-style-type: none"> • Development Audit Manual 	On Track: <ul style="list-style-type: none"> • Work has commenced on Audit Manual 	<ul style="list-style-type: none"> • 31/03/2015
<ul style="list-style-type: none"> • SharePoint site 	<ul style="list-style-type: none"> • Creation of Audit share point site to co-ordinate documentation and version control. Track stage progress and publish reports. 	On Track: <ul style="list-style-type: none"> • 2 members of staff trained on use. On-going weekly discussion session as to items for inclusion. Protocols being developed 	<ul style="list-style-type: none"> • 31/03/2015 • Basic site up operational by deadline then continuous development.

4.9 Internal Audit scorecard data is available on pyramid. The indicators are showing green and / or on track with the exception of Revenue Finance indicator which is off track due to a year to date overspend in relation to back-filling part year sickness absence. The undernoted table is an extract of the key information.

Internal Audit Team Scorecard 2014 – 15			
FQ 2 14/15			
TEAM RESOURCES			
People			
PRDs IA Team	Target	Percentage of PRDs complete	
	90%	100%	
	Number of eligible employees FTE	Number of PRDs complete FTE	
	4	4	
Financial			
Revenue Finance	ACTUAL	BUDGET	
Year to date	£124,562	£106,864	
Year end	£221,753	£221,753	

NEW INTERNAL AUDIT MEASURES			
% of risks within the SRR audited in reporting period	Actual	37%	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	100%	G ➔
	Target	80%	
	Benchmark	80%	
% Recommendations followed up	Actual	100%	G ➔
	Target	100%	
	Benchmark		
% customer satisfaction with audit reports	Actual	100%	G ➔
	Target	80%	
	Benchmark	80%	
Percentage qualified staff	Actual	60%	G ➔
	Target	60%	
	Benchmark	60%	
Internal Audit Training hours	Actual	349hrs	G ➔
	Target	375hrs	
	Benchmark	0	

5. CONCLUSION

5.1 Good progress is being made across a range of areas. The audit plan is on track and there are currently no material issues impacting on Internal Audit activity. A programme of on-going review and continuous improvement is in place.

6. IMPLICATIONS

6.1 Policy - None

6.2 Financial -None

6.3 Legal -None

6.4 HR -None

6.5 Equalities - None

6.6 Risk – Internal Audit continue to adopt a risk based approach

6.7 Customer Service - None

Kevin Anderson, Chief Internal Auditor

For further information contact: Kevin Anderson, Chief Internal Auditor (01369 708505)