

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.

- **15/16 Audit Plan progress:** Audit plan is currently on track.
- **Individual Audits undertaken:** Nine individual audits have been completed during the period. Of these 9 audits, 7 are rated substantial and 2 are 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. Weaknesses were identified in relation to Stock records and general procedures at an Integrated Equipment Store (Social Work). Weaknesses were also identified in relation to control processes relating to general ledger.
- **National Fraud Initiative:** New matches have been released. Review work has commenced and findings will be reported to September 2015 Audit Committee.
- **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 The objective of the report is to provide an update on Internal Audit activity during Quarter 1 against a number of areas;

- 15/16 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 however it should be noted that during the quarter individual audits were subject to delays resulting in over-run due to availability of service staff.

4.2 Audits completed to March are detailed in Table 1.

Table 1: Summary of Audits performed in Quarter 4 2014/15 & Quarter 1, 2015/16:

Audit Name	Level of Assurance	No. of recommendations/ observations	High Recommendations
2014/15			
Business Support	Substantial	4	0
Employability & Training	Substantial	1	0
Adult Learning Policy	Substantial	3	0
ICT	Substantial	0	0
2015/16			
Out of Authority Placements	Substantial	5	0
Roads Maintenance	Limited	8	2
HR Training	Limited	9	0
Health & Safety	Substantial	5	0
Catering	Substantial	2	0

4.3 Audits planned for the Quarter 2 15/16 are shown in the table below. The number of Audits scheduled is reduced and is reflective of planned annual leave within the team.

Table 2: Summary of Audits to be performed in Q2 2015/16:

Quarter 2
LEADER/ FLAG
Electronic signatures
Local Government Benchmarking Framework (LGBF)
Single Outcome Agreement
Education SQA
Planning Enforcement
Looked After Children

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 3: 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 • Absence 	<ul style="list-style-type: none"> • Excessive Overtime 	Substantial	Management requested to provide detail.
Creditors	<ul style="list-style-type: none"> • Duplicate Vendors • Access rights 	<ul style="list-style-type: none"> • Inconsistent use of Data fields 	Substantial	Copy of vendor creation procedure to be sent to Internal Audit. Copy of analysis of duplicate vendor exercise to be sent to Internal Audit.
General Ledger Controls	<ul style="list-style-type: none"> • Raising and posting journals • Segregation of duties • Journal naming convention 	<ul style="list-style-type: none"> • Journal Raised and Posted by Same Person • Journal numbers 1-6 missing (SF/1415) • Duplicate Journal Number 	Limited	Management have agreed further awareness sessions to be undertaken.

Audit Unit	Areas Tested	Issues Arising	Assurance Level	Follow up
Establishment Visits Stock Take – Integrated Equipment Store - Helensburgh	<ul style="list-style-type: none"> • Procedures • Stock Ledger • Stock layout • Issues and Receipts 	<ul style="list-style-type: none"> • No stock take procedures issued • No stock ledger print out available • Stock intermixed with consumables • Issues and receipts not up to date 	Very Limited	Management notified of weaknesses. Site re-visited where it was evidenced that work was on-going to ensure appropriate controls in place. A new electronic stock recording systems / single issue process is being implemented

4.5 The Audit Commission's NFI team carries out matching work on behalf of Audit Scotland. The 2014-15 exercise timetable is as follows:

Table 4: National Fraud Initiative Timetable

From 29 January 2015	The Audit Commission NFI team will make the 2014/15 exercise matches available.
31 March 2016	Audit Scotland will use the outcomes as at this date for the national report
June 2016	Audit Scotland will publish the 2014/15 NFI report

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. From work undertaken to date, 359 discounts have been removed with an approximate value of £100k.

4.8 A new upload of Council Tax data and the Electoral role took place by the end of February 2015 and a new set of matches will be released shortly after.

Table 5: National Fraud Initiative Matches:

Datasets	Total Matches	Matches Complete	Status of Sample Match Testing	Responsible Officer
Council Tax to Electoral Register	694	421	Residual Cases to be investigated.	Revenues Supervisor
Council Tax rising 18's	147	147	Complete	Revenues Supervisor
Blue Badges to DWP Deceased	52	52	Complete – All issues resolved	Service Point supervisor/ Registrar
Total	891	618		

Table 6: Further release of National Fraud Initiative Matches:

Datasets	NFI Key Filter Matches	Matches Complete	Matches in Progress	Responsible Officer	Completion
Housing Benefit	178	37	166	Counter Fraud Manager	Sept 2015
Creditors	248	0	0	Creditors Supervisor	Sept 2015
Payroll	420	0	0	Payroll Supervisor	Sept 2015
Personal Budgets	4	4	0	Finance Officer (Income Max)	Sept 2015
Care Homes	7	28	0	Finance Officer (Income Max)	Sept 2015
Insurance	37	0	0	Insurance Assistant	Sept 2015
Total	894	69	166		

4.9 This section highlights progress made against the actions points in our 14/15 Internal Audit development plan as shown in Table 7. These include improvements identified as a result of our review against the Public Sector Internal Audit Standards.

Table 7: 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	Ongoing
Performance Indicators	Review Performance Measures	Not scheduled	30 Sept 2015
Audit Plan Preparation	2016/17 Draft Plan submitted to December Audit Committee	Not scheduled.	31 Dec 2015
SharePoint site	Upload Audit stage tracker information.	On Track:	30 Sept 2015

4.10 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.

Table 8: Internal Audit Team Scorecard 2014 – 15:

FQ 4 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	
	5	5	
Financial			
Revenue Finance	ACTUAL	BUDGET	G ➔
Year to date	£208,068	£208,340	
Year end	£266,455	£266,455	
NEW INTERNAL AUDIT MEASURES			
% of risks within the SRR audited in reporting period	Actual	46%	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	411hrs	G ➔
	Target	500hrs	

5. CONCLUSION

- 5.1 The 15/16 Audit Plan is on track. Continuous Monitoring activity has identified a number of weakness and these are being actively followed up with management. There are currently no material issues impacting on Internal Audit activity.

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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