

# Report

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>18 June 2020</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Internal Audit Activity as at 29 May 2020</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Update the Risk and Audit Scrutiny Committee (RASC) on progress by, and performance of, the Internal Audit service in the period to 29 May 2020

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that progress and performance is noted

## 3. Background

3.1. Findings from internal audit assignments are reported to the Committee throughout the year. The last progress report to the Committee was in February 2020. This reported on work completed in the period 1 November 2019 to 24 January 2020. This report covers all work completed in the period 25 January to 29 May 2020. Performance information is also included.

3.2. The meeting of the RASC scheduled for April 2020 did not proceed as a result of the COVID 19 pandemic. At the end of March 2020, the Council's internal audit function moved to remote working and this continues at the date of writing this report. To facilitate this move, a work programme was developed. This allowed the function time to complete 2019/2020 assignments, time to undertake routine financial year-end tasks and time to then prepare for proposed audit assignments to be undertaken later in 2020/2021. This work plan was discussed with the Chair of the RASC in April 2020 and a copy of this work programme is attached at Appendix One. In practice, during the period since March 2020, the function has also been re-deployed, to an extent, to help to deliver key finance tasks.

3.3. Recovery plans are now being drafted for all Council Services and this includes Internal Audit. It is the intention to bring a 2020/2021 Audit Plan to the RASC for approval in September 2020 and, also at this time, to provide a full update on the interim programme of work that has been completed from 1 April 2020 to date.

## 4. Performance

4.1. 90% of the 2019/2020 Audit Plan was completed by 31 March 2020 and has been used to inform the annual assurance report that forms a separate item on the same agenda as this report. Key performance indicators for the year to 31 March 2020 are summarised in Appendix Two together with further explanations. 100% of draft reports have been issued on time and 82% within budget against targets of 80%

respectively. Quality continues to be monitored through internal quality control procedures.

4.2. Client contributions to the delivery of the audit plan take the form of responding to draft reports, agreeing to closing meetings and signing reports quickly once agreed. 97% of audit assignments were concluded to a signed action plan within four weeks of the issue of a draft report against a target set of 80%.

4.3. Members are asked to note performance.

## **5. Findings**

5.1. Appendix Three lists all assignments completed in the period 25 January to 29 May 2020.

5.2. Members are asked to note findings.

## **6. Progress against Strategy**

6.1. The Public Sector Internal Audit Standards (PSIAS) require progress against the audit strategy to be monitored and reported to the Committee as part of regular monitoring reports that are presented at each meeting.

6.2. Delivery of the strategy was evidenced by completion of the 2019/2020 Plan and has been monitored through the performance indicators regularly reported to the Committee throughout the year.

## **7. Employee Implications**

7.1. There are no employee issues.

## **8. Financial Implications**

8.1. Audit and Compliance Services, during 2019/2020 spent £495,391 against a budget of £478,460 (to period 14). The overspend was in relation to under-recovery of audit fee income and additional employee costs

## **9. Climate Change, Sustainability and Environmental Implications**

9.1 There are no specific climate change, sustainability or environmental implications arising from the information contained within this report

## **10 Other Implications**

10.1 The main risks to the delivery of the Audit Plan are vacancies and team up-skilling requirements, unforeseen service demands and delays with client sign-off. These are mainly mitigated by coaching and training, regular meetings and escalation processes as well as inclusion of contingency time within the annual plan.

## **11 Equality Impact Assessment and Consultation Arrangements**

11.1 There is no requirement to equality assess the contents of this report.

11.2 Heads of Service are consulted on each and every audit assignment.

**Paul Manning**

**Executive Director Finance and Corporate Resources**

3 June 2020

**Link(s) to Council Objectives/Improvement Themes/Values**

- Achieve results through leadership, good governance and organisational effectiveness

**Previous References**

- ◆ Internal Audit Plan 2019/2020 – Risk and Audit Scrutiny Committee, 24 April 2019
- ◆ Internal Audit Activity as at 3 April 2019 - Risk and Audit Scrutiny Committee, 24 April 2019
- ◆ Internal Audit Activity as at 31 May 2019 - Risk and Audit Scrutiny Committee, 19 June 2019
- ◆ Internal Audit Activity as at 30 August 2019 – Risk and Audit Scrutiny Committee, 18 September 2019
- ◆ Internal Audit Activity as at 31 October 2019 – Risk and Audit Scrutiny Committee, 27 November 2019
- ◆ Internal Audit Activity as at 24 January 2020 – Risk and Audit Scrutiny Committee, 19 February 2020

**List of Background Papers**

- ◆ Figtree extracts of Action Plans

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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Lead Resource	Audit assignment	Outline Scope
Finance and Corporate	General Ledger Data	Provide 2019/2020 general ledger entry data to External Audit for the audit of the financial accounts for the year ended 31 March 2020.
All	Audit Plan Reporting	Prepare activity reports.
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.
All	National Fraud Initiative (NFI)	Conclude and report on 2018/2019 exercise.
All	Fraud Alerts	React to fraud alerts through internal and external sources and disseminate information as appropriate.
All	Continuous Control Monitoring (CCM)	Continue to download data in current CCM areas. Use data for analysis and to inform internal and external audit testing. Prepare formal reports to allow exceptions and unusual trends in financial controls to be reported to Resources for further investigation.
Finance and Corporate Community and Enterprise	City Deal – Governance Statement	Provision of Governance Statement to Glasgow City Council for 2019/2020.
Finance and Corporate	BACs Reconciliation	Assistance to undertake routine reconciliations.
Finance and Corporate	Debtors reconciliation	Assistance with year-end reconciliation.
Social Work	Self Directed Support	Provision of position statement and assessment of progress with delivering Self Directed Support.
Community and Enterprise	Procurement	Collate management information for purposes of follow up work planned in 2020/2021.

## Key audit performance indicators as at 31 March 2020

## Appendix Two

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	47/57	82%	80%	
Draft reports delivered within 6 weeks of file review	53/53	100%	80%	
2019/2020 Audit Plan completed to draft by 31 March 2020	47/52	90%	100%	The Audit Plan was not delivered in full in year with five assignments outstanding at 31 March 2020. These relate, in the main, to 'special investigations' that were delivered out of contingency time and were not part of the core routine Audit Plan.
Internal Audit recommendations delivered on time	92/96	96%	90%	
Client to agree findings and actions within 4 weeks of draft issue	37/38	97%	80%	

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
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Prior Year Assignments				
I671152	Review of cash procedures	22/01/2020	10/03/2020	<p>Audit work obtained adequate assurance that key controls to physically safeguard the petty cash are in place, including physical access restrictions / key holding arrangements. With regards to the disbursement of petty cash monies, a level of checks is undertaken by petty cash administrators to ensure that cash disbursed is permitted, has been approved and is subsequently receipted.</p> <p>However, there are gaps in monitoring that could mean that any potential instances of fraud are not identified. Additional checks were recommended to mitigate this risk. Some of these recommendations are now superseded with the introduction of 'PayPoint' to disburse payments to service users but the remaining recommendations to strengthen the routine petty cash administration controls still apply and have been agreed.</p>

Current Year – Other Output				
I350075	City Deal Governance Statement 2018/2019	13/05/2019	13/05/2019	Provision of annual statement of assurance.
I821025	SLC Year End Reporting 2018/2019	26/04/2019	03/06/2019	Provision of annual statement of

				assurance.
I420067	Additional Support Needs Working Group	25/10/2019	25/10/2019	Attendance at and participation in internal working group. Undertake analysis and present to working group.
I232095	Benefits 2019/2020	31/03/2020	31/03/2020	Provision of advice and guidance as required throughout 2019/2020.
I342077	Review of National Anti-Fraud Network (NAFN) Usage	31/03/2020	31/03/2020	Review of NAFN usage. Information gathered to be included in formal review of National Fraud Initiative Appcheck option.
I411064	Informal Follow-up 2019/2020	31/03/2020	31/03/2020	Provided quarterly advance prompts of actions falling due. Collated responses monthly for reporting.
I612160	Continuous Control Monitoring 2019/2020	31/03/2020	31/03/2020	Completion of programme of data downloads from main financial systems during 2019/2020 to inform audit sampling and provide management reports
I615167	Fraud Alerts in 2019/2020	31/03/2020	31/03/2020	Dissemination of fraud alert information to Council Resources.
I670170	CRM and Whistle Blowing 2019/2020	31/03/2020	31/03/2020	Collation of whistle-blowing notifications and management of investigations.
I730044	Home Care Working Group 2019/2020	31/03/2020	31/03/2020	Input to internal working group.
I730049	Serious Organised Crime Group 2019/2020	31/03/2020	31/03/2020	Attendance at and participation in internal working group.
I730050	Historical Abuse Group 2019/2020	31/03/2020	31/03/2020	Attendance at and participation in internal working group.
I730051	Contract Scrutiny Group - ASN 2019/2020	31/03/2020	31/03/2020	Participation in Council-wide contract scrutiny groups throughout the year and provision of assurance surrounding the robustness of the process at each stage.
I730052	Contract Scrutiny Group – Education	31/03/2020	31/03/2020	Participation in Council-wide contract

	PSA			scrutiny groups throughout the year and provision of assurance surrounding the robustness of the process at each stage.
I731047	Information Governance Board 2019/2020	31/03/2020	31/03/2020	Attendance at and participation in internal working group.
I732045	Attend SLACIAG SLAIG and CASG 2019/2020	31/03/2020	31/03/2020	Attended meetings throughout the year and responded to queries from other member Authorities.
I735048	Good Governance Group 2019/2020	31/03/2020	31/03/2020	Attendance at and participation in internal working group.

Current Year – Assurance Reports				
I678169	Debtors review	27/11/2019	07/02/2020	Debtor's control account reconciliation was robust but year-end process needed improvement. These risks have now been addressed by revised year-end processes and procedures, developed (jointly) by Internal Audit and the Service and will be fully implemented during the 2019/2020 year-end process.
I211094	Purchasing Cards Social Work	21/01/2020	14/02/2020	Purchase card controls were found to be sufficient to mitigate the key risks identified. Some improvements were recommended in relation to; monthly card limits; review and amendment of categories; provision of refresher training on input VAT recovery to cardholders; refreshing and re-briefing of policies and reiteration of the role of card holders and supervisors in verifying purchases and reviewing receipts.
I342079	Procurement Spot	31/03/2020	31/03/2020	Development of a



	Checks			programme. Test checked in 2019/2020 and to be used for a rolling programme of checks from 2020/2021.
I410065	Formal Follow Up Best Value 2019/2020	31/03/2020	31/03/2020	An update was provided to the Performance and Review Scrutiny Forum in February 2020 in terms of progress with implementing these actions. This presented that there is good evidence that the majority of actions have been completed or have significantly progressed. There remain a few which, although outstanding, are nearing completion, which has been impacted by the re-prioritisation of service delivery during the COVID 19 pandemic. This is specifically the case for actions due to be delivered in relation to Community Planning and engagement. A significant amount of work has been undertaken in these areas, but formal conclusion of this work has been delayed as a result of a focus on the coordination of shielding and wellbeing activities.
I611175	Fraud Risk review 2019/2020	31/03/2020	31/03/2020	Update of Resource fraud risk registers to be used for planning and testing in 2020/2021.
I613168	Best Practice Analysis	31/03/2020	31/03/2020	Comparison of anti-fraud controls against best practice. No significant issues identified.
I616171	FRED 2019/2020	31/03/2020	31/03/2020	Comparison of anti-

	Audit			fraud controls against best practice. No significant issues identified.
I640166	National Fraud Initiative in 2019/2020	31/03/2020	31/03/2020	Facilitate and administer NFI exercise.

External Clients				
I941128	Audit Management	31/03/2020	31/03/2020	Reported to IJB
I942130	Value for Money	12/03/2020	20/05/2020	Reported to IJB