

# Report

Report to:	<b>Risk and Audit Scrutiny Forum</b>
Date of Meeting:	<b>13 November 2012</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Internal Audit Activity as at 12 October 2012</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Update the Risk and Audit Scrutiny Forum on progress by, and performance of the Internal Audit service in the period to 12 October 2012
- ◆ Seek suggestions from the Forum for the 2013/14 Audit Plan

## 2. Recommendation(s)

2.1. The Forum 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 Forum throughout the year. The last progress report to the Forum was in September 2012. This reported on work completed in the period 1 February to 31 July 2012. This report covers all work completed in the period 1 August 2012 to 12 October 2012. Performance information is also included.

## 4. Performance

- 4.1. As at 12 October 2012, 27 out of a total of 108 assignments included in the 2012/2013 Audit Plan, have been delivered to draft stage. 71% of all 2012/2013 assignments are in progress which reflects the strategy of delivering audit fieldwork in the first three quarters of the year. Of the assignments not started, 17% relate to follow-ups and 5% to year-end reports and activities. The other key performance indicators reflecting quality, on time and within budget are summarised in Appendix One together with explanations. 91% of draft reports have been delivered on time and 69% within budget. 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. 85% of audit assignments were concluded to a signed action plan within the target seven weeks exceeding the target set of 80%.

## **5. Findings**

- 5.1. Appendix Two lists all assignments completed in the period 1 August to 12 October 2012. Detailed findings from the one, more material piece of work follows linked to the strategic risk to which the area is most closely aligned.

### **5.2. Assurance over governance risks:**

- ♦ I342728 Adult Protection Case File Review: Good controls are described within robust procedures. These translated to adequate controls being evidenced within files. Actions taken need to be recorded robustly, accurately and timeously to ensure these can be defended as sufficient, appropriate and timeous. Areas for improvement were identified in relation to paper files order and content with some form of checklist being placed on files. Social Work Information Systems (SWIS) records need to be robust, succinct and easily identified to support files. Roll out of the second phase of SWIS improvements for adult protection will support clearer information, ease review and clearly identify outcomes. This is particularly important with regards to a move to principally electronic records. Clarification should be provided as to what paperwork is to be retained on paper based files, procedures should be updated and staff trained.

File reviews are required to determine the quality of decisions and work being carried out and address the quality of the audit trail. The size of samples chosen for review needs to be sufficient to identify control weaknesses and improvement areas within each local office. The governance of personal information is key to the process and although filing arrangements appear to be adequate within the local offices, there are significant risks, as well as potential fines for the Council, associated with lost information which could arise if the audit trail regarding the movement of each file is not robust. This has been recognised by the Resource and filing issues identified will be addressed in order to drive improvement.

Ten improvement actions were agreed with the client to be delivered during August and September 2012. Subsequent updates provided by Social Work Resources have confirmed that all of the actions have been fully implemented and delivered on time.

- 5.3. Forum members are asked to note findings.

## **6. Internal Audit Plan 2013/2014**

- 6.1. Work is about to commence on the preparation of the 2013/2014 Internal Audit Plan. Consultation meetings will be set up with each Resource during October and November 2012 to discuss ideas and suggestions for inclusion in the Plan. Suggestions are also being sought from the Forum. These should focus on subject areas of interest to the Forum or specific risk areas where there are known control weaknesses.
- 6.2. Once the consultation process has been concluded, the comprehensive list of audit 'ideas' will be risk assessed and an audit plan drafted that ensures adequate coverage across all Resources, risk areas and type of audit work.

## **7. Employee Implications**

- 7.1. There are no employee issues.

## **8. Financial Implications**

- 8.1. At the end of accounting period 7 (28 September 2012), the Internal Audit Section was underspent by £11,764 due, in the main, to savings in employee costs.

## **9. Other Implications**

- 9.1. 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.
- 9.2. There are no implications for sustainability in terms of the information contained in this report.

## **10. Equality Impact Assessment and Consultation Arrangements**

- 10.1. There is no requirement to equality assess the contents of this report. Heads of Service are consulted on each and every audit assignment.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

12 October 2012

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

- ◆ Improvement Theme – Governance and Accountability
- ◆ Objective – Governance and Risk Management

### **Previous References**

- ◆ Progress report to RASF September 2012

### **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:-

Yvonne Douglas, Audit Manager

Ext: 5957

(Tel: 01698 455957)

E-mail: [yvonne.douglas@southlanarkshire.gov.uk](mailto:yvonne.douglas@southlanarkshire.gov.uk)

**Key audit performance indicators as at 30 September 2012**
**Appendix One**

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	43/62	69%	80%	A further 4 jobs were over budget in the period 1 August to 30 September 2012 (15 previously reported as over budget at 31 July 2012). Two of these related to an external client and the balance of work still to be delivered in 2012 will be adjusted to compensate. One related to a grant certificate that required the preparation of accounts creating additional work that was not anticipated at the outset and the other a review of case files that marginally overran by one day.
Draft reports delivered within 21 days of fieldwork completion	49/54	91%	80%	
2012/13 Audit Plan completed to draft by 30 April 2013	27/108 (as at 12.10.12)	25% (as at 12.10.12)	100% by 30.4.13	A further 19 additional jobs, not included in the 2012/13 Audit Plan have also been delivered in the period to 12 October 2012.
Audit recommendations delivered on time (as at 31 July 2012)	94/110	85%	85%	
Time taken for clients to agree findings and actions (Target 7 weeks)	40/47	85%	80%	

**List of assignments completed 1 August 2012 – 12 October 2012**
**Appendix Two**

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
<b>2011/12</b>				
I685274	SFR Annual Report 2012	02/08/2012	02/08/2012	Reported to SFR.
I342728	Adult Protection Case File Review	10/04/2012	07/08/2012	See main report 5.2.

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
<b>2012/13</b>				
I220259	Leadhills CARS Grant	09/08/2012	10/08/2012	Clean audit certificate.
I212234	Payroll Control Account Reconciliation	26/07/2012	15/08/2012	Good controls in place to ensure that year end payroll control account reconciliation is complete and accurate.
I679348	Grant Cheque	03/08/2012	17/08/2012	Investigation concluded when claimant withdrew enquiry.
I310784	Follow-Up Access Checks Swisplus	17/08/2012	17/08/2012	Job closed as actions had been followed up in June 2011.
I674347	Personal Monies	23/08/2012	23/08/2012	Money taken from unlocked drawer. Management Bulletin re cash security forwarded for distribution within Section.
I341753	Top Risks Control Tests Enterprise	27/08/2012	27/08/2012	Job amalgamated with assignment to test top risk controls within Community. To be reported to RASF at a later date.
I310786	Follow-Up Journals	27/08/2012	27/08/2012	All actions have been fully implemented.
I674349	Theft of Materials	24/08/2012	28/08/2012	Allegations substantiated and two employees dismissed. Procedures have been re-briefed to other employees.
I211242	Accounts Payable - BACS Payments	06/09/2012	06/09/2012	Adequate assurance that BACS payment process incorporates expected controls.
I342757	SLLC Stonehouse Facility	15/08/2012	07/09/2012	Reported to SLLC
I218933	SLLC Stock Check 2012	27/06/2012	07/09/2012	Reported to SLLC
I219233	Petty Cash Spot Checks 2012	16/08/2012	07/09/2012	Adequate controls across three sites visited with some areas for improvement identified. Information of petty cash activity supplied to Resources for follow-up as required.
I220261	A71 Strategic Route Improvement	10/09/2012	10/09/2012	Clean audit certificate
I220262	National Cycle Route 75	10/09/2012	12/09/2012	Clean audit certificate
I220263	Lanark to Carstairs Route Phase 2	13/09/2012	13/09/2012	Clean audit certificate
I222258	Tackling Poverty Programme 2011/12	24/07/2012	18/09/2012	Adequate assurance that programme is being properly administered with all of the expected controls being in place.
I220264	Hamilton to East Kilbride and Rutherglen Cycle Route	18/09/2012	18/09/2012	Clean audit certificate
I220265	Charging Infrastructure	20/09/2012	20/09/2012	Clean audit certificate
I541038	Control Objectives Overview New Systems	20/09/2012	25/09/2012	Most controls in place and working satisfactorily. Two areas for improvement in relation to user set-up and defining business need now

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
				addressed in an action plan.
I674343	SLLC Facility - Theft of money	16/08/2012	02/10/2012	Reported to SLLC
I674352	Stolen Batteries	05/10/2012	10/10/2012	Investigations inconclusive. Security of CCTV system improved along with key-holding procedures and additional shift supervision.
I219251	Trust Funds and Charitable Accounts	12/10/2012	12/10/2012	Provision of audit certificate by SLC Internal Audit for NLC charitable trust funds