

Report

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Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	26 January 2012
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Internal Audit Activity - October to December 2011
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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 work recently completed
- ◆ advise the Risk and Audit Scrutiny Forum of revisions to the Audit Manual

2. Recommendation(s)

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

- (1) that progress and performance is noted
- (2) that revisions to the Audit Manual are 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 November 2011. This reported on work completed in September 2011. This report covers all work completed in the period 1 October to 15 December 2011. Performance information is also included.

4. Performance

4.1. As at the end of November 2011, performance in delivering the 2011/2012 internal audit plan is adequate with 41% of the plan completed to a draft stage. This is comparable with November 2010 and reflects the prioritisation of work in the period under review, namely, the preparation of the 2012/2013 Audit Plan. As work on the plan is nearing completion and the Audit Adviser vacancy has now been filled, there is an expectation that there will be significant progress with delivery of audit assignments over the next three months. The other key performance indicators reflecting quality, on time and within budget are summarised in Appendix One, together with explanations. Draft reports have been delivered on time and within budget. Quality continues to be monitored through internal quality control procedures and Audit recommendations delivered on time have significantly improved and are now meeting the target.

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. 79% of audit assignments were concluded to a signed action plan within the target seven weeks, marginally below the target set of 80%.

5. Findings

- 5.1. Appendix Two lists all assignments completed in the period 1 October 2011 to 15 December 2011. Detailed findings from the more material pieces of work follow. Findings have been grouped under the strategic risk to which they are most closely aligned.
- 5.2. Assurance over governance risks, I686258 Risk Management Arrangements: the audit provided good assurance surrounding risk management arrangements and concluded that South Lanarkshire Council is 81% compliant with best practice. Resources provided evidence to support the self-assessment of compliance with the requirements of the Risk Management Strategy. It was also found that, although there were differences in the allocation of resources to formal risk management across Resources, overall, these were sufficient. An action plan has now been developed to address the remaining gaps and to ensure Figtree records are updated.
- 5.3. Forum members are asked to note findings.

6. Issue of Updated Audit Manual

- 6.1. The Internal Audit Manual sets out the terms of reference for Internal Audit together with the key processes and procedures for the delivery of an internal audit service. This has now been updated to reflect new working practices, a new structure and a strengthening of the ethical code that governs the work of internal audit. This was circulated to the team in October 2011 and specific training will be developed if identified through the PDR process.

7. Employee Implications

- 7.1. The vacancy at Adviser level was filled on 21 December 2011.

8. Financial Implications

- 8.1. At the end of accounting period 10 (22 December 2011), the Internal Audit Section was underspent by £30,608 due to additional income and vacancies.

9. Other Implications

- 9.1. The main risks to 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. Recent developments which may impact on the delivery of the 2011/2012 Audit Plan are currently being assessed and steps are being taken to reallocate audit assignments. During January 2012, audit assignments due to be delivered by 31 March 2012, will be prioritised. A suggested approach will be presented to the Forum for approval in February 2012 that will ensure a balanced and evidenced Statement of Assurance on the Council's control environment can be prepared for 2011/2012.
- 9.3. There are no significant 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)

9 January 2012

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

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

Previous References

- ◆ Annual Internal Audit Assurance Report 2010/11 report to RASF May 2011
- ◆ Progress report to RASF November 2011

List of Background Papers

- ◆ Figtree extracts of Action Plans
- ◆ Internal Audit Manual (October 2011)

Contact for Further Information

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

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Key audit performance indicators as at 30 November 2011

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	72/90	80%	80%	Most over-runs are marginal and several relate to old year work. Only two overruns in period reported, one marginal and the other in relation to I686258 Risk Management Arrangements where additional time was required to complete detailed scope points agreed with client.
Draft reports delivered within 21 days of fieldwork completion	76/93	82%	80%	This PI is within target and represents improvement on prior years. A further five reports in the period were not issued within the target time-scale due to resource constraints.
Audit plan completed to draft by 31 March 2012	38/92	41%	100% by 31.03.12	Same percentage completion for previous year Plan as at November 2010.
Audit recommendations delivered on time	112/139	81%	80%	Represents significant improvement from position reported to Forum in November 2011. Both external (83%) and internal (80%) actions are meeting or exceeding delivery target of 80%. This PI relies on informal assurances from those tasked with delivery of actions.
Time taken for clients to agree findings and actions (Target 7 weeks)	81/102	79%	80%	In the period reported, four further assignments were outwith the 7 week target. One in relation to I686258 Risk Management Arrangements (see above) and the other three as a result of resource constraints.

Appendix Two

List of assignments completed 1 October – 15 December 2011

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
I233230	Council Tax Discount/Exemptions	22/09/2011	2/11/2011	Adequate assurance that controls over council tax discount and exemptions are effective. Implementation of regular reviews part of action plan.
I242925	SLLC – EK Library	31/08/2011	16/11/2011	Reported to SLLC
I286922	SLLC – Governance Overview	25/10/2011	7/12/2011	Reported to SLLC
I310737	FUP Education Maintenance Allowance	29/11/2011	9/12/2011	Good progress with implementation of recommendations. Of high priority actions followed up, confirmation of implementation by client.
I310741	FUP Building Warrant Controls	15/11/2011	15/11/2011	Good progress with implementation of recommendations. All high priority actions followed up and confirmed to have been implemented by client.
I310745	FUP Education PPP Contract Management	25/10/2011	2/11/2011	Good progress with implementation of recommendations. All high priority actions followed up and confirmed to have been implemented by client.
I310746	FUP Social Work Long Term Planning	4/11/2011	28/11/2011	Good progress with implementation of recommendations. All high priority actions followed up and confirmed to have been implemented by client. Noted the framework for delivering services for Older People is currently in transition and this need to be effectively monitored and data scrutinised to fully assess impact of demographic growth.
I342719	Carbon Footprint – Evidence Certificate	17/08/2011	10/10/2011	Current emphasis on accuracy and completeness of technical data. Although major elements of evidence pack evidenced, some residual concerns that may not fully meet guidance and corrective action agreed.
I672292	Anti-Social Behaviour Complaint	4/10/2011	4/10/2011	Anti-Social Behaviour complaint being investigated by Anti Social Investigation Team. No further input required from Internal Audit.
I672304	Complaint re- employee	30/11/2011	30/11/2011	Unsubstantiated complaint that on investigation found no evidence of any misconduct on the part of an SLC employee.
I674297	Misuse of Plant and Materials	14/10/2011	14/10/2011	Unsubstantiated complaint as, on investigation, was not an SLC employee.
I674309	Day Care Centre Theft	29/11/2011	29/11/2011	Allegation of theft against another service user and not an SLC employee. Recommend Bulletin re Personal Cash and Property is reissued to Social Work employees.
I679302	Employee Benefit Fraud	12/10/2011	2/11/2011	Employee failed to disclose earnings

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
				from second job. Repayment sought and case passed to Procurator Fiscal for consideration for prosecution
I679307	Employee Benefit Fraud	5/12/2011	5/12/2011	Employee failed to disclose earnings from overtime on first job and that from a second job. Repayment sought and case passed to Procurator Fiscal for consideration for prosecution
I686258	Risk Management Arrangements	7/9/11	8/11/2011	See main report at 5.2