Report

Report to:	**Risk and Audit Scrutiny Forum**
Date of Meeting:	**26 November 2013**
Report by:	**Executive Director (Finance and Corporate Resources)**

Subject:	**Internal Audit Activity as at 30 October 2013**

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 30 October 2013
- ♦ Seek suggestions from the Forum for the 2014/2015 Audit Plan

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

(1) that progress and performance is noted; and

(2) that the opportunity for Forum members to suggest ideas for the 2014/2015 Internal Audit Plan be 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 2013. This reported on work completed in the period 1 May 2013 to 31 July 2013. This report covers all work completed in the period 1 August 2013 to 30 October 2013. Performance information is also included.

4. Performance
4.1. As at 30 October 2013, 64% of the 2013/2014 Audit Plan has been started and 27% delivered to draft report stage. Of the 36% 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 for the period to 30 September 2013 are summarised in Appendix One together with explanations. 84% of draft reports have been delivered on time and 71% 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. 98% 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 2013 to 30 October 2013. Previously, where risks were deemed to be significant for an audit assignment, a summary of the audit opinion was reported to the Forum as part of the routine 'activity update' report. As reported to the Forum in September 2013, a new 'key messages' page has been developed to replace this practice and pages have been appended to this report in respect of the following significant assignments completed in the period 1 August 2013 to 30 October 2013:

- ♦ I342758 Adults With Incapacity (see Appendix Three)
- ♦ I252256 Telephone Contract and Billing (see Appendix Four)
- ♦ I542042 User Verification (see Appendix Five)

5.2. Forum members are asked to note performance and findings.

6. Progress Against Strategy

6.1. As reported to the Forum in June 2013, the Code of Practice requires progress against the audit strategy to be monitored and reported to the Forum as part of regular monitoring reports that are presented at each meeting.

6.2. Delivery of the strategy will be evidenced by completion of the 2013/2014 Plan and this will be monitored through the performance indicators regularly reported to the Forum. Any subsequent changes to the Plan will be presented to the Forum which will include an assessment as to the impact such changes would have on the delivery of the overall audit strategy.

7. Internal Audit Plan 2014/2015

7.1. Work is ongoing in the preparation of the 2014/2015 Internal Audit Plan. Consultation meetings have been convened with Resources and External Audit during October and November 2013 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.

7.2. 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.

8. Employee Implications

8.1. There are no employee issues.

9. Financial Implications

9.1. At the end of accounting period 8 (21 October 2013), the Internal Audit Section was underspent by £12,958 due, in the main, to savings in employee costs.

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.

10.2. There are no implications for sustainability in terms of the information contained in the report.

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)
30 October 2013

Link(s) to Council Values/Objectives
 ♦ Objective – Governance and Accountability

Previous References
Risk and Audit Scrutiny Forum - 18 June 2013
Risk and Audit Scrutiny Forum - 17 September 2013

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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Key audit performance indicators as at 30 September 2013 Appendix One

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	55/77	71%	80%	Some of the over-runs on budget are marginal and delivery of jobs within budget is closely monitored. An element of under-delivery in this area relates to prudent assessments of time required to complete some audit work. This will be managed within the context of the delivery of the full plan by 30 April 2014.
Draft reports delivered within 21 days of fieldwork completion	49/58	84%	80%	
2013/2014 Audit Plan completed to draft by 30 April 2014	42/154	27%	100%	64% of Plan in progress at 30 October 2013.
Internal Audit recommendations delivered on time	78/89	88%	90%	Refreshed follow-up procedures in place from 15 August 2013 that includes earlier monthly prompts to Resources along with advance prompts at the start of each quarter of actions falling due by the quarter end. The quarter ended 31 December 2013 is the first full quarter that these new procedures will apply.
Time taken for clients to agree findings and actions (Target 7 weeks)	40/41	98%	80%	

List of assignments completed 1 August – 30 October 2013   Appendix Two

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
Previous Years				
I310807	Follow Up Secondary School Break-in	01/08/2013	01/08/2013	1/3 actions implemented at the point of follow-up. Audit recommendations in relation to the installation of safes and updating of banking procedures have subsequently been completed in August and September 2013 respectively.
I342796	Travel And Subsistence	18/01/2013	08/08/2013	Travel and Subsistence policy and procedures are adequate.
I678389	Tendering Process	24/04/2013	08/08/2013	Allegation unsubstantiated.
I212940	SFR Payroll	21/03/2013	12/08/2013	Reported to SFR
I342758	Adults with Incapacity	19/02/2013	28/08/2013	See appendix 3
I211248	Non Iproc ordering and authorisation	30/04/2013	29/08/2013	Adequate controls in place over non-iproc spend. Generally, this spending is in line with the current Certified Payments policy and standard procurement controls in evidence for non-iproc/non-certified payments.
I252256	Telephone Contract and Billing	30/04/2013	30/08/2013	See appendix 4
I613324	Anti Fraud Proc Review of Direct Funding	27/08/2012	24/10/2013	Good controls in place with a recommendation that these are more formally documented to ensure an adequate audit trail is maintained, that fraud risks are reinforced and that obligations placed on clients are communicated.

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
2013/2014				
I218944	SLLC Stock Check March 2013	07/08/2013	22/08/2013	Reported to SLLC
I542042	User Verification	08/08/2013	29/08/2013	See appendix 5
I678402	Employee Conduct - Sickness	03/09/2013	03/09/2013	Concern unsubstantiated.
I340817	External Audit Work Programme	26/07/2013	12/09/2013	Programme of work delivered for External Audit
I620395	Audit Scotland Self Assessment Exercise	26/07/2013	12/09/2013	Programme of work delivered for External Audit.
I678400	Misuse of Council Assets	18/07/2013	27/09/2013	Employee dismissed for personal use of Council assets
I219278	Charitable Trusts	10/10/2013	14/10/2013	Provision of audit certificate by SLC Internal Audit for NLC Charitable Trusts.
I310839	Follow Up SEEMIS Data	17/10/2013	22/10/2013	Good progress with 6/6 actions implemented.
I674397	Stolen materials	25/09/2013	23/10/2013	Allegation unsubstantiated.

Audit Objective

The audit objective was to gain assurance that evidence is retained within case records and reports to demonstrate that the welfare of adults who lack capacity is being safeguarded, recorded accurately and is in line with procedural requirements.

Key Summary

Procedural controls are in place to ensure that the welfare of adults with incapacity is being safeguarded and meeting legal requirements. The improvement agenda put in place by Social Work Resources to improve the timing of AWI visits is providing improvements to both local authority and private welfare guardians in 2012/13.

Key Findings

- Joint Operational Procedures, a Practice Guide and reporting through IMPROVe provide the controlling framework for AWI in South Lanarkshire.

- AWI case files, randomly sampled for audit testing, covered Guardianship Orders issued between April 2004 and October 2011.

- Case file records are up to date and contain key Guardianship Orders and OPG certificates.

- Coverage of communication records and recording of meeting minutes and reports is incomplete in some case files.

- An AWI training programme is in place and is being rolled out to all relevant employees.

- An improvement strategy to achieve AWI procedural timescales was introduced during 2011/12. This strategy appears to be making progress as visits completed within timescale for 2012/13 indicates 85% for local authority and 76% for private welfare guardianship orders.

- The publication of the Information Sharing Protocol – Good Practice Guidelines in March 2012 provides procedures for assessing capacity and gaining consent for Adults with Incapacity.

Audit Objective

The audit objective was to confirm that the fixed line telephony contract is being managed effectively, and that key controls are in place

Key Summary

It is Internal Audit's opinion that there are adequate controls in place.

The contractor is meeting its agreed service delivery targets, and robust controls have been put in place to monitor progress made against these targets.

Key Findings

Identification of Key Findings

• The contractor is meeting its agreed service delivery targets.

• IT Services monthly invoice checks are sufficiently robust to ensure that any material fixed line telephony overcharge would be identified, investigated and resolved.

Areas for Improvement

• It would be worthwhile clarifying the IT Services / Council Resource roles and responsibilities for fixed line telephony cost monitoring and agreeing on the review work that needs to be undertaken by each party.

Good Practice

• IT Services were already aware of the risks identified by this audit and were actively working towards mitigating them, prior to Internal Audit work being undertaken.

Audit Objective

The audit objective was to confirm that access to the system is adequately controlled and the users are authorised in the use of the system

Key Summary

There is adequate assurance that access to the system is controlled and the users are authorised in the use of the system.

Key Findings

Identification of Key Findings
- The procedures for the creation and management of users are documented but there are some minor gaps.
- System administration is structured to provide continuity of service.
- User access is tailored to the individual's role and area of responsibility.

Areas for Improvement
- Administration procedures to be reviewed and updated.
- System access to be granted to named individuals.
- Security protocols and procedures to be re-issued.
- Training needs to be reviewed.

Good Practice
- Clear and concise procedures in place, albeit some minor revision required.
- New users are required to change their initial password.
- Data is shared with third party organisations securely.