

Report

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Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	18 February 2014
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Internal Audit Activity as at 29 January 2014
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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 29 January 2014
- ◆ Seek endorsement of amendments to the 2013/2014 Plan

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 2013/2014 Plan are endorsed

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 2013. This reported on work completed in the period 1 August 2013 to 30 October 2013. This report covers all work completed in the period 1 November 2013 to 29 January 2014. Performance information is also included.

4. Performance

- 4.1. As at 29 January 2014, 93% of the 2013/2014 Audit Plan has been started and 56% delivered to draft report stage. Of the 7% assignments not started, 5% relate to follow-ups and 2% to routine assignments. The other key performance indicators reflecting quality, on time and within budget for the period to 31 December 2013 are summarised in Appendix One together with explanations. 88% of draft reports have been delivered on time and 74% 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. 95% 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 November 2013 to 29 January 2014. 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 a page has

been appended to this report in respect of the following significant assignment completed in the period 1 November 2013 to 29 January 2014:

- ◆ I680378 Procurement Capability Assessment (see Appendix Three)

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 new Internal Auditing Standards (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 (see Section 7).

7. Review of 2013/2014 Audit Plan

7.1. The new the Code of Practice also requires a review of the current year's Audit Plan on a regular basis and for adjustments to be made to the Plan in response to changes in the organisation's business, risks, operations, programmes, systems and controls.

7.2. Such a review is currently undertaken on a periodic basis and, in the past, approval has been sought from the Forum to either defer work because of timing issues or drop an assignment where audit work is no longer required. This practice will continue and any proposed amendments to the Plan will be referred to the Forum for its consideration. Where no amendments are required to the Plan, activity reports, such as this, will document that this review has been undertaken and that the Plan continues to reflect all of the key elements listed above.

7.3. For the current year, a review of the 2013/2014 Audit Plan as at 29 January 2014 has identified that work is no longer required in four separate, planned areas. This is in respect of the following assignments:

Assignment Number	Assignment Title	Reason
I620410	Public Performance Reporting	Internal Audit input no longer required. Corporate Improvement Unit and Corporate Improvement Advisory Board reviewing content and structure of performance information on website.
I210274	Social Care (Iproc)	Review of Social Care spend within Iproc being reviewed by the Procurement Network Group. Results will be reported to Internal Audit.
I620408	Procedural Review Under Occupancy	Work deferred to 2014/2015 to allow processes and procedures to be developed. Now included in the 2014/2015 Audit Plan.
I683381	Advice and Guidance Trading Services Review	Work completed in 2012/13 with additional review time now no longer required in 2013/2014.

- 7.4. In addition, it is proposed that follow-up work within four separate areas is deferred until 2014/2015 and that follow-up work in relation to a further five areas is not now undertaken. In relation to the deferred assignments, audit actions in these four areas will not be fully implemented until the new financial year and will now be included in the follow-up programme of work for 2014/2015. Planned work in the remaining five follow-up audits is no longer required as 'high priority' actions, that were anticipated during preparation of the 2013/2014 Audit Plan, were not identified once audit work was concluded. The restriction of formal follow-up work to high priority actions is in line with the current audit strategy. Adjusting for these proposed amendments to follow-up work, forty one separate follow up audits remain within the 2013/2014 Plan, nineteen of which have been concluded and reported to the Forum. The remaining twenty-two assignments are due to be delivered by 30 April 2014 and will be reported to the Forum in due course.
- 7.5. This proposed deferral of assignments within the 2013/2014 Audit Plan to 2014/2015, together with those that no longer require to be delivered has allowed ninety seven days to be reallocated to work that provides coverage of areas of emerging risk or to assignments where further time has been required to test controls. These amendments are considered to comply with the overall audit strategy and will have no impact on the ability to express an opinion within the annual assurance report for 2013/2014.
- 7.6. Forum members are asked to note the above and endorse these amendments to the 2013/2014 Audit Plan.

8. Employee Implications

- 8.1. There are no employee issues.

9. Financial Implications

- 9.1. At the end of accounting period 11 (13 January 2014), the Internal Audit Section was underspent by £19,669 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 this 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)

29 January 2014

Link(s) to Council Values/Objectives

- ◆ Objective – Governance and Accountability

Previous References

- ◆ Progress report to RASF 18 June 2013
- ◆ Progress report to RASF 17 September 2013
- ◆ Progress report to RASF 26 November 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 31 December 2013**Appendix One**

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	79/107	74%	80%	Additional monitoring arrangements now in place and performance in this area 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	85/97	88%	80%	
2013/2014 Audit Plan completed to draft by 30 April 2014	72/169	43%	100%	56% of reports to draft report stage as at 29 January 2014. Work plan in place to deliver all draft reports by 30 April 2014.
Internal Audit recommendations delivered on time	85/99	86%	90%	In total, 96% of all actions have been closed at 31 December 2013, albeit late in some instances. Refreshed follow-up procedures in place including advance prompts at the start of each quarter of actions falling due by the quarter end. Internal Audit continue to work with Resources to deliver actions against the target that has been set.
Time taken for clients to agree findings and actions (Target 7 weeks)	70/74	95%	80%	

List of assignments completed 1 November – 29 January 2014
Appendix Two

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
Previous Years				
I613327	Anti Fraud Procedural Review of Sub Lets	14/12/2012	04/12/2013	Adequate controls in place to prevent illegal subletting of Council properties that are proportionate to the risk as it is assessed by Housing and Technical Resources. Risk should be kept under review to allow appropriate action to be taken should issues be identified.

2013/2014				
I675412	Direct Debit Review	01/11/2013	01/11/2013	Further review of all Council bank accounts (income and expenditure) for an extended period to identify any unauthorised direct debits. Four 'unauthorised' direct debits found on two separate bank accounts. All had been previously identified through internal review and had been cancelled and refunded with no financial loss to the Council.
I620398	Rent Arrears Procedure Review	11/10/2013	07/11/2013	Adequate assurance was obtained that arrears action was suspended during the period reviewed for households affected by under occupancy legislation and appropriate follow up action was taken for other households. In addition adequate procedures are in place to identify new or changes to under occupied households, based on timeous system updates, in relation to changes in circumstances, and also to update the Academy database on an ongoing basis.
I210945	SLLC Risk Register Related Audit Work	11/11/2013	20/11/2013	Reported to SLLC
I679421	NFI Benefit fraud	20/11/2013	20/11/2013	Fraud identified by the NFI exercise. Administrative caution accepted.
I679422	NFI Benefit fraud	20/11/2013	20/11/2013	Fraud identified by the NFI exercise. Administrative Penalty accepted.
I679423	NFI Benefit fraud	20/11/2013	20/11/2013	Fraud identified by the NFI exercise. Administrative Penalty accepted.
I679424	NFI Benefit fraud	20/11/2013	20/11/2013	Fraud identified by the NFI exercise. Administrative Penalty accepted.

I679425	NFI Benefit fraud	20/11/2013	20/11/2013	Fraud identified by the NFI exercise. Administrative Penalty accepted.
I679426	NFI Benefit fraud	20/11/2013	20/11/2013	Fraud identified by the NFI exercise. Administrative Penalty accepted.
I679427	NFI Benefit fraud	20/11/2013	20/11/2013	Fraud identified by the NFI exercise. Administrative Penalty accepted.
I310844	Follow Up Scaffolding Contract	25/11/2013	28/11/2013	Good progress with 3/3 actions implemented.
I674415	Recycled Council Equipment	01/11/2013	03/12/2013	Response to Police enquiry. Believed to be an isolated incident or potentially an error in national database records. Subsequent audit testing supports this view and has not identified any areas of concern.
I219279	SLC Charitable Trusts	03/12/2013	09/12/2013	Assistance provided in preparation of financial statements of SLC Charitable Trust Accounts for the year ended 31 March 2013.
I679430	NFI Benefit fraud	05/12/2013	10/12/2013	Fraud identified by the NFI exercise. Administrative Penalty accepted.
I220290	LEADER 2012-13	12/12/2013	13/12/2013	Clean audit certificate issued.
I310852	Follow Up Direct Debits	07/01/2014	07/01/2014	Good progress with 2/2 actions implemented.
I672429	Recruitment Process	16/12/2013	07/01/2014	Response to a complaint by a whistle-blower. Independent review of process confirmed documentation on file to support decision taken.
I674432	Primary School Missing Cash	16/12/2013	07/01/2014	Adequate procedures were in place but not followed. Lack of security over the cash bag within School. Procedures have been updated to improve security and ensure segregation of duties.
I679433	NFI Benefit fraud	07/01/2014	07/01/2014	Fraud identified by NFI exercise. Administrative Penalty accepted.
I310855	Follow Up Quick Quote	20/11/2013	08/01/2014	Adequate progress with 2/3 actions implemented. Remaining action is in relation to an annual exercise that will now be undertaken at the financial year end . One further action has been identified and will be implemented by 31 March 2014.
I680378	Procurement Capability Assessment 2013	23/10/2013	10/01/2014	See Appendix 3

Objective

The audit objective was to provide an internal audit contribution to the self-assessment being prepared for the 2013 PCA and to report on the overall outcome of the assessment.

Key Summary

A well managed, cross-Resource working-group developed a good quality evidence bank to support the 2013 Procurement Capability Assessment (PCA). This resulted in a good score of 62% being achieved for the PCA which is categorised as “improved performance” in procurement.

Key Findings

- Procurement services across the Council provided full commitment to the PCA preparatory arrangements
- A well prepared procurement self evaluation, supported by quality evidence, was developed by the PCA working group.
- The PCA score improved from 55% in 2012 to 62% in 2013, reflecting the organisational and service improvements made in the last year.

Areas for Improvement

- An action plan/strategy for future assessments will be developed by Procurement Services when this year's PCA cycle has concluded in early 2014.

Good Practice

- The use of technology-based tools -iProc and Oracle - for procurement
- Procurement professionals contribute to initiatives to improve procurement efficiency and effectiveness.