

Report

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Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	14 June 2017
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Internal Audit Activity as at 26 May 2017
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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 26 May 2017
- ◆ Seek endorsement to defer a further three audit assignments to 2017/2018

2. Recommendation(s)

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

- (1) that progress and performance is noted
- (2) that the further revision to the 2016/2017 Audit Plan is endorsed and that these assignments are deferred to 2017/2018

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 January 2017. This reported on work completed in the period 22 October 2016 to 13 January 2017. This report covers all work completed in the period 14 January to 26 May 2017. Performance information is also included.

4. Performance

- 4.1. As at 26 May 2017, 73% of Quarter One's 2017/2018 Audit Plan has been started. The other key performance indicators reflecting quality, on time and within budget for the year to 31 March 2017 are summarised in Appendix One together with explanations. 88% of draft reports have been delivered on time and 80% 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. 86% 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%.

5. Findings

5.1. Appendix Two lists all assignments completed in the period 14 January to 26 May 2017. The key messages, in respect of the following significant assignments completed in this period, have been appended to this report:

- ◆ I372013 IMPROVe (Appendix Three)
- ◆ I341022 Protecting Vulnerable Groups Scheme (Appendix Four)

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

6. Progress against Strategy

- 6.1. The Public Sector Internal Audit Standards (PSIAS) 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 is evidenced by completion of the Plan and this is monitored through the performance indicators regularly reported to the Forum.
- 6.3. The 2016/2017 Audit Plan was reviewed on a regular basis throughout the year to allow adjustments to be made to the Plan in response to changes in the organisation's business, risks, operations, programmes, systems and controls.
- 6.4. Such a review was completed in December 2016 and highlighted that a number of assignments required to be deferred to accommodate some significant adhoc and unplanned work undertaken during the latter part of 2016. The level of required amendment to the 2016/2017 Audit Plan was presented to the Forum in March 2017 for consideration together with a proposed Quarter One plan to complete work on the deferred areas of audit by 30 June 2017.
- 6.5. Subsequently, as a result of unplanned absences and changing priorities within the Section, a further three assignments have been identified as work that will be required to be deferred to 2017/2018. This is in respect of the following assignments:

Assignment Number	Assignment Title
I211049	E-Invoicing
I410036	Fraud and Error Service - Overpayment Follow Up
I613066	Mobile Devices Social Work

A Plan for Quarters Two to Four of 2017/2018 will be presented to the Forum in September 2017 as well as an indicative outline of a strategic Audit Plan through to 31 March 2020.

- 6.6. Throughout 2016/2017, audit work has been re-prioritised in such a way to ensure that a programme of work has been delivered that will allow an annual audit opinion to be expressed in 2016/2017 on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control arrangements and included areas of work where our External Auditors have indicated their intention to place reliance.
- 6.7. The Forum is asked to note this further review of the 2016/2017 Audit Plan and to endorse the proposed deferral of the three assignments noted above to 2017/2018.

7. Compliance with the Public Sector Internal Audit Standards (PSIAS)

- 7.1. The validated self-assessment exercise continues and a completed checklist and supporting evidence was passed to the External Reviewer in March 2017.
- 7.2. It is anticipated that the output from this exercise will be reported to the Forum in September 2017.

8. Employee Implications

- 8.1. There are no employee issues.

9. Financial Implications

- 9.1. At present a breakeven position is forecast to the end of the financial year for the Internal Audit section.

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)

31 May 2017

Link(s) to Council Values/Objectives

- ♦ Objective – Governance and Accountability

Previous References

- ♦ Internal Audit Plan 2017/2018 7 March 2017

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 March 2017

Appendix One

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	95/119	80%	80%	
Draft reports delivered within 6 weeks of file review	105/119	88%	80%	
2016/2017 Audit Plan completed to draft by 30 April 2017	89/94	95%	100%	
Internal Audit recommendations delivered on time	65/71	92%	90%	A further 5 actions were closed late. Total of 70/71 actions delivered (99%).
Client to agree findings and actions within 4 weeks of draft issue	87/101	86%	80%	

List of assignments completed 14 January to 26 May 2017
Appendix Two

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
Prior Years				
I674093	Alleged Fraud	30/01/2017	09/02/2017	Employee issued with final written warning although fraud was not proven.
I678078	Private Work	01/10/2016	21/02/2017	No loss of material to Council. Two separate employees given verbal and written warnings respectively.
I674083	Fuel Siphoning	28/02/2017	02/03/2017	Allegation unsubstantiated.
I250052	Procurement Pls	07/03/2017	07/03/2017	Deferred to 2017/2018 (RASf 7 March 2017)
I341049	Progress with LED Targets	07/03/2017	07/03/2017	Deferred to 2017/2018 (RASf 7 March 2017)
Various	Follow Up	07/03/2017	07/03/2017	Deferred to 2017/2018 (RASf 7 March 2017)
I611089	Employee Fraud: Mileage	07/03/2017	07/03/2017	Deferred to 2017/2018 (RASf 7 March 2017)
I611090	Employee Fraud: Tracking Pool Cars	07/03/2017	07/03/2017	Deferred to 2017/2018 (RASf 7 March 2017)
I613062	Anti Fraud Review 2016/2017	07/03/2017	07/03/2017	Deferred to 2017/2018 (RASf 7 March 2017)
I613063	School Funds Checks 2016/2017	07/03/2017	07/03/2017	Deferred to 2017/2018 (RASf 7 March 2017)
I613064	School Catering monies checks 2016/2017	07/03/2017	07/03/2017	Deferred to 2017/2018 (RASf 7 March 2017)
I613065	Internal Controls (Direct Awards)	07/03/2017	07/03/2017	Deferred to 2017/2018 (RASf 7 March 2017)
I614067	Allocation Fraud (including Council Properties Data Matching)	07/03/2017	07/03/2017	Deferred to 2017/2018 (RASf 7 March 2017)
I617071	Nurseries 2016/2017	07/03/2017	07/03/2017	Deferred to 2018/2018 (RASf 7 March 2017)
I924060	LVJB Follow Up Informal and Formal	21/12/2016	14/03/2017	Reported to LVJB
I672087	Community Payback Orders – Review of Supporting Evidence	03/03/2017	15/03/2017	Completion of an extensive exercise to review adequacy of supporting records. Results collated and reported to Court.

				Specific improvement plan currently being implemented within Service and follow up audit work planned in 2017/2018.
I340036	Carbon Reduction Commitment 2016/2017	20/12/2016	21/03/2017	The Council through the function of the CRC Board has put in place good controls to report and make payments to the CRC Energy Efficiency Scheme. Compliance with the scheme requirements for Phase2 Year2 has been met in full. The Evidence Pack, compiled in conjunction with STC, contains complete and up-to date information to show full compliance with the scheme. This has been successfully audited by STC and signed off by the Council.
I676047	Alleged Fraud	19/04/2016	21/03/2017	Fraud not proven. Disciplinary action taken as procedures not followed.
I372013	IMPROVe	31/03/2015	27/03/2017	See Appendix Three
I542012	SEEMIS to Payroll	31/03/2016	27/03/2017	Adequate controls within the process to ensure that the data input to SEEMIS accurately reflects temporary teacher hours worked although some manual elements of the process increase the inherent risk of error. Some weaknesses identified which resulted in teachers being under or overpaid. Actions agreed by Resources to update and re-issue guidance, to introduce

				an independent check as part of the process and to log queries and respond within a specified time period.
I911049	SLLC Admin – Committee Reports 2016/2017	27/03/2017	27/03/2017	Reported to SLLC
I914053	SLLC Informal Follow Up 2016/2017	27/03/2017	27/03/2017	Reported to SLLC
I916052	SLLC Fraud Alerts 2016/2017	27/03/2017	27/03/2017	Reported to SLLC
I921059	LVJB Administration	14/03/2017	27/03/2017	Reported to LVJB
I341022	Protecting Vulnerable Groups Scheme	31/03/2016	28/03/2017	See Appendix Four
I912055	SLLC CCM 2016/17	21/03/2017	28/03/2017	Reported to SLLC
I211049	E invoicing 2016/17	31/03/2017	31/03/2017	Deferred to 2017/2018 (see 6.5)
I256057	Home Care Scrutiny Group 2016/17	31/03/2017	31/03/2017	Participation in Council-wide contract scrutiny groups throughout the year and provision of assurance surrounding the robustness of the process at each stage.
I256060	Taxi Scrutiny Group	31/03/2017	31/03/2017	Participation in Council-wide contract scrutiny groups throughout the year and provision of assurance surrounding the robustness of the process at each stage.
I256061	Compost Waste Scrutiny Group	31/03/2017	31/03/2017	Participation in Council-wide contract scrutiny groups throughout the year and provision of assurance surrounding the robustness of the process at each stage.
I373047	FOI Requests 2016/2017	31/03/2017	31/03/2017	Responded to FOI enquiries received by South Lanarkshire Council throughout 2016/2017.
I374048	Assurance Mapping 2016/2017	31/03/2017	31/03/2017	Collation of information from external inspections and reviews during 2016/2017 to

				inform annual Internal Audit Statement of Assurance.
I410036	Fraud and Error Service Overpayment Follow Up	31/03/2017	31/03/2017	Deferred to 2017/2018 (see 6.5)
I411039	Informal Follow-up 2016/2017	31/03/2017	31/03/2017	Provided quarterly advanced prompts of actions falling due. Collated responses for reporting.
I431042	PSIAS External Inspection	31/03/2017	31/03/2017	Completed self-assessment checklist and collated supporting evidence for external reviewer.
I612061	Continuous Control Monitoring	31/03/2017	31/03/2017	Completion of programme of data downloads from main financial systems during 2016/2017 to inform audit sampling and provide management reports.
I613066	Mobile Devices Social Work	31/03/2017	31/03/2017	Deferred to 2017/2018 (see 6.5)
I615069	Fraud Alerts 2016	31/03/2017	31/03/2017	Dissemination of fraud alert information to Council Resources.
I616070	FRED (Phase 2) 2016	31/03/2017	31/03/2017	Comparison of existing practices to good practice and preparation of an action plan. Reported separately to RASF as part of the six monthly and annual fraud reports.
I618073	Serious Organised Crime Working Group 2016/2017	31/03/2017	31/03/2017	Participation in working group. Attend meetings and complete allocated tasks.
I670075	Whistle Blowing and CRM Enquiries	31/03/2017	31/03/2017	Administration and dissemination of information to Council Resources.
I722021	Benefits Advice and Guidance 2016/2017	31/03/2017	31/03/2017	Good assurance that the rolling programme of audits was delivered. The results from the

				Benefits rolling programme of audits conclude that overall adequate assurance was obtained that controls within the Housing Benefit processes are in place and working satisfactorily.
I730022	School Meal Income Working Group 2016/2017	31/03/2017	31/03/2017	Participation in review group. Attend meetings and complete allocated tasks.
I730023	Welfare Reform Monitoring Group 2016/2017	31/03/2017	31/03/2017	Participation in monitoring group. Attend meetings and complete allocated tasks.
I731024	Information Governance Board 2016/17	31/03/2017	31/03/2017	Attend as required, researched, prepared written advice where necessary, completed actions and reported on progress throughout the year.
I732025	SLACIAG, SLAIG and Computer Audit Sub Group	31/03/2017	31/03/2017	Attended meetings throughout the year and responded to queries from other member Authorities.
I735027	Good Governance Group 2016/17	31/03/2017	31/03/2017	Participation in group and support preparation of the 2016/2017 Governance Statement.
I736029	ASN Taxi Working Group	31/03/2017	31/03/2017	Participation in review group. Attend meetings and complete allocated tasks.
I740028	Equifax Checks 2016/2017	31/03/2017	31/03/2017	Provision of Equifax company and directors checks to Resources throughout 2016/2017.
I810013	Audit Plan 2017/18	31/03/2017	31/03/2017	Preparation and presentation for approval of Q1 2017/2018 Plan to RASF for endorsement.
I821014	Annual Assurance Report 2016/2017	31/03/2017	31/03/2017	Provision of annual statement of assurance

				and reporting of such to the Risk and Audit Scrutiny Forum and Executive Committee.
I830015	Compliance Team Work 2016/2017	31/03/2017	31/03/2017	Supported work of Funding and Compliance.
I918051	SLLC Annual Assurance Report 2016/2017	31/03/2017	31/03/2017	Reported to SLLC
I928061	LVJB Year End 2016/2017	31/03/2017	31/03/2017	Reported to LVJB
I372042/I372051	Statutory Climate Change Duties 2015/2016 and 2016/2017	22/03/2017	04/04/2017	There was adequate assurance obtained that the Council's Climate Change Duties Report for 2015/2016 complies with guidance and the information submitted is accurate in terms of the supporting documentation. Implementation of the recommended audit action will help ensure that evidence of all supporting data is available for future validation.
I914054	SLLC Formal FUP 2016/2017	20/04/2017	20/04/2017	Reported to SLLC
I342044	Self Directed Support 2016	28/04/2017	28/04/2017	Deferred to 2017/2018 (RASf 7 March 2017)
I342050	CPO Procedures Review	30/04/2017	30/04/2017	Participation in Group tasked with the development of amended procedures. Specific testing of new procedures to be included within 2017/2018 Audit Plan.
I923062	LVJB Electoral Roll Canvassing	20/04/2017	15/05/2017	Reported to LVJB
I911050	SLLC Audit Plan 2017/2018	12/04/2017	23/05/2017	Reported to SLLC

Objective

The audit objective was to assess the relevance of performance information reported, review performance levels and adequacy of such reporting throughout the year.

Key Summary

It is Internal Audit's opinion that there are adequate controls in place to monitor performance of the Council's strategic objectives but a comparison to best practice has identified potential areas for improvement.

Identification of Key Findings

Given the level of service provision across the Council, the aim of strategic performance management within SLC is to demonstrate that actions, across the Council, are contributing to the achievement of the Council's objectives. At a Resource level, with the right SMART measures and defined actions, Resources can demonstrate that actions are being achieved. However, there is room for improvement in this area, particularly in relation to Resources defining the desired output for actions and the ability to 'track' progress, in particular for project measures.

The performance management system focuses on two distinct levels of reporting, strategic and Resource level, and as such, there are a significant number of individual performance measures being monitored. There may be a risk that the measures are not always focusing on the priority areas for the Council, in particular for those that focus too much on operational targets for internal measures. The volume of measures monitored has resourcing implications in terms of collating and reporting data on a quarterly basis.

Areas for Improvement

- Defining actions, anticipated outcomes and targets better to facilitate better tracking and 'evidence' of achievement
- Focus on volume and type of measures in place
- Catch-up reporting for any measures not delivered at the end of a reporting year and consistent application traffic light status
- Scrutiny of major changes of status between reporting periods

Good Practice

Strategic plans/objectives developed, supported by individual Resource Plans
Performance management system to monitor full range of performance measures
Formalised programme of reporting in place at both corporate and Resource level

Objective

The objective of the audit was to provide an assessment of the Council's compliance with the PVG Scheme.

Key Summary

There was adequate assurance that controls were in place to ensure that the Council was complying with the PVG Scheme.

Identification of Key Findings

- Comprehensive guidance
- There was room for improvement in processes for vetting volunteers and employees, and in recording employee PVG Membership details.

Areas for Improvement

- Recording PVG details on HRMS
- Recording of Volunteers PVG membership details

Good Practice

- Guidance on the PVG scheme
- Identification of "regulated" posts/work
- Incorporation of PVG scheme policies on recruitment and awarding of contracts
- Elected Members PVG membership
- Job adverts for posts involving regulated work clearly indicated that PVG scheme membership was required, and that it was an offence to apply if you were barred
- Guidance on volunteers in Education Resources premises is clear and comprehensive
- Countersignatories no longer required are removed from the Register of countersignatories
- Personal Services holds only the registration details for Countersignatories
- PVG forms disposed of when employee terminates