

Report

Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	20 September 2016
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Internal Audit Activity as at 5 September 2016
----------	---

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 5 September 2016

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 August 2016. This reported on work completed in the period 11 May to 5 August 2016. This report covers all work completed in the period to 6 August to 5 September 2016. Performance information is also included.

4. Performance

4.1. As at 5 September 2016, 65% of the 2016/2017 Audit Plan has been started. The other key performance indicators reflecting quality, on time and within budget for the period to 31 July 2016 are summarised in Appendix One together with explanations. 98% of draft reports have been delivered on time and 67% 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. 68% 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 6 August to 5 September 2016. The key messages, in respect of the following significant assignments completed in this period, have been appended to this report:

- ◆ I616034 Serious and Organised Crime (Appendix Three)

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 will be evidenced by completion of the 2016/2017 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. Employee Implications

7.1. There are no employee issues.

8. Financial Implications

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

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.

10.2. Heads of Service are consulted on each and every audit assignment.

Paul Manning

Executive Director (Finance and Corporate Resources)

7 September 2016

Link(s) to Council Values/Objectives

- ◆ Objective – Governance and Accountability

Previous References

- ◆ Internal Audit Plan 2016/2017 15 March 2016
- ◆ Progress report to RASF 31 May 2016
- ◆ Progress report to RASF 30 August 2016

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 and Compliance Manager
Ext: 5957
(Tel: 01698 455957)
E-mail: yvonne.douglas@southlanarkshire.gov.uk

Key audit performance indicators as at 31 July 2016

Appendix One

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	30/45	67%	80%	Some assignments only marginally outwith budget and relate to close down of old year assignments. Anticipate that target will be met by the end of the financial year.
Draft reports delivered within 6 weeks of file review	48/49	98%	80%	
2016/2017 Audit Plan completed to draft by 30 April 2017	4/98	4%	100%	65% of the 2016/2017 Audit Plan has been started.
Internal Audit recommendations delivered on time	20/20	100%	90%	
Client to agree findings and actions within 4 weeks of draft issue	23/34	68%	80%	All relate to closedown of old year assignments. Anticipate that target will be met by the end of the financial year.

List of assignments completed 6 August to 5 September 2016

Appendix Two

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
Prior Years				
I616013	Asset Management Social Work	24/03/2016	21/06/2016	Initial risk assessment of use of mobile devices. Will be used to inform and direct the focus of a further audit assignment included within 2016/2017 Audit Plan.
I261056	Journal Entry Data	05/07/2016	05/07/2016	Provision of information to External Audit.
I675413	Direct Debits	03/04/2014	19/07/2016	Related to a Police Investigation. No financial loss to the Council. Police Investigation now concluded.
I616034	Serious and Organised Crime 2015	30/04/2016	22/08/2016	See Appendix Three
I674054	Theft of Funds	19/04/2016	24/08/2016	Procedures relevant to the alleged fraud were robust, if properly implemented. These procedures were not consistently applied, therein providing scope for the alleged fraud to occur. Matter subject of a Police investigation.
I410027	Follow Up Facility Procedures	14/09/2015	26/08/2016	Some progress with 2/4 actions completed. Remaining actions to be completed 2016/17.

Key Messages

Objective

The objective of this assignment was to carry out a self assessment against the Serious Organised Task Force's Local Authority Readiness – Serious Organised Crime and Corruption Risk 2015/16 Checklist/Survey to provide assurance that adequate arrangements are in place to protect the Council against Serious Organised Crime, to highlight areas for improvement and areas of good practice which may be shared with other local authorities where required.

Key Summary

Overall, the assessment concluded that there is an awareness of the risks posed by Serious Organised Crime amongst senior members of staff within the Council and that there are some procedures in place to guard against the threat of Serious Organised Crime. However, it is Internal Audit's opinion that awareness of Serious Organised Crime could be strengthened throughout the Council and that controls within operational procedures could be improved to further mitigate against the risk of Serious Organised Crime. The implementation of the improvement plan should ensure that awareness is increased and controls improved.

Assessment Outcome

In 2009, the Scottish Government established the Serious Organised Crime Taskforce to provide a strategic focus for tackling serious organised crime and to ensure co-ordinated and targeted action in Scotland. The Taskforce published its strategy for combating serious organised crime, "Letting Our Communities Flourish – A Strategy for Tackling Serious Organised Crime in Scotland" June 2009. This strategy focuses on four clear objectives with regard to organised crime – to DIVERT, DISRUPT, DETER and DETECT. Local Authorities are primarily involved with driving forward the DETER objective in joint working with the Police to protect communities and a sub group was set up to take this forward. In February 2015, the Deter Sub-Group, developed A Local Authority readiness – Serious Organised Crime and Corruption Risk Checklist/Survey to assist with this. The Assessment was completed by Internal Audit in consultation with Resource representatives.

A total of 15 improvement actions were identified from this assessment, ten of these actions are high priority and five medium priority. 12 actions were identified under Governance and Strategy and three under Operational Controls. There were no specific actions recommended in relation to Insider Threat, however, the actions identified in the improvement plan for other areas will also strengthen controls in this area.

There were three areas within the Checklist/Survey which were assessed as "good". These areas related to; Trading Standards taking an active role in promoting consumer awareness, particularly in relation to the sale of illicit and counterfeit goods; the arrangements the Council has in place to protect and support staff who may be working under duress; and ensuring that there are procedures in place to provide assurance to the Elected Members that the Council is aware of and is managing the risks posed by Serious Organised Crime. There are no specific areas of good practice that have been identified which are considered relevant to share with other Local Authorities.