

# Report

Report to:	<b>Risk and Audit Scrutiny Forum</b>
Date of Meeting:	<b>18 June 2013</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Internal Audit Activity as at 30 April 2013</b>
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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 30 April 2013

## 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 April 2013. This reported on work completed in the period 17 January 2013 to 28 March 2013. This report covers all work completed in the period 29 March 2013 to 30 April 2013. Performance information is also included.

## 4. Performance

- 4.1. As at 30 April 2013, 100% of 2012/2013 Audit Plan has been delivered to draft report stage. The other key performance indicators reflecting quality, on time and within budget for the year to 31 March 2013 are summarised in Appendix 1 together with explanations. 84% of draft reports have been delivered on time and 74% within budget. 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. 84% 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 2 lists all assignments completed in the period 29 March 2013 to 30 April 2013. Detailed findings from the two more material pieces of work follow with a link to the strategic risks to which these areas are most closely aligned.

5.2. Assurance over financial risks:  
♦ I210218: Electronic Procurement

There are good iProcurement systems controls in place that include systems access, segregation of duties and permissions. Many key controls, however, within the iProcurement process are not systems controls and the effectiveness of these is dependent on the frequency and robustness of application.

There has been significant investment in the implementation of iProcurement and substantial progress has been made in the introduction of a corporate procurement system. Although good systems controls are imbedded, specific controls which prevent off-contract buying, reduce the volume of non-catalogue and non-iProcurement spend and limit the use of multi-suppliers would benefit from further development to secure additional efficiencies from iProcurement. Twelve actions have been agreed by the client to be delivered by 31 July 2013.

5.3. Assurance over IT risks  
♦ I342805 Follow-Up Roads Costing

Good progress has been made by the client in implementing audit actions identified by a previous audit assignment, I216208 Roads Costing System. As part of the follow-up audit, implementation of three of the four agreed recommendations were reviewed, with the fourth recommendation in relation to the recalculation of overheads, being superseded by subsequent action taken by the client.

In respect of the remaining actions that were due to have been implemented, there was evidence of improved cross-referencing between the two roads project monitoring systems together with the introduction of revised stores issue sheets that are supported by monthly reports and year-end review procedures. Adequate segregation of duties and independent authorisation are imbedded within processes and, overall, assurance was provided that service improvements had been made and sound governance exercised by implementing audit actions.

5.4. Forum members are asked to note findings.

**6. Progress against Strategy**

- 6.1. The 2013/2014 Audit Plan presented to the Forum in April 2013 included details of the planning strategy that had informed the planning process for this year. As required by the Code of Practice, progress against this strategy will now be monitored and reported to the Forum as part of the regular monitoring reports that are presented at each meeting.
- 6.2. All audit areas identified by the strategy have been included within the Plan with work programmed throughout the year to review areas of emerging risk such as information governance and Welfare Reform and recognise areas of inherent risk such as procurement. All assignments included within the Plan have been risk-assessed and work has been tailored to ensure sufficient focus on financial controls, the Council's top identified risks and to meet External Audit expectations. The Plan ensures adequate coverage by Resource of risk and audit work areas, utilising 'intelligent' audit sampling from Continuous Controls Monitoring data to identify key areas for testing.

- 6.3. 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. As of 22 May 2013, 38 assignments from the 2013/2014 Audit Plan were in progress. Any subsequent changes to the Plan will be presented to the Forum which will include an assessment as to the impact any 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 the end of accounting period 2 (7 May 2013), the Internal Audit Section was underspent by £2,910 due, in the main, to savings in employee costs.

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

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

22 May 2013

### **Link(s) to Council Values/Objectives**

- ♦ Objective – Governance and Accountability

### **Previous References**

- ♦ Progress report to RASF April 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 March 2013****Appendix One**

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	98/133	74%	80%	No jobs over budget in the period 29 March to 30 April 2013. Allocated budget days for 2013/2014 have been reviewed to ensure there is a reasonable allowance of time for work to be completed.
Draft reports delivered within 21 days of fieldwork completion	123/147	84%	80%	
2012/2013 Audit Plan completed to draft by 30 April 2013	108/108	100%	100%	
Internal Audit recommendations delivered on time	169/199	85%	85%	
Time taken for clients to agree findings and actions (Target 7 weeks)	97/116	84%	80%	

**List of assignments completed 29 March – 30 April 2013**
**Appendix Two**

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
<b>2011/12</b>				
I251220	Tendering procedures for spend less than £50k	30/03/2012	18/03/2013	Adequate level of assurance that Standing Orders are being complied with given improvements already implemented. Further improvements relate to a more proactive approach to monitoring, recording and controlling of all material Council spend to ensure good governance of Council resources and adherence to EU regulations.
I210218	Electronic Procurement	30/03/2012	10/04/2013	See 5.2.

<b>2012/2013</b>				
I310782	Follow Up Mobile Phones	28/03/2013	28/03/2013	Good progress with 10/10 actions implemented.
I210935	LVJB Planning/Advice and Guidance 2012/2013	26/09/2012	31/03/2013	Report to LVJB.
I311750	Informal Follow-Up 2012/2013	31/03/2013	31/03/2013	Issue of email reminders during 2012/2013 for actions falling due at each month end.
I310806	Follow Up Pre Contract Risk Evaluation	27/03/2013	03/04/2013	Good progress with 6/6 actions implemented.
I212249	Four Weekly Payroll	22/03/2013	04/04/2013	Good controls in place over the move to four-weekly payroll with the new system accruing the expected savings.
I310780	Follow Up Partnership Working	21/03/2013	04/04/2013	Adequate progress with 2/3 actions implemented. Outstanding action in relation to ensuring partnership register is consistent in terms of format and information.
I311760	LVJB Follow-up 2011/12	31/03/2013	05/04/2013	Report to LVJB.
I250939	SLLC Shared Systems	08/04/2013	08/04/2013	Report to SLLC.
I613368	Depot Review	10/04/2013	10/04/2013	Review of depot procedures to identify areas for audit in 2013/2014.
I685328	SLLC Year End 2013	09/04/2013	11/04/2013	Report to SLLC.
I310772	Follow Up Capital Project Estimating	12/04/2013	12/04/2013	Good progress with 4/4 actions implemented.
I310808	Follow Up Risk Management Arrangements	12/04/2013	12/04/2013	Good progress with 2/2 actions implemented.
I311759	SLLC Follow-up 2011/12	27/03/2013	15/04/2013	Report to SLLC.
I342805	Follow Up Roads Costing	11/03/2013	15/04/2013	See 5.3.
I251235	Equifax Checks 2012/2013	17/04/2013	17/04/2013	Provision of Equifax credit reports to Resources during 2012/2013.
I342795	Lighting Stores	18/03/2013	18/04/2013	Adequate controls in place with lighting stores being generally well managed. Agreed improvements in procedures and administration for client to implement by 30 August 2013.
I632323	National Fraud Initiative 2012/2013	25/03/2013	25/04/2013	Facilitate Audit Scotland's NFI exercise through provision of data downloads as required and co-ordinating completion of resulting investigations. Findings from exercise reported separately to the Forum.

I232247	Rolling Benefits Support Programme	30/04/2013	30/04/2013	Effective and robust audit process in place. Reliance can be placed on the results of the rolling programme of Benefits audits.
I611325	Fraud Risk Evaluation Diagnostic Assessment	26/03/2013	30/04/2013	Self-assessment of counter fraud arrangements within SLC. Action Plan developed with all actions to be delivered by 30 September 2013.