SOUTH LANARKSHIRE COUNCIL

Report

Report to:	**Risk and Audit Scrutiny Forum**
Date of Meeting:	**31 May 2016**
Report by:	**Executive Director (Finance and Corporate Resources)**

Subject:	**Internal Audit Activity as at 10 May 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 10 May 2016
- ♦ Detail arrangements for the planned external assessment of the internal audit function

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

(1) that progress and performance is noted

(2) that arrangements for the planned external assessment of the internal audit function are 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 March 2016. This reported on work completed in the period 17 December 2015 to 23 February 2016. This report covers all work completed in the period to 24 February to 10 May 2016. Performance information is also included.

4. Performance
4.1. As at 30 April 2016, 96% of assignments are at draft report stage. The other key performance indicators reflecting quality, on time and within budget for the period to 31 March 2016 are summarised in Appendix One together with explanations. 95% 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. 84% of audit assignments were concluded to a signed action plan within the target seven weeks against a target set of 80%.

5. Findings
5.1. Appendix Two lists all assignments completed in the period 24 February to 10 May 2016. The key messages, in respect of the following significant assignments completed in this period, have been appended to this report:

- ♦ I342014 Health and Safety (Appendix Three)
- ♦ I360011 Information Governance (Appendix Four)
- ♦ I540009 IT Project Management (Appendix Five)

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 has been evidenced by the completion of the 2015/2016 Plan and monitored through the performance indicators that have been regularly reported to the Forum throughout the year. Subsequent changes to the Plan have been presented to the Forum which included an assessment as to the impact such changes would have on the delivery of the overall audit strategy.

7.   Public Sector Internal Audit Standards (PSIAS) – Assessment of Compliance

7.1.   PSIAS requires that a Quality Assurance and Improvement Programme (QAIP) is developed to provide assurance that internal audit activity is conducted in accordance with an Internal Audit Charter, that it operates in an efficient and effective manner and that it is perceived to be adding value and improving operations. This programme includes periodic internal assessments as well as one external inspection once in every five year period.

7.2.   A formal external inspection arrangement was approved in principle by the Risk and Audit Scrutiny Forum (RASF) in February 2014 to allow this review to be undertaken by another local authority. A programme of inspections has subsequently been prepared by the Chief Internal Auditor's Group (SLACIAG) and, for South Lanarkshire Council, this has programmed the above assessment for Quarter 2 of 2016/2017 and for this to be undertaken by Stirling Council's Chief Internal Auditor. This Authority is considered to be sufficiently independent with no known conflicts of interest that would impact on the objectivity of the assessment.

7.3.   The inspection will take the form of an independent validation of a self-assessment checklist and will include an on-site visit to review documentation and files. As part of the process, a questionnaire will be issued to a sample of key stakeholders within South Lanarkshire Council and will include the Chair of the Forum. The purpose of this questionnaire is to establish if the framework for providing internal audit services adds value to the organisation and leads to improved organisational processes and operations. Where appropriate, the external assessor will also meet with the same key stakeholders.

7.4.   At the conclusion of this process, a report will be presented to the Forum detailing the level of the Council's internal audit function's compliance with PSIAS together with an agreed action plan to address any gaps identified as part of the assessment process.

7.5.   An interim self-assessment against this checklist has confirmed Internal Audit is materially compliant with all aspects of PSIAS in 2015/2016 and that the function generally conforms to this set of standards.

7.6.   The Risk and Audit Scrutiny Forum is asked to note the arrangements in place for this assessment and for reporting the outcome in due course.

8.   Employee Implications
8.1.   There are no employee issues.

9.   Financial Implications
9.1.   At the end of the financial year 2015/2016, Internal Audit had a marginal overspend against budget (£0.001m).

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)
11 May 2016

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

Previous References
 ♦ Public Sector Internal Audit Standards 18 February 2014
 ♦ Internal Audit Plan 2015/2016 3 March 2015
 ♦ Progress report to RASF 19 May 2015
 ♦ Progress report to RASF 14 July 2015
 ♦ Progress report to RASF 22 September 2015
 ♦ Progress report to RASF 27 October 2015
 ♦ Progress report to RASF 19 January 2016
 ♦ Progress report to RASF 15 March 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:-

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Key audit performance indicators as at 31 March 2016   **Appendix One**

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	78/98	80%	80%	
Draft reports delivered within 21 days of fieldwork completion	87/92	95%	80%	
2015/2016 Audit Plan completed to draft by 30 April 2016	64/100	64%	100%	96% (119/124) of 2015/2016 Audit Plan completed to draft stage by 30 April 2016
Internal Audit recommendations delivered on time	139/153	91%	90%	
Time taken for clients to agree findings and actions (Target 7 weeks)	73/87	84%	80%	

List of assignments completed 24 February to 10 May 2016   Appendix Two

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
Prior Years				
I342014	Health and Safety	31/03/2015	22/03/2016	See Appendix Three
I360011	Information Governance	31/03/2015	19/04/2016	See Appendix Four

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
2015/2016				
I923026	LVJB House Sales and Council Tax Amends	22/01/2016	22/02/2016	Reported to LVJB.
I674043	Employee - Private Work	01/10/2015	07/03/2016	Allegation unfounded. Additional controls implemented to address control gaps.
I674052	Employee - Theft	21/12/2015	07/03/2016	Employee resigned.
I675044	School Funds – Standing Order Fraud Attempt	07/03/2016	07/03/2016	Fraud identified and stopped by Bank. Insufficient evidence available to investigate. Further controls implemented within Service.
I678040	Employee – Conduct Issue	29/02/2016	07/03/2016	Insufficient evidence to substantiate. Employee re - briefed on obligations arising from Code of Conduct.
I678045	Employee – Conduct Issue	01/10/2015	07/03/2016	No evidence to substantiate. Employees re-briefed on obligations arising from Code of Conduct.
I340029	Carbon Reduction Commitment 2015 Audit	18/01/2016	09/03/2016	The Council has set up effective arrangements to accurately report carbon emissions and to order and make payments to the CRC Registry. These arrangements have continued into the first year of Phase 2 (2014/15).
I810006	Audit Plan 2016/17	15/03/2016	15/03/2016	Preparation and presentation for approval of 2016/2017 Plan.
I340030	Procurement Capability Assessment 2015	23/03/2016	23/03/2016	Now the Procurement and Commercial Improvement Programme (PCIP). This will not take place within the current financial year (2015/16). The current programme of PCIP assessments due to commence in May 2016.
I916032	SLLC Fraud Alerts 2015/2016	24/03/2016	24/03/2016	Reported to SLLC.
I255059	City Deal 2015/16	23/03/2016	29/03/2016	Undertaking research to inform 2016/17 audit work.

				Attend meetings throughout the year and provide information as required.
I720029	Finance Review 2015/2016	21/03/2016	29/03/2016	Participation in review and provision of information as required.
I256037	Scaffolding Scrutiny Group 2015/2016	31/03/2016	31/03/2016	Participation in Council-wide contract scrutiny groups throughout the year and provision of assurance surrounding the robustness of the process at each stage.
I363027	FOI Requests 2015/2016	31/03/2016	31/03/2016	Responded to FOI enquiries received by South Lanarkshire Council throughout 2015/2016.
I411021	Informal Follow-up 2015	31/03/2016	31/03/2016	Provided quarterly advanced prompts of actions falling due. Collated responses for reporting.
I414024	Follow Up Audit Scotland Reports 2015	31/03/2016	31/03/2016	Research on targeted follow-up work required by External Audit for the financial year ended 31 March 2016.
I615030	Fraud Alerts 2015	31/03/2016	31/03/2016	Dissemination of fraud alert information to Council Resources.
I640028	National Fraud Initiative 2015	31/03/2016	31/03/2016	Provision of support throughout 2015/2016. Provision of data uploads as required and coordination of investigation of resulting matches.
I720013	Advice and Guidance	31/03/2016	31/03/2016	Provision of advice and guidance to Resources throughout the year in response to specific queries.
I720030	Advice Services Review 2015/2016	25/03/2016	31/03/2016	Participation in review group. Attend meetings and complete allocated tasks.
I731017	Information Governance Board 2015	13/01/2016	31/03/2016	Attend as required, researched, prepared written advice where necessary, completed actions and reported on progress throughout the year.
I732016	Attend SLACIAG meetings and Sub Groups 2015	31/03/2016	31/03/2016	Attended meetings throughout the year and responded to queries from other member Authorities.
I740015	Equifax Checks 2015	31/03/2016	31/03/2016	Provision of Equifax company and directors checks to Resources throughout 2015/2016.

I830010	Cyber Security	31/03/2016	31/03/2016	Developed a programme of tests to be used in 2016/17.
I924027	LVJB FUP Informal and Formal 2015/2016	31/03/2016	31/03/2016	Reported to LVJB.
I420025	Devolvement of Powers	29/03/2016	04/04/2016	Research completed to inform future Audit Plans.
I914034	SLLC Formal Follow Up 2015/2016	25/03/2016	04/04/2016	Reported to SLLC.
I256035	Waste Scrutiny Group 2015/2016	23/03/2016	07/04/2016	Participation in Council-wide contract scrutiny groups throughout the year and provision of assurance surrounding the robustness of the process at each stage.
I911030	SLLC Audit Plan 2016/2017	23/03/2016	08/04/2016	Reported to SLLC.
I921025	LVJB Audit Plan/Administration Update 2015/16	04/04/2016	08/04/2016	Reported to LVJB.
I410031	Follow Up Right to Buy	01/03/2016	13/04/2016	Good progress with 7/7 actions implemented.
I912036	SLLC Procurement and Contract Management	31/03/2016	20/04/2016	Reported to SLLC.
I913037	SLLC Data Protection and Information Governance	24/03/2016	25/04/2016	Reported to SLLC.
I413023	Follow up External Audit Actions 2015	25/04/2016	29/04/2016	Monitored progress with delivery of external audit actions. Results to be reported within annual assurance report.
I222027	LEADER Audit 2015	30/04/2016	30/04/2016	Review of compliance requirements for new LEADER programme.
I341023	Significant Case Reviews	30/04/2016	30/04/2016	Research completed to inform future Audit Plans.
I370021	Assurance Mapping	30/04/2016	30/04/2016	Collation of information from external inspections and reviews during 2015/2016 to inform annual Internal Audit Statement of Assurance.
I931044	SEEMIS Advice Guidance and Planning	30/04/2016	30/04/2016	Reported to SEEMIS.
I933045	SEEMIS System Security Training	30/04/2016	30/04/2016	Reported to SEEMIS.
I410029	Follow Up Waste Management IT System	27/04/2016	03/05/2016	Adequate progress with 4/5 actions implemented. One action referred back to Resource regarding the reconciliation of reported data and investigation of any variances.
I540009	IT Project Management	05/04/2016	04/05/2016	See Appendix Five.

I928028	LVJB Year End 2015/2016	21/04/2016	09/05/2016	Reported to LVJB.
I674051	Employee - Missing Money	12/04/2016	10/05/2016	Insufficient evidence to substantiate. Improved controls to be implemented by Service.

Objective
The objective of the audit is to obtain assurance that performance monitoring and audit arrangements for Health and Safety are well controlled across Resources.

Key Summary

Audit testing found that there was an adequate level of control over Health and Safety arrangements.

The Health and Safety Service maintains a database of properties/locations and audit of these. The frequency of their audits is based on the level of risk.

They also carry out sample audits of the management of Health and Safety, and perform unannounced visits to fixed locations and to places where employees are carrying out tasks, e.g. at road works, or a bin lorry.

There were differences across Resources of arrangements to report on issues and track completion of actions.

Identification of Key Findings
- Health and Safety guidance and requirements is available on the Intranet
- The Health and Safety Service holds a database of properties and records details of audits carried out
- Each Resource has a lead officer with responsibility for Health and Safety and has Health and Safety groups that meet to discuss and promote Health and Safety
- The Health and Safety Service attends the Resource Health and Safety groups
- Each Resource has a Health and Safety action plan, progress with their actions is reviewed and all outcomes are reported. Formal follow up is undertaken through the completion of the afore mentioned audits, accident investigation etc

Areas for Improvement
- Resources completing the acknowledgement and agreement of action stemming from audits by ensuring response to all audit action plans within seven working days. Follow up of audit actions to ensure completion
- Resource reporting arrangements

Good Practice
- Procedures and guidance
- Risk based approach to determine the frequency of visits by Health and Safety Service

Objective

The audit objective was to obtain assurance that declared control measures to mitigate the top risk "Information Management not subject to adequate control," are in place and working satisfactorily.

Key Summary

There is adequate assurance that declared control measures to mitigate the Council's exposure to information governance risks are in place and working satisfactorily.

Identification of Key Findings

- Information governance risk is managed by the Information Governance Board (IGB)
- Information Security Incident Log is operational
- There are six information governance Learn Online courses and training is organised for nominated staff on handling information requests
- Resource briefings and guidance to staff on Information Governance are recorded on the IGB training register
- There is a range of policies and procedures supporting information Governance
- There are generally good controls for ensuring compliance with Information Commissioner's Office (ICO) Codes of Practice (COP), however some gaps have been identified
- There is an ongoing audit programme of work on information governance controls
- The Information Strategy and Improvement Plan were approved in October 2014
- IGB monitors and reports on actions arising from Internal Audit information governance reports
- The Information Governance Checklist and Confidential Waste Guidance were revised in 2014

Areas for Improvement

- CCTV Guidance
- Management of ICO COP

Good Practice

- IGB
- Policies and procedures
- Regular audits

Objective

The objective of this audit was to confirm there is an effective system of project management in place that can be applied to all IT projects. In order to achieve this, projects were identified and checks undertaken to confirm that the Council's project management approach was followed by Resources for a sample of IT projects and that key controls were in place.

Key Summary

Overall there is adequate assurance that the Project Management Approach (PMA), in place, is based on PRINCE2 methodologies and is being applied to IT Projects. To provide support for this, the Service implemented a system, IT Toolkit, to assist in the management and documentation of the IT projects it oversees. The functionality of the system was not part of this audit review but it was recognised that its purpose is to facilitate the adherence to PRINCE2 principles. It was confirmed that the utilisation of the system was not fully comprehensive with project related documentation being held 'off-system' or not always available for review. Actions have been recommended that, if implemented, will address the identified gaps and add value to the already established process.

Identification of Key Findings
- Established standard documentation in place
- The PMA is flexible and scalable
- Projects are planned and resourced as required
- Specific risks are documented for each project
- There is an established review structure in place for projects

Areas for Improvement
- Review of the availability of guidance documentation
- Update documentation to reflect current structures and practices
- A central repository to be populated with documentation for all projects
- Access to a central document repository to be enabled for all project related personnel.
- Budgetary reviews and procurement decisions to be documented throughout the lifetime of the project.

Good Practice
- The PMA is based on PRINCE2 methodologies
- Project planning and resourcing is effective
- Identification, documentation and mitigation of project specific risks
- Evidence of compliance with procurement policies and procedures.