

Report

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Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	30 August 2016
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Internal Audit Activity as at 5 August 2016
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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 5 August 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 May 2016. This reported on work completed in the period 24 February to 10 May 2016. This report covers all work completed in the period to 11 May to 5 August 2016. Performance information is also included.

4. Performance

4.1. As at 5 August 2016, 39% 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 30 June 2016 are summarised in Appendix One together with explanations. 98% of draft reports have been delivered on time and 68% 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. 67% 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 11 May to 5 August 2016. The key messages, in respect of the following significant assignments completed in this period, have been appended to this report:

- ◆ I232032 Discretionary Housing Payments (Appendix Three)
- ◆ I341026 Community Planning (Appendix Four)
- ◆ I342035 Self Directed Support (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 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)

10 August 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

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 30 June 2016

Appendix One

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	23/34	68%	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	45/46	98%	80%	
2016/2017 Audit Plan completed to draft by 30 April 2017	0/73	0%	100%	39% of the 2016/2017 Audit Plan has been started.
Internal Audit recommendations delivered on time	9/9	100%	90%	
Client to agree findings and actions within 4 weeks of draft issue	18/27	67%	80%	Mostly relate to closedown of old year assignments. Anticipate that target will be met by the end of the financial year.

List of assignments completed 11 May to 5 August 2016

Appendix Two

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
Prior Years				
I342025	Pool Cars	30/04/2016	30/04/2016	Completion of analysis work.
I733019	PSIAS inspection 2015/2016	30/04/2016	30/04/2016	Preparation for PSIAS inspection in 2016/17.
I372018	Performance Indicators	18/04/2016	09/05/2016	Review and revision of internal performance measurements in preparation for PSIAS.
I232032	Discretionary Housing Payments	11/04/2016	17/05/2016	See Appendix Three.
I232033	Single Fraud Investigation Service	01/04/2016	17/05/2016	Evidence of SLC compliance with the Service Level Agreement with the Fraud and Error Service with performance measures being met in most cases. Some improvements could be made in respect of Department of Work and Pension's level of compliance.
I720014	Advice and Guidance Housing Benefit 2015	22/04/2016	23/05/2016	Adequate assurance was obtained that controls within Housing Benefit processes are in place and working satisfactorily. Internal Audit able to place reliance on this work.
I911029	SLLC Admin Update and Committee Reports	23/03/2016	31/05/2016	Reported to SLLC.
I914033	SLLC Informal Follow Up 2015/2016	09/03/2016	31/05/2016	Reported to SLLC.
I620049	NDR Discount Review	13/04/2016	01/06/2016	Adequacy of controls in place to address fraud risks requires some improvement. To address the risk of fraud, actions were agreed such as the use of checklists and a more structured programme of visits.
I918031	SLLC Annual Assurance Report 2015/2016	29/04/2016	17/06/2016	Reported to SLLC.
I931043	SEEMIS Governance Checklist	11/04/2016	21/06/2016	Reported to SEEMIS.
I934047	SEEMIS Follow-up 2015/2016	11/04/2016	21/06/2016	Reported to SEEMIS.
I620056	Money Laundering	13/05/2016	27/06/2016	Draft Anti Money Laundering Policy has been developed and will now be finalised and

				<p>presented to Committee. There was comprehensive documentation of the procedures and controls that support the detection and prevention of fraudulent practices.</p> <p>Learn on Line training on fraud awareness available but this needs to be amended to cover Anti Money Laundering.</p> <p>Testing of the sampled accounts confirmed authorisation and control of the refund process and ongoing reporting of credit balances on accounts to allow identification and action by administration teams.</p>
I410032	Follow Up Social Facility	25/04/2016	28/06/2016	Some progress with 5/8 actions completed. Remaining actions will be followed up in 2016/17.
I341026	Community Planning	25/04/2016	30/06/2016	See Appendix Four.
I360033	Information Governance 2015 Audit	31/03/2016	06/07/2016	Adequate assurance that data transfer controls were operating as intended.
I410017	Follow Up Looked After Children	21/04/2015	08/07/2016	Some progress with 3/5 actions completed. Remaining actions will be followed up in 2016/17.
I674055	Misconduct allegation	21/04/2016	08/07/2016	Evidence to substantiate the allegation although could not attribute specific responsibility. Poor controls in place within the process and not sufficient to identify fraud or error. New Council system being introduced that will improve controls and further improvements have been agreed to mitigate against the risk of fraud and error in this area.
I676057	Social facility investigation	20/04/2016	08/07/2016	Evidence to support the allegation but not to suggest a fraud has been committed as there was no evidence of personal gain. Management decision-making not robust and highlighted that

				procedures and management control over the process were insufficient. Actions to address control issues agreed with Resource.
I672038	Purchase of vouchers	19/04/2016	19/07/2016	Concerns substantiated around efficient and effective use of resources. Although not a material sum of money, controls could also be improved to guard against fraud and misuse. Action plan agreed to address issues identified.
I613015	Public Folders Deletion	07/12/2015	29/07/2016	Key risks have been addressed and robust procedures been put in place.
I342035	Self Directed Support	30/04/2016	05/08/2016	See Appendix Five.

2016/2017				
I672081	Employee Private Work	03/06/2016	07/06/2016	Allegation unsubstantiated.
I672077	Contractual arrangements	22/07/2016	22/07/2016	Review of contractual arrangements in relation to social care cases.
I340037	PCIP 2016/17	20/07/2016	03/08/2016	Participation in preparation for and attending PCIP assessment. The assessment undertaken by Scotland Excel commented on the quality of the evidence, the professional nature of the presentation and the amount of effort invested in the assessment by SLC. A final score of 71.4% was achieved and places SLC in the upper echelon of the full assessment performance banding and was in close proximity of the self-assessed score, which reflects a good internal understanding of SLC's procurement capability.

Objective

The audit objective was to confirm that Discretionary Housing Payments (DHPs) are being administered appropriately in compliance with regulations; and, to ensure that the additional funding allocated by the Scottish Government has been prioritised for claimants affected by Welfare Reform changes.

Key Summary

Adequate assurance was obtained that DHPs are being administered and monitored appropriately. During the audit fieldwork, it was established that the benefit system was unable to produce a report showing the committed spend to the financial year end split across each welfare reform category which is essential in ensuring the funding was not overspent. However, prior to finalising the report, the software company responsible for the system addressed the issue. It was subsequently confirmed that the Council did not exceed their allocated funding at year end.

Identification of Key Findings

- Local procedures contain the key Government regulations on DHPs
- DHP awards and refusals are made in compliance with regulations
- DHP applications for under occupancy are automatically awarded
- Procedures should be updated to reflect the actual process undertaken in relation to discussing the DHP with the claimant and their agreement, prior to making a decision
- Reports are regularly produced to monitor the budget for DHPs
- Elected Members are kept up to date with DHP spend
- Statistics on DHP are sent to Scottish Government on a monthly basis

Areas for Improvement

- Housing Benefit procedures should be updated to reflect the actual process for discussing the DHP with the claimant and their agreement.

Good Practice

- Although not in the procedures, the decision makers record the priority criteria used when making a decision onto the benefits system notepad thus enhancing the audit trail

Objective

The audit objective was to confirm that the key messages and recommendations published by Audit Scotland are being acted upon by the South Lanarkshire Community Planning Partnership.

Key Summary

Audit Scotland's key messages and recommendations for Community Planning Partnerships are being addressed through the leadership of a High Level Working Group, which aims to deliver transformational change for the CPP. Work continues on this with a view to sustaining momentum and delivering the objectives.

Identification of Key Findings

- Audit Scotland's reports in 2014 and 2015 have key messages and recommendations for CPPs.
- High Level Working Group initiated to address the Audit Scotland recommendations and plan transformational change.
- The work of the group has been reported back regularly to the Board during 2015.
- Some progress made against the three recommendations made by Audit Scotland

Objective

The audit objective was to provide assurance that the Council is on target for the full implementation of Self Directed Support (SDS) by the government deadline of 2020.

Key Summary

- Overall, good assurance was obtained that Self Directed Support within South Lanarkshire Council is still on target for full implementation, for each of the relevant Resource Services, by the deadline of 2020. All actions required to enable this have been addressed and are either complete or nearing completion, therefore, it is expected the deadline will be met. Currently, the majority of Home Care is part of the pre-SDS process only. Reviews are underway in relation to going forward with the full SDS process and any implications this could have. All employees who would undertake the Home Care assessment will have been trained thus reducing the requirement to carry out additional training. However, overall there remains a risk in relation to operational working practices not being fully compliant, that is, giving the Service User choice and control. An SDS operational review has been included in the 2016/17 Audit Plan to provide further assurance in this area.

Identification of Key Findings

- A SDS project Board was set up and project plans were produced to manage implementation, with each task being allocated to responsible personnel.
- Project plans incorporated National and Audit Scotland guidance to ensure full compliance and were approved by the SDS Project Implementation Board.
- The Board meets on a regular basis to report on and discuss updates to the project plan, achievements, issues and actions required.
- Two project plans have been produced with all tasks recorded within the initial 2013/15 plan being completed or carried forward to the 2015/16 plan.
- Although slippage has occurred, all key tasks are due to be completed by the end of the 2016/17 financial year – three years prior to the deadline.
- Contingency arrangements are in place to ensure that employee working practices will be regularly monitored. Assurance was given that corrective action will be taken where required, to ensure full compliance with regulations.

Areas for Improvement

- No areas for improvement are required at this time.

Good Practice

- Key tasks were allocated to responsible employees.
- Regular meetings are held, along with sub-groups; to review and analyse achievement of the key stages of implementation.
- Pilot schemes were undertaken prior to being fully rolled out to ensure processes were working satisfactorily.