Report

Report to:	**Risk and Audit Scrutiny Committee**
Date of Meeting:	**18 September 2018**
Report by:	**Executive Director (Finance and Corporate Resources)**

Subject:	**Internal Audit Activity as at 29 August 2018**

1. Purpose of Report
1.1. The purpose of the report is to:-

   ♦ update the Risk and Audit Scrutiny Committee (RASC) on progress by, and performance of, the Internal Audit Service in the period to 29 August 2018

2. Recommendation(s)
2.1. The Committee 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 Committee throughout the year. The last progress report to the Committee, formerly the Risk and Audit Scrutiny Forum, was in June 2018. This reported on work completed in the period 3 March to 18 May 2018. This report covers all work completed in the period 19 May to 29 August 2018. Performance information is also included.

4. Performance
4.1. As at 29 August 2018, approximately 69% of the 2018/2019 Audit Plan has been started. The other key performance indicators reflecting quality, on time and within budget for the period to 31 July 2018 are summarised in Appendix One together with explanations. 80% of draft reports have been issued 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. 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%.

4.3. Committee members are asked to note performance.

5. Findings

5.1. Appendix Two lists all assignments completed in the period 19 May to 29 August 2018 and the key messages, in respect of the following significant assignments completed in this period, have been appended to this report:

- LED Lighting – progress with targets (Appendix Three)
- Pupil Equity Fund (Appendix Four)
- User Interface IT Audit 2017/18 (Appendix Five)

5.2. Aside from delivering a programme of audit assignments, Internal Audit also facilitated a self-assessment by the Information Governance Board of progress with actions to ensure compliance with the General Data Protection Regulations (GDPR), which were effective from 25 May 2018. The findings were discussed with the Information Governance Board on 21 August 2018 and follow-up work will be undertaken by the end of September 2018 to assess progress with completion of the remaining actions.

5.3. Committee members are asked to note 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 Committee 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 2018/2019 Plan and this will be monitored through the performance indicators regularly reported to the Committee. Any subsequent changes to the Plan will be presented to the Committee, 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)
29 August 2018

Link(s) to Council Objectives/Ambitions/Values
- Achieve results through leadership, good governance and organisational effectiveness

Previous References
♦ Internal Audit Plan 2018/2019 – Risk and Audit Scrutiny Forum 21 March 2018

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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Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	14/21	67%	80%	Most assignments delivered outwith budget were marginally over budget. One assignment related to advice and guidance and participation in an internal working group where more days were required than was originally anticipated.
Draft reports delivered within 6 weeks of file review	8/10	80%	80%	
2018/2019 Audit Plan completed to draft by 31 March 2019	6/54	11%	100%	Approximately 69% of 2018/2019 Audit Plan has been started and plans are in place to deliver this programme of work by 31 March 2019.
Internal Audit recommendations delivered on time	39/40	98%	90%	
Client to agree findings and actions within 4 weeks of draft issue	6/7	86%	80%	

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
Prior Year Assignments				
I341053	Progress with Targets LED Lighting	03/04/2018	21/05/2018	See Appendix Three
I410050	Follow Up of Anti-Fraud Checks (Schools)	13/03/2018	25/06/2018	Poor progress made with completion of agreed actions, with five actions, from nine, still outstanding. Revised implementation dates have been agreed with Education Resources and will be followed up by Internal Audit.
I613096	School Funds	30/03/2018	25/06/2018	Adequate assurance that controls were in place at the sample schools to deter and detect fraud. The introduction of ParentPay should mitigate some cash risks.
I674109	Fuel Theft	01/06/2018	01/06/2018	The allegation could not be substantiated, no action taken against individual. Further work required to establish all control gaps and identify effective improvement actions where required.
I342059	Medication - Social Work	30/03/2018	13/06/2018	Procedures followed in relation to administration and monitoring of medication at the sample care homes. Additional good practice could be rolled out to other care homes.
I220066	Pupil Equity Fund Audit	29/03/2018	25/06/2018	See Appendix Four
I541018	IT Audit (User Interface)	20/03/2018	03/07/2018	See Appendix Five
I620076	Chargeback	04/07/2018	04/07/2018	Council's online pages for Council Tax (CT) and Non Domestic Rates (NDR) were updated to advise SLC

				customers that the Council does not offer discounted terms to third party companies for payment of NDR or CT bills. Further work will be carried out to review the adjustment resulting from differences in "fast payments" to ensure discrepancies are followed up where required.
I342052	Self-Directed Support	29/03/2018	17/07/2018	Adequate assurance obtained for Adult and Older People Service of compliance with SDS Regulations. Implementation process is not as advanced in Children and Family Service, with standard systems forms to be finalised. Overall, adequate assurance obtained that progress is being made and, provided this is maintained, the deadline for implementation by 2020 will be met.
I350064	General Data Protection Regulations	14/03/2018	17/07/2018	See 5.2.
I613098	School Catering Monies Spot Checks	15/03/2018	17/07/2018	Series of routine school meal cash spot-checks. Testing generally concluded that basic controls needed to safeguard school meal income were in place.
I674115	Pupil Equity Fund	29/03/2018	17/07/2018	Collective PEF expenditure across two schools marginally breached Council's procurement regulations. Further controls are now in place within iProc to prevent reoccurrence.

2018/2019				
Internal Audit - Assurance Reviews				
I676144	Contractor Invoices	19/07/2018	19/07/2018	Technical error that was altering scanned copies of invoices. Now resolved.

2018/2019				
Internal Audit – Other Output				
I674147	School Meals Income Theft	03/07/2018	03/07/2018	Allegation of theft unsubstantiated.
I672150	School Closing Times	24/07/2018	24/07/2018	Allegation substantiated of employees claiming for time not worked. Employees dismissed.

2018/2019				
External Clients				
I928079	LVJB Annual Report	01/06/2018	04/06/2018	Reported to LVJB.
I912069	SLLC Trading Analysis	30/04/2018	12/06/2018	Reported to SLLC.
I948085	IJB Annual Report	26/06/2018	26/06/2018	Reported to the IJB.
I944084	IJB Follow-Up of Actions	26/06/2018	26/06/2018	Reported to the IJB.
I942083	IJB Financial Planning	29/05/2018	26/06/2018	Reported to the IJB.
I941086	IJB Audit Management	26/06/2018	26/06/2018	Reported to the IJB.
I916067	SLLC Vending Machine Discrepancies	18/04/2018	29/06/2018	Reported to SLLC.

I341053   LED Lighting – Progress with Targets   Appendix Three

Objective
To summarise the progress with the project targets and deliverables for the LED Street Lighting Programme, agreed at the Executive Committee in March 2015.

Key Summary
The progress made with the Street Lighting Improvement Programme is meeting expectations and is appropriately reported through both the Council and Resource Plans.

Identification of Key Findings
• The original timescales and deliverable were set out in Executive Committee Report of March 2015 – all LEDs renewed in 3 years and 7000 of the oldest columns within 5 years. • Bi-annual IMPROVe updates made to Council and Resource Plans • Good progress made on both areas of the project in Years 1 and 2. • Accelerated programme progress is a result of unit cost reductions for LEDs and street lighting columns. • The supporting project data correlates with the Q2 and Q4 IMPROVe reports. • Energy consumption has decreased by 44%; in line with expectations set out in the original plan. • Reduced energy costs have provided savings of £0.91m pa at the end of year 2. • Carbon emissions savings of 1,613 tCO2e has been achieved **Good Practice** • Project change management arrangement in place; that are developing the progress made in Years 1 and 2 of the programme.

Objective

To assess the controls in place that will ensure Pupil Equity Funding is being effectively invested to facilitate an improvement in educational outcomes for children affected by poverty.

Key Summary

PEF is at the early stages of development and implementation. Adequate assurance was obtained over the controls in place to ensure the governance arrangements being developed for PEF which should contribute towards the objective of closing the poverty related attainment gap.

Identification of Key Findings

• Education Resources have identified governance gaps in the PEF risk card (June 2017)

• Local PEF guidance issued to supplement the National Operational Guidance.

• The key principles of PEF are being developed in South Lanarkshire.

• The transparency of PEF arrangements are variable at present

• PEF plans were in place for most of the seven sample schools reviewed.

• PEF financial plans returned by 82% of all school establishments

• Purchase cards to be used for PEF expenditure are managed by a 'Procedure for Use' developed by Procurement Services.

Good Practice

• The PEF section incorporated into the Establishment Improvement Plan.

• Where evidenced PEF Consultation with parents and stakeholders.

Objective

The objective of this audit was to obtain assurances that the mobile security policy is comprehensive and considers the processes for authorising users to work both from home and access the corporate network remotely. The audit examined three areas of cyber security where the user interfacing with the IT environment could cause security related issues. Firstly, user education of the risks and polices that document users' responsibilities with regard to cyber security. Secondly, the controls and granting of privileges to allow a user to connect to the IT network and the implemented password policy. Finally, the technical controls and polices to govern users that access the IT network remotely were examined.

Key Summary

Overall, there was adequate assurance that the controls in place to enable users to remotely access the Corporate IT network are effective and robust. The proliferation and use of removable media is a risk to the Council in terms of data security, and this risk is increased if used outside of the office environment and the presence of physical controls. It is recommended that IT Services fully enable the controls at their disposal to mitigate this risk, and, in the interim, provide reports to the business units to allow local awareness of this risk.

There is a range of courses available via the Council's online training portal that covers the area of information governance and security. It is noted that courses have been implemented and are in development that will address the gaps in the provision of training in the specific area of cyber security and include coverage of the emerging risks in the area.

All Council issued mobile devices are encrypted and are certificated to allow an authenticated remote connection to the corporate network. Reliance is placed on users to maintain effective password and information security when out of the office. Remote connection to the corporate network utilises a secure connectivity protocol. There is additional assurance in the implemented password policies conform to industry best practice.

Actions have been recommended that, if implemented, will address the risks identified and augment the already robust controls and processes in place.

Identification of Key Findings

- There is a suite of policy documents in place that cover the key aspects of cyber security. Mobile /remote working is not specifically addressed in detail in the documents, however, the contents apply to all IT systems regardless of how they are accessed.
- Every user of the network agrees to be bound be these policies during login to the IT network.
- Reliance is placed on users to maintain effective password and information security when out of the office.
- Encryption and certification of Council issued mobile devices, as a default, mitigates the risk of unauthorised connections and malware intrusion.

Areas for Improvement

- Awareness of policies, their content and consequence of breaching to be raised.
- Control of the use of removable media and USB connectivity to be implemented.
- Training resources to be reviewed, revised and updated, where appropriate.
- Consider how to raise awareness of Cyber Security risk to employees who do not have Learn on Line (LOL) access.

Good Practice

- Compliance with industry standard with regards to the complex password policies.
- Password self-service realising efficiency savings.
- Resilience in the provision of network administration support.
- A LOL course on Cyber Security has been developed and will be rolled out to all employees with LOL access.