

Report

Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	24 January 2018
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Internal Audit Activity as at 29 December 2017
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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 29 December 2017

2. Recommendation(s)

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

- (1) that progress and performance is noted
- (2) that revisions to the 2017/2018 Plan are endorsed

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 November 2017. This reported on work completed in the period 1 September to 13 October 2017. This report covers all work completed in the period 14 October to 29 December 2017. Performance information is also included.

4. Performance

4.1. As at 29 December 2017, approximately 90% of the 2017/2018 Audit Plan has been started. The other key performance indicators reflecting quality, on time and within budget for the period to 30 November 2017 are summarised in Appendix One together with explanations. 77% of draft reports have been delivered on time and 87% 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. 74% 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. Forum members are asked to note performance.

5. Findings

5.1. Appendix Two lists all assignments completed in the period 14 October to 29 December 2017.

5.2. Forum 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 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 2017/2018 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. Review of 2017/2018 Audit Plan

- 7.1. PSIAS also requires a review of the current year's Audit Plan on a regular basis to allow adjustments to be made to the Plan in response to changes in the organisation's business, risks, operations, programmes, systems and controls.
- 7.2. In addition to these ongoing reviews, during 2017, External Audit highlighted an expectation that the annual Internal Audit Assurance report should be considered by the Forum at the same meeting as the draft annual Governance Statement. Historically, the Internal Audit opinion on the adequacy of financial and operational controls expressed within the draft Governance Statement each year was drawn from annual Internal Audit Assurance report albeit this audit report was not presented in full until a subsequent meeting of the Forum.
- 7.3. To formally evidence that the annual Internal Audit Assurance report informs the draft Governance Statement, moving forward, the Internal Audit plan will now be concluded to draft report stage by 31 March as opposed to the existing 30 April timescale. This will facilitate the earlier preparation of the annual Internal Audit Assurance report allowing this to be presented to the Forum by the end of June each year at the same time as the draft Governance Statement.
- 7.4. Resource planning at the outset of 2017/2018 assumed a cut-off date of 30 April 2018. As a result of a change to this date, it is necessary to realign the planned programme of work to reflect the revised completion date of 31 March 2018. Noted in the table below are three assignments that were planned to be completed in 2017/2018 but it is now proposed are completed in 2018/2019. For each of these three assignments, deferring to 2018/2019 either accommodates other inspections and reviews or will support better audit output.

Assignment Number	Assignment Title	Reason
I342058	Community Payback Order review	Deferred to 2018/2019 to accommodate planned Care Inspectorate visit commencing January 2018
I342061	Mobile Working	Deferred to 2018/2019 to allow related audit work to be completed and new procedures and practices to be embedded
I350063	Financial Strategy	Deferred to 2018/2019 to allow a fuller review of long term strategy

7.5. This proposed deferral of assignments from the 2017/2018 Audit Plan to 2018/2019, alongside the management of existing assignments will allow the amended year end timescale to be met. These amendments are considered to comply with the overall audit strategy and will have no impact on the ability to express an opinion within the Annual Assurance report for 2017/2018.

8. Independent Review of Compliance with PSIAS

8.1. This review has now concluded and the draft output issued in January 2018. There are no significant items arising from the review. A final report will now be presented to the Forum in March 2018.

9. Internal Audit Plan 2018/2019

9.1. In 20 September 2017, alongside the 2017/2018 Audit Plan, a strategic plan for 2018/2019 and 2019/2020 (see Appendix Three) was presented to the Forum. These plans were subsequently approved by Executive Committee on 27 September 2017. Consultation meetings are being convened with Resources and External Audit during January 2018 to confirm the content of the 2018/2019 Plan continues to be appropriate and relevant.

9.2. The Forum should also consider this plan of work for 2018/2019 and advise the Audit and Compliance Manager by 2 February 2018 of any significant areas that they consider are not covered by the Plan.

10. Employee Implications

10.1. There are no employee issues.

11. Financial Implications

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

12. Other Implications

12.1. 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.

12.2. There are no implications for sustainability in terms of the information contained in this report.

13. Equality Impact Assessment and Consultation Arrangements

13.1. There is no requirement to equality assess the contents of this report.

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

Paul Manning

Executive Director (Finance and Corporate Resources)

29 December 2017

Link(s) to Council Values/Objectives

- ◆ Objective – Governance and Accountability

Previous References

- ◆ Internal Audit Plan 2017/2018 to RASF 7 March 2017
- ◆ Progress report to RASF 14 June 2017
- ◆ Progress report to RASF 20 September 2017
- ◆ Internal Audit Plan 2017/2018 to RASF 20 September 2017
- ◆ Progress report to RASF 1 November 2017

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 November 2017

Appendix One

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	27/31	87%	80%	
Draft reports delivered within 6 weeks of file review	20/26	77%	80%	Marginally below target. Anticipate target will be met by 31 March 2018.
2017/2018 Audit Plan completed to draft by 31 March 2018 ¹	13/72	18%	100%	Approximately 90% of 2017/2018 Audit Plan has been started and plans are in place to deliver this programme of work by the revised deadline of 31 March 2018.
Internal Audit recommendations delivered on time	39/40	98%	90%	
Client to agree findings and actions within 4 weeks of draft issue	17/23	74%	80%	Improving performance month on month. Anticipate that target will be met by 31 March 2018.

¹ Amended from 30 April 2018 (see 7.2)

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
Prior Year				
I614068	Employee Single Person Discount	24/10/2017	02/11/2017	Match of Council datasets identified those who could be receiving Single Person Discount in error. Referred to Service for further investigation with detailed update on outcome of investigations to be reported to Internal Audit by agreed date.
I676085	Allegation Grant Funds	22/11/2017	22/11/2017	Allegation unsubstantiated during initial research phase.
I212009	Follow Up Procedural Checks on Expenses	16/05/2017	13/12/2017	Good progress with 4/4 actions implemented.

2017/2018				
I672121	Operational Practices within Social Work Service	12/10/2017	12/10/2017	Review of area practices. This confirmed that operational procedures have been prepared and were to be implemented at the beginning of November 2017. Internal Audit were satisfied that, in the interim, there was reasonable evidence of fair and equitable processes based on sample testing for a specific period in time. Social Work Resources provided detailed information to Internal Audit regarding operational practices which, in principle, appeared to be fair. Further follow up work instructed in this area.
I674127	Private Work	26/10/2017	26/10/2017	Allegation of private work undertaken in Council time. Unsubstantiated as work was established

				to be appropriate and approved in advance of work being completed.
I676113	Contract Review	14/08/2017	15/11/2017	Adequate assurance was obtained regarding contract payment arrangements and that sufficient funds should be available to cover the remaining project costs.
I672108	Private Work	17/11/2017	17/11/2017	Allegation substantiated around use of hired vehicle by contractor for private work. Contract not renewed.
I674120	School Cash Theft	21/11/2017	22/11/2017	Money stolen during holiday period through forced entry to the safe. New safe ordered and good practice guidance re key and cash holding re-issued.

Proposed 2018/2019 Plan

Lead Resource	Audit assignment	Outline Scope	Expected days
All	Corporate audit activity	Undertake programme of corporate work.	60
All	General contingency	Conclude all audits. Respond to requests for unplanned work, including advice and guidance to Resources.	50
All	Fraud Plan	Deliver of a programme of anti-fraud reviews and undertake investigations as required.	230
All	Compliance Plan	Undertake a programme of audits to comply with best practice/PSIAS.	40
All	Top risks	Undertake a programme of work to provide assurance around controls covering top risks.	150
Finance and Corporate	Procurement and Commercial Improvement Programme (PCIP)	Review evidence gathered for the assessment in conjunction with the PCIP team.	15
Community and Enterprise	Waste Contract	Testing of residual waste contract.	40
Finance and Corporate	Universal credits	Procedural check to obtain assurances that housing benefits are being stopped timeously where a person has moved over to Universal Credit.	30
Finance and Corporate	IT Audit	Continue the rolling programme of audits in relation to Cyber Security.	40
Finance and Corporate	Self Service Controls	Testing of controls around self-service of personnel tasks.	30
Community and Enterprise	Job costing	Test job costing methodology to ensure robust.	35
Finance and Corporate	ICON Income Management System and Treasury Management	Undertake programme of routine tests around controls (including External Audit testing).	30
Finance and Corporate	Arm's Length External Organisations (ALEOs)	Review SLC ALEO arrangements in context of Audit Scotland report (published Spring 2018).	25
All	Budgetary Control	Review budgetary control processes to ensure effective and controls robust.	30

Lead Resource	Audit assignment	Outline Scope	Expected days
Community and Enterprise	Carbon Reduction Commitment (CRC)	Check that evidence requirements have been met including Chief Officer declaration, supporting organisational structure, meter data and registration, validity of estimates, accreditations and an issues and risk log.	30
Community and Enterprise	Energy Efficiency Targets	Establish progress with towards meeting Energy Efficiency targets.	30
All	Electronic Documents and Records Management System (EDRMS)	Review effectiveness of new processes.	30
Education	Attainment Scotland Fund/Pupil Equity Fund	Undertake an Impact Analysis to establish outcomes from spend.	30
Social Work	Mobile Working	Undertake a review of mobile working to ensure risks are managed and benefits are being realised.	25
Estimated Number of Audit Days 2018/2019			950

Proposed 2019/2020 Plan

Lead Resource	Audit assignment	Outline Scope	Expected days
All	Corporate audit activity	Undertake programme of corporate work.	60
All	General contingency	Conclude all audits. Respond to requests for unplanned work, including advice and guidance to Resources.	50
All	Fraud Plan	Deliver of a programme of anti-fraud reviews and undertake investigations as required.	230
All	Compliance Plan	Undertake a programme of audits to comply with best practice/PSIAS.	40
All	Top risks	Undertake a programme of work to provide assurance around controls covering top risks.	150
Housing and Technical	Job costing	Test job costing methodology to ensure robust.	35

Lead Resource	Audit assignment	Outline Scope	Expected days
Community and Enterprise	Waste Contract	Testing of recyctic waste contract.	40
Finance and Corporate	IT Audit	Continue the rolling programme of audits in relation to Cyber Security.	40
Finance and Corporate	Self Service Controls	Testing of controls around self-service of finance tasks.	30
Finance and Corporate	Payroll	Undertake programme of routine tests around controls (including External Audit testing).	20
Finance and Corporate	Council Tax/Rates	Undertake programme of routine tests around controls (including External Audit testing).	20
Finance and Corporate	Debtors	Undertake programme of routine tests around controls (including External Audit testing).	20
All	Digital Maturity Assessment	Undertake an assessment of progress in delivering digital targets.	40
Finance and Corporate	Cloud utilisation	Establish extent of use and test controls that mitigate risks.	30
Education	Governance	Assess impact of revised governance structures and SLC controls to support.	40
Community and Enterprise	Planning	Review legislative changes and assess level of compliance.	35
Education	Purchasing Cards	Test use and control of purchasing cards by Resource.	35
All	Benefit Realisation	Test improvement programme to establish if benefits have been realised.	35
Estimated Number of Audit Days 2019/2020			950