

INTERNAL AUDIT SUMMARY OF ACTIVITIES

1. EXECUTIVE SUMMARY

1.1 The objective of the report is to provide a summary of Internal Audit activity and progress during Quarter 4.

1.2 Core activities together with a progress update statement are shown below.

- **16/17 Audit Plan progress:** The Audit plan is anticipated to be fully complete by 31st March 2017.
- **Individual Audits undertaken:** 6 audits have been completed during the period. Of these Audits, 2 are rated as High and 4 are rated as Substantial.
- **Continuous Monitoring Programme Testing:** A number of auditable units are subject to continuous testing. Management have responded to previous quarter notifications and there are no outstanding issues.
- **Performance indicators:** Current status is green / on track.

INTERNAL AUDIT SUMMARY OF ACTIVITIES**2. INTRODUCTION**

2.1 The objective of the report is to provide an update on Internal Audit activity during Quarter 4 against a number of areas;

- 16/17 Audit Plan progress
- Individual Audits undertaken
- Continuous Monitoring Programme Testing
- Internal Audit Development Plan
- Performance indicators

3. RECOMMENDATIONS

3.1 Members are requested to note the content of the report.

4. DETAIL

4.1 With the exception of one deferral, Waste Management, which was moved to the 17/18 plan, all scheduled audits within the 16/17 plan are expected to be fully complete by 31 March 2017.

4.2 Audits completed to February are detailed in Table 1.

Table 1: Summary of Audits performed in Quarter 4 2016/17

Audit Name	Level of Assurance	No. of Actions	High Actions
Education Maintenance Allowances	High	0	0
Service Planning	High	1	0
Common Good Property	Substantial	0	0
Use of Pool Cars	Substantial	6	2
Sustainable Communities	Substantial	3	0
Risk Management	Substantial	3	0

4.3 Subject to the Committee's approval of the 17/18 Internal Audit plan, Quarter 1 audits are shown in the table below. The

Quarter 1
Fees and Charges
Procurement –Catering Services
Governance – Records Management Plan
Mental Health – Client Accounts, Cash & Banking

School Support – Management Circulars
Crematoriums – National Guidance
Gifts and Hospitality
Stores and Stock Control

4.4 Continuous monitoring programme in general is focused on transactional type activity. These areas are tested on a regular basis and detailed reporting is by exception to Audit Committee. Standard audit tests are applied relevant to each auditable unit. A follow up process is in place whereby management are advised of findings and where appropriate, requested to take remedial actions. There are currently no outstanding follow-up points arising from previous quarters testing. Table 2 below summarises activity to date outlining issues arising and provides an overall level of assurance together with follow up detail.

Table 2: Continuous monitoring programme results:

Audit Unit	Areas Tested	Issues Arising	Overall Assurance Level	Management Response
Payroll and Overtime	<ul style="list-style-type: none"> Excessive & Regular Overtime Ghost Employees Duplicate Employees 	<ul style="list-style-type: none"> Excessive overtime payments None None 	Substantial	Demand /Activity levels have resulted in a requirement for overtime.
General Ledger	<ul style="list-style-type: none"> Creation and posting of journals demonstrate segregation of duties 	<ul style="list-style-type: none"> Sample of 20 journals tested, 1 was found to be uploaded and posted by the same individual. 	Substantial	Staff have been reminded of requirement to ensure segregation of duties going forward.
Establishment Visit – Hill Street Dunoon	<ul style="list-style-type: none"> Customer Service Centre Corporate Health & Safety 	<ul style="list-style-type: none"> There is a process in place for the cash up and banking of monies. However this is not formally documented in a procedure note. The current emergency procedures are dated 2006 and some information is now out of date. 	High	<p>There is now a documented procedure note in place which is available to staff.</p> <p>It was noted that the facility responsible person is currently updating the procedure and will cascade to staff when complete.</p>

Audit Unit	Areas Tested	Issues Arising	Overall Assurance Level	Management Response
Security of Data	<ul style="list-style-type: none"> Data Protection Assurance 	<ul style="list-style-type: none"> Retention information is contained within service Information Asset Registers (IARs) not yet finalised and approved Data sharing agreements prepared, but more formal written procedure required No reference to Privacy Impact Assessment (PIA) guidance on project management areas of the HUB 	<p>Substantial</p> <p>Substantial</p> <p>Substantial</p>	<p>IARs to be finalised by 31 March 2017. Quarterly IAR management reports planned to monitor issues and actions arising</p> <p>To be taken forward via Records Management Plan work</p> <p>Reference to PIA guidance to be added to project management pages on HUB</p>
	<ul style="list-style-type: none"> Records Management 	<ul style="list-style-type: none"> Records management training plan prepared for all employees but not yet in place 	<p>Substantial</p>	<p>After initial training, at least one training event will be held on an annual basis. Training will also be available online for employees to access at any time.</p>
		<ul style="list-style-type: none"> Assessment team has identified weakness in tracking and off-site storage of paper records 	<p>Substantial</p>	<p>This has been identified as an area requiring development by the Keeper's Assessment Team, and will be taken forward with our Records Management Plan</p>

Audit Unit	Areas Tested	Issues Arising	Overall Assurance Level	Management Response
	<ul style="list-style-type: none"> • Information Security • Sharing & Subject Access 	<ul style="list-style-type: none"> • No Issues • Guidance is available on the HUB but no formal procedure 	Substantial	<p>development work.</p> <p>This area may require a more formal written procedure to be prepared, and more signposting to where information is available to employees</p> <p>Consider information sharing logs – was raised at Information Security Forum</p>
Creditors	<ul style="list-style-type: none"> • Segregation of duties for those setting up new suppliers and paying invoices • Authorisation of batch invoice payments 	<ul style="list-style-type: none"> • There is no segregation of duties within the Creditor team, for those able to set up new suppliers and process invoices/ amend bank details. • System functionality does not allow amendment/en try list, thus no independent review. • 7 instances of non-compliance with the authorised signatory list from a sample of 40. 	No assurance	<p>From April 1st 2017. The new Fraud module from Fiscal (system provider) will report all bank account changes which will be checked to ensure only authorised changes have been processed.</p> <p>Remedial action /control checks now in place.</p>

Audit Unit	Areas Tested	Issues Arising	Overall Assurance Level	Management Response
Bank Reconciliations - Income	Ensure timeliness, accuracy, authorisation and adequacy of supporting documentation.	<ul style="list-style-type: none"> December reconciliations not yet completed at time of test in late January. 	Substantial	Reports for reconciliations will now be run automatically at the start of month to ensure timely reconciliations
Bank Reconciliations - Expenses	Ensure timeliness, accuracy, authorisation and adequacy of supporting documentation.	<ul style="list-style-type: none"> There are a number of outstanding reconciling items totalling approx. £25k, some dating back to Jan 16, where no back up is provided. 	Reasonable	A reminder process is in place. Further follow up action will take place.

4.5 A follow up process for National/External reports is in place whereby management are advised of recommendations within reports and where appropriate, requested to take required actions. Table 3 below details the National Reports issued during quarter 4 along with follow up detail.

Table 3: Issue of National Reports in Quarter 4:

National Report	Issued To	Detail	Management response/ Action taken
NHS in Scotland 2016	<ul style="list-style-type: none"> Chief Officer, Health & Social Care 	NHS funding is not keeping pace with increasing demand and the needs of an ageing population. NHS boards are facing a challenging financial position.	Report currently with management for consideration and will be subject to routine follow-up.
Follow up – Ensuring employers comply with national minimum wage requirement	<ul style="list-style-type: none"> Chief Officer, Health & Social Care Head of Improvement and HR Procurement & Commissioning Manager Head of Strategic Finance 	It is important that the Government maintains its progress in ensuring all employers pay the minimum wage. This report finds that non-compliance with	The procurement and commissioning team worked in partnership with strategic finance to support the HSCP achieve the Scottish Government's requirements that

		the National Minimum Wage in the social care sector remains a concern.	care workers in the care sector received £8.25 from Oct 2016. A minute of variation was issued to all services following negotiations and amended hourly rates were agreed with relevant care suppliers. The procurement & commissioning team awaits instructions from HSCP regarding extension of the contracts at the same rate and will continue support HSCP to meet their compliance requirements.
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IJB Assurance Mapping Update

- 4.6 High level findings were presented to the December meeting of the IJB Audit Committee. A further report will be presented to the March IJB Audit Committee outlining any gaps or weaknesses in assurance coverage. We will review this report in respect of impact on our annual audit plan / risk assessment.
- 4.7 National Fraud Initiative (NFI). Data matching involves comparing computer records held by one body against other computer records held by the same or another body to see how far they match. This is usually personal information. Computerised data matching allows potentially fraudulent claims and payments to be identified but the inclusion of personal data within a data matching exercise does not mean that any specific individual is under suspicion. Where a match is found it indicates that there may be an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out. The Council is currently on track with NFI upload timetable and where matches have been released these are being reviewed.
- 4.8 This section highlights progress made against the actions points in our Internal Audit development plan. These include improvements identified as a result of our review against the Public Sector Internal Audit Standards. An additional action has been added in respect of self-assessment activity.

Table 4: Internal Audit Development Key Actions:

Area For Improvement	Agreed Action	Progress Update	Timescale
Training and CPD	Formalise our plans for internal audit training, including continuing professional	On Track:	On-going

Area For Improvement	Agreed Action	Progress Update	Timescale
	development (CPD)		
Audit Plan Preparation	2017/18 Plan submitted to March Audit Committee for Approval	Report submitted for discussion.	March 2017
SharePoint site	Roll – out stakeholder system view	Rescheduled in line with available resource.	March 2018
PSIAS – Internal Self-Assessment	IA team to review process and guidance documentation in preparation for External review	Complete	February 2017

4.9 Internal Audit scorecard data is available on pyramid. The indicators are currently showing as on track. The undernoted table is an extract of the key information.

Internal Audit Team Scorecard 2016 – 17 - February 2017			
TEAM RESOURCES			
PRDs IA Team G →	TARGET	Percentage of PRDs complete	
	90%	100%	
	Number of eligible employees FTE	Number of PRDs complete FTE	
	4	4	
Financial			
Revenue Finance	BUDGET	ACTUAL	G
YTD Position	£228,428	£223,850	→
Year End Outturn	£259,149	£259,149	
SF02 Assurance...that financial and management controls are operating effectively			
Audit risk assessment prepared by 31 January	Status	On Track	G ↑
	Target	On Track	
Annual Audit Plan	Status	On Track	G →
	Target	On Track	
Annual audit plan approved by 31 March	Status	On Track	G →
	Target	On Track	
% of audit recommendations accepted	Actual	100%	G →
	Target	100%	
	Benchmark	100%	
% Recommendations followed up	Actual	100%	G
	Target	100%	

	Benchmark		→
Percentage qualified staff	Actual	60%	G
	Target	60%	↑
	Benchmark		
% satisfaction rates from post audit surveys	Actual	94%	G
	Target	80%	↑
	Benchmark		
% customer satisfaction with audit reports	Actual	94%	G
	Target	80%	↓
	Benchmark		
Internal Audit Training days	Actual	39 days	R
	Target	45 days	↑
	Benchmark		

5. CONCLUSION

- 5.1 The 16/17 Audit Plan is expected to be fully complete by 31st March. Our continuous monitoring programme has provided an overall substantial level of assurance. Planned sharepoint development work is currently on hold due to resource constraints.

6. IMPLICATIONS

- 6.1 Policy - Internal Audit continues to adopt a risk based approach
- 6.2 Financial -None
- 6.3 Legal -None
- 6.4 HR - None
- 6.5 Equalities - None
- 6.6 Risk – None
- 6.7 Customer Service - None

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