

INTERNAL AUDIT UPDATE SUMMARY

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**1.0 EXECUTIVE SUMMARY**

This report details the Internal Audit activity undertaken June to September 2014. The objective of the report is to provide an update with regards progress during Quarter 2 against a number of areas.

Good progress continues to be made. There is clear evidence of improved interaction and engagement between Internal Audit and Service Management.

- **14/15 Audit Plan progress:** Audit plan is currently on track.
  - **Individual Audits undertaken:** 10 individual audits have been completed during the period. Of these ten audits, 1 has a high level of assurance, 7 are rated substantial and 2 are rated limited.
  - **Continuous Monitoring Programme Testing:** A number of auditable units are subject to continuous testing. Reporting is by exception. Issues arising during the quarter requiring management action are in relation to weaknesses in cash control procedures which were evident during spot checking exercises.
  - **National Fraud Initiative:** Data mismatches in relation to Council Tax records have been identified and work has commenced in relation to reviewing each case.
  - **Development Plan:** Good progress continues to be made against development plan action points. All items are on track.
  - **Performance indicators:** Revised indicators are in place and current status is on track / green.
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**2.0 INTRODUCTION**

2.1 This report details the Internal Audit activity undertaken June to September 2014. The objective of the report is to provide an update with regards progress during Quarter 2 against a number of areas;

- 14/15 Audit Plan progress,
- Individual Audits undertaken
- Continuous Monitoring Programme Testing
- National Fraud Initiative
- Development Plan
- Performance indicators

**3.0 RECOMMENDATIONS**

3.1 The Audit Committee is asked to note the content of the report.

**4.0 DETAIL**

4.1 The Audit Plan is currently on track. Ten audits have been completed as detailed at 4.2. In addition a number of audits are also in progress and are at various stages of completion. These are scheduled for submission at December committee.

4.2 Audits completed June 2014 to September 2014 are detailed in Table 1.

**Table 1: Summary of Audits performed in Quarter 2, 2014/15:**

Audit Name	Level of Assurance	No. of recommendations	High Recommendations
NPDO Arrangements	High	1	0
Marine Services	Limited	7	2
Capital Contracts and Operating Leases	Limited	3	1
Sickness Absence	Substantial	5	1
Crematoriums	Substantial	14	1
Section 75 Planning	Substantial	3	3
Insurance arrangements	Substantial	6	0
LGBF Indicators	Substantial	2	0
Risk Management	Substantial	2	0
Procurement -Utilities	Substantial	0	0

4.3 Audits planned for the remainder of the financial year.

Quarter 3	Quarter 4
Land and Asset Disposal	Central Governance
Children and Families	Homecare Services
Customer Service Centre	Business Support
Pyramid	Revenue and Benefits
Income Maximisation	Chord
Information Security	Employment and Training
Winter Maintenance	ICT
Flood Control	Adult Learning & Community Development
Airports	

4.4 A number of areas which were previously subject to individual audits now form part of our continuous monitoring programme. These areas are tested on a regular basis and detailed reporting will be by exception to Audit Committee. Standard audit tests are applied relevant to each auditable unit. Clients are notified by memo of any concerns and a follow up process is in place to ensure active management /rectification of issues raised. Table 2 below summarises activity to date outlining issues arising and provides a level of assurance.

**Table 2: Continuous monitoring programme results:**

Audit Unit	Areas Tested	Issues Arising	Assurance Level	Follow up
Payroll and Overtime	<ul style="list-style-type: none"> <li>Excessive &amp; Regular Overtime</li> <li>Ghost Employees</li> <li>Starters and Leavers</li> </ul>	None	Substantial	Memo sent to dept with minor queries.
Debtors	<ul style="list-style-type: none"> <li>Segregation of duties</li> </ul>	None	Substantial	n/a
Creditors	<ul style="list-style-type: none"> <li>Payments exceeding 10k. Authorisations</li> </ul>	None	Substantial	n/a
General Ledger Controls	<ul style="list-style-type: none"> <li>Posting Authorisations</li> </ul>	None	Substantial	n/a
Cash Spot Checks  6 Locations in Helensburgh area: <ul style="list-style-type: none"> <li>Leisure</li> <li>Libraries</li> <li>Social Services</li> <li>Catering and Cleaning</li> </ul>	<ul style="list-style-type: none"> <li>Cash Reconciliation's</li> <li>Authorisations</li> <li>Procedures</li> <li>Roles ,responsibilities and remits</li> </ul>	Cash did not reconcile in 3 premises. Reconciliations not carried out regularly. Documentation Incomplete. Staff unaware of responsibilities	Limited	Action Memo issued
School Fund checks	<ul style="list-style-type: none"> <li>Not scheduled</li> </ul>	n/a	n/a	n/a

- 4.5 The Audit Commission's NFI team carries out matching work on behalf of Audit Scotland. The Flexible Matching Service (FMS) web application is used for uploading data for Argyll and Bute Council and allows for data matching in a number of areas. Council Tax data in relation to Council Tax Reduction Scheme has returned a number of matches and these are currently being reviewed as per the table below.

Council Tax to Electoral register is a comparison of Council Tax records to Electoral Register records. Matches will trigger where more than one person is registered at an address which is currently in receipt of a discount.

Council Tax rising 18's is in relation to matches where households have occupants who are turning 18 years old thus potentially impacting on Council Tax discount eligibility.

**Table 3: National Fraud Initiative Matches:**

<b>Datasets</b>	<b>Total Matches</b>	<b>Status of Sample Match Testing</b>	<b>Responsible Officer</b>
Council Tax to Electoral Register	694	Started	Revenues Supervisor
Council Tax rising 18's	147	Started	Revenues Supervisor
<b>Total</b>	<b>841</b>		

- 4.6 This section highlights further progress made against the actions points on our 14/15 Internal Audit development plan. These include improvements identified as a result of our review against the Public Sector Internal Audit Standards.

**Table 4: Internal Audit Development plan Key Actions:**

<b>Area For Improvement</b>	<b>Agreed Action</b>	<b>Progress Update</b>	<b>Timescale</b>
<ul style="list-style-type: none"> <li>• Training and CPD</li> </ul>	<ul style="list-style-type: none"> <li>• Formalise our plans for internal audit training, including continuing professional development (CPD) requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• On Track:</li> <li>• Senior Accounting Assistants are signed up to complete IIA Diploma qualification.</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing</li> </ul>
<ul style="list-style-type: none"> <li>• Induction Programme</li> </ul>	<ul style="list-style-type: none"> <li>• Development of Induction process for new members of staff joining the team.</li> </ul>	<ul style="list-style-type: none"> <li>• On Track:</li> <li>• Audit Manual is being updated to include induction section</li> </ul>	<ul style="list-style-type: none"> <li>• 31/12/2014</li> </ul>
<ul style="list-style-type: none"> <li>• Performance Indicators</li> </ul>	<ul style="list-style-type: none"> <li>• Revision of IA's Performance indicators per AC's approval in June 14.</li> </ul>	<ul style="list-style-type: none"> <li>• Complete:</li> <li>• Survey question were reviewed and benchmarking</li> </ul>	<ul style="list-style-type: none"> <li>• 31/08/2014</li> </ul>

	<ul style="list-style-type: none"> <li>To be updated in Pyramid system.</li> </ul>	undertaken with other LA's with a view to ensuring consistency of approach.	
<ul style="list-style-type: none"> <li>Audit Plan Preparation</li> </ul>	<ul style="list-style-type: none"> <li>2015/16 Plan to be submitted to December committee for comment and feedback</li> </ul>	<ul style="list-style-type: none"> <li>On Track:</li> <li>Plan will continue to be risk based. Work has commenced on our audit universe and risk evaluation. Preparation process is being reviewed to include complaints and where appropriate inclusion of topical (national and local) Issues.</li> </ul>	<ul style="list-style-type: none"> <li>30/11/2014</li> </ul>
<ul style="list-style-type: none"> <li>Audit manual</li> </ul>	<ul style="list-style-type: none"> <li>Development Audit Manual</li> </ul>	<ul style="list-style-type: none"> <li>On Track:</li> <li>Work has commenced on Audit Manual</li> </ul>	<ul style="list-style-type: none"> <li>31/03/2015</li> </ul>
<ul style="list-style-type: none"> <li>SharePoint site</li> </ul>	<ul style="list-style-type: none"> <li>Creation of Audit share point site to co-ordinate documentation and version control. Track stage progress and publish reports.</li> </ul>	<ul style="list-style-type: none"> <li>On Track:</li> <li>2 members of staff trained on use. On-going weekly discussion session as to items for inclusion. Protocols being developed</li> </ul>	<ul style="list-style-type: none"> <li>31/03/2015</li> <li>Basic site up operational by 31/03/2015 then continuous development.</li> </ul>

4.7 Internal Audit scorecard data is available on pyramid. The indicators are currently showing green and or /on track. The undernoted table is an extract of the key information.

<b>Internal Audit Team Scorecard 2014 – 15</b>			
FQ 1 14/15			
TEAM RESOURCES			
People			
PRDs IA Team	Target	Percentage of PRDs complete	
	100%	100%	
	Number of eligible employees FTE	Number of PRDs complete FTE	
	4	4	
Financial			
Revenue Finance	ACTUAL	BUDGET	G
Year to date	£41,809	£48,409	
Year end	£221,753	£221,753	
NEW INTERNAL AUDIT MEASURES			
% of risks within the SRR	Actual	30%	G

audited in reporting period	Target	30%	
	Benchmark		
Quarterly meetings held with Chair of Audit Committee	Actual	Yes	G
	Target	Yes	➔
	Benchmark		
% satisfaction rates from post audit surveys	Actual	100%	G
	Target	80%	➔
	Benchmark	80%	
% Recommendations followed up	Actual	100%	G
	Target	100%	➔
	Benchmark		
% customer satisfaction with audit reports	Actual	100%	G
	Target	80%	➔
	Benchmark	80%	
Percentage qualified staff	Actual	60%	G
	Target	60%	➔
	Benchmark	60%	
Training hours per year per auditor (	Actual	237hrs	G
	Target	250hrs	➔
	Benchmark	0	

## 5.0 CONCLUSION

5.1 This report highlights good progress is being made across a range of areas. The audit plan is on track and there are currently no material issues impacting on Internal Audit activity. A programme of on-going review and continuous improvement is in place.

## 6.0 IMPLICATIONS

6.1 Policy - None

6.2 Financial -None

6.3 Legal -None

6.4 HR -None

6.5 Equalities - None

6.6 Risk – Internal Audit continue with a risk based approach to its activity.

6.7 Customer Service - None

**Kevin Anderson, Chief Internal Auditor**

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