

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 1.
- 1.2 Core activities together with a progress update statement are shown below.
- **17/18 Audit Plan progress:** The Audit plan is currently on track.
 - **Individual Audits undertaken:** 5 audits have been completed during the period. Of these Audits, one is 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 1 against a number of areas;

- 17/18 Audit Plan progress
- Individual Audits undertaken
- Continuous Monitoring Programme Testing
- Internal Audit Development Plan
- Performance indicators

3. RECOMMENDATIONS

3.1 Members are requested to review and endorse this report.

4. DETAIL

4.1 The 16/17 Audit Plan was completed subject to the exception of one deferral, Waste Management, which has been included in the 17/18 plan.

4.2 Audits completed to May are detailed in Table 1. At the time of writing there is one Quarter 1 Audit, 'Review of Client Accounts', which is in progress and which will be reported to the September meeting of the Committee.

Table 1: Summary of Audits performed in Quarter 1 2017/18

Audit Name	Level of Assurance	No. of Actions	High Actions
2016/17			
Additional Needs Analysis	Substantial	2	0
2017/18			
Crematorium	High	1	0
Education Management Circulars	Substantial	1	0
CAA Compliance: Oban Airport	Substantial	2	0
Charging Orders	Substantial	4	0
Fees & Charges	Reasonable	3	1

4.3 Audits planned for the Quarter 2 17/18 are shown in table 2 below.

Table 2: Audits scheduled for Quarter 2 2017/18

Quarter 2
Records Management Plan
Strategic Housing Fund
Recruitment & Selection
VAT
Piers & Harbours
LEADER
Local Government Benchmarking Framework
Gifts & Hospitality
Travel & Subsistence

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. Control design tests look at whether the control in place adequately addresses the potential risk event. Control effectiveness tests the application and or /compliance.

There are 4 assessment levels being Effective, Satisfactory and Improvement Needed and Weak.

Control Effectiveness Scales	
Effective	Indicates minimum uncontrolled risk due to strong controls in place and operating effectively. Tested, monitored and fully compliant
Satisfactory	Control mitigations in place however refinement opportunity exists to further reduce risk and /or enhance compliance.
Improvement Needed	Residual risk exists which place some of system objectives at risk. Indicates a need for improvement in either control design and /or compliance
Weak -	Significant residual risk exists with weaknesses identified in control design /and or compliance

4.5 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 3 below summarises activity to date outlining issues arising and provides an overall level of assurance together with follow up detail.

Table 3: Continuous monitoring programme results:

Test Area	Controls Tested	Control Design	Control Effectiveness	Issues	Management Commentary
Treasury	Borrowing and Lending Procedures	Effective	Effective	N/A	N/A
Helensburgh Pool	Establishment Visit	Effective	Effective	N/A	N/A
Oban Airport	Establishment Visit	Improvement needed	Improvement needed	Reconciliation required between aircraft movement log and Income received	Remedial Action agreed
Islay High School	Imprest Check	Effective	Effective	Certification slips are not used when cash is removed from tin pending presentation of receipt.	Standard certification slips will be used going forward.
Islay High School	School Fund Check	Effective	Effective	Head Teacher list of account was not kept within school fund folder.	List now included within school fund folder.
Bowmore Primary School	Imprest Check	N/A	N/A	Imprest no longer in use.	Will contact Creditors to arrange close down of account.
Bowmore Primary School	School Fund Check	Satisfactory	Satisfactory	Monthly reconciliation is not reviewed by Head Teacher regularly and annual accounts have not been independently audited.	Head Teacher will review all reconciliations and an arrangement will be put in place for an independent audit of accounts going forward.
Stock Take - Helensburgh -IES Store	Stock control procedures Records to Physical Balance	Improvement needed	Improvement needed	Material value < £10k. However records demonstrate a number of variances	Remedial Action agreed which if implemented so reduce risk of re-occurrence

Test Area	Controls Tested	Control Design	Control Effectiveness	Issues	Management Commentary
Stock Take - Moneydrain-Lighting Store	Stock control procedures	Improvement needed	Improvement needed	Recording of consumables and variation between stock records and physical balances	Remedial Action agreed which if implemented should reduce risk of re-occurrence
Monthly Payroll Testing	Monthly Pay run reports	Effective	Effective	No issues	-
Campbeltown Grammar School	Imprest Check	Satisfactory	Satisfactory	Certification slips are not used when cash is removed from tin pending presentation of receipt.	Standard certification slips will be used going forward.
Campbeltown Grammar School	School Fund Check	Improvement needed	Improvement needed	Monthly reconciliation is not fully completed or signed off by Head Teacher (HT). No bank account list maintained by HT. Historic balance maintained in trip account.	Monthly reconciliation process is now underway. Account list is maintained by HT. Excess monies in trip transferred to GP account by 31/05/17

4.6 Issues identified in relation to Creditors standing data changes were reported to the March Audit committee. It was noted that the Creditors system lacked the functionality to allow the team to independently review any standing data changes actioned. As a result of this it was agreed that, from the 1st April 2017 a new Fraud module from Fiscal (system provider) would report all bank account changes which would allow for an independent check to ensure only authorised changes have been processed. As of 9th June the module is operating with appropriate control arrangement in place. Further follow up testing will be undertaken.

4.7 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. There were no National Reports issued during quarter 1.

- 4.8 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.
- 4.9 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 development (CPD)	On Track:	On-going
Audit Plan Preparation	2018/19 Draft Plan submitted to December Audit Committee	On track	December 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

4.10 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 2017– 18 – FQ1 17/18			
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	£9,656	£7,772	→
Year End Outturn	£239,947	£239,947	
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%	→
Percentage qualified staff	Actual	60%	G
	Target	60%	↑
% satisfaction rates from post audit surveys	Actual	100%	G
	Target	80%	↑
% customer satisfaction with audit reports	Actual	100%	G
	Target	80%	↑
Internal Audit Training days	Actual	12 days	G
	Target	12 days	↑

5. CONCLUSION

5.1 The 17/18 Audit Plan is on track. Continuous monitoring testing undertaken during the period has provided an overall substantial level of assurance in respect of control design and effectiveness.

6. IMPLICATIONS

6.1 Policy - Internal Audit continues to adopt a risk based approach to activity

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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