

**INTERNAL AUDIT SUMMARY OF ACTIVITIES**

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**1. EXECUTIVE SUMMARY**

1.1 The objective of the report is to provide a summary of Internal Audit activity and progress during Quarter 3.

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

- **2017/18 Audit Plan progress:** The audit plan is currently on track.
- **Individual Audits undertaken:** Five audits have been completed during the period. Of these audits, four are rated as substantial and one is rated as reasonable. There are a further four audits currently in progress.
- **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 3 against a number of areas;

- 2017/18 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 Audits completed to November are detailed in Table 1. At the time of writing there are three Quarter 3 audits in progress which will be reported to the March meeting of the Committee.

**Table 1: Summary of audits performed in quarter 3 2017/18**

<b>Audit Name</b>	<b>Level of Assurance</b>	<b>No. of Actions</b>	<b>High Actions</b>
Performance Management	Substantial	2	0
Scottish Living Wage Compliance	Substantial	2	0
Recruitment & Selection	Substantial	5	0
Records Management Plan	Substantial	3	2
SEEMIS	Reasonable	3	0
Trading Standards	In Progress	-	-
Earmarked Reserves	In Progress	-	-
ICT – SLA's & User Testing Protocols	In Progress	-	-

4.2 Indicative audits planned for the Quarter 4 2017/18 are shown in table 2 below.

**Table 2: Audits scheduled for Quarter 4 2017/18**

<b>Quarter 4</b>
Risk Management
Catering-Compliance with Nutritional guidelines
Rural Resettlement Fund
Complaints – Contingency Request
Street Lighting
Waste Management
Psychological Services
Leisure Management

4.3 Our continuous monitoring programme is generally focused on transactional type activity. Standard audit tests are applied which are relevant to each auditable unit. Control design tests look at whether the controls in place adequately address the potential risk event.

Control effectiveness is assessed in one of four categories as set out below.

<b>Control Assessment</b>	<b>Definition</b>
Effective	Indicates minimum uncontrolled risk due to strong controls in place which are operating effectively.
Satisfactory	Control mitigations are in place however refinement opportunity exists to further reduce risk and/or enhance compliance.
Improvement Needed	Residual risk exists which place some 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.

4.4 A follow up process is in place whereby management are advised of continuous monitoring 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 control effectiveness with follow up detail.

**Table 3: Continuous monitoring programme results:**

Test Area	Controls Tested	Control Design	Control Effectiveness	Findings	Management Commentary
Payroll	Monthly payrun reports	Effective	Effective	<p>One issue regarding duplicate bank details.</p> <p>One issue regarding no bank details on file.</p>	<p>Payroll team investigated and confirmed details as correct.</p> <p>Timing issue. Bank details now on file.</p>
Payroll	Starters, leavers & post changes	Effective	Effective	<p>Seven temporary employee files remain on system.</p> <p>One employee has left employment but is still live on the DMS system.</p>	<p>Temporary files removed and transferred to permanent files.</p> <p>Employee retained in casual post. DMS system has been updated to reflect this.</p>
Council Tax	Discounts and Exemptions	Effective	Effective	No supporting evidence for two discounts sampled.	<p>Supporting documentation now on file for one account.</p> <p>Second account is pre-Comino thus no documentation available. Revenue Supervisor confirmed individual is in receipt of relevant benefits/ discount.</p>
Kirn Primary School	School Fund Check	Improvement Needed	Improvement Needed	<p>No formal elections are held.</p> <p>No evidence of committee meetings being recorded.</p> <p>Head Teacher list of bank accounts not maintained.</p> <p>Monthly reconciliations are not currently undertaken.</p> <p>The cash book is updated on an annual basis and a full reconciliation</p>	<p>Elections will be held going forward.</p> <p>Minutes of committee meetings will be documented going forward.</p> <p>List will be created and maintained within school fund folder.</p> <p>Records to be updated on a timely basis and monthly reconciliations will be completed and authorised appropriately.</p>

Test Area	Controls Tested	Control Design	Control Effectiveness	Findings	Management Commentary
				carried out at year end.	
Dunoon Primary School	School Fund Check	Improvement Needed	Improvement Needed	<p>No formal elections are held.</p> <p>No evidence of meetings being recorded.</p> <p>Head Teacher list of bank accounts not maintained.</p> <p>Monthly reconciliations are not fully completed and signed off by Head Teacher.</p> <p>Receipts are not issued when income is received.</p> <p>Expenditure was taken from income prior to banking on one occasion.</p>	<p>Elections will be held going forward.</p> <p>Minutes of committee meetings will be documented going forward.</p> <p>List will be created and maintained within school fund folder.</p> <p>Reconciliations will be signed off by Head Teacher going forward.</p> <p>Receipts will be issued going forward and receipt number to be recorded in cash book.</p> <p>This was an isolated incident; Head Teacher confirmed this will not happen again.</p>

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

**Table 4: Issue of National Reports in Quarter 3:**

National Report	Issued To	Detail	Management response/ Action taken
Self-Directed Support	<ul style="list-style-type: none"> <li>Chief Officer, Health &amp; Social Care</li> <li>Chief Financial Officer</li> </ul>	“New ways of offering people more choice and control over their social care can make a real difference but further work is needed to ensure everyone can benefit”	N/A – report issued for information only.
Equal Pay within Scottish Councils	<ul style="list-style-type: none"> <li>Head of Improvement and HR</li> </ul>	“Implementing equal pay remains a challenge	N/A – report issued for information only.

National Report	Issued To	Detail	Management response/ Action taken
	<ul style="list-style-type: none"> <li>Head of Strategic Finance</li> </ul>	for local government in Scotland more than a decade after the process was agreed, with around £750 million spent on settling claims so far and nearly 27,000 still outstanding”	
Retaining and Developing the Teaching Workforce	<ul style="list-style-type: none"> <li>Executive Director of Community Services</li> <li>Head of Education</li> </ul>	“Schools, especially secondary schools, face real challenges in retaining and developing their teachers. National data suggest progress but mask significant local variation.”	N/A – report issued for information only.
Transport Scotland’s Ferry Service	<ul style="list-style-type: none"> <li>Executive Director of Development &amp; Infrastructure</li> <li>Head of Roads &amp; Amenity Services</li> </ul>	“Spending on Scotland’s ferry services has more than doubled since 2007/08, increasing vital links to the islands. But the full extent of future spending requirements is not known and could be substantial”	N/A – report issued for information only.

4.6 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 identify potentially fraudulent claims and payments to be identified. Note though that 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 the NFI upload timetable and, where matches have been identified, these are being reviewed. A reminder process is now in place to ensure that matches are reviewed on a timely basis.

**Table 5: National Fraud Initiative Progress:**

Operational Area	Total Matches	Recommended Matches	Matches Complete (01/11/2017)	In Progress
Council Tax to Electoral Register	924	924	924	0
Council Tax rising 18s	99	99	99	0
Council Tax to other Datasets	1080	1080	32	0
Housing Benefits	500	29	164	0
Payroll	740	146	6	148

Operational Area	Total Matches	Recommended Matches	Matches Complete (01/11/2017)	In Progress
Blue Badges	194	156	194	0
Private Residential Care Homes	50	23	50	0
Housing Waiting list	433	416	355	18
Personal Budgets	19	1	19	0
Council Tax	729	13	305	0
Creditors	4831	240	299	0
Procurement	176	68	68	0

### Overall Summary of Matches

Processed	In Progress	Cleared	Frauds	Errors	Total Value £	Recovering	Recovering Value £
2515	166	2420	4	90	4,216	3	4,059

4.7 The table below detail progress 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. Additional actions have been added in respect of self-assessment activity and making improvements to our internal documentation, report templates and refreshing the continuous monitoring programme.

**Table 6: Internal Audit Development Key Actions:**

Area For Improvement	Agreed Action	Progress Update	Timescale
Training and CPD	Formalise 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 & Scrutiny Committee	Complete	December 2017
PSIAS Assessment	Agree development actions arising from Peer to Peer review scheduled quarter 4.	On track	March 2018
Audit reporting	Review current internal audit report template and consider areas for improvement in terms of style and presentation.	On track	March 2018
Audit fieldwork documentation	Further develop the risk control assessment document so it acts as a formal work programme which will provide greater assurance over audit completion and facilitate more comprehensive review.	On track	March 2018

Area For Improvement	Agreed Action	Progress Update	Timescale
Continuous monitoring	Review the current suite of controls reviewed under the continuous monitoring programme to identify whether it would benefit from revision.	On track	June 2018

4.8 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.

<b>Internal Audit Team Scorecard 2017– 18 – FQ3 17/18</b>			
<b>TEAM RESOURCES</b>			
PRDs IA Team <b>G</b> →	TARGET	Percentage of PRDs complete	
	90%	100%	
	Number of eligible employees FTE	Number of PRDs complete FTE	
	3	3	
<b>Financial</b>			
Revenue Finance	BUDGET	ACTUAL	<b>G</b> →
YTD Position	£110,674	£92,028	
Year End Outturn	£240,324	£240,324	
<b>BO28 Our processes and business procedures are efficient, cost effective and compliant (SF)</b>			
Risk management policy, strategy and guidance manual reviewed.	Status	Complete	<b>G</b> →
	Target	On Track	
Risks Management Overview report approved	Status	On Track	<b>G</b> →
	Target	On Track	
Review of Strategic Risk register	Status	Complete	<b>G</b> →
	Target	On Track	
Annual Audit Plan	Status	On Track	<b>G</b> →
	Target	On Track	
Planned number of days continuous monitoring programme complete	Status	On Track	<b>G</b> →
	Target	On Track	
Annual audit plan approved by 31 March	Status	On Track	<b>G</b> →
	Target	On Track	
Effective participation in NFI – Data completion	Status	On Track	<b>G</b> →
	Target	On Track	
% of audit recommendations accepted	Actual	100%	<b>G</b> →
	Target	100%	
% Recommendations followed up	Actual	100%	<b>G</b> →
	Target	100%	



Percentage qualified staff	Actual	40%	<b>R</b> →
	Target	60%	
% satisfaction rates from post audit surveys	Actual	100%	<b>G</b> ↑
	Target	80%	
% customer satisfaction with audit reports	Actual	100%	<b>G</b> ↑
	Target	80%	
Internal Audit Training days	Actual	49 days	<b>G</b> ↑
	Target	36 days	

## 5. CONCLUSION

5.1 The 2017/18 Audit Plan is on track. Continuous monitoring testing undertaken during the period has provided an overall effective 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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### **For further information contact:**

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