
**INTERNAL AUDIT REPORTS TO AUDIT AND SCRUTINY COMMITTEE
2018/2019**

1. EXECUTIVE SUMMARY

- 1.1 There are seven audits being reported to the Audit and Scrutiny Committee. Table below is provided for information at the pre-agenda meeting.
- 1.2 The below table provides a summary of the conclusions for the audits performed. The full reports are included as appendices to this report.

Audit Name	Level of Assurance	High Actions	Medium Actions	Low Actions
Marine Services (Ferries)	Substantial	0	3	1
Housing Benefit and Council Tax Reduction	Substantial	0	2	4
Oban Airport	Substantial	1	2	1
Financial Planning	Substantial	0	1	0
Leader	High	0	0	0
VAT	Limited	1	2	2
Risk Management	Substantial	1	0	0

- 1.3 Internal Audit provides a level of assurance upon completion of audit work. A definition for each assurance level is documented in each audit report.

2. RECOMMENDATIONS

- 2.1 Audit and Scrutiny Committee to review and endorse this summary report and detail within each individual report.

3. DETAIL

- 3.1 A high level summary of each completed audit report is noted below:
- **Marine Services (Ferries):** This audit has a substantial level of assurance as internal control, governance and the management of risk is sound. There is a comprehensive Marine Safety Management System in place which is audited by the Maritime and Coastguard Agency. Ferry fares and timetables are published on the Council website and on all site visits the correct fares were charged and the vessel operated to the published timetable. Three medium recommendations were made to implement a new ticketing system as planned to address current issues with ticket machines, to consider implementing a process to ensure additional sailings have been undertaken as stated and to remind all ferry crew of the requirement of wearing appropriate personal

protective equipment. One low recommendation has been made to ensure a second member of staff signs cash up log to evidence they were present whilst cash up was undertaken.

- **Housing Benefit and Council Tax Reduction:** This audit has a substantial level of assurance as internal control, governance and the management of risk is sound. There are comprehensive written procedures and detailed work flow maps in place which are easily accessible by all officers. Officers receive comprehensive training to ensure they are kept up-to-date with relevant changes and new staff are provided with a mixture of on-the-job training and formal training courses. Individual assessor performance and overall team performance is monitored and reported in Pyramid. There is a comprehensive quality assurance (QA) framework which is used to monitor performance on an ongoing basis. Two medium recommendations were made. One to consider a formal procedure for housing benefit payments and one to rectify technical issues which have meant that recovery of overpayment performance indicators have not been reported against since the Council migrated from Northgate to Civica in February 2018.
- **Oban Airport:** This audit has a substantial level of assurance as internal control, governance and the management of risk is sound. The audit covered 7 of the 21 operating instructions contained within the aerodrome operating manual and all were found to be operating satisfactorily with only minor issues identified. In addition the audit considered the governance arrangements in place between the Council and Scottish Fire and Rescue Service (SFRS) and assessed the Council's processes for verifying the accuracy of SFRS invoices. A service level agreement was found to be in place between the Council and SFRS however this was never signed and requires substantial revision. The audit also concluded that the Council and SFRS should agree a process to clear SFRS invoices currently on hold and the basis on which future invoices will be calculated and paid.
- **Financial Planning:** This audit has a substantial level of assurance as internal control, governance and the management of risk is sound. The role of the Council's Chief Financial Officer and the structure of Strategic Finance is appropriate to deliver strong financial management. Resource issues are being addressed through the implementation of a new structure to build resilience. This needs to be supported by the establishment of a programme of knowledge sharing, skills transfer and procedural guidance. Revenue budget preparation guidance has been prepared and followed by staff through regular engagement with budget holders. The Budget Outlook and Financial Strategy are linked to corporate outcomes, contain appropriate assumptions and scenarios, and are regularly reviewed, updated and presented to Policy and Resources Committees.
- **LEADER:** This audit has a high level of assurance as internal control, governance and the management of risk are at a high standard. Appropriate checklists and procedural documents are in place to ensure that all applications meet both the technical and financial requirements stipulated by the LEADER programme. All projects tested were fully compliant. Access to LEADER records is restricted to appropriate officers via logical access controls.
- **VAT:** This audit has a limited level of assurance meaning internal control, governance and the management of risk are displaying a general trend of

unacceptable residual risk. The Council has performed a lot of work to implement the VAT improvement plan created in 2015 and only one item from that plan is outstanding. However resource issues within Strategic Finance have meant various sample checks designed to provide assurance over VAT treatment have not been carried out for an extended period. Control weaknesses in relation to the creation of debtor charge codes and VAT coding for non-VAT registered suppliers were also identified.

- **Risk Management:** This audit has a substantial level of assurance as internal control, governance and the management of risk is sound. The Council has a comprehensive risk management manual which has been approved by the Strategic Management Team and the Policy and Resources Committee. Roles and responsibilities are identified and arrangements for updating the risk registers have been clearly set out and are being adhered to. The Manual clearly sets out a systematic approach for identifying and evaluating risks. However there are concerns over the management of operational risks in relation to social care services. There does not appear to be clarity over the responsibility for maintaining them or clear evidence that they are being reviewed and updated on a regular basis.

3. CONCLUSION

- 3.1 Management has accepted each of the reports submitted and have agreed responses and timescales in the respective action plans.

4. IMPLICATIONS

- 4.1 Policy - None
- 4.2 Financial - None
- 4.3 Legal - None
- 4.4 HR - None
- 4.5 Equalities - None
- 4.6 Risk - None
- 4.7 Customer Service – None

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APPENDICES

1. Marine Services audit report
2. Housing Benefit and Council Tax Reduction audit report
3. Oban Airport audit report
4. Financial Planning audit report

5. Leader audit report
6. VAT audit report
7. Risk Management audit report