

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 3 of 2018/19.
- 1.2 Core activities together with a progress update statement are shown below.
- **2018/19 Audit Plan progress:** The audit plan is currently on track.
 - **Individual Audits undertaken:** Seven audits have been completed during the period. Of these audits, one is rated as high, five as substantial, and one as limited.
 - **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;

- 2018/19 Audit Plan progress
- Additional audit team activity
- Continuous monitoring
- Internal Audit development plan
- Performance indicators

3. RECOMMENDATIONS

3.1 Members are requested to review and endorse this report.

4. DETAIL

4.1 At the time of writing seven audits have been completed since the previous Committee in September 2018. Four audits are currently in progress and these will be reported to a future Committee. Four audits that were originally scheduled to be presented to this meeting (CareFirst, Off-payroll Working, Environmental Services and Waste Management) have been rescheduled to March's committee and one (Risk Management) scheduled for March has been brought forward to this Committee. This will not affect the completion of the overall audit plan by June 2019.

Audits Completed

- Marine Services (scope extended to all four ferry services)
- Housing Benefits and Council Tax Reduction
- Oban Airport
- LEADER
- Financial Planning
- VAT
- Risk Management

Audits in Progress

- CareFirst
- School Fund Governance
- Organisational Culture
- Environmental Services

4.2 In addition to those already in progress indicative audits planned for Quarter 4 2018/19 are:

- Performance Management

- Self-Directed Support
- Early Years Provision
- Off-Payroll Working
- Waste Management
- Land & Asset Disposal

4.3 **Additional updates from Quarter 3:**

- We have commenced the two scrutiny reviews agreed by Committee at the June 2018 meeting. For the Money Skills Argyll review three scrutiny panels have taken place and we are in the process of considering the need for a fourth. For the roads resurfacing review the planning panel met on 11 December 2018 and we are currently progressing the review.
- The CIA has been assisting Roads & Amenity Services with an examination of the financial position of a third sector partner involved in the delivery of waste collection / recycling services. This has been classified as 'consultancy' work and assigned to the 'Contingency' line in the 2018/19 internal audit budget.
- Due to extended absence within Strategic Finance the CIA has agreed to second a staff member from internal audit to provide cover and help the finance team meet regulatory deadlines. This secondment has been backfilled using agency staff. This has required the rescheduling of three audits from this December committee to the March 2019 committee (Waste Management, Off Payroll Working and CareFirst). The 2018/19 plan will still be delivered in its entirety by June 2019.
- The CIA has been involved in revising the Scottish Local Authorities Chief Internal Auditor's Group approach to external quality assessments. This is as part of a short life working group working alongside the CIAs of West Dunbartonshire Council, Dundee City Council and Western Isles Council.
- In accordance with the timetable for the National Fraud Initiative 2018/19 Exercise, data was to be extracted from various systems as at 30 September 2018 and uploaded to the NFI application from 8 October 2018 following quality checks to ensure the data met defined specifications. We can confirm that the data was successfully collected and submitted by the required timeframes. Matches will be available for review from 31 January 2019.
- CIA performed a half year review of client feedback surveys to assess feedback received to date and identify any areas for improvement. Feedback is extremely positive with the team averaging 96% against a target of 80% across the survey questions. Specific comments referred to the team's professionalism, good communication, having a 'beneficial review', and the overall experience of being audited being a positive one.
- CIA has established an informal information sharing agreement with the auditors of the H&SCP (also the auditors of NHS Highland) to ensure both parties are sighted on relevant audit reports and plans. The CIA will review H&SCP audit reports to determine whether there are significant issues which should be highlighted to the Audit and Scrutiny Committee and/or SMT.
- We have progressed the work identified to assess the Council's vulnerability to the weaknesses that led to a high profile fraud at Dundee City Council.

- A list of 18 interfaces between various council systems and the payables ledger system has been prepared. This summarises the data interfaced, frequency of the interface and the responsible officer. Documented reconciliation procedures have been requested from the officers and, where these are available, they have been provided. Walkthrough testing has been undertaken on six interfaces to confirm adherence to the provided procedures. Based on the work performed to date a decision has been taken to perform a more detailed review in 2019/20. This is reflected in the draft 2019/20 audit plan included as a separate agenda item.
- Logical access testing was carried out across 11 key financial systems. User access reports were requested and received from the various system administrators. Users on the lists with 'super user' access were extracted for each system and cross examined to ensure that users did not have super user access across various systems. This has not highlighted any material concerns however a decision has been taken to perform a more comprehensive system wide review of logical access in 2019/20. This is reflected in the draft 2019/20 audit plan included as a separate agenda item.

4.4 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.

4.5 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. Due to the volume of CM tests carried out the decision has been made to report by exception only. In the previous quarter continuous monitoring testing was carried out on Payroll, General Ledger, Budgeting, Creditors and Debtors. No material control weaknesses were identified.

4.6 A follow up process for national reports is in place whereby management are advised of national reports published and asked to confirm what, if any, action is planned as a result of the report. Table 2 below details the National Reports issued during quarter 3.

Table 2: Issue of National Reports in Quarter 3:

National Report	Issued To	Detail	Management response/ Action taken
Children and young people's mental health	<ul style="list-style-type: none"> ● Chief Officer, Health and Social Care 	A big increase in young people being referred to mental health services and longer waiting times are signs of a system under significant pressure, says a new report.	Report considered by Strategic Management Team on 10 December 2018
Withdrawal from the European Union	<ul style="list-style-type: none"> ● Executive Director of Customer 	Key audit issues that Audit Scotland think EU withdrawal presents for the	The report was shared with Customer Services who have provided

National Report	Issued To	Detail	Management response/ Action taken
	Services	public sector. Includes a series of questions that public bodies may want to ask themselves and sets out current plans to reflect EU withdrawal in Audit Scotland workplan.	responses to the areas relevant to them. A representative from Audit Scotland will present this report as a separate agenda item at this committee.

4.7 National Fraud Initiative (NFI). Data has successfully been uploaded to the NFI application by the due date of 8 October 2018. Data uploaded will be analysed along with data submitted by other authorities and organisations to produce a new set of matches to be reviewed from 31 January 2019. The table update on matches progressed will be reintroduced for March 2019 meetings onwards.

4.8 The table below details 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 3: Internal Audit Development Key Actions:

Area For Improvement	Agreed Action	Progress Update	Timescale
Prepare SMT paper on minor areas for consideration from EQA review	EQA report highlighted some minor areas for consideration which the CIA has agreed to take to the SMT for discussion. These include: 1. Explicit reference of how internal audit contribute to best value 2. Consideration of how the Committee get their assurances over health and social care integration 3. Committee Chair input into CIA performance 4. CIA job description not recognising the IIA qualification	Complete	November 2018
Response to high profile fraud report	Internal Audit have developed additional test areas in order to minimise the risk of the Council being vulnerable to a similar fraud that occurred in another Scottish local authority. Progress has been made and will be concluded and reporting to the December meeting of the committee.	Complete	December 2018
Review format and content of annual internal audit plan	Review the format and content of the annual internal audit plan to more overtly reference an alignment between key risks faced by the Council and the planned audit	Complete	December 2018

Area For Improvement	Agreed Action	Progress Update	Timescale
	activities. In particular, where relevant, there will be a clear alignment between identified audit assignments and the Council's strategic and/or operational risk register and a three year projection to show proposed future coverage of key strategic risks. The 2019/20 plan will also provide a summary of the key risks which were addressed by the 2018/19 internal audit plan. Consideration should also be given to aligning reviews to service plan challenges as per the 2017-2020 service plans.		
Review format and content of the template audit reports	The template audit report will be revised to specifically reference the risks that were identified in the audit planning process and documented in the terms of reference.	On track	February 2019
Training and CPD	Two members of the team are currently training to gain further qualifications (CIPFA and IIA). Every member of the team are required to complete an annual Performance Review of Development which includes a development plan. 2018 PRDs were carried out in February 2018. Scrutiny training was carried out in August 2018.	On track	On-going

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 2018– 19 – FQ3 18/19 (as at October 2018)			
TEAM RESOURCES			
PRDs IA Team G →	TARGET	Percentage of PRDs complete	
	90%	100%	
	Number of eligible employees FTE	Number of PRDs complete FTE	
	5	5	
Revenue Finance	BUDGET	ACTUAL	G
YTD Position	£113,175	£121,040	
Year End Outturn	£230,931	£230,931	
BO28 Our processes and business procedures are efficient, cost effective and compliant (SF)			
Annual Risk Assurance Statements completed by Services	Target	On Track	G →
	Status	On Track	

Risks Management Overview report approved	Status	On Track	G →
	Target	On Track	
Review of Strategic Risk register	Status	Complete	G ↑
	Target	Complete	
Annual Audit Plan approved by 31 March	Status	On Track	G →
	Target	On Track	
% of audits completed in audit plan	Status	100%	G →
	Target	100%	
% of audit recommendations accepted	Actual	100%	G →
	Target	100%	
% customer satisfaction with audit reports	Actual	100%	G →
	Target	80%	

5. CONCLUSION

5.1 The 2018/19 Audit Plan is on track. Continuous monitoring testing undertaken during the period has provided an overall effective level of assurance in respect of control 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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