

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 4 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:** Four audits have been completed during the period. Of these audits, one is rated as high, one as substantial, one as reasonable 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 4 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 four audits have been completed since the previous Committee in December 2018. Six audits are currently in progress and these will be reported to a future Committee.

Audits Completed

- CareFirst
- Commercial Waste Management
- Performance Management
- Environmental Services

Audits in Progress

- Land & Asset Disposal
- Self-Directed Support
- Early Years Provision
- Off-Payroll Working
- School Fund Governance
- Organisational Culture
- Traffic Regulation Orders

4.2 In addition to those already in progress indicative audits planned for Quarter 1 2019/20 are:

- Following the Public Pound
- Additional Support Needs
- Business Continuity Planning
- Health & Safety
- Care Home Provision

4.3 Additional updates from Quarter 4:

- The Chief Executive has set up a Brexit tactical group to monitor and assess potential implications arising from the withdrawal of the UK from the European Union. The group is headed up by the Regulatory Services Manager and has cross service representation on it including the CIA. The group has met three times, has drafted a Brexit risk register and is in the process of finalising a Brexit work plan which details the actions to be undertaken by the Council to mitigate the identified risks.
- In preparation for the Council's Best Value 3 (BV3) review being carried out in October 2019, with reporting in the first quarter of 2020, a BV3 Group has been established chaired by the Head of Improvement & HR. The group's core responsibility is to self assess the Council in relation to the eight core BV3 themes and, in doing so, preparing a body of evidence to provide Audit Scotland to support their fieldwork. The group will be reporting to SMT on a regular basis between April and October. The CIA is the lead on the Governance & Accountability theme.
- The CIA has established a working group with the CIAs of four other local authorities who meet on a quarterly basis to share ideas and resources. The group are currently establishing a small suite of performance indicators which will be used for local benchmarking. Once these are finalised these will be reported to the Audit & Scrutiny Committee.
- The CIA attended a meeting of the Argyll and Bute HSCP audit committee and will attend future ones where appropriate and where diary permits. Relevant internal audit reports will be tabled at these committees going forward.
- We have continued to progress the Money Skills Argyll (MSA) and roads resurfacing scrutiny reviews agreed by Committee in June 2018. Four scrutiny panels have taken place and the report is currently being drafted for the MSA review. This will be reported to committee in June 2019. For the roads resurfacing review a planning panel was undertaken in December 2018 and the first panel meeting was held in Falkirk on 26 February 2019 with attendees from the Ayrshire Roads Alliance, Highland Council and Fife Council. Future panel meetings are to be scheduled.
- Following receipt of correspondence about the Council's approach to Traffic Regulation Orders we have decided to carry out an audit of the relevant council policy and procedures and the Council's compliance with them. The output of this audit will be reported to the June meeting of the Audit and Scrutiny Committee. It will be delivered using contingency days in the 2018/19 and 2019/20 audit plan and will have no effect on the delivery of other audits in the plan.
- Following the recent restructure in Strategic Finance there was a vacancy within the team for an accountant/auditor. Interviews were held for this post on 18 February and we have appointed a new trainee accountant who will commence on 1 April 2019.

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. Issues identified are detailed in table 1 below:

Table 1: Continuous Monitoring Findings

Auditable Area	Areas Tested	Issues Identified	Management comment / action
Budgeting - Revenue virements between cost centres up to £25k.	Virements between cost centres up to £25k were reviewed to ensure they were authorised by the relevant Head of Service.	Authorisations were not available for four of the six sampled.	It is acknowledged that not all Heads of Service are returning their signed authorisations and this is not always subsequently followed up by Strategic Finance. Our processes will be reviewed to ensure this is rectified going forward.
Budgeting - Revenue Virements between services up to £200k.	Virements between services up to £200k were reviewed to ensure they were authorised by the relevant Executive Director.	Part authorisations were available for two of the six sampled. There was no evidenced authorisation for the remaining four.	It is acknowledged that not all Directors are returning their signed authorisations and this is not always subsequently followed up by Strategic Finance. Our processes will be reviewed to ensure this is rectified going forward.
Budgeting - Revenue Virements between services over £200k.	Virements between services over £200k were reviewed to ensure they were authorised by the Council.	There was no evidence of authorisation for any of the seven sampled.	It is acknowledged that not all virements over £200k were being authorised by the Council. Our processes will be reviewed to ensure this is rectified going forward.
Payroll - Deductions from pay.	A sample of employees with deductions from pay were reviewed to ensure a written confirmation to authorise deductions of pay was on file and that the deduction was input to the system by one employee and checked for accuracy by another.	An instruction was available on file for all 20 sampled. The current process allows one staff member to complete the whole process of receiving the deduction instruction, setting up deductions on file and applying deductions to the payroll system without any secondary check.	A process map will be created within payroll's data management system to ensure that more than one member of staff is involved in the processing of deductions.

Employee expenses over six months old	A sample of claims over six months old were reviewed to ensure appropriate authorisation was received.	MyView guidance states that expense claims over six months old require third tier manager authorisation. This conflicts with the Council constitution which states that executive director approval is required.	The MyView guidance will be updated to reflect the requirement for Executive Director approval.
Employee expenses over six months old	A sample of claims over six months old were reviewed to ensure appropriate authorisation was received.	A dummy expense claim over six months old was submitted via MyView. Although MyView generated a warning that the claim was over 180 days old, no further information was presented to the authoriser regarding the need for further authorisation or the need for this authorisation to be attached in MyView as evidence. Furthermore the claim could be submitted /authorised as normal.	The warning generated by the MyView system will be updated to highlight to user and managers that Executive Director approval will be required for claims over six months old.

- 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 4.

Table 2: Issue of National Reports in Quarter 4:

National Report	Issued To	Detail	Management response/ Action taken
Health and social care integration, update on progress	<ul style="list-style-type: none"> Chief Officer Health and Social Care Partnership 	While some improvements have been made to the delivery of health and social care services, integration authorities, councils and NHS boards need to show a stronger commitment to collaborative working to achieve the real long term benefits of an integrated system.	Argyll & Bute Health and Social Care Partnership seek to use the report's six features identified as supporting integration. This is highlighted as a framework for development in line with the ministerial

National Report	Issued To	Detail	Management response/ Action taken
			report on the Review of Progress with Integration of Health and Social Care. It is anticipated that this will be over a twelve month period with some national collaborative working. A supporting report will be presented to the IJB in March 2019 in the first instance.

- 4.7 National Fraud Initiative (NFI). The results of matching the data submitted in October for the 2018-19 exercise were made available for review on 31 January 2019. A number of new features have been introduced to the web application, in particular risk scoring has been introduced to replace recommended filters. Trade creditor matches have not yet been released and this is expected to be available mid-February. There has been no progress as yet in reviewing matches, therefore the table update will be reintroduced for June 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 for the creation of a scrutiny report template and making improvements to the continuous monitoring programme. The rolling action in respect of staff development will be removed from reports going forward and committee will be notified of any additional development activity in the additional updates section.

Table 3: Internal Audit Development Key Actions:

Area For Improvement	Agreed Action	Progress Update	Timescale
Review format and content of the template audit reports	The template audit report has been revised to specifically reference the risks that were identified in the audit planning process and documented in the terms of reference. The new report template is now in use by the team.	Complete	February 2019
Training and CPD	The decision has been made to complete and remove this rolling action from future reports to committee. Every member of the team is required to complete an annual Performance Review of Development which includes a development plan. Any additional development activities undertaken will be reported to committee when	Complete	March 2019

Area For Improvement	Agreed Action	Progress Update	Timescale
	required in the 'additional updates' section.		
Consider format for scrutiny reports	A template scrutiny report will be created and used for the Money Skills Argyll scrutiny review scheduled to be presented to committee in June. This template will be available for future scrutiny reports, although it may be subject to change depending on suitability for each individual review.	On Track	May 2019
Review and streamline the continuous monitoring programme.	Undertake a review of the revised continuous monitoring work programme following the completion of the first year. Identify areas for improvements and make changes where necessary.	On Track	August 2019

- 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 – FQ4 18/19 (as at February 2019)			
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	£174,402	£179,153	
Year End Outturn	£227,663	£227,663	
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	On Track	G ➡
	Target	On Track	
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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