

## INTERNAL AUDIT SUMMARY OF ACTIVITIES

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### 1. SUMMARY

- 1.1 The objective of the report is to provide the Audit and Scrutiny Committee (the Committee) with a summary of Internal Audit activity and progress during quarters one and two of 2020/21.
- 1.2 Core activities together with a progress update statement are shown below:
- **2019/20 Audit Plan progress:** Audit plan closed down and outstanding work transferred where appropriate to 2020/21 plan
  - **2020/21 Audit Plan progress:** On track to revised audit plan
  - **Individual Audits undertaken:** Four audits have been completed during the period. Of these audits, one is limited and three are reasonable.
  - **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.

### 2. RECOMMENDATIONS

- 2.1 To review and endorse the Summary of Activities report
- 2.2 Approve the removal of the draft 2021/22 audit plan from the December meeting of the Committee.

### 3. DETAIL

- 3.1 Four audits have been completed since the previous Committee in March 2020. Five audits are currently in progress and these will be reported to a future meeting of the Committee.

#### **Audits Completed**

- School Purchasing
- Logical Access
- HSCP Contract Management
- Legionella Improvement Plan

#### **Audits in Progress**

- Interfaces / Reconciliations
- Scottish Welfare Fund
- Welfare Rights

- Oban Airport
  - LEADER
- 3.2 In addition to those already in progress indicative audits planned for Quarter 3 2020/21 are:
- Homelessness
  - Management of Term Contracts
  - Capital Monitoring
  - Work Experience/ Placements
  - Charging for Care (HSCP)

### **Impact of COVID**

- 3.3 COVID meant the 2019/20 audit plan could not be completed in its entirety due to:
- a need to redeploy audit resources to priority tasks in support of the Council's response to the pandemic
  - lack of availability of key audit contacts in services due to the pressure created implementing COVID critical operations.
- 3.4 This resulted in six audits not being fully complete by the targeted deadline of June 2020. A revised Audit Plan has been prepared for 2020/21 to reflect the reduction in time available and will be discussed as a separate agenda item.
- 3.5 Normally a draft of the next year's internal audit plan is presented to the Committee at the December meeting with a final version presented at the March meeting. As the 2020/21 plan has only just been revised, and as the Council is still managing the effects of COVID on service delivery and the wider community it is recommended that a draft 2021/22 plan is not created for December and the Chief Internal Auditor brings a plan to the March 2021 Committee. This will allow for proper consideration of the Council's ongoing response to COVID and the impact that has on the risk profile of potential auditable areas.

### **Scrutiny**

- 3.6 The audit team's redeployment to assist in COVID activities also resulted in scrutiny work being put on hold in quarter one of 2020/21.
- 3.7 The team resumed work on the 2019/20 scrutiny plan at the end of July and the Economic Strategy review panel met to recap on progress to date and agree the scope of a final panel meeting with Council officers. Action will be taken soon to resurrect the Strategic Housing Fund scrutiny review. In view of ongoing restrictions as a consequence of there may be difficulties arranging face to face panel meetings so virtual panels may be the appropriate option.

### **Additional Updates from Quarters One and Two**

- 3.8 The recruitment process for the new counter-fraud team was paused to COVID however the team leader has now been appointed with a provisional starting date of 1 September 2020. We will shortly advertise for the counter fraud investigator post.

- 3.9 The acting up arrangements reported to the Committee in January have been extended. The recruitment process to appoint a new Executive Director was paused due to COVID, however, this has now progressed and the Head of Financial Services has been appointed to the Executive Director post. The current acting up arrangements will therefore continue until a new Head of Financial Services is appointed.
- 3.10 A sample of data in respect of the Statutory Performance Indicators (SPI's) that are required to be returned by councils as part of the Local Government Benchmarking Framework (LGBF) must be reviewed by Internal Audit for submission to the Improvement Service by 31 August each year. Internal audit carry out this work in collaboration with colleagues in performance management and a separate report will be submitted for review at this committee. Internal Audit was provided with the full set of data from which to select indicators for review on 29 July and as large variances were reported in teachers' sickness absence, attendance figures for outdoor leisure facilities and virtual library visits, these indicators were selected for review. Errors were identified during the course of the review and amended by the relevant officers. The pro-forma has been updated to reflect the correct figures for submission to the Improvement Service.

### Continuous Monitoring

- 3.11 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.
- 3.12 A follow up process is in place whereby management are advised of continuous monitoring findings and, where appropriate, requested to take remedial action. There are currently no outstanding follow-up points and no issues have been identified during quarter two.

### National Reports

- 3.13 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 1 below details the national reports issued during quarter four 2019/20 and quarters one and two 2020/21.

**Table 1: National Reports**

<b>National Report</b>	<b>Issued To</b>	<b>Detail</b>	<b>Management response/ Action taken</b>
National Audit Office: EU Exit: the Get ready for Brexit campaign	EU Withdrawal Tactical Team	This report has been prepared following Parliamentary interest in the campaign. It examines the management of the campaign, in particular: the preparation of the campaign, including the approval of the business case and budget, and procurement; governance and oversight; and the evidence available to the Cabinet Office on the effectiveness of the campaign.	No action to be taken. As a Tactical Group we considered this report, and also Audit Scotland Report on EU Exit which identified key questions for public authorities to consider, and all the issues had been effectively addressed through our response.

National Audit Office: Local authority investment in commercial property	Executive Director – Douglas Hendry	The report examines whether the framework allows for the management of risks to the financial sustainability of local authorities from investment in commercial property. We expect to have clear objectives for the system and enough information and assurance on its functioning. We also expect effective changes when required.	Due to our low level of commercial property investment and the fact that all our investments are inside our own administrative boundary, the findings largely don't concern Argyll and Bute activity. Findings of the report will however be given cognisance for future investment.
National Audit Office: Gambling regulation: problem gambling and protecting vulnerable people	Executive Director – Douglas Hendry	This report examines the extent to which gambling regulation protects people from gambling-related harms and addresses emerging risks.	No action required by the Council
Audit Scotland: Early Learning and Childcare follow-up	Executive Director – Douglas Hendry	Plans to boost early learning and childcare (ELC) hours have made steady progress but risks around buildings and staffing remain, say public sector watchdogs.	No specific action to be taken
Audit Scotland: Argyll and Bute Council Best Value Assurance report	SMT and Business Continuity Committee (BCC)	Argyll and Bute Council needs to build on its good financial management and relationship with residents as it looks to change the way it delivers services.	BV action plan being produced which will go to BCC for approval.
National Audit Office: Managing PFI assets and services as contracts end	Interim Executive Director – Kirsty Flanagan	This report provides information on managing PFI contracts as they come to an end and considers whether government is making appropriate preparations to manage the expiry of PFI contracts. There are currently over 700 operational PFI contracts in place in the UK with a capital value of £57 billion. This study focusses on the 571 English PFI contracts, excluding those for which devolved governments are responsible. The purpose of this report is to draw out the challenges and best practice that can most benefit those managing PFI contracts coming to an end.	There are currently no required steps we need to take for handback. The NPDO and HUB contracts are actively managed and the handback process does not kick in till some 6/7 years from now and later in the HUB contract.  The Waste PPP, managed by D&I, has handback procedures which formally commence in the last year of the contract in September 2026 and the service are commencing planning for the handback.
Audit Scotland: North Ayrshire Council Best Value Assurance report	SMT	The council continues to improve and, alongside its partners, has determination and commitment to make better the lives of local people. This is particularly important given the high levels of deprivation.	Considered by SMT on 13 July 2020

## National Fraud Initiative (NFI)

- 3.14 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. A reminder process is in place to ensure that matches are reviewed on a timely basis.
- 3.15 The most recent cycle of NFI activity has now been concluded with the new data set due to be available in January 2021. Therefore the usual table update on matches progressed has been removed as there has been limited activity since the last committee. Current intentions are that the role of monitoring NFI progress will be carried out by the new corporate fraud team with a hand over from internal audit to be performed in due course. The table updating the committee on matches progressed will be reinstated from the March 2021 meeting of the Committee onwards.

## Internal Audit Development

- 3.16 The table below details progress against the action points in our Internal Audit development plan. No additional items have been added in quarters one and two.

**Table 2: Internal Audit Development Key Actions:**

Area For Improvement	Agreed Action	Progress Update	Timescale
Annual Audit Report Content	Ensure 2019/20 Annual Audit Report includes a section incorporating 2019/20 performance and feedback.	Complete	June 2020
Performance Information	The scorecard indicators in the IA Summary of Activities report need to be updated to reflect the service plan indicators. These will be reported to the Audit & Scrutiny Committee from June 2020 onwards.	Complete	June 2020
Counter Fraud Team	Approval for establishment of fraud team received, vacancies advertised.  Establishment of the team has been delayed due to the council's response to the pandemic. The Counter fraud team leader been appointed and started working on 1 September 2020. Recruitment to the post of counter fraud investigator is now underway and will be completed by late September.	Delayed	October 2020
VC and conference facility	Progress plan to use former audit room at Whitegates as a video conference facility.  The new facility is well progressed but paused due to the council's response to the pandemic situation.	Delayed	December 2020

Update Scrutiny Manual and Framework	Update the Scrutiny Manual and Framework to reflect Audit and Scrutiny Committee Decisions resulting from the lessons learned report submitted to the March Committee.  Delayed due to acting up arrangements and staff being redeployed due to the council's response to the pandemic situation.	Delayed	December 2020
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3.17 Internal Audit scorecard data is available on pyramid. The indicators reported are aligned to those for internal audit in the Financial Services service plan. All indicators are shown as on currently being on track.

<b>Internal Audit Team Scorecard 2020– 21 – FQ1 20/21 (as at June 2020)</b>			
<b>BO115 We Are Efficient And Cost Effective</b>			
Internal Audit Level of Satisfaction	Actual	94%	G ➔
	Target	80%	
Review of Strategic Risk register	Status	Complete	G ⬆
	Target	Complete	
Percentage of audit plan completed	Status	100%	G ➔
	Target	100%	
Percentage of audit recommendations accepted by management	Actual	100%	G ➔
	Target	100%	

#### **4 CONCLUSION**

4.1 The revised 2020/21 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.

#### **5 IMPLICATIONS**

- 5.1 Policy - Internal Audit continues to adopt a risk based approach to activity
- 5.2 Financial –None
- 5.3 Legal –None
- 5.4 HR – None
- 5.5 Fairer Scotland Duty – None
- 5.5.1 Equalities – None
- 5.5.2 Socio-Economic Duty – None
- 5.5.3 Islands Duty – None
- 5.6 Risk – None
- 5.7 Customer Service – None

For further information please contact Internal Audit (01436 657694)

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