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**Report to: Audit and Finance Committee**

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**Date of Meeting: 16 November 2017**

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**Subject: Internal Audit Progress Report 2017/18**

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**Report by: Internal Audit Manager**

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## **1.0 Purpose**

- 1.1. The purpose of this report is to provide an update on progress with completing the 2017/18 Internal Audit Plan.

## **2.0 Recommendations**

- 2.1. The Committee is asked to note progress being made with completing the 2017/18 Internal Audit Plan.

## **3.0 Progress With Completing 2017/18 Internal Audit Plan**

- 3.1. The Plan was agreed by Audit and Finance Committee on 16 March 2017. It set out sixteen assignments to be completed by the team during the year. One additional review, on the validation of the Council's submission in relation to the Public Body Duties set out in the Climate Change (Scotland) Act 2009, has been requested by Development and Environmental Services. This work is underway, and will be completed in line with required timescales and within the existing work plan.
- 3.2. The status of each assignment is attached at Appendix 1. Eleven of the seventeen planned / additional reviews have been started, or have been completed to draft or final report stage.
- 3.3. Summaries of the scope of, and findings arising from assignments finalised since the last Committee are set out in Appendix 2. Of the 5 pieces of work completed only 1 required to have an assurance level, the audit on sundry debtors, and substantial assurance was given.
- 3.4. Definitions of the assurance categories used by Internal Audit are set out at Appendix 3.

#### 4.0 Conclusions

4.1. The team are making good progress with 2017/18 Internal Audit work. This will contribute to a balanced and evidenced based year end opinion on arrangements for risk management, governance, and control.

#### 5.0 Sustainability Implications

5.1. None noted

#### 6.0 Resource Implications

##### 6.1. *Financial Details*

6.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

6.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

##### 6.4. *Staffing*

#### 7.0 Exempt Reports

7.1. Is this report exempt? Yes  (please detail the reasons for exemption below) No

#### 8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box )

- The area has a positive image and attracts people and businesses
- Our communities are more cohesive and inclusive
- People are better skilled, trained and ready for learning and employment
- Our communities are safer
- Vulnerable people and families are supported
- Substance misuse and its effects are reduced
- Health is improving and health inequalities are reducing
- The environment is protected and enhanced for all
- The Council is effective, efficient and recognised for excellence

(2) **Council Policies** (Please detail)

## 9.0 Equalities Impact

9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes  No

## 10.0 Legality

10.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

## 11.0 Appendices

11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

- **Appendix 1:** Internal Audit Plan 2017/18 – Progress at October 2017
- **Appendix 2:** Summary of Findings from Assignments Complete to Final Report Stage – NOT Previously Reported to Committee
- **Appendix 3:** Definition of Internal Audit Assurance Categories

## 12.0 Background Papers

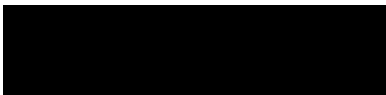
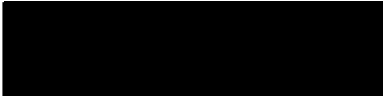
12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes  (please list the documents below) No

### Author(s)

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### Approved by

NAME	DESIGNATION	SIGNATURE
Stephen Coulter	Head of Resources and Governance	
Nikki Bridle	Depute Chief Executive	



## Internal Audit Plan 2017/18 – Progress at October 2017

Planned Assignments (as per 2017/18 Internal Audit Plan)			
	Service	Assignment	Status
1.	All Services	Pensions Transactional Testing	Not Started
2.	Resources and Governance / All Services	Payroll Transactional Testing	Not Started
3.	Resources and Governance / All Services	Recruitment and Selection	<b>FINAL REPORT ISSUED</b>
4.	Housing and Community Safety / All Services	Sundry Debtors	<b>FINAL REPORT ISSUED</b>
5.	Resources and Governance / All Services	Procurement / Contract Monitoring	<b>In Progress</b>
6.	Resources and Governance	Cyber Security	<b>In Progress</b>
7.	Social Services	Public Protection (Children and Adults) - Governance	Not Started
8.	Social Services / Education Services	Social Care and Education Transport	<b>In Progress</b>
9.	All Services	Cash and Income Collection	<b>FINAL REPORTS ISSUED</b>
10.	Education Services	Pupil Equity Fund	Not Started
11.	All Services	Follow Up of Internal Audit Recommendations	<b>In Progress and Ongoing</b>
12.	All Services	Ad Hoc / Consultancy Work	<b>In Progress and Ongoing</b>
13.	All Services	National Fraud Initiative	<b>In Progress and Ongoing</b>
14.	All Services	Continuous Auditing	<b>In Progress and Ongoing</b>
15.	Clacks and Stirling IJB	To Be Confirmed	Not Started
16.	Central Scotland VJB	To Be Confirmed	Not Started

<b>Additional Assignment</b>			
	<b>Service</b>	<b>Assignment</b>	<b>Status</b>
1.	Development and Environmental Services	Validation of Climate Change (Scotland) Act 2009 Return	<b>In Progress</b>

**Summary of Findings from Assignments Complete to Final Report Stage –  
NOT Previously Reported to Committee**

No.	Assignment Area and Service	Assurance and Key Findings
1.	<p>Sundry Debtors (Transactional Testing)</p> <p>Resources and Governance / All Services</p>	<p><b>Substantial Assurance</b></p> <p>This review focussed on transactional testing of new sundry debtor accounts, changes to sundry debtor accounts, and the raising of sundry debtor invoices. We also tested arrangements for debt management, arrears, and write off in relation to a sample of Council Tax, Non Domestic Rates, Sundry Debtor, and former tenant arrears transactions.</p> <p>In overall terms, we found the arrangements for identifying and recording sundry debtor payments to be robust, with debt write offs for the 2016/17 financial year authorised in line with the Council's Recovery and Write Off Policy.</p> <p>We did, however, note a number of areas where there was scope for further improving the existing control framework.</p> <p>We found several instances where the audit trail was incomplete and, in particular, there was a lack of documentation being retained by Services to support new or amended debtor accounts or the cancellation of invoices. We recommended that the authorisation arrangements within Services for these transactions are reviewed to ensure they are consistent and are being authorised by the appropriate Officer.</p> <p>We suggested that the functionality of the Tech One system be utilised to enable supporting documentation to be held electronically. This links into work already being progressed by the Revenues and Tech One teams on making improvements to the invoicing and recovery processes.</p> <p>We also found there to be a need for establishing written procedures for creating or amending debtor accounts, raising or cancelling invoices, and for identifying accounts for write off.</p>
2.	<p>Cash and Income Collection – Speirs Centre</p> <p>Strategy and Customer Services</p>	<p><b>Not Applicable as carried out on a spot check basis</b></p> <p>Internal Audit reviewed cash handling, security, and banking arrangements at the Rent Office in the Speirs Centre.</p> <p>At the time of the visit the cash floats and income collected reconciled, and arrangements for the handover of income to the external security firm for banking were operating effectively.</p> <p>There was, however, some scope for improving the framework of control. In particular we found there to be a need to ensure that:</p> <ul style="list-style-type: none"> <li>• up to date written income handling, banking, and security procedures are in place;</li> <li>• cash drawers are locked when not in use, with excess cash stored securely in the safe; and</li> <li>• the physical security of the office is reviewed and improved.</li> </ul>

No.	Assignment Area and Service	Assurance and Key Findings
3.	<p>Follow Up of Internal Audit Recommendations</p> <p>All Services</p>	<p>Internal Audit have worked with the Performance and Change team to develop Pentana reporting functionality to capture all of the recommendations made previously by Internal Audit that are now past their agreed implementation date.</p> <p>The recommendations captured within the report do, in some instances, relate to audit work undertaken a number of years ago. Given that the risk profile of the Council, and the external environment within which the Council operates, has changed significantly in recent years, it would not make sense to ask Services to now follow up on all recommendations made previously.</p> <p>Rather, an initial sifting of previous recommendations is underway, in conjunction with Services, to identify those to which priority should continue to be given.</p> <p>This will allow Internal Audit to work with Services to ensure that appropriate and proportionate actions are taken to address recommendations made in previous years, and will form the basis of future reporting to Committee.</p>
4.	<p>Ad Hoc / Consultancy Work</p> <p>All Services</p>	<p>The Public Sector Internal Audit Standards are very clear that the role of Internal Audit encompasses assurance and consultancy activity. As part of our 2017/18 Internal Audit Plan, time was specifically set aside for undertaking ad hoc and consultancy work (either at the request of Services, or as a result of new or emerging risks). To date, Internal Audit have input to, or been involved in, the following:</p> <ul style="list-style-type: none"> <li>• attended, and contributed to, meetings of the corporate Risk and Integrity Forum;</li> <li>• input to review and update of Local Code of Governance;</li> <li>• input to collation of CIPFA Director of Finance group performance indicator return;</li> <li>• worked with Payroll Team Leader to help enhance payroll checking regime; and</li> <li>• finalised previous year's audits.</li> </ul>
5.	<p>National Fraud Initiative</p> <p>All Services</p>	<p>The purpose of the NFI exercise is to review and investigate the outcomes of data matching undertaken by Audit Scotland on behalf of the Cabinet Office. Matches cover areas such as Payroll, Pensions, Housing and Council Tax Benefit, Council Tax Single Person Discount, and Creditors.</p> <p>The Head of Resources and Governance and Internal Audit Manager act as joint Key Contacts for NFI, and a separate paper on today's agenda provides more information on progress to date.</p>



**Definition of Internal Audit Assurance Categories**

<b>Level of Assurance</b>	<b>Definition</b>
<b>Substantial assurance</b>	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or abuse.
<b>Limited assurance</b>	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or abuse.
<b>No assurance</b>	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or abuse is unacceptable. Significant improvements are required.

