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**Report to: Audit & Scrutiny Committee**

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**Date of Meeting: 20 April 2023**

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**Subject: Internal Audit Progress Report**

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**Report by: Internal Audit Manager**

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**1.0 Purpose**

1.1 This report provides an update on 2022/23 Internal Audit work.

**2.0 Recommendations**

2.1 It is recommended that the Committee notes progress being made with completing the 2022/23 Internal Audit Plan.

**3.0 Progress With Completing 2022/23 Internal Audit Plan**

3.1 The 2022/23 Internal Audit Plan was agreed by Audit Committee on 27 October 2022. It set out sixteen assignment areas to be completed by the team during the year. This includes ten audit reports to be issued to Clackmannanshire Council (this does not include those reports issued to the Clackmannanshire and Stirling Integrated Joint Board or Central Scotland Joint Valuation Board). Members will recall when approving the Internal Audit Plan it was recognised that it had to be flexible, given that priorities, resource, and Directorate capacity have, and will continue to, fluctuate and change.

3.2 To date, four audit reports have been completed to final report stage and issued to Clackmannanshire Council. A summary of progress is set out at Appendix 1.

3.3 The findings arising from the two finalised reviews relating to Non Domestic Rates and Climate Change Act Public Body Duties Audit were presented to the Audit and Scrutiny Committee on 9 February 2023. Details on the scope of, and findings arising, from the two reviews finalised since then are at Appendix 2. The assurance is provided in line with the definitions at Appendix 3.

3.3 There are six audit reports to be completed (this does not include those reports issued to the Clackmannanshire and Stirling Integrated Joint Board or Central Scotland Joint Valuation Board): three of these are either at draft report stage or are in progress at fieldwork stage; and three reviews are yet to be started. We have deferred the audit reviews that haven't started into the 2023/24 Internal Audit Plan to ensure they are prioritised and actioned early in the year. A summary of progress with planned work is set out at Appendix 1.

#### 4.0 Conclusions

4.1 The team are making good progress with 2022/23 Internal Audit work. This will contribute to a balanced and evidenced based year end opinion on arrangements for risk management, governance, and control. As previously advised, however, this is subject to change, and resource will be directed to where it adds most value.

#### 5.0 Sustainability Implications

5.1 None Noted.

#### 6.0 Resource Implications

##### *Financial Details*

6.1 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

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

##### *Staffing*

6.3 No implications other than those set out in the report.

#### 7.0 Exempt Reports

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

#### 8.0 Declarations

8.1 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 )

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all

Our families; children and young people will have the best possible start in life

Women and girls will be confident and aspirational, and achieve their full potential

Our communities will be resilient and empowered so that they can thrive and flourish

(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 2022/23 Progress at 31 March 2023
- Appendix 2: Internal Audit Plan 2022/23 Summary of Key Findings from Assignments Complete to Final Report 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
Stuart Crickmar	Strategic Director Partnership and Performance	



## INTERNAL AUDIT PLAN 2022/23 PROGRESS AT 31 MARCH 2023

	Client / Directorate	Assignment	Status
<b>Annually Recurring Assignments and Other Client Work</b>			
1.	All Directorates	National Fraud Initiative	Ongoing co-ordination role
2.	All Directorates	Continuous Auditing	Ongoing; done twice yearly
3.	Place	Climate Change Act Public Body Duties Audit	<b>Final Report Issued</b> – Substantial Assurance
4.	All Directorates	Consultancy Work	Ongoing as and when requested
5.	Clacks and Stirling IJB	Agreed audit work at IJB Audit and Risk Committee held on 16 November 2022	Fieldwork Underway
6.	Central Scotland Valuation Joint Board	Agreed audit work at CSVJB held on 1 July 2022	Fieldwork Underway
7.	All Directorates	Work on Recommendations Outstanding	Ongoing co-ordination role
<b>Committed Assignments</b>			
8.	Partnership and Performance / All Directorates	Non Domestic Rates	<b>Final Report Issued</b> – Substantial Assurance
9.	All Directorates	Building Security	<b>Final Report Issued</b> – Limited Assurance
10.	Partnership and Performance / All Directorates	Payroll Transactional Testing	<b>Final Report Issued</b> – Limited Assurance
11.	Partnership and Performance / All Directorates	IT and Information Security Governance	Not Started / Deferred
12.	People / All Directorates	Purchase Order Arrangements at Clackmannanshire for Adult Social Care	Not Started / Deferred
13.	All Directorates	Physical Income Security Arrangements	Fieldwork Underway
14.	Partnership and Performance / People	Leisure Income Follow Up Review	Not Started / Deferred
15.	People	Refugee Schemes Governance	Fieldwork Underway
16.	All Directorates	Supplier Set Up and Bank Account Changes	Fieldwork Underway / Draft Report

**INTERNAL AUDIT PLAN 2022/23 SUMMARY OF KEY FINDINGS ARISING FROM ASSIGNMENTS COMPLETE TO FINAL REPORT NOT PREVIOUSLY REPORTED TO COMMITTEE**

Assignment	Directorate	Assurance
Building Security	All	Limited
Scope	Final Report Executive Summary	
<p>The purpose of this review was to follow up on progress with implementing the recommendations from our 2018/19 and 2019/20 reviews of Building Security Arrangements; and to evaluate and report on the adequacy of the controls in place to ensure that Clackmannanshire Council's operational buildings, and the contents therein, are secure.</p> <p>In May 2018, Internal Audit issued a report on building security arrangements. The report provided 'No Assurance' and contained four corporate recommendations that were subsequently agreed with the then Corporate Management Team.</p> <p>In January 2020, Internal Audit issued a further report on building security arrangements. This report included a follow up on the status of the four corporate recommendations from the 2018 review (no further corporate recommendations were made). We found that none of the 2018/19 recommendations were implemented and were 'pending', on the appointment of the Senior Manager (Property). Internal Audit, therefore, provided 'Limited Assurance'.</p>	<p>Internal Audit has reviewed the progress of the 2018/19 corporate recommendations with the Senior Manager (Property) and their current status was found to be partially implemented. We recommend, that action is taken to implement the building security corporate recommendations which have been outstanding since 2019. Consideration should be taken to creating a short term Building Security Working Group in order to take forward outstanding recommendations.</p> <p>There has, however, been a range of actions taken corporately since the 2018/19 audit to raise staff awareness and vigilance. Some of these were reported to the Audit Committee in April 2019 and again in September 2021, including:</p> <ul style="list-style-type: none"> <li>• A workplace security briefing was reissued on the intranet and communicated to all staff via a management cascade in early 2019 and November 2021;</li> <li>• Briefings were provided to Head Teachers as duty holders for school premises and work on duty holders' roles and responsibilities continues through the Council's Health and Safety Executive;</li> <li>• Intranet page on Connect (Safety and Your Security) provides supervisors and staff with a range of information and advice on building security; and</li> <li>• Premises Duty Holders have been appointed, and a Handbook to assist in fulfilling responsibilities effectively has been issued.</li> </ul> <p>Internal Audit undertook unannounced visits to a sample of 12 operational buildings and reviewed the physical security measures in place at each building. Particular emphasis was placed on buildings in which vulnerable people (e.g. pupils and elderly residents) were users. For 10 out of 12 operational buildings visited Internal Audit had previously gained unauthorised access as part of the building security reviews in 2018/19 and 2019/20. Robust security measures were found to be in place to prevent and deter unauthorised access to the majority of the sampled buildings. These included a combination of two or more of the following controls:</p> <ul style="list-style-type: none"> <li>• perimeter fencing around the building and the grounds;</li> <li>• remote locking entry doors to the main reception area;</li> <li>• intruder alarms; and</li> <li>• CCTV cameras.</li> </ul> <p>Out of the 12 unannounced visits access was gained to four properties. Examples of security weaknesses to be addressed:</p> <ul style="list-style-type: none"> <li>• Access to street lighting and roads equipment store by proceeding through the main gate;</li> <li>• Unauthorised entry to a school by proceeding through an open gate at the bus park and through an unlocked door;</li> <li>• Unauthorised access to a Resource Centre through an unlocked fire exit; and</li> <li>• Unauthorised entry through a main door by tailgating a member of staff.</li> </ul>	

Assignment	Directorate	Assurance
<b>Payroll Transactional Testing</b>	Partnership and Performance	<b>Limited</b>
Scope	Final Report Executive Summary	
<p>The scope of the review was to evaluate and report on the controls established to manage payroll related change transactions, including new starts; leavers; and overtime.</p>	<p>A sample of 117 transactions were selected. We were content that the information from the new start, leaver, and change forms were accurately input to iTrent by Payroll and HR with the changes reflected in the employee's pay.</p> <p>Bank account changes processed by Payroll had appropriately authorised supporting documentation and the change was accurately processed on iTrent.</p> <p>Some weaknesses, however, were found in the controls over the processing, checking, and authorising of Payroll changes. In particular, the insufficient delegated authority of Services iTrent 'reporting managers' and 'managers' approving change forms. In addition, the authorisation levels of these managers were not verified by Payroll and HR prior to processing.</p> <p>Overtime payments are approved within the Service, and processed directly onto iTrent by the reporting managers. There was a lack of audit trail for overtime payments provided by reporting managers which demonstrated non compliance with the Council's Overtime Authorisation Policy. This included evidence relating to the reason overtime was required, and the authorisation and monitoring of overtime and related duties.</p> <p>We also found evidence of late notification by Services of new starts, change of contractual hours, and leavers resulting in six back pay and three overpayment transactions. All back pay identified was found to have been accurately paid in the following month. All overpayments identified have been processed for recovery through the Council's Sundry Debtors in line with the Salary Overpayments Policy.</p>	

## DEFINITION OF INTERNAL AUDIT ASSURANCE CATEGORIES

Level of Assurance	Definition
<b>Substantial Assurance</b>	Largely satisfactory risk, control, and governance systems are in place. There may be some scope for improvement as current arrangements may 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.