

# Angus Council Internal Audit



## Update Report

Scrutiny & Audit Committee

10 March 2015

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## Introduction

This report presents the progress of internal audit activity within the Council up to 10 February 2015 and provides:

- an update on progress with the 2014/15 Internal Audit Plan;
- a request for deferral of a planned 2014/15 review to 2015/16;
- summary findings and recommendations of those reports issued since the last Scrutiny and Audit Committee meeting (full copies of the Internal Audit reports are available to members on request).

# Audit Plan Progress Report

## 2014/15 Internal Audit Plan – Progress update

The table below provides Members with an update on progress with delivery of the 2014/15 Internal Audit Plan as at 10 February 2015. It also provides Members with details of when reports have either been presented to Committee or the planned timetable for doing so.

As part of the delivery of the 2015/16 Internal Audit Plan we intend to provide a timetable of which sets out key dates in the audit cycle for each individual audit, including when the audit is planned to commence and the target date for reporting to the Committee.

Audits	Planning	In course (fieldwork + review)	Draft report	S&A committee date / (target in italics)
<b>Corporate Governance</b>				
Corporate Governance annual review and report – 2013-14				24 Jun 2014
Corporate Governance 2014-15 – Interim Review				<i>Management Letter to CGOG</i>
Risk Management				<i>23 June 2015</i>
Information Governance				<i>21 Apr 2015</i>
Transforming Angus (Governance & Scrutiny)				<i>21 Apr 2015</i>
Transforming Angus (Benefit identification, tracking & realisation)	Recommended to carry forward to 2015/16 plan – see note below			N/A
Health & Social Care Integration				<i>23 Jun 2015</i>
Health & Safety Governance				<i>30 Sept 2014</i>
Performance Management				<i>21 Apr 2015</i>
<b>Financial Governance</b>				
Downsizing Incentive Scheme	Removal from plan approved 27 January 2015			
Affordable Housing / Survive & Thrive				<i>27 Jan 2015</i>
Children & Young People (Scotland) Bill				<i>10 Mar 2015</i>
Procurement				<i>23 Jun 2015</i>
Salaries				<i>21 Apr 2015</i>

Audits	Planning	In course (fieldwork + review)	Draft report	S&A committee date / (target in <i>italics</i> )
Creditors (Duplicate Payments)				26 Aug 2014
Income Collection - Letting of premises				27 Jan 2015
<b>IT Governance</b>				
Angus.gov.uk - online services				<b>21 Apr 2015</b>
PSN compliance				<b>23 Jun 2015</b>
<b>Internal Controls</b>				
Economic Development				10 Mar 2015
Charitable Funds				30 Sept 2014
Subscriptions				27 Jan 2015
Rural bus services				<b>23 Jun 2015</b>
<b>Asset Management</b>				
Stocks (year-end)				24 Jun 2014
<b>Legislative and Other Compliance</b>				
Landfill Tax				<b>21 April 2015</b>
LEADER				25 Nov 2014
European Fisheries Fund				<b>21 April 2015</b>
Carbon Reduction				10 Mar 2015

## Update to 2014/15 Internal Audit Plan

We are requesting approval from the Committee to defer the Transforming Angus (Benefit identification, tracking and realisation) audit to 2015/16.

We have learned from our work in conducting the Transforming Angus (Governance and Scrutiny) audit that the workplan for Transforming Angus has not progressed to a level where we would be able to add value by conducting an audit of this nature at this time.

## Transforming Angus Programme Boards

As Members will be aware, approval was given at the Committee meeting on 27 January 2015 to reallocate time from the Downsizing Incentive Scheme review to Internal Audit staff involvement in the Transforming Angus workstream programme boards.

To date staff have attended meetings of the Culture & Leisure Trust, Agile Working and Angus Digital boards and are being provided with copies of all relevant papers relating to these.

## Lean Reviews

Members will recall from previous Scrutiny & Audit Committees that, in addition to the above planned audit activity, members of the Internal Audit team have been directly involved in supporting a number of Lean exercises being led by the Service Manager – Governance. To date, their input has been in respect of the following:

- Lean Pilot (Creditors, Bookings and Planning)
- Shared Apprentice Scheme Rapid Improvement Event
- People Directorate SLAs
- Older people's housing

Since early May 2014, the total time input has been around 60 days.

## Annual Internal Audit Planning

We have also commenced the process of developing the 2015/16 Internal Audit Plan. This process started with the session held with Members following the 27 January 2015 meeting of this Committee to obtain Member input on areas where assurance would be required in 2015/16.

We will be holding further meetings with the Executive Management Team as well as the Head of Corporate Improvement & Finance during February 2015 to obtain their input to the plan. Allied to this, we are also updating our audit universe to ensure that it reflects the current list of auditable areas within the Council. This is being done with input from Heads of Service.

The Annual Internal Audit Plan for 2015/16 will be brought to the Committee for approval at the meeting on 21 April 2015.

## Summary Findings of Internal Audit Reports

This section provides a summary of the more material findings of audit reports issued since the last meeting. It also provides information on the number of recommendations made within each report. Recommendations are ranked in relation to importance, with level 1 being the most material. Discharge of recommendations is followed up by Internal Audit and reported to this committee.

Members are asked to consider the following summaries and provide any commentary thereon.

### Children & Young People (Scotland) Act

<b>Level 1</b>	<b>0</b>	<b>Level 2</b>	<b>0</b>	<b>Level 3</b>	<b>0</b>
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The Children and Young People (Scotland) Act 2014 (the Act) received Royal Assent on 27 March 2014.

Prior to August 2014, local authorities had a statutory duty to provide 475 hours of pre-school education per year for all 3 and 4 year olds. In Angus, this has been delivered in partnership with the private and voluntary sectors.

The Act increases the amount and flexibility of funded early learning and childcare to a minimum of 600 hours per year for:

- all 3 and 4 year olds
- 2 year olds who are (or have been at any time since turning 2) looked after or subject to a kinship care order
- 2 year olds living in workless households

The new duty is effective from 1 August 2014. From August 2015, there will be a further increase, to include all children who would currently be eligible for free school meals.

The Act also introduces a requirement to provide free school lunches for all children in Primary 1 (P1) to Primary 3 (P3) from January 2015.

The overall objective of the audit was to ensure that the Council has made adequate plans to be able to meet the requirements introduced by the Children & Young People (Scotland) Act 2014. The audit focused on the requirements relating to early learning and childcare and free school meals

Our audit did not contain any recommendations.

We found that there has been significant work completed by staff to ensure 600 hours of early learning and childcare for eligible children has been achieved from August 2014 and the universal entitlement to free school meals for all P1-3's was delivered from 5 January

2015. Staff involved in the planning and implementation of these parts of the Children and Young People (Scotland) Act 2014 have shown great commitment and expertise.

Implementation of the Act is an ongoing process and further work will be carried out in 2015/16, including a more flexible approach to the delivery of 600 hours childcare provision, which is planned for August 2015. The work is included in action plans and the work plans in the People Directorate.

## Economic Development

Level 1	-	Level 2	4	Level 3	2
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The Council's Economic Development Unit encourages business growth and inward investments within Angus as well as assisting organisations in developing their business opportunities in Angus, nationally and internationally. The team supports a range of functions and services ranging from property and development land opportunities, encouraging trade development and exporting as well as business advice and marketing. The Economic Development Unit supports a number of sectors of business, but has particular focus on a number of areas which are important to the local economy. These are tourism, sustainable energy, golf, engineering and the food and drink sector.

The Angus Economic Development Partnership, which amongst a number of members includes Angus Council, Dundee and Angus College, Dundee and Angus Chamber of Commerce and Scottish Enterprise, has developed an updated economic strategy and action plan to meet the current and future needs of the local economy.

The Economic Development Unit consists of four main teams with administration support. The four teams are

- Marketing
- Business Development
- External Funding
- Strategy and Towards Employment Team

The overall objective of the audit was to review the adequacy of processes in place within Economic Development in relation to delivering effective Business Advice and Business Development services. The audit also focused on the arrangements in place for maximising the utilisation of the Economic Development Property Portfolio.

Our audit identified that there has been significant work undertaken within Economic Development since January 2014 to improve service delivery and the profile of the service.

A number of improvements have been implemented during the year include:

- Reconfiguring the electronic filing structure to a shared structure
- Implementing a new shared information management system

- Updating the existing websites (Angus Ahead and Carnoustie Country) and launching the new Business Angus website

There is recognition by management that further work will be necessary to ensure that Economic Development provides an integrated and consistent service. We have included several recommendations within this report, none of which are significant in nature, which should support a continuous improvement focus within Economic Development.

## Carbon Reduction

<b>Level 1</b>	-	<b>Level 2</b>	2	<b>Level 3</b>	-
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The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is a mandatory carbon emissions reduction scheme for the UK. It was introduced by the UK Government to help meet legally binding greenhouse gas reduction targets established by the Climate Change Act 2008.

Based on energy consumption, the Council qualifies for scheme and therefore has to comply with its requirements or face financial and other penalties.

The scheme requires the Council to monitor its energy use and report its energy supplies annually. The Environment Agency's reporting system applies emissions factors for gas and electricity to calculate participant's carbon dioxide (CO<sub>2</sub>) emissions on the basis of this information.

The Council must then purchase and surrender allowances for their emissions. One allowance must be surrendered for each tonne of CO<sub>2</sub> emitted.

The CRC scheme is currently in Phase 2 which commenced on 1 April 2014 and runs until 31 March 2019. The scheme required that a periodic review of the internal procedures and a quality check of the data are carried out. This has been carried out by Internal Audit for each of the last two years.

The objective of the audit was to ensure that the Council's Energy Management Unit (EMU) is complying with the requirements of the mandatory Carbon Reduction Commitment (CRC) scheme.

Identified areas of good practice included:

- The monitoring of estimated meter readings to reduce the number of meters not being read within 183 days.
- The introduction of regular spot checks of AMR (Automated Meter Readings).

Two less material weaknesses were identified during the course of our audit. One of these related to an error in the calculation of allowances due to four care homes being inadvertently categorised as domestic supply (which is excluded from returns). This has been reported to SEPA and consumption of these properties is being recalculated to identify the additional allowances that require to be paid.