Angus Council Internal Audit

Update Report

Scrutiny & Audit Committee

19 April 2016

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Introduction

This report presents the progress of internal audit activity within the Council up to end of March 2016 and provides an update on:

- Progress with the 2015/16 Internal Audit Plan;
- Progress with implementing internal audit recommendations.

Audit Plan Progress Report

2015/16 Internal Audit Plan – Progress update

The table below summarises progress as at end of March 2016.

Audits	Planned	In course (fieldwork + review)	Draft report	S&A committee date / *(target in italics)*
Corporate Governance				
Corporate Governance annual review and report – 2014-15				**23 June 2015**
Housing Strategy – Compliance with Scottish Housing Quality Standard	**Sep 2015**			*26 Jan 2016*
Culture and Leisure Trust	**Nov 2015**			*26 Jan 2016*
Complaints Management	**Nov 2015**			*8 Mar 2016*
Business Continuity Planning	**Dec 2015**			*8 Mar 2016*
Self-Directed Support Implementation	**Jan 2016**			*19 Apr 2016*
Corporate Governance 2015-16 – Interim Review – incorporated into annual review 2015-16	**Jan 2016**			*Management Letter to CGOG*
Health & Social Care Integration	**Jan 2016**			*19 Apr 2016*
Transforming Angus	**Jan 2016**			*19 Apr 2016*
Information Governance – Data Security	**Feb 2016**			*21 Jun 2016*
Service Reviews	**Apr 2016**			*21 Jun 2016*

Audits	Planned	In course (fieldwork + review)	Draft report	S&A committee date / *(target in italics)*
Financial Governance				
Council Tax Reduction	May 2015			25 Aug 2015
Creditors Payments	May 2015			25 Aug 2015
Procurement	Aug 2015			24 Nov 2015
Travel and Subsistence	Oct 2015			24 Nov 2015
Use of Tayside Contracts	Nov 2015			*8 Mar 2016*
Children & Young People (Scotland) Act - budgeting	Feb 2016			*21 Jun 2016*
Debtors and Debt recovery	Mar 2016			*21 Jun 2016*
Salaries	Apr 2016			*21 Jun 2016*
IT Governance				
IT application strategy *	*Aug 2015*			*8 Mar 2016*
IT Security *	*Jan 2016*			*19 Apr 2016*
Internal Controls				
Agile Working – Mobile Phones	Jul 2015			*24 Nov 2015*
People Directorate – Payments to third parties	Jul 2015			*24 Nov 2015*
Community Asset Transfer process	Sep 2015			*26 Jan 2016*
Universal Credit Preparedness	Jan 2016			*19 Apr 2016*
Fuel Management	Mar 2016			*21 Jun 2016*
Legislative and other compliance				
Carbon Reduction	Nov 2015			*26 Jan 2016*
Landfill Tax	Apr 2016			*21 Jun 2016*

* These audits are to be completed by Scott-Moncrieff, as part of the contract.

Transforming Angus Programme Boards

Staff continue to attend meetings of the, Agile Working, Angus Digital and Channel Shift Boards. They are being provided with copies of all relevant papers relating to these.

Summary findings of internal audit reviews

This section provides a summary of the material findings of internal audit reviews concluded since the last meeting. It also provides information on the number of recommendations made. Recommendations are ranked in order of 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.

The following reviews are summarised in this paper:

- Self-Directed Support
- Transforming Angus – Benefits Realisation
- IT Security
- Universal Credit Preparedness
- Health and Social Care Integration - Audit carried out by FTF (Fife, Tayside and Forth Valley) Audit consortium with assistance from Angus Council Internal Audit staff. This report has been presented to the IJB for attention.

Self-Directed Support

Level 1	-	Level 2	-	Level 3	-

SDS has been introduced by the Scottish Government to give people more choice and control over the way that their social care and support is arranged and provided. This allows individuals to arrange some or all of their support instead of receiving services arranged directly from the Council. The arrangements came into effect from 1st April 2014.

There are four options available to Service Users; direct payments, direct your personal budget, support organised on your behalf by the Council or a mix and match of all of these options.

The results of the audit indicate that the objectives of the audit have been met.

The Council has implemented the SDS framework and policy successfully. While there have been some delays in reassessing all required service users under SDS by the original deadline of 31st March 2015, additional resources were identified and put in place to assist in achieving this.

To further enhance the processes and to ensure the Council's approach is robust, a detailed process review will be carried out by the ADVANCE Project Group and an evaluation of the effectiveness of the overall SDS programme will be carried out by the newly developed SDS Programme Board and Project teams using the Transforming Angus Programme and Project Governance models.

Transforming Angus – Benefits Realisation

Level 1	5	Level 2	-	Level 3	-

Transforming Angus is the banner under which the council's change agenda is being delivered and through which the Council aims to achieve continuous improvement; delivering better services and better outcomes for individuals, families and communities.

Transforming Angus encompasses a number of portfolios, programmes and projects under this banner and is overseen by the Transforming Angus Programme Board which includes Members and the Council's Executive Management Team. Projects undertaken within the Transforming Angus Programme include Help To Live at Home (HTLH), Angus Alive and Procurement Review.

A new Transforming Angus programme and project governance framework was created at the end of October 2015 with the aim of improving programme management and project delivery controls. This framework created a number of different procedures and template documentation which are to be used to record various aspects of the Transforming Angus programme including the recording of benefits. Managers confirmed that the intention was to apply these forms to the existing projects and monitor progress through the Transforming Angus Programme Board. However at the date of the audit none of the projects had applied the new forms.

It was also noted that the latest Transforming Angus Update report to the Policy and Resources Committee of 15 March 2016 stated the Council's strategic partner (EY) has developed a benefits realisation tool which is being utilised for reporting on the Help to Live at Home project and it is management's intention to adopt this toolkit in due course. It was also noted that the report indicated that assistance from EY will be required to ensure the most effective implementation of the tool in its tailored application to other programmes.
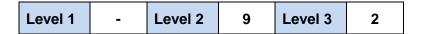
It is therefore concluded that benefits realisation is not adequately managed at the present time and consequently there is a risk that the planned benefits will not be fully realised. However this has already been understood by management and steps have been taken to begin to address the matter as described above.

As the above approach is not yet fully implemented this report recommends the key controls to be included in the future processes. They are detailed in the findings and recommendations section of this report and are summarised as follows:

- All current and new projects must ensure an appropriate process is in place to track and monitor all the planned benefits.

- Roles and responsibilities in relation to benefits realisation should be allocated and understood by all those involved.

- Reporting arrangements at the project and programme boards must be adequately detailed to allow for appropriate and timely review of benefits. This will promote

continued business case viability and assist management in making informed decisions and in proposing corrective actions.

IT Security

Level 1	-	Level 2	9	Level 3	2

The Public Sector Network (PSN) requirements and prominence of cyber security threats has raised the profile of IT network security. It has been necessary for IT functions to more clearly demonstrate that they have processes and controls in place to ensure that networks are securely managed. The audit reviewed the following areas:

- Network password and account lockout policies
- Processes and network protocols for gaining remote access to the network
- Internet content filtering controls
- Regular network perimeter penetration tests and vulnerability scans
- PSN compliance requirements

The audit did not result in any level 1 recommendations however there are 11 less significant matters are to be addressed. These include improvements to:

- The scope and review of policy and guidance documents
- Some aspects of user management
- Some aspects of internet monitoring, and
- Changes to PSN compliance management

Universal Credit Preparedness

Level 1	2	Level 2	1	Level 3	-

Universal Credit is a new type of benefit for people of working age who are in or out of work to replace a number of existing benefits which are currently assessed and paid on an individual basis. It is administered by the Department for Work and Pensions (DWP), with the majority of contact with claimants online.

Universal Credit is being rolled out across the United Kingdom on a staged basis. The introduction of Universal Credit within Angus is planned for April 2016.

Universal Credit will replace a number of existing allowances, credits and benefits including Housing Benefit, Employment and Support Allowance, Income Support and Working and Child Tax Credits. The introduction of Universal Credit will apply in the first instance to new claims from single persons with specific criteria only, with further roll out happening over a longer period as other benefit claimants transition to Universal Credit.

Examples of good practice and collaborative working in relation to the preparation for the implementation of Universal Credit noted during our review include :

- The Council has put in place a Universal Credit Implementation Group as a sub group of the Welfare Reform Group and has appointed a new post of Welfare Reform Officer to support the Welfare Reform Group and assist the Council to fulfil its Universal Credit obligations as noted in the Delivery Partnership Agreement.

- The Council liaises with partner agencies including Local Authorities, Housing Associations, the DWP, Citizens Advice Bureau, NHS Tayside, Credit Unions, Voluntary Associations, Registered Social Landlords and Dundee & Angus College for a joined up approach to Universal Credit.

- The Council has developed a Financial Inclusion Strategy in response to Welfare Reform challenges and has set up a Financial Inclusion Partnership Group in liaison with external partners in order to drive delivery, monitor performance and update action plans as required.

- Public Access Computers, free Wi-Fi, computer groups, employment support and advice groups and supported on-line access in Angus have been identified. An information leaflet has been prepared by the Universal Credit Implementation Group and is currently being finalised before being issued.

The results from our audit testing demonstrate that the objectives of the audit have not been fully met. A small number of areas have been identified where improvements could be made to strengthen the existing control environment and these are detailed below.

- An action plan is required to minimise the risks of increased rent arrears in the future as a result of the implementation of Universal Credit

- Develop, collate and report the management information to the DWP as required by the Delivery Partnership Agreement.

- Carry out a survey exercise with the service users to confirm that the Council's provisions and support arrangements are meeting claimants' needs. This should be completed within six months of the launch date and consideration be given to carrying out this user engagement jointly with the DWP.

Health and Social Care Integration
(Report provided by the Chief Internal Auditor - FTF)

Level 1	-	Level 2	1	Level 3	2

The Public Bodies (Joint Working) (Scotland) Act 2014 was passed by the Scottish Parliament on 25 February 2014 and received Royal assent in April. It establishes the framework for the integration of health and social care in Scotland. Detailed supplementary Statutory Guidance on financial assurance was published in May 2015.

The Integration Joint Board will have access to a combined budget for services for which it has direct operational responsibility or for which it is hosting services on behalf of the partners. It will also have Large Hospital Set Aside budgets for services delegated for strategic planning purposes, so that it can work in collaboration with the Acute Sector to redesign the care or the pathways of care or implement new models that will shift service and resources. The alignment of the budgets has been the subject of a due diligence process agreed between the partners and the partnerships.

One of the most important items of business for a newly established Integration Joint Board (IJB) will be to obtain assurance that its resources are adequate to allow it to carry out its functions and to identify, quantify and assess the risks associated with this. In order to facilitate this, the guidance states that it is recommended that: 'the Audit Committees are provided with a report, produced jointly by the Health Board and Local Authority Chief Internal Auditors (and copied to the shadow IJB), on the assurance work that has been carried out by the Health Board and Local Authority.'

The audit work reported was undertaken jointly by the Internal Audit teams of NHS Tayside and Angus Council.

We can provide assurance that in our opinion the due diligence processes undertaken comprehensively covered the requirements of the national financial assurance guidance and the reports to the Angus Integration Joint Board (IJB) provided a full and detailed picture of the financial position of the budgets in scope. In addition, in our opinion, the due diligence and summary of risks reports met all the requirements of the national financial assurance guidance in relation to risk assessment. We would commend the approach taken in providing IJB members with an overall view of financial risks.

Overall, in our opinion, the process undertaken has been very robust and we commend the fact that this work has been done in partnership. In addition, risks were clearly identified and reported.

The report on outstanding risks reported to the March 2016 IJB allowed IJB members to conclude on the adequacy or otherwise of the resources. As noted in previous Due Diligence reports to the IJB, significant risks remain in relation to the IJB's budget and associated levels of savings required to meet cost and demand pressures and achieve financial balance.

Implementation of internal audit recommendations

Background

Following the presentation of the quarterly summary report to the Scrutiny and Audit Committee of 8 March 2016 it was agreed that Internal Audit would continue to review the matter and that a further detailed analysis of outstanding "level 1" recommendations would be carried out (as shown in table 3 below).

Summary of Progress

Table 1 below shows the outstanding recommendations as reported to the Scrutiny and Audit Committee on 8 March 2016. Table 2 presents the revised position in relation to "level 1" recommendations. Table 3 provides a detailed review of these recommendations.

The recommendations classified as "outstanding" within the tables are those where the required action has not been completed by the original completion date (although work may be in progress and recommendations now partially completed).

The number of "level 1" recommendations outstanding has now been reduced from 21 to 11. 4 were deemed as no longer applicable and 6 have been confirmed by Internal Audit as completed. In some cases internal audit staff have not been able agree revised implementation dates but most of the outstanding items are in various stages of implementation. It is imperative that officers responsible for the implementation of recommendations communicate with Internal Audit on any problems or delays that arise in the course of addressing recommendations to ensure that in future revised implementation dates may be mutually agreed in advance. Outstanding recommendations related to the Equalities Audit will be reviewed by Internal Audit again through the next annual review of Corporate Governance which is due to be reported to the June 2016 Scrutiny and Audit Committee.

In addition to the analysis above, the matter was discussed with the Chief Executive and it was agreed that the following actions are carried out:

1. The Chief Executive will remind and advise the Council Management Team of the key steps required for the satisfactory conclusion of audit recommendations (including assigning responsibilities, evidence of completion, recording of actions taken and agreement of new implementation dates where appropriate)
2. The Audit Manager will review the functionality within the Covalent System (used to record, update and report on recommendations) with a view to establishing improved monitoring and reporting facilities; and,
3. The Chief Executive will (on a quarterly basis) have a standing item on Council Management Team meetings' agenda to review the progress in completing outstanding "level 1" recommendations.

It is anticipated that the actions above will make significant improvements in resolving recommendations that have been outstanding for a long period of time. It is also hoped that in the longer term the revised processes will deliver a more accountable and satisfactory conclusion to the management of outstanding recommendations. The regular quarterly

review of all outstanding recommendations will be presented to the next Scrutiny and Audit Committee in June 2016.

Members are asked to note the revised position and the progress since the last report.

Table 1 – Progress with implementing internal audit recommendations in total and across each Directorate as previously reported

	Chief Executive	Communities	Corporate	People	Resources	Total
Recommendations brought forward from last update	5	19	5	18	49	96
Recommendations added since last update		4	3	9	10	26
Recommendations re classified per directorate			8	(1)	(7)	0
Total	**5**	**23**	**16**	**26**	**52**	**122**
Complete		7	3	14	18	42
Complete pending evidence		7		6	3	16
No longer applicable		1		1	1	3
Total in progress/ outstanding	**5**	**8**	**13**	**5**	**30**	**61**
% of Total	**100%**	**35%**	**81%**	**19%**	**57%**	

Table 2 - Outstanding level 1 recommendations by Directorate, year and grade

Directorate	Year	Level 1	Level 1 REVISED April 2016
Chief Executive	2011/12		
	2012/13	2	
	2014/15		
Chief Executive Total		2	0
Communities	2012/13	2	1
	2014/15		
	2015/16	1	
Communities Total		3	1
Cross-Cutting	2010/11	1	1
	2011/12	1	
	2013/14	3	3
	2014/15		
Cross-Cutting Total		5	4
People	2013/14	2	
People Total		2	0
Resources	2012/13		
	2013/14	5	4
	2014/15	3	1
	2015/16	1	1
Resources Total		9	6
Grand Total		21	11

Table 3 – Analysis of outstanding "Level 1" Recommendations - April 2016.

Total Reported to Committee in March 2016	**21**
Total Completed	**6**
Total Superseded/No longer applicable	**4**
Total Outstanding	**11**

			Implementation Dates		Progress Update as at 07/04/16		Comments
Original Report Ref & title	Description of Recommendation	Directorate	Agreed	Revised	Est. progress percentage completed	New target Date	
10-12 ACCCT Rec 3	A review of the Risk Management (RM) Statement is carried out to bring it up to date and that RM is included as a standing item on the Board meetings agenda. The review should be fundamental and cover both strategic and operational matters.	Cross Cutting	29/06/12	31/03/14	insignificant	May 2016	This sat between Housing and Finance, before recently being referred to the Service Manager – Governance and Consultancy for action. The Council's insurer, Zurich Municipal, has been contacted to facilitate a session to develop a Risk Management Statement. This should be completed in either April or May 2016.
12-19 Property Services Application Audit Rec 8	Management to ensure that the server is moved to the new Council data centre as soon as possible. This will ensure that the server is held in a secure location and enhance the resilience of the	Communities	30/09/14	N/A	nil	31st July 2016	The matter has been escalated to senior managers within IT and Property and a solution is to be identified to move the server to the data centre once a number of operational and technical queries have been resolved.

Original Report Ref & title	Description of Recommendation	Directorate	Implementation Dates		Progress Update as at 07/04/16		Comments
			Agreed	Revised	Est. progress percentage completed	New target Date	
	system through the environmental protection measures that are in place.						
13-13 Email Accounts Rec 7	It is recommended that the email and Internet Policy is updated to reflect current Council and IT practices and that a timescale is given for subsequent reviews of the policy to ensure that it remains current. As well as a refreshed policy there needs to be periodic reviews scheduled to ensure that the policy reflects current working practices.	Resources	31/03/15	30/09/15	60%	(to be confirmed)	This has been passed to the Information Governance (IG) group to take forward. IG group will review content in conjunction with advice from IT. Service Manager (IT) indicated that style and content of email and internet policy will change as both are used as part of daily business and very different to when policy put in place. The document called "E-mail management guidance" has been approved by the Information Governance Steering Group and is available to those with access to the Information Governance Sharepoint site but has not been published as yet.

Original Report Ref & title	Description of Recommendation	Directorate	Implementation Dates		Progress Update as at 07/04/16		Comments
			Agreed	Revised	Est. progress percentage completed	New target Date	
13-18 Equalities Rec 3	In compliance with best practice, the Council should ensure that a local equalities impact assessment is carried out for all policies which are implemented by the Council, even if they have previously been assessed by a different organisation.	Cross Cutting	30/06/14	01/09/15	(unclear)	(to be confirmed)	Any EIAs should be referred to the Equalities Officer prior to consideration by committee. In the main this is happening, but there are a few occasions where the EIA is not referred to the Equalities Officer. This will be picked up through the reinforcement of the requirement for timeous EIAs to be submitted. Linked to Rec 6.
13-18 Equalities Rec 5	Any EIAs carried out as part of the 2014/15 budget setting process should be reviewed to ensure that they reflect the agreed savings published in Report 84/14. They should then be published on the Council website.	Cross Cutting	30/06/14	01/09/15	80%	April 2016	All EIAs were provided to Members in time for the budget setting meeting, although not by the time of the initial deadlines and at the time of consideration of proposals. Following the budget setting meeting the EIAs have been passed to the Equalities Officer for review prior to publishing them on the Council's internet site. The aim is for all EIAs to be published in early April 2016.
13-18 Equalities Rec 6	Officers must ensure that appropriate impact assessments are available to elected members when budget savings are being discussed.	Cross Cutting	31/07/14	01/11/15	80%	April 2017	All EIAs were provided to Members in time for the budget setting meeting, although not by the time of the initial deadlines and at the time of initial consideration of proposals. The Corporate Equalities Group chair has written to the Chief Executive to reinforce the requirement for EIAs to be

			Implementation Dates		Progress Update as at 07/04/16		Comments
Original Report Ref & title	Description of Recommendation	Directorate	Agreed	Revised	Est. progress percentage completed	New target Date	
							submitted in time for consideration by Members when budget savings are initialled considered.
13-18 Equalities Rec 13	The Committee Report Template Instructions should be reviewed to ensure that they give sufficient importance to the consideration of equalities issues.	Resources	31/07/14	01/12/15	(unclear)	(to be confirmed)	The paragraph re EIAs had been removed from the template previously. The Corporate Equalities Group meeting of 02/02/16 has referred this back to the Head of Legal and Democratic Services to determine whether it could be reinstated to act as a relevant prompt. A response is expected for the Corporate Equalities Group meeting of 05/05/16.
13-28 PVG Rec 10	Quarterly reviews should be carried out to provide assurance that the Council is on track to meet the deadline for retrospective PVG checks.	Resources	31/05/14	31/10/15	90%	(to be confirmed)	Retrospective checking was in the main completed by 31/10/2015. Three supply teachers, one permanent teacher and one temporary teacher are still to have the PVG process completed and are being actively pursued for this to be completed as a matter of urgency.
13-35 IT Incident Management Rec 1	The opportunity should be taken to review and update the existing Service Catalogue to reflect service delivery by IT to Council	Resources	31/03/15	N/A	85%	31st July 2016	Service catalogue updated. Regular reports on performance now generated and discussed with directorates at IT meetings. Regular meetings now in place with Communities Directorate and planned for

Original Report Ref & title	Description of Recommendation	Directorate	Implementation Dates		Progress Update as at 07/04/16		Comments
			Agreed	Revised	Est. progress percentage completed	New target Date	
	directorates. The Service Catalogue should be agreed with all customers of the IT team. The process for updating the Service Catalogue should refresh the services that IT provides, including management of different categories of incident. Regular reporting should be produced that demonstrates the IT team's performance against each SLA. This should be provided to customers and regular service review meetings held.						People Directorate where performance and service standards discussed. A new reporting tool for detailed reporting of SLA performance has been purchased and will be implemented by 31/07/16.
14-12 Online Services Rec 3	A detailed implementation plan should be developed to identify and schedule the development of self-service/ transactional capabilities of the new Council website. The implementation plan should be aligned with change/transformation	Resources	31/07/15	31/03/16	50%	(to be confirmed)	Channel Shift Programme Board established. Board agreed to obtain some external support to engage and consult with services across the Council to identify opportunities/aspirations for Channel Shift. The Channel Shift programme has been identified and is currently in the "Defining a Programme" stage which includes developing the business case, preparing

Original Report Ref & title	Description of Recommendation	Directorate	Implementation Dates		Progress Update as at 07/04/16		Comments
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	programmes throughout the Council so that the functionality is available to support revised business processes.						the programme plan and identifying dependencies.
15-04 Creditors – CIS Rec 4	It is recommended that a lean review is undertaken on the end to end CIS process.	Resources	31/12/15	N/A	insignificant	(to be confirmed)	A request has been referred to the DELTA team for LEAN resources to complete this review. The DELTA team will consider how resources will be prioritised with other resource requests.