

Angus Council Internal Audit



Update Report

Scrutiny & Audit Committee

21 April 2015

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Introduction

This report presents the progress of internal audit activity within the Council up to 20 March 2015 and provides:

- an update on progress with the 2014/15 Internal Audit Plan;
- 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);
- an update on work in following up on recommendations from previous reports; and
- an update on activity in undertaking investigations.

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 20 March 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 / (<i>target in italics</i>)
Corporate Governance				
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				23 Jun 2015
Information Governance				21 Apr 2015
Transforming Angus (Governance & Scrutiny)				21 Apr 2015
Transforming Angus (Benefit identification, tracking & realisation)	Carried forward to 2015/16 Plan			
Health & Social Care Integration				23 Jun 2015
Health & Safety Governance				30 Sept 2014
Performance Management				23 Jun 2015
Financial Governance				
Downsizing Incentive Scheme	Removal from plan approved 27 January 2015			
Affordable Housing / Survive & Thrive				27 Jan 2015
Children & Young People (Scotland) Bill				10 Mar 2015
Procurement				23 Jun 2015
Salaries				21 Apr 2015

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
IT Governance				
Angus.gov.uk - online services				<i>23 Jun 2015</i>
PSN compliance				<i>23 Jun 2015</i>
Internal Controls				
Economic Development				10 Mar 2015
Charitable Funds				30 Sept 2014
Subscriptions				27 Jan 2015
Rural bus services				<i>23 Jun 2015</i>
Asset Management				
Stocks (year-end)				24 Jun 2014
Legislative and Other Compliance				
Landfill Tax				<i>23 Jun 2015</i>
LEADER				25 Nov 2014
European Fisheries Fund				21 April 2015
Carbon Reduction				10 Mar 2015

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.

Staff continue to attend 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 Apprenticeship Scheme Rapid Improvement Event
- People Directorate SLAs
- Older people's housing

Since early May 2014, the total time input has been around 75 days.

Annual Internal Audit Planning

We have also completed the process of developing the 2015/16 Internal Audit Plan.

The Annual Internal Audit Plan for 2015/16 is included as a separate agenda item for this Committee meeting.

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.

Transforming Angus - Governance

Level 1	6	Level 2	9	Level 3	-
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Transforming Angus is a key enabling programme which aims to support change in the way the Council delivers its services.

The Council Plan for 2014/15 sets out how the Transforming Angus programme will further develop over the next few years to ensure alignment of delivery of efficiencies with Council priorities and outcomes for citizens.

On a day to day basis, the programme is led by the Service Manager (Transforming Angus). During 2014, three different people held this role, with the incumbent in post since September 2014. Significant work has been undertaken to minimise the disruption this has caused. A key focus of this role is to establish and then maintain robust project and programme management arrangements which underpin good governance.

In early 2014, the Transforming Angus Board was created. It now comprises the Executive Management Team, the Service Manager (Transforming Angus), Service Manager – Governance, Communications Manager as well as one elected member, Cllr Rob Murray. This is supported by individual workstreams identified in the Angus Council Corporate Plan 2014-17 which are:

- Improved business processes
- Improved customer experience
- Angus Digital
- Agile working and estates

In addition to this EY LLP was appointed as the Council's strategic partner in September 2014. Their role will provide an additional level of resource for the programme which aims to add value through the provision of specialist advice, support and challenge in respect of the overall Transforming Angus programme of activity. They also attend Transforming Angus Board meetings although they are excluded when commercial issues they may have an interest in are being discussed.

It has been agreed that the Policy & Resources Committee will receive regular reports, the first being planned for February 2015. In addition, it is also intended that the Scrutiny & Audit Committee will receive updates to allow them to scrutinise how the programme is progressing and scrutiny of Change Fund spend.

The Transforming Angus programme within the Council extends beyond the four workstreams identified above. There are other transformation activities that are contributing to change within the Council including Lean Reviews and Service Reviews.

This report will also inform the current review being undertaken by the Scrutiny Panel on the Management Restructure and Transforming Angus.

The objective of the review was to gain assurance that the following business risks are addressed:

- There is ineffective governance oversight, control and reporting of transformation activity undertaken across the Council.
- Candidate projects are approved for inclusion in the transformation programme without a business case being produced.
- Formal criteria does not exist to support the consistent review and prioritisation of candidate projects.
- The governance structure does not ensure appropriate levels of independence, challenge and direction.
- Key personnel in project and programme activity do not have the relevant skills and knowledge to support the change programme.

The audit did not include an assessment of processes in relation to benefit identification, tracking and realisation. These areas will be subject to a separate audit.

The Transforming Angus programme is a major development initiative for the Council and seeks to deliver significant change to Council services that will result in improved customer experience and business processes with a view to also addressing the funding gap of the Council in future years. A key deliverable of the programme will be to create sustainable services.

As the programme has gained momentum, a key task for the TA Board and the Service Manager (Transforming Angus) in particular has been defining and refining project and programme management arrangements in order that there is clear direction and communication. This is exemplified by the fact that the programme governance arrangements were being reviewed at the time of our audit. It was evident from our review that significant time and effort has been expended in mobilising the programme and in implementing consistent processes.

Our review identified a number of areas where there is scope for improvement in the current governance arrangements. We have identified that the programme would benefit from a

more coherent and consistent governance structure for Transforming Angus to ensure that it is sufficiently robust to control programme activity. This is underscored by:

- formal processes for the identification, review, approval and prioritisation of projects are not yet fully developed.
- an exercise has not yet been conducted across the Council to identify the quantum of potential transformational change activity/projects which could be taken forward within the programme. Definition of this will allow the TA Board to understand the demand pipeline for transformational change, lean and service review activity and how resources can be prioritised according to those activities which maximise business benefit.
- the remit of the Transforming Angus Board not being fully defined and approved.
- clarity as to how the current governance structure aligns to the ‘improved business processes’ and ‘improved customer experience’ workstreams set out for Transforming Angus in the Corporate Plan 2014-17 could be improved.
- risk management processes were not consistent with the Council’s risk management framework although it is recognised that work was ongoing regarding this.

It is recognised that governance and programme management disciplines were continuing to evolve during the course of our review, a number of which, if successfully implemented, would address the issues detailed above.

As programme activity continues to increase it will be important for the TA Board and Programme Boards to remain cognisant of the interdependencies between programmes and projects. Work was underway to establish these as part of the documentation of the overall programme of activity. Project reporting should be further developed to ensure that the impact of any changes/delays are highlighted and monitored so that all relevant parties are aware of the broader impact this may have.

Salaries

Level 1	2	Level 2	3	Level 3	2
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The Payroll function remains a core financial system of the Council. Approximately 4,500 employees are paid each month. The annual payroll spend is in the region of £148m. Payments made for salaries by Payroll account for the single largest area of spend for the Council (47%).

In addition to regular monthly salaries paid to a number of employees, there are also an extensive number of irregular payments, variations and enhancements which are paid either in addition to salaries or which form the basis of payment. Monthly and weekly timesheets are prepared and submitted for employees who work variable hours.

The Payroll function is a centralised function based within the Organisational Change division of the Resources Directorate. However, a number of payroll input documents are

prepared and collated within various services around the Council for submission to Payroll for payment.

The audit focussed on the arrangements for the preparation, authorisation and submission of payroll documentation for payment. The audit reviewed the arrangements for variations and overtime within the Adult Services business unit of the People Directorate and the enhanced hours, coaching and overtime payments for Leisure Services employees within the Communities Directorate.

Our review identified areas of good practice within Leisure Service particularly in relation to the existence and use of standardised procedures and timesheets.

However, we identified that there is a need for improvement in the control environment within Adult Services. A number of issues were identified in the payroll processes particularly in respect of the lack of standard documentation used, the absence of procedures and low quality in completion of the documentation that is currently used. Each of these has a negative impact on the effectiveness and efficiency of the payroll process as it is often the case that amendments have to be made in future periods.

The most material recommendations resulting from our review are:

- Adult Services should, in liaison with Payroll, design and implement standardised timesheets to be used by all locations and services within the Business Unit.
- Adult Services should produce comprehensive payroll procedures. These should include the checking of information taken from individual timesheets to payroll documentation, how to complete the documentation for payroll, who should authorise it and what forms are required for completion.

European Fisheries Fund

Level 1	-	Level 2	-	Level 3	-
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As part of the Service Level Agreement between the Scottish Government Marine Scotland Directorate and Angus Council, as Lead Partner for the Angus Coastal Fisheries Local Action Group (FLAG), there is a requirement that Angus Council submits an annual confirmation certificate and report.

This has to include a summary of the findings of the work undertaken by the Council's Internal Audit function of compliance with the Service Level Agreement. Our report represented the Internal Audit part of this requirement.

The EFF programme is targeted to assist with capital investment in the aquaculture, fishing and fish processing industries. The programme can also support strategic trade initiatives, fisheries dependent communities, Scottish Government and European Community policy initiatives for the sustainable development of fisheries.

Axis 4 of the EFF was launched in Scotland in January 2012 to provide up to £7.6 million to local Scottish fishing communities affected by a decline in fishing activities. Twelve local authorities across Scotland are participating.

The EFF Axis 4 funding for Angus Coastal projects has been fully committed, with additional funds of £2,238.50 being awarded, thereby increasing the EFF Axis 4 budget to £87,941.50.

The overall objective of the audit was to review the processes in place within Angus Council for the award of European Fisheries Funding Axis 4 by the Angus Coastal Fisheries Local Action Group (FLAG).

Areas of good practice identified during the course of our review were:

- Each project had a separate file with relevant documents held in organised sections.
- A project summary sheet is completed with dates of when documents were received, decisions made, claims sent and received.

No recommendations arose from this review.

Information Governance

Level 1	2	Level 2	-	Level 3	-
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We have completed a follow-up of report 13-19, Data Protection, which was issued in April 2014. Audit 13-19 included a follow-up of an earlier report on Information Governance, ref 12-34, which had been issued in April 2013. A further update on that is also included in this report.

Information represents one of the major assets held by the Council. The Council needs that information to provide its services to the citizens of Angus and to properly interact with third parties in the course of delivering those services. The Council must manage the information it holds securely, efficiently and effectively. To achieve these objectives, appropriate policies and procedures, and clearly defined responsibilities need to be in place.

The Public Records (Scotland) Act 2011 received Royal Assent in April 2011 and came into force from 1 January 2013. The Act is designed to improve the quality of record keeping in Scottish public authorities. It requires named Scottish public authorities (including councils) to prepare a records management plan (RMP). The Keeper of the Records of Scotland operates a rolling programme of invitations to public authorities inviting them to submit their RMP for scrutiny and agreement.

Information Governance is included in the Corporate Risk Register: *“a lack of clarity around information governance leaves the council exposed to an information breach and/or Information Commissioner intervention and substantial financial penalties”*. The overall risk score is 12, against a risk appetite of 9.

Information Management and Governance is included within the scope of the Angus Digital programme of the Transforming Angus programme. There are also close links with the Agile Working programme. The Agile Working and Accommodation Strategy, approved by the Policy & Resources committee in January 2015, details the design principles framework within which 'Angus Agile' will be implemented, including "Records and document management practices which support agile will be developed and implemented". (Report 48/15 refers.)

The Information Governance Improvement Plan and the Records Management Plan include actions which will support agile working and ensure that the council fully complies with the Public Records (Scotland) Act 2011. We will use these action plans as the basis for future monitoring of information governance.

The findings from the follow-up audit are summarised below.

From report 13-19 Data Protection		From follow-up work performed			
Recommendation Grades	Number	Completed	Work in Progress	Outstanding	No Longer Valid
Level 1	2	1	0	1	0
Level 2	5	2	1	0	2
Total	7	3	1	1	2

From report 12-34 Information Governance		From follow-up work performed			
Recommendation Grades	Number	Completed	Work in Progress	Outstanding	No Longer Valid
Level 1	5	4	0	0	1
Level 2	0	0	0	0	0
Total	5	4	0	0	1

As a result of our follow-up audit, we have made two new recommendations:

- The actions from the Records Management Plan should be cross-referenced to the Information Governance Improvement Plan to ensure that responsible officers and target completion dates are assigned to all actions.
- The Elections and Business Support Manager should re-issue the October 2014 data protection email to all Chief Officers. Chief Officers should be required to confirm that the actions detailed in the email have been completed. Our 2014/15 Corporate Governance audit, due to commence in April 2015, will include further follow-up to ensure that relevant information has been cascaded to all staff.

Follow-up Audits - Update

Internal audit review the implementation of recommendations from previous audits, using the agreed action plan as the base for the follow-up audit. In some cases, the follow-up work is undertaken as part of a current audit and reported together with the current audit findings. In others, a separate audit is carried out and an audit report or memorandum is issued to the client.

Protection of Vulnerable Groups (PVG)

Internal Audit has completed a follow-up of the recommendations detailed in report 13-28, Protection of Vulnerable Groups (PVG), which was issued on 8 May 2014. The report was issued to management in May 2014 and was considered by the Scrutiny & Audit Committee in June 2014.

The findings of the follow up audit are summarised below:

From report 13-28		From follow-up work performed			
Recommendation Grades	Number	Completed	Work in Progress	Outstanding	No Longer Valid
Level 1	2	1	1	0	0
Level 2	8	3	3	1	1
Total	10	4	4	1	1

There has been significant slippage in completing the actions which were agreed during the original audit.

The 'Work in Progress' level 1 recommendation relates to the completion of retrospective PVG checks. We have received assurance from the HR Manager that all checks will be completed by the deadline of 31 October 2015.

The three level 2 actions which are work in progress are:

- The list of jobs which require PVG scheme membership should have been updated to reflect the new management structure. It was recommended that this be done as part of the move to a single Registered Body and centralised staff section. We noted that the move to a single Registered Body is not yet complete nor is work to update the list of jobs requiring PVG scheme membership following the management restructure.
- The retrospective review to confirm that all supply teachers have PVG checks is now due for completion in October 2015 (originally June 2014). It is acknowledged that all new supply teachers are PVG checked prior to employment.
- Although the Staffing Administrator has recently reminded staff of the need to notify Disclosure Scotland when a PVG member leaves the Council and provided a format of

the letter to be issued, Education staff had not completed this at the time of the follow up audit. This was due for completion by 31 March 2015.

The level 2 action which is outstanding relates to the development of written guidance notes for staff involved in PVG processing. This was identified as more pertinent given the amalgamation of staffing divisions involved in PVG processing.

Investigations Activity – Update

It has been agreed that we would continue to provide updates to Members on a quarterly basis on our involvement in undertaking investigations.

Table 1, below, provides details of the number of investigations undertaken during 2012/13, 2013/14 and to 15 December 2014 for the 2014/15 financial year. It also provides details of the volume of resource spent by the Internal Audit team in undertaking investigations and the outcome of each of these.

Table 1: Summary of Internal Audit involvement in investigations

Period	Number of investigations initiated	Auditor Days supporting investigations	Outcome					
			Insufficient information/evidence to proceed	Referred to Personnel for disciplinary purposes	Referred to Police	Internal report to management containing actions	Pending outcome	Formal report to Committee
2012/13	10	53	3	2	2	1	2	-
2013/14	11	85	5	1	3	2	-	-
2014/15								
to Mar 2015	8	67	2	1	-	1	2	2

As stated in previous updates, where an investigation does warrant a formal output and the issues are of a material nature, we will report the results of these to the Committee.

As indicated in the table above, two investigations from 2014/15 have been concluded that have been of a material nature. These were subject of separate confidential reports to this Committee in September and November 2014.