

# Angus Council Internal Audit



## Update Report

Scrutiny & Audit Committee

21 June 2016

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## Introduction

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

- Progress with the 2015/16 Internal Audit Plan;
- Progress with the 2016/17 Internal Audit Plan;
- Progress with implementing internal audit recommendations;
- Progress with implementing recommendations on the Equalities Audit.

## Audit Plan Progress Report

### 2015/16 Internal Audit Plan – Progress update

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

Audits	Planned	In course (fieldwork + review)	Draft report	S&A committee date / ( <i>target in italics</i> )
<b>Corporate Governance</b>				
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			<i>Management Letter to CGOG</i>
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

Audits	Planned	In course (fieldwork + review)	Draft report	S&A committee date / (target in <i>italics</i> )
Service Reviews	Apr 2016			<b>23 Aug 2016</b>
<b>Financial Governance</b>				
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			<i>8 Mar 2016</i>
Children & Young People (Scotland) Act - budgeting	Feb 2016			<i>21 Jun 2016</i>
Debtors and Debt recovery	Mar 2016			<i>21 Jun 2016</i>
Salaries	Apr 2016			<i>21 Jun 2016</i>
<b>IT Governance</b>				
IT application strategy *	<i>Aug 2015</i>			<i>8 Mar 2016</i>
IT Security *	<i>Jan 2016</i>			<i>19 Apr 2016</i>
<b>Internal Controls</b>				
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
<b>Legislative and other compliance</b>				
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.

## 2016/17 Internal Audit Plan – Progress update

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

Audits *	Planned	In course (fieldwork + review)	Draft report	S&A committee date / (target in italics)
<b>Corporate Governance</b>				
Corporate Governance annual review and report – 2015-16				<i>21 Jun 16</i>
Strategic and Operational Planning				<b>23 Aug 2016</b>
<b>Financial Governance</b>				
Schools' Funds - Governance				<b>23 Aug 2016</b>
Stocks (year end)				<i>21 Jun 16</i>

\* Excluding work performed on behalf of the Culture and Leisure Trust, Angus Alive

### Transforming Angus Programme Boards

Staff continue to attend meetings of the Agile Working, Angus Digital and Transportation 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:

- Information Governance – Data Security
- Children and Young People (Scotland) Act - Budgeting
- Debtors and Debt Recovery
- Salaries
- Fuel Management
- Landfill Tax

### Information Governance – Data Security

This was originally planned and performed as one audit related the People Directorate. However organisational restructuring resulted in the separation of Children and Learning Services from Adult Services. The latter is now provided through the Angus Health and Social Care Partnership. It was agreed that it was more appropriate to issue two separate reports. The content of the reports are similar with only a small variation in the applicable recommendations.

Adult Services (Formerly Part of People Directorate):

<b>Level 1</b>	<b>3</b>	<b>Level 2</b>	<b>1</b>	<b>Level 3</b>	<b>-</b>
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Children and Learning:

<b>Level 1</b>	<b>4</b>	<b>Level 2</b>	<b>2</b>	<b>Level 3</b>	<b>-</b>
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Information represents one of the major assets held by the Council. The Council uses 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.

The areas examined included:

- The arrangements for the physical security of paper records including transfers to third parties.
- Staff training and awareness of policy and procedures relating to information security.
- Compliance with existing policies and procedures.

A number of significant areas were identified where improvements could be made to strengthen the control environments and to ensure compliance with existing guidance. The most important recommendations are detailed below:

- Data security e-learning module must be completed by all relevant staff
- Staff must not transfer Council data to their personal email accounts.
- The security of paper archive filing at Bruce House should be reviewed to ensure that unauthorised access is restricted and that storage arrangements are appropriate.
- The clear desk policy at Bruce House must be adhered to and all confidential files locked away when not in use.
- The retention period of children’s files must be agreed and communicated to staff in order to reduce the risk that files are destroyed prematurely.

## Children and Young People (Scotland) Act - Budgeting

<b>Level 1</b>	-	<b>Level 2</b>	-	<b>Level 3</b>	-
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The Children and Young People (Scotland) Act was introduced to the Scottish Parliament on 18 April 2013 and received Royal Assent on 27 March 2014. There are 18 parts of the Act with implementation dates spanning April 2014 to August 2017.

The areas examined included:

- The Council’s progress with implementation of the relevant parts of the act and the operational arrangements for administering the funds.
- The internal allocation arrangements of the funding supplied by the Scottish Government for implementation of Act
- Arrangements for the monitoring of expenditure.

The audit did not identify any significant control weaknesses.

## Debtors and Debt Recovery

<b>Level 1</b>	2	<b>Level 2</b>	5	<b>Level 3</b>	-
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The Council carry out their own debt recovery process for outstanding debts and have developed practices and procedures for sales ledger debt recovery. The debt recovery arrangements are co-ordinated by the Revenues Division of Corporate Improvement. They follow a series of processes including referring the debt onto Legal and Democratic Services or a Sheriff Officer.

The results of the audit demonstrate that the objectives of the audit have not been fully met. We have made a number of recommendations which will strengthen and improve the control environment in place, both in relation to raising invoices and the administration of debt recovery.

The main areas of improvement relate to maintaining authorised signatory lists for the authorisation of sales ledger invoices within the Communities directorate in line with Financial Regulations and ensuring authorisation of supporting documentation in accordance with the Scheme of Delegation.

As part of the review of sundry bad debts, sufficient documentation or records of actions should be maintained to provide evidence that actions have been explored and completed, before a decision is made to write off debts.

## Salaries

Level 1	2	Level 2	4	Level 3	-
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The Payroll function is a centralised function based within the Organisational Change division of the Resources Directorate. However, a number of payroll documents are prepared and collated within services around the Council for submission to Payroll for payment.

The audit reviewed the arrangements for the preparation, authorisation and submission of payroll documentation for overtime and enhancements including unsocial hours allowances, acting up allowances and standby rates.

A small number of areas have been identified where improvements could be made to strengthen the existing control environment. The main issues relate to compliance with Financial Regulations in relation to the maintenance of authorised signatory lists and how overpayments and handling errors are monitored.

## Fuel Management

Level 1	2	Level 2	3	Level 3	-
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The Council operates over 600 items of fuel dependent plant and vehicles across its services. The fuel is issued and managed through a fuel management system run by Tayside Contracts. Fuel fobs are issued to operatives so that when fuel is dispensed at Council depots and yards, the recipient of the fuel and the vehicle (if applicable) is identified.

The areas examined included:

- Quality of management information for the review and monitoring processes.
- Invoice verification processes
- Fuel supply planning and availability arrangements
- Management of user identification tokens (fuel fobs)
- Initiatives for the reduction of fuel consumption.



Five recommendations were made to strengthen the control environment and ensure compliance with guidance. The most important recommendations are detailed below:

- Managers in Angus Health and Social Care Partnership should obtain and review the back-up information to their fuel invoices to enable them to monitor fuel usage of their staff and vehicles. Any anomalies must be investigated and any errors reported to Tayside Contracts.
- Operational procedures for administration of key fobs should be drawn up and provided to each service. These should include clear guidance on the requirements for updating Tayside Contracts with details of any changes to vehicle and person records.

Other recommendations relate to the accuracy of fuel fob user records, the use of depots for refuelling instead of local commercial garage facilities and the implementation of fuel saving initiatives.

## Landfill Tax

Level 1	1	Level 2	-	Level 3	-
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The objective of the audit was to review and assess compliance with the arrangements in place at the Restenneth Landfill Site for the administration and recording of waste as well as the calculation and submission of the Landfill Tax return to Revenue Scotland.

The areas examined included:

- The Council registration with Revenue Scotland as a landfill site operator.
- Waste inspection, measurement and recording procedures.
- Waste categorisation and computerised management system records.
- The Landfill Tax rate levied.
- Landfill Tax is calculations and submissions to Revenue Scotland.
- Invoice records for tipping charges and Landfill Tax charges.

One main recommendation was made to establish a policy on the management of customers with significant debt and to apply it consistently.

## Revision to Reporting Schedule for 2015/16 Audit

It was not possible to have the audit report on Service Reviews agreed prior to the meeting of this Committee due to the necessity of bringing forward work from the 2016/17 Audit Plan in response to an incident and consequential Member request. However the main work has been completed and the report is currently underway. The outcome of the audit will be reported to the next meeting of the Scrutiny and Audit Committee.

## Year End Stocktake 2015/16

This work does not result in a formal report to management; the findings were notified to the Head of Corporate Improvement & Finance by memo.

Internal Audit staff attended the year-end stock counts at two locations: (1) Angus Joint Equipment Loan Service (AJELS), Little Cairnie Hospital, Arbroath – (occupational therapy equipment); and (2) Environmental Management – Waste, Cairnie Depot, Arbroath – (protective clothing, tools and cleaning materials).

- We confirmed that the stock counting procedures adopted by staff were in line with those approved as best practice
- We did not find any significant variances and concluded that the year-end stock values were reasonable.

# Implementation of internal audit recommendations

## Background

The quarterly summary report is presented below in accordance with the agreed reporting schedule.

## Summary of Progress

Table 1 below shows the position as at 20 May 2016 for all outstanding recommendations due for completion by 31 March 2016. Table 2 details the distribution of outstanding recommendations by directorate, year and grade.

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 data does not raise any particular concerns in relation to outstanding Level 1 recommendations however Directorates must seek to address all recommendations by the agreed completion date. Some progress has been made in relation to the management of recommendations through the Covalent application. However further improvement actions have been identified and this will assist with monitoring progress in future.

## Equalities Audit

The outstanding recommendations related to this were reviewed in detail as part of the review of Corporate Governance. The position at 13 June 2016 was as follows:

Equalities Audit	Number of Level 1 Recommendations	Number of Level 2 Recommendations
As at 31 Jan 2016	5	4
Completed during period	4	2
In progress at 13 June 2016	1	2

The outstanding Level 1 recommendation (requiring EIA assessment to be produced for Members during budget setting) will not be fully addressed until training is carried out and guidance has been produced (i.e. as required by the level 2 recommendations). These two actions are planned for October 2016 as this will be near to the time when the EIAs require to be submitted and will hopefully mean a more robust approach to the task. The latest progress may be taken as satisfactory given the clear intention to have the matters addressed.

Directorates were reminded of the need to maintain records by the Equalities Officer in June 2015 as the Council could potentially be exposed to financial penalties for non-compliance. The Angus Heath and Social Care Partnership has agreed to put appropriate records in place following the de-merger from the People directorate.

**Table 1 – Progress with implementing outstanding internal audit recommendations in total across each Directorate**

	Chief Executive	Communities	Corporate	People	Resources	Total
Recommendations brought forward from last update	5	8	13	5	30	61
Recommendations added since last update	4	9			10	23
Complete Pending Evidence (Previously)		7		6	3	16
<b>Total</b>	<b>9</b>	<b>24</b>	<b>13</b>	<b>11</b>	<b>43</b>	<b>100</b>
Complete	2	12	9	6	12	41
Complete pending evidence		3		1	1	5
No longer applicable	1	1		2		4
<b>Total in progress/ outstanding</b>	<b>6</b>	<b>8</b>	<b>4</b>	<b>2</b>	<b>30</b>	<b>50</b>

**Table 2 - Outstanding recommendations by Directorate, year and grade**

Directorate	Year	Level 1	Level 2	Level 3	Grand Total
Chief Executive	2011/12		1		1
	2014/15			1	1
	2015/16		4		4
Chief Executive Total			5	1	6
Communities	2012/13	1			1
	2014/15		3		3
	2015/16		4		4
Communities Total		1	7		8
Cross-Cutting	2010/11	1			1
	2013/14	1	1		2
	2014/15		1		1
Cross-Cutting Total		2	2		4
People	2013/14		2		2
People Total			2		2
Resources	2012/13		3		3
	2013/14	3	15		18
	2014/15	1	3		4
	2015/16	1	4		5
Resources Total		5	25		30
Grand Total		8	41	1	50