

# Angus Council Internal Audit



## Update Report

Scrutiny & Audit Committee

26 January 2016

Samantha Perry  
Audit Manager  
Chief Executive's Unit

# Contents Page

**Introduction.....2**

**Audit Plan Progress Report .....2**

**Summary Findings of Internal Audit Reports .....6**

## Introduction

This report presents the progress of internal audit activity within the Council up to end of December 2015 and provides an update on progress with the 2015/16 Internal Audit Plan.

## Audit Plan Progress Report

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

Members will recall that the target timetable for completing reviews was re-profiled when reported to the August Scrutiny and Audit Committee due to a staffing vacancy arising in June. A new member of staff was appointed as an audit trainee on a fixed term basis and started in late August. This resulted in 53 days of audit time being lost when the post was vacant which was funded from contingency.

Following the November Scrutiny and Audit Committee meeting we reviewed the level of resource required to deliver the Internal Audit Plan for 2015/16 against available resources to the end of the year. This took cognisance of staff annual leave and the training and development needs of existing staff, including the trainee recruited in August. In summary the overall plan remains achievable providing the following amendments to the plan are accepted by Members and there is no additional call on, or change to resources.

1. During planning the LEADER and European Maritime Fisheries Fund reviews we were advised that there has been no notable activity in these areas and that it is not anticipated that this will significantly change until the new financial year. As a result, there is no significant value in undertaking any audit work in these areas in the current year. We therefore propose to postpone these reviews and use the allocated days to meet training and development needs.
2. The dates the following reviews are reported to Committee are revised:

Audit	Date Planned	Date Proposed
Self-Directed Support Implementation	March 2016	April 2016
Complaints Management	January 2016	March 2016
Children & Young People (Scotland) Act - budgeting	April 2016	June 2016
IT Application Strategy	January 2016	March 2016

Universal Credit Preparedness	March 2016	April 2016
-------------------------------	------------	------------

We request approval from the Scrutiny & Audit Committee to adjust the plan as proposed.

The table below summarises progress in delivering the 2015/16 Internal Audit Plan as at end December 2015 including the proposed adjustments.

Audits	Planned	In course (fieldwork + review)	Draft report	S&A committee date / (target in <i>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			<b>26 Jan 2016 Recommend revise to 8 Mar 2016 See note above</b>
Business Continuity Planning	Dec 2015			<b>8 Mar 2016</b>
Self-Directed Support Implementation	Jan 2016			<b>8 Mar 2016 Recommend revise to 19 Apr 2016 See note above</b>
Corporate Governance 2015-16 – Interim Review	Jan 2016			<b>Management Letter to CGOG</b>
Health & Social Care Integration	Jan 2016			<b>19 Apr 2016</b>
Transforming Angus	Jan 2016			<b>19 Apr 2016</b>
Information Governance – Data Security	Feb 2016			<b>21 Jun 2016</b>
Service Reviews	Apr 2016			<b>21 Jun 2016</b>

Audits	Planned	In course (fieldwork + review)	Draft report	S&A committee date / (target in <i>italics</i> )
<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			<b>8 Mar 2016</b>
Children & Young People (Scotland) Act - budgeting	<b>Feb 2016</b>			<b>19 Apr 2016</b> <b>Recommend</b> <b>revise to</b> <b>21 June 2016</b> <b>See note above</b>
Debtors and Debt recovery	<b>Mar 2016</b>			<b>21 Jun 2016</b>
Salaries	<b>Apr 2016</b>			<b>21 Jun 2016</b>
<b>IT Governance</b>				
IT application strategy *	<i>Aug 2015</i>			<b>26 Jan 2016</b> <b>Recommend</b> <b>revise to</b> <b>8 Mar 2016</b> <b>See note above</b>
IT Security *	<i>Jan 2016</i>			<b>19 Apr 2016</b>
<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			<b>8 Mar 2016</b> <b>Recommend</b> <b>revise to</b> <b>19 Apr 2016</b> <b>See note above</b>

Audits	Planned	In course (fieldwork + review)	Draft report	S&A committee date / (target in <i>italics</i> )
Fuel Management	<b>Mar 2016</b>			<b><i>21 Jun 2016</i></b>
<b>Legislative and other compliance</b>				
Carbon Reduction	<b>Nov 2015</b>			<b><i>26 Jan 2016</i></b>
Landfill Tax	<b>Apr 2016</b>			<b><i>21 Jun 2016</i></b>
LEADER	<b>Recommended for removal from plan – see note above</b>			
European Maritime Fisheries Fund	<b>Recommended for removal from plan – see note above</b>			

\* 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 Reports

This section provides a summary of the 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.

The following reports are summarised in this paper:

- Housing Strategy – Compliance with Scottish Housing Quality Standard
- Community Asset Transfer process
- Carbon Reduction
- Culture & Leisure Trust

### Housing Strategy – Compliance with Scottish Housing Quality Standard

Level 1	-	Level 2	3	Level 3	-
---------	---	---------	---	---------	---

The Scottish Housing Quality Standard was revised in March 2011 by the Scottish Government. The guidance sets out 55 elements under five broad headings which social landlords (including the Council) were to comply with by April 2015.

The 2014/15 Annual Return on the Charter (ARC) to the Scottish Housing Regulator stated that Angus Council were 84.95% SHQS compliant. During the year 1,586 properties were brought up to the SHQS. At the end of the reporting year 6,572 out of 7,736 properties met the SHQS criteria and the remaining 1,164 properties were classed as abeyance stock. Abeyance stock is where work on a property cannot be completed for 'social' reasons. Social reasons can include a tenant refusing improvements to the property (e.g. replacement heating system).

The Energy Efficiency Standard for Social Housing (ESSH) is mandatory for Social Landlords and has to be met by 2020. The ESSH targets supersede the SHQS energy targets from 2015.

Internal Audit completed a review of the Housing Division's processes for ensuring current and on-going compliance with the requirements of the Standard.

The objectives of the audit were largely met with good practice identified, including:

- There is a housing asset management strategy and operational plan which makes reference to the SHQS and ESSH requirements.

- The improvement and capital work programme is linked to the standards.
- There is a current and future financial plan for programmes in order to maintain compliance with the standards.
- Progress with plans and against budgets is monitored on an ongoing basis.

A small number of areas were identified where improvements could be made to strengthen the existing control environment. They relate to ensuring that the system (Northgate) used to record property activity is correctly and timeously updated to reflect the current status of properties.

## Community Asset Transfer

Level 1	-	Level 2	3	Level 3	-
---------	---	---------	---	---------	---

The Community Empowerment (Scotland) Act 2015 received Royal Assent on 24 July 2015. The Act aims to make the most of talents that exist in communities to improve public services and support strong local democracy and decision making.

Community ownership of assets was identified as having a key role as part of the Bill. Part 5 of the Act covers Asset Transfer Requests.

The Council have a Community Asset Transfer Policy which sets out a clear framework for the transfer of assets from the Council to Voluntary and Community Organisations in order to bring about long term social, economic and environmental benefits to the community.

The Community Asset Transfer Policy is in line with the principles of the Angus Community Plan and the Single Outcome Agreement. These outcomes include:

- Communities that are prosperous and fair
- Communities that are learning and supportive
- Communities that are safe and strong
- Communities that are caring and healthy
- Communities that are sustainable

Internal Audit completed a review of the processes in place for the administration and management of the Community Asset Transfer Policy and Framework to determine whether the evaluation processes are appropriate and applied consistently.

The objectives of the audit were largely met. A small number of areas were identified where improvements could be made to strengthen the existing control environment and these are detailed below:

- The Community Asset Transfer Policy should be dated to maintain version control and ensure that the most up to date version is being used.



- The Community Asset Transfer Group should decide if stage payments are acceptable for a community asset transfer, and if so update the policy to include this.
- To ensure that information is relayed to community groups there should be one officer in the Community Asset Transfer Group with responsibility for informing community groups of decisions.

## Carbon Reduction

<b>Level 1</b>	-	<b>Level 2</b>	1	<b>Level 3</b>	-
----------------	---	----------------	---	----------------	---

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 the 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 electricity and gas 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 three years.

The objectives of the audit were largely been met with adequate controls in place to ensure that the Council complies with the mandatory elements of the CRC Energy Efficiency Scheme and pays the correct allowances for carbon emissions and energy usage.

We have made one level 2 recommendation which recommends that the master spreadsheet of projects is updated, regularly reviewed and monitored to show how projects will contribute to the achievement of 2020 Carbon Reduction targets by the Council.

## Culture and Leisure Trust

Level 1	-	Level 2	1	Level 3	-
---------	---	---------	---	---------	---

At its meeting of 22 October 2015, the Council approved a number of recommendations outlined in a Business Case to move to a Culture and Leisure Trust, called Angus Alive, from 1 December 2015. Angus Alive is responsible for Leisure and Sports, Libraries and ACCESS, Museum and Galleries Service, Archives, Theatres and Halls and Country Parks and Outdoor Education.

As part of the 2015/16 annual plan, Internal Audit completed a review of the planned governance arrangements for Angus Alive.

The objectives of the audit have largely been met. A significant amount of work has been carried out by Angus Council Officers and Members to meet the go-live date for Angus Alive of 1 December 2015. The Angus Alive Shadow Board and members of the Angus Alive Project Team have put in place a high level governance framework supported by a number of documents, policies and procedures. This includes Articles of Association, Financial Regulations and a Scheme of Delegation. The Angus Alive Business Plan also includes a section on Performance Reporting and Monitoring. The specific arrangements for Performance Management and Reporting are an area that both the Council and Angus Alive plan to develop as the business evolves.

We made one recommendation which relates to the development and finalisation of the Angus Alive Business Plan. The Angus Alive Business Case made reference to a number of areas that should be incorporated in the Business Plan, which to date have not. It is recommended that these are reconsidered and where necessary included in the revised Business Plan for 2016/17.

As part of the Support Services Agreement in place between Angus Council and Angus Alive, Internal Audit will provide internal audit services for Angus Alive. We plan to incorporate a second review of governance in our 2016/2017 audit plan to ensure that governance processes, including performance management and reporting are working effectively and efficiently.