

Angus Council Internal Audit



Update Report

Scrutiny & Audit Committee

23 August 2016

Allan Munn
Audit Manager
Chief Executive's Unit

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Introduction

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

- The completion of the 2015/16 Internal Audit Plan;
- Progress with the 2016/17 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 July 2016.

Audits	Planned	In course (fieldwork + review)	Draft report	S&A committee date / (target in italics)
Corporate Governance				
Service Reviews	Apr 2016			<i>23 Aug 2016</i>

2016/17 Internal Audit Plan – Progress update

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

Audits	Planned	In course (fieldwork + review)	Draft report	S&A committee date / (target in italics)
Corporate Governance				
Corporate Governance annual review – 2015-16				<i>21 Jun 2016</i>
Risk Management	Aug 2016			<i>7 Mar 2017</i>
Agile Working	Jan 2017			<i>22 Jun 2017</i>
Review of Corporate Culture	Oct 2016			<i>22 Jun 2017</i>

Audits	Planned	In course (fieldwork + review)	Draft report	S&A committee date / (target in <i>italics</i>)
Health & Social Care Integration	Sep 2016			<i>To be scheduled by Lead Auditor</i>
Information Governance – Information Management	Aug 2016			<i>22 Nov 2016</i>
Strategic and Operational Planning	Jul 2016			<i>27 Sep 2016</i>
Culture & Leisure Trust - Monitoring	Nov 2016			<i>7 Mar 2017</i>
Financial Governance				
Schools' Funds - Governance	May 2016			<i>23 August 2016</i>
Corporate Budgeting and Financial Accounting	Jul 2016			<i>24 Jan 2017</i>
NNDR (National Non- Domestic Rates)	Sep 2016			<i>24 Jan 2017</i>
Payments Processing – Service Redesign	Jul 2016			<i>24 Jan 2017</i>
IT Governance				
IT Change Management	Aug 2016			<i>22 Nov 2016</i>
IT System Development	Nov 2016			<i>7 Mar 2017</i>
IT User Access Management	Jul 2016			<i>27 Sep 2016</i>
Internal Controls				
Absence Management	Sep 2016			<i>7 Mar 2017</i>
Staff Development and Appraisal	Aug 2016			<i>24 Jan 2017</i>
Development of CAATs (Computer Audit Assisted Techniques)	Jul 2016			<i>22 Jun 2017</i>
Asset Management				
Stocks (year end)	Mar 2016			<i>21 Jun 16</i>
IT Asset Management	Jun 2016			<i>23 Aug 16</i>
Fleet Management	Aug 2016			<i>22 Nov 2016</i>

Audits	Planned	In course (fieldwork + review)	Draft report	S&A committee date / (<i>target in italics</i>)
Legislative and other compliance				
LEADER - European Maritime Fisheries Fund (Rural Funding)	Aug 16			<i>22 Nov 2016</i>
Carbon Reduction	Jan 17			<i>22 Jun2017</i>
Interreg (European Funding)	Jan 17			<i>22 Jun 2017</i>

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:

- Service Reviews
- Governance of School Funds
- IT Asset Management

Service Reviews

Level 1	-	Level 2	4	Level 3	-
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Service Reviews are conducted in order to improve service delivery and identify further opportunities for more economical, efficient and effective Council operations.

Recently Service Reviews have come under the auspices of Transforming Angus (TA) with a view to ensuring that they are co-ordinated, resources are prioritised and dependencies with other Transforming Angus programmes identified.

The audit sought to provide assurance that appropriate controls are in place to ensure the processes for commissioning, completing and reporting on Service Reviews and how they support future budgeting arrangements are in place and are being followed.

The areas examined included:

- Service Reviews are consistent with Council's transformational change agenda.
- The scope, aims and objectives of Service Reviews are defined and clear.
- Service Review tools and techniques demonstrate a robust approach to analytical review.
- The results of Service Reviews demonstrate value for money outcomes.
- The outcomes of Service Reviews are reviewed and managed.

Four (Level 2) recommendations were made to strengthen the control environment and improve the processes around Service Reviews. In summary, these recommendations related to improved co-ordination and prioritisation of resources, use of documentation, completion of post implementation reviews where appropriate and the recording of actions on the Council's Covalent system for tracking.

Governance of School Funds

Level 1	11	Level 2	3	Level 3	-
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All Angus Schools operate individual School Funds for the purpose of controlling monies raised in relation to local school related activities. The normal sources of income are donations, fund raising activities, contributions from pupils towards school trips, voluntary activities etc.

These funds are administered and spent for the benefit of the school and do not come within the budget of, or under the direct administration of the Children and Learning Directorate nor the Corporate Improvement & Finance Division. School staff, under the leadership of the Head Teacher, act as custodians of the funds.

The audit sought to provide assurance that appropriate controls are in place to ensure effective management of School Funds within the Angus secondary school estate.

The audit found that some aspects of financial governance were weak and there was some inconsistency in how School Funds were organised and managed. While it is accepted that there will necessarily be some flexibility to accommodate local arrangements, given the significant sums of money being processed through the funds, there must be a sound system of internal control that underpins the overall management of the funds. The recommendations should be implemented across all schools where necessary.

We did note however that senior management propose to centralise the funds in 2017/18 which may in due course have an impact on the controls detailed below. Future involvement of Internal Audit in the proposals for the School Funds may be appropriate.

A number of areas were identified where improvements could be made to strengthen the control environment and ensure compliance with good financial management. The most important recommendations are detailed below:

- Senior management must ensure that School Funds guidance is updated to reflect the required general governance arrangements together with particular guidance to explain the types of fund transactions that may be considered appropriate as well as examples of those falling outside of the scope of a School Fund.
- A model constitution for School Funds must be produced that will include mandatory elements applicable to all School Funds and have the possibility for additional local arrangements to be added. All schools should be advised to adopt the new model constitution at the earliest opportunity.
- All schools must keep appropriate records of the decisions and approvals in relation to significant expenditure (such as school trips and significant events). This must include minutes of School Fund committee meetings.

- Records of attendees at School Fund training sessions should be retained for future reference and these used to ensure all relevant staff receive the appropriate level of initial and refresher training.

IT Asset Management

Level 1	2	Level 2	6	Level 3	-
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An IT asset management process supports the IT asset life cycle management and strategic decision making for the Council's IT environment. IT Assets include all elements of software and hardware that are found in the business environment and management of them is an important part of an organisation's IT strategy. It involves gathering and recording detailed hardware and software inventory information which is then used to make decisions about purchases and redistribution.

IT inventory management helps organisations manage their systems more effectively and saves time and money by avoiding unnecessary asset purchases and promoting the use of existing resources. An effective IT asset management program will minimise the incremental risks and related costs of advancing IT portfolio infrastructure projects based on old, incomplete and/or less accurate information.

The audit found that some aspects of IT asset management were weak and there was some inconsistency in how Directorates maintained their IT Asset Inventories as well as the accuracy of the IT hardware database held by IT staff. A number of areas were identified where improvements could be made to strengthen the management of IT hardware assets. The most important recommendations are:

- An IT asset management policy should be established by IT and completed for Council staff to follow including sections on asset renewal, purchase, maintenance, disposal and inventory.
- Create a rolling replacement programme for IT equipment to ensure the long term sustainability of agile working. This will be possible through (a) revising funding arrangements, (b) assigning asset ownership roles and responsibilities, and, (c) dependent on approval for the actions above, creation of a central inventory to ensure the rolling replacement programme delivers value for money and ensures that IT hardware is refreshed in accordance with the agile toolkit approved by EMT. Periodic review checks should be carried out to ensure the continued accuracy of the central inventory. Any discrepancies should be investigated and appropriate action taken.

Update on Implementation of Audit Recommendations

Since the last Scrutiny and Audit committee we have continued to work with directorates in relation to reviewing progress on the completion of audit recommendations. In particular, we have reviewed the older recommendations, prior to financial year 2013/14.

Of the six recommendations outstanding prior to that date, two have now been fully completed, one is making significant progress for completion with a completion date of August 2016 indicated and

two have been classified as no longer applicable. The final recommendation has been referred back to management via the Resources Leadership Team for further consideration regarding completion taking into account arrangements for the continued roll out of electronic travel claims.

All outstanding Level 1 Recommendations are now being reviewed by EMT on a quarterly basis. Since the last update, three of the eight outstanding at June 2016 have been completed including the outstanding action for 2010/11 and two actions from 2013/14. The outstanding action for 2012/13 is substantially complete and is referred to in the paragraph above.

A further detailed report on outstanding recommendations will be presented to the next meeting of this committee in accordance with the agreed reporting schedule.