Angus Council Internal Audit

Update Report

Scrutiny & Audit Committee

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Susan Mackay
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 July 2015 and provides:

- an update on progress with the 2014/15 Internal Audit Plan;

- an update on progress with the 2015/16 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); 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 end July 2015. It also provides Members with details of when reports have been presented to Committee.

The Annual Plan for 2014/15 is now fully completed.

Audits	Planning	In course (fieldwork + review)	Draft report	S&A committee date / *(target in italics)*
Corporate Governance				
Corporate Governance annual review and report – 2013-14				**24 Jun 2014**
Corporate Governance 2014-15 – Interim Review				*Management Letter to CGOG*
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				*Management Letter to EMT*
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 italics)
Creditors (Duplicate Payments)				**26 Aug 2014**
Income Collection - Letting of premises				**27 Jan 2015**
IT Governance				
Angus.gov.uk - online services				**23 Jun 2015**
PSN compliance				**25 Aug 2015**
Internal Controls				
Economic Development				**10 Mar 2015**
Charitable Funds				**30 Sept 2014**
Subscriptions				**27 Jan 2015**
Rural bus services				**23 Jun 2015**
Asset Management				
Stocks (year-end)				**24 Jun 2014**
Legislative and Other Compliance				
Landfill Tax				**23 Jun 2015**
LEADER				**25 Nov 2014**
European Fisheries Fund				**21 April 2015**
Carbon Reduction				**10 Mar 2015**

2015/16 Internal Audit Plan – Progress update

The table below provides Members with an update on progress with delivery of the 2015/16 Internal Audit Plan as at end July 2015. As part of the delivery of the 2015/16 Internal Audit Plan we have included a timetable 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. This was first reported to Committee at the June 2015 meeting.

Since the last Committee meeting, a member of the Internal Audit team was seconded to another service within the Council. An appointment has been made on a fixed term basis to cover this vacancy and the new employee will be starting by end August. The reduction in audit capacity during the summer has had an impact on the original timetable for delivery of the reports being presented to members, although the audit team remain on track to deliver the audit plan.

The key audit and target Audit Committee dates reported below have been updated to reflect the re-profiled timetable.

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**
Corporate Governance 2015-16 – Interim Review	**Jan 2016**			*Management Letter to CGOG*
Service Reviews	**Apr 2016**			*31 May 2016*
Self-Directed Support Implementation	**Dec 2015**			*8 Mar 2016*
Culture and Leisure Trust	**Oct 2015**			*26 Jan 2016*
Transforming Angus	**Feb 2016**			*31 May 2016*
Health & Social Care Integration	**Jan 2016**			*19 Apr 2016*
Housing Strategy – Compliance with Scottish Housing Quality Standard	**Sep 2015**			*24 Nov 2015*
Complaints Management	**Nov 2015**			*8 Mar 2016*

Internal Audit Update Report – August 2015

Audits	Planned	In course (fieldwork + review)	Draft report	S&A committee date / *(target in italics)*
Information Governance – Data Security	**Feb 2016**			*31 May 2016*
Business Continuity Planning	**Dec 2015**			*8 Mar 2016*
Financial Governance				
Use of Tayside Contracts	**Nov 2015**			*8 Mar 2016*
Children & Young People (Scotland) Act - budgeting	**Jan 2016**			*19 Apr 2016*
Council Tax Reduction	**May 2015**			**25 Aug 2015**
Procurement	**Aug 2015**			*24 Nov 2015*
Salaries	**Mar 2016**			*31 May 2016*
Debtors and Debt recovery	**Apr 2016**			*31 May 2016*
Travel and Subsistence	**Oct 2015**			*26 Jan 2016*
Creditors Payments	**May 2015**			**25 Aug 2015**
IT Governance				
IT Security *	*Dec 2015*			*8 Mar 2016*
IT application strategy *	*Aug 2015*			*24 Nov 2015*
Internal Controls				
Community Asset Transfer process	**Sep 2015**			*26 Jan 2016*
Universal Credit preparedness	**Jan 2016**			*19 Apr 2016*
Agile working – mobile phones	**Jul 2015**			*24 Nov 2015*
Fuel Management	**May 2016**			*Aug 2016*
People Directorate – Payments to third parties	**Jul 2015**			*24 Nov 2015*
Legislative and other compliance				
Landfill Tax	**Mar 2016**			*31 May 2016*

Audits	Planned	In course (fieldwork + review)	Draft report	S&A committee date / (target in italics)
LEADER	Nov 2015			*8 Mar 2016*
European Maritime Fisheries Fund	Mar 2016			*31 May 2016*
Carbon Reduction	Dec 2015			*8 Mar 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 Culture & Leisure Trust, Agile Working and Angus Digital boards and are being provided with copies of all relevant papers relating to these.

Since April 2015, the total time input has been around 10 days.

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.

2014/15

PSN Compliance

Level 1	-	Level 2	4	Level 3	-

Prior to 2013, Angus Council was compliant in the use of the Government Secure Extranet (GSX). The GSX network was used to exchange personal and sensitive information securely with other public sector organisations such as other local authorities, NHS, Police, DWP and National Records of Scotland allowing Angus Council to deliver services and meet its statutory obligations.

The audit focussed on a review of whether the workforce management processes in place within IT ensure that the resource requirements for those areas of PSN compliance, directly within their remit are fulfilled.

In order to connect to the GSX there was an annual accreditation process which organisations had to comply with, known as the Code of Connection (CoCo). Angus had consistently achieved accreditation since 2001.

Accreditation changed in 2013 to reflect the UK Government's strategy to implement a Public Services Network (PSN) which is in effect a network of networks for the UK Public Sector. The PSN accreditation process superseded the GSX process.

PSN compliance is also an annual requirement to demonstrate compliance through maintaining a range of technical controls and business processes. As a result, compliance responsibilities are not the sole preserve of IT. In addition, as technology is evolutionary, there is a need for the Council to be able to respond effectively to meet new and emerging compliance requirements. Angus was successful in gaining their compliance in 2014 without any qualifications and is currently in the process of applying for their 2015 compliance certificate.

Angus Council continues to develop and improve arrangements to ensure compliance with the Public Sector Network (PSN) which is used by government organisations throughout the United Kingdom to share essential services and information. The Council is required to meet

a strict set of technical standards to ensure the security of its network and information and is assessed for compliance on an annual basis by the Government Cabinet Office.

The work undertaken by IT to date in demonstrating compliance with PSN requirements has resulted in a capital budget of circa £800k to implement technical solutions. Examples of this include network segregation, replacement of redundant operating systems and other minor works.

Changes to the annual compliance requirements have added to the significant demand on the IT workforce in delivering day to day operations and supporting the Digital Strategy. Transforming Angus, business as usual, maintenance activities as well as PSN compliance requirements all placing pressure on IT resources. In order to deliver an effective service and manage the expectations of stakeholders, it is essential that there are robust workforce management measures in place. This includes both planning the utilisation of resources as well as ensuring that IT staff have the relevant skills and competencies.

Conclusion

We have gained some assurance that workforce management processes are in place within the IT service, which ensures that the resource requirements for PSN compliance are managed and fulfilled. We have included four recommendations within this report, which should support a continuous improvement focus within IT in relation to workforce planning for the continued delivery of PSN compliance and other IT priorities arising. The areas for improvement that need to be taken forward are :

- A formal Resource plan should be implemented which allows IT to identify and quantify the total demands on the IT service and determine the resources available for this area of work,

- IT ensure that meetings are held consistently across all Directorates to ensure open dialogue between services and the IT service in relation to short and medium term hardware and software requirements.

- IT formalise and document the undertaking of skills assessment and preparation of their training plan,

- The formal Resource Plan should be regularly monitored during the course of the year, and where appropriate, updates provided to the Angus Digital Programme Board on progress and any issues affecting delivery

2015/16

Council Tax Reduction

Level 1	-	Level 2	-	Level 3	-

The Council Tax Reduction Scheme replaced Council Tax Benefits from 1 April 2013 as part of the government's welfare programme, with the funding being transferred from the Department for Work and Pensions (DWP) to the Scottish Government. Council Tax Reduction provides assistance with the payment of Council Tax to those who are on a low income. Council Tax Reduction is means tested and can be awarded in two formats:

- Council Tax Reduction – An award which is made to those who are liable for Council Tax for the property which they live in and who are on a low income, or

- Second Adult Rebate – An award which is made to those who are liable for Council Tax for the property which they live in who also have a second adult in the property who is on a low income.

Council Tax Reduction is administered by the Revenues and Benefits section of the Corporate Improvement and Finance division.

The audit reviewed the processes in place within the Council and assessed whether the Council Tax Reduction (CTR) scheme is administered and implemented in accordance with legislation.

Applications for CTR can be made by a variety of different methods including online, either by the applicant or on behalf of the applicant. Revenues staff, including those in ACCESS offices, can complete the online form using the applicant's answers to the questions.

Angus Council uses Risk Based Verification software to classify applications as low, medium or high risk depending on the answers and information given on the CTR application. Risk Based Verification of Housing Benefit and Council Tax Reduction was approved by the Scrutiny & Audit Committee and the Policy & Resources Committee in March 2014.

Conclusion

The results of the audit have identified areas of good practice including:

- The Revenues and Benefits section produce a suite of performance reports, with regular reporting and feedback to staff on the speed of processing and accuracy.

- There is a checking process in place which targets higher risk claims. There are monthly and annual error reports including information on the category of error and the name of the Revenue & Benefits Assistant responsible.

- The Revenues & Benefits section have a Risk Based Verification policy where more intense verification is required for claims that are more prone to fraud and error. This enables resources to be targeted efficiently.

The results from the audit testing demonstrate that the objectives of the audit have been met. There were no recommendations in this report.

Creditors – CIS Payments

Level 1	1	Level 2	1	Level 3	2

Angus Council make regular payments to Council subcontractors for work carried out on construction work and projects. These payments are made under the Construction Industry Scheme (CIS). The scheme is administered by the Corporate Improvement and Finance Division of Resources directorate.

The overall audit objective was to review and assess the arrangements in place for the administration of CIS invoices, payments and returns.

The Council is required to register with HMRC to operate the scheme under which Angus Council is classified as a contractor. All payments made from contractors to subcontractors must take account of the subcontractor's tax status as determined by HMRC.

The scheme requires the Council, as the contractor, to make a deduction which they then pay to HMRC, on a monthly basis, for the elements of work incurred by the subcontractor that do not include cost of materials.

The Council, as a contractor, must also provide a written statement to every subcontractor from whom a deduction has been made within 14 days of the end of each tax month.

Conclusion

The results of the audit have identified areas of good practice including:

- There is a subcontractor's manual which details the processes to follow for completing the HMRC return, payment to HMRC and subcontractors statements

- There is a checklist which is completed for the monthly CIS process.

The results from our audit testing demonstrated that the objectives of the audit have generally been met. Areas have been identified where improvements could be made to strengthen the existing control environment.

The most material of these areas relates to the undertaking of a lean review of the end to end CIS process.

The other less material recommendations include:

- prior to the monthly CIS return being submitted to HMRC, someone other than the person completing the return should check the Crystal report, spreadsheets and any adjustments that have been completed, for accuracy,
- the Crystal report generated from Integra should be amended to include the total of the payments made to sub-contractors,

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, 2014/15 and to end July for the 2015/16 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	8	67	2	1	-	1	2	2
2015/16	-	-	-	-	-	-	-	-

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.