

Angus Council Internal Audit



Update Report

Scrutiny & Audit Committee

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Introduction

This report presents the progress of internal audit activity within the Council up to 23 July 2014 and provides:

- an update on progress with the 2013/14 Internal Audit Plan;
- 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); and
- an update on the planned External Quality Assessment against the Public Sector Internal Audit Standards (PSIAS).

Audit Plan Progress Report

2013/14 Internal Audit Plan

Twenty three audits have been completed. The dates when reported to Committee are in brackets.

- 2012/13 Corporate Governance (June 2013)
- Year-end stock counts (August 2013)
- Self Directed Support (January 2014)
- LEADER (January 2014)
- European Fisheries Fund (January 2014)
- Collaborative and Joint Arrangements – Angus Care and Repair (January 2014)
- Budget Monitoring (March 2014)
- Income Management (March 2014)
- School Catering (March 2014)
- Carbon Reduction (March 2014)
- Corporate Governance – Interim (March 2014)
- High Value Placements (April 2014)
- Welfare Reform (April 2014)
- Landfill Tax (April 2014)
- Data Protection (June 2014)
- Protection of Vulnerable Groups (PVG) (June 2014)
- Creditors (non-PECOS ordering) (June 2014)
- Equalities (June 2014)
- Payroll Key Controls (June 2014)
- Email Accounts (June 2014)
- Housing Planned Maintenance
- Public Transport
- Statutory Duties

Summaries of the more material audit findings are provided in the Summary Findings of Internal Reports section of this report, starting on page 6.

Two audits are in course:

- HUBCO

- Payment Card Industry Data Security Standard (PCI DSS)

Two audits are currently undergoing internal review:

- Contract Register Compliance
- General Fund Capital Programme

One audit is currently at draft report stage:

- IT Incident Management

In addition to the above, the workforce planning review has been progressed as a consultancy review. This is currently at draft report stage and the response is being discussed with management.

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 24 July 2014.

Audits	Brief agreed	In course	In review	Draft report	Final report	S&A committee date
Corporate Governance						
Corporate Governance annual review and report – 2013-14						24 June 2014
Corporate Governance 2014-15 – Interim Review						
Risk Management						
Information Governance						
Transforming Angus (Governance & Scrutiny)						
Transforming Angus (Benefit Identification, tracking & realisation)						
Health & Social Care Integration						
Health & Safety Governance						
Performance Management						
Financial Governance						
Downsizing Incentive Scheme						
Affordable Housing / Survive & Thrive						
Children & Young People (Scotland) Bill						
Procurement						
Salaries						
Creditors (Duplicate Payments)						26 August 2014
Creditors						
Income Collection - Letting of premises						

Audits	Brief agreed	In course	In review	Draft report	Final report	S&A committee date
IT Governance						
Angus.gov.uk - online services						
PSN compliance						
Internal Controls						
Economic Development						
Charitable Funds						
Subscriptions						
Rural bus services						
Asset Management						
Stocks (year-end)						24 June 2014
Legislative and Other Compliance						
Landfill Tax						
LEADER						
European Fisheries Fund						
Carbon Reduction						

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 Apprentice Scheme Rapid Improvement Event
- People Directorate SLAs.

Since early May 2014, the total time input has been around 20 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.

Public Transport

Level 1	0	Level 2	0	Level 3	0
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Section 63 of the 1985 Transport Act places a duty on Councils to formulate general policies, from time to time, for public transport services they propose to secure to meet the travel needs within their Council area. Section 64 requires that, in formulating such policies, the Council must consult with :-

- other Councils affected by its policies for the purposes of securing passenger transport provision and
- with persons operating public passenger transport services within their area or
- with organisations appearing to the Council to be representative of such persons.

The Transport (Scotland) Act 2005 created Regional Transport Partnerships. The Tayside and Central Scotland Transport Partnership (Tactran) covers Angus, Dundee, Perth & Kinross and Stirling Council areas. The Council must have regard to the aims and objectives of the Regional Transport Strategy when determining its public transport priorities.

The objective of the audit review was to identify whether there are suitable controls in place to prevent the following business risks from occurring:

- Surveys and consultation exercises have not taken place before the decision to tender or procure services under best value is made.
- Contract procurement procedures for public transport contracts do not comply with approved council procurement practice and the Council's Financial Regulations.
- Tenders responses have not been effectively evaluated; therefore members are not making an informed choice when awarding contracts.
- Contracts are awarded to suppliers who do not meet statutory or regularity requirements for the provision of the service.
- Contract management and monitoring arrangements are not sufficiently robust to identify non-compliance by the contractor with the contract terms and conditions.

- Complaint procedures are not in place or are insufficient to allow adequate resolution which facilitates service improvement.
- Payments made to contractors are not in line with the terms of the contracts in place, are inaccurate and/or invalid.
- Budget monitoring arrangements of public transport budgets is ineffective.

The results of the audit tests demonstrated that the objectives of the audit have been met. No recommendations have been made in this report. We noted that the Transport Team has robust controls in place to mitigate against the identified risks.

Housing Planned Maintenance

Level 1	0	Level 2	3	Level 3	1
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The Housing capital monitoring budget for 2013/14 is £10.44 million. The budget includes both new build and planned improvement / maintenance work. The major improvement works included in the capital budget are:

- Heating £1.021 million
- Energy Saving £1.269 million
- Kitchen Replacement £1.067 million

A further £2.675 million of planned maintenance work is funded from the revenue budget. This covers cyclical maintenance, such as repainting and gas and electric heating system servicing, which is not considered to add to the value of the property.

The current maintenance programme was developed to ensure that the Council's housing stock meets the Scottish Housing Quality Standard (SHQS) by March 2015. The plan for the next five years, which is currently under development, aims to ensure that SHQS is maintained and that all properties meet the Energy Efficiency Standards for Social Housing (EESHS) by 2020.

The objective of the audit was to identify and assess the controls in place to mitigate the following business risks:

- The Council's housing stock is not maintained to an adequate standard
- The Council does not have adequate procedures to reclaim maintenance costs from owner occupiers
- There is insufficient monitoring and reporting of the planned maintenance budget (revenue and capital)

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

- Council house stock sold under the Right to Buy scheme are recorded promptly on Northgate.

- Staff have procedures to follow when reclaiming costs from owner/occupiers for maintenance/ improvements completed.
- Regular reports on planned maintenance are submitted to Committee.
- Regular budget and performance reports are considered by Managers.

There were no level 1 recommendations arising from this audit. A small number of areas were identified where improvements could be made to strengthen the existing control environment. The more significant of these are:

- A Planned Maintenance Strategy should be produced and implemented.
- A reconciliation should be undertaken to ensure that the Council's housing stock is accurately and consistently reported in both the Scottish Housing Regulator returns and the annual accounts.

Statutory Duties

Level 1	0	Level 2	2	Level 3	2
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The Housing (Scotland) Act 2006 requires that every house in multiple occupation is licenced by the local authority. A 'House in Multiple Occupation' (HMO) is defined as *“any living accommodation occupied as an only or main residence by three or more persons who are not members of the same family or of one or other of two families”*.

Before granting a licence the premises must meet the requirements in three areas. The owner and any manager of the property must be “fit and proper” to hold a licence, the property must be well maintained and the property must meet the required physical standards and be suitable for use as an HMO.

The primary reason for the introduction of mandatory licensing of HMOs is to increase protection for tenants in such establishments, by ensuring that the accommodation provided is safe and of good quality.

The overall objective of the audit was to assess whether there were suitable controls in place to reduce the following business risks:

- The arrangements for the licensing of houses of multiple occupancy (HMO) within the Council are insufficient;
- Inspection and monitoring arrangements across the Council to ensure continued compliance with licensing arrangements are ineffective
- Complaints regarding potential HMO are not recorded and are not taken forward for further investigation.

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

- A number of Council divisions/services (Legal & Democratic Services, Environmental Health, Building Standards, Housing) and The Scottish Fire and Rescue Service all work cohesively with the aim of ensuring that all HMOs in Angus are licensed and are safe to live in.

There were no level 1 recommendations arising from the report.

A small number of areas were identified where improvements could be made to strengthen the existing control environment. These included amendments to the application form to include all questions required for legislative purposes, administration arrangements in processing applications and reporting/referring of information regarding unlicensed HMO's.

Creditors – Duplicate Payments

Level 1	0	Level 2	0	Level 3	0
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Computer assisted audit techniques using Interactive Data Extraction and Analysis (IDEA) software were used to interrogate the payments system to identify and review potential duplicate payments. 68,500 transactions were imported into IDEA covering the period October 2013 to April 2014 and using pre-determined selection criteria, 164 transactions were extracted for further investigation as potential duplicate payments.

The objectives of the audit were to ensure that:

- Departments are complying with the Council's Financial Regulations and internal departmental instructions issued with regard to the ordering and payment for goods and services.
- Only legitimate and authorised payments are being processed.
- Each payment made was supported by appropriate documentation.

From the 164 transactions reviewed by Internal Audit, 17 duplicate payments were identified with a total value of £26,032.74 (one transaction had a value of £21,878.50). Of these duplicates, only three transactions to the value of £265.94 had not previously been identified by divisional/directorate staff.

At the time of this report four transactions with a value of £304.94 remain outstanding in terms of credit notes / refunds due to the Council and these are being pursued by divisions/directorates.

Given the low level of duplicate payments identified, no formal recommendations have been raised in this report.

External Quality Assessment

As members will be aware, we were committed to having an External Quality Assessment (EQA) conducted during 2014/15 against the Public Sector Internal Audit Standards (PSIAS).

Following a competitive tendering exercise, CIPFA has been awarded the contract to carry out the EQA. It is planned for the EQA to commence in August 2014 and it is likely to be the case that the reviewers will liaise with some members of the Scrutiny & Audit Committee.

It is planned that the results of the EQA will be presented to the November 2014 Scrutiny & Audit Committee.