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 end October 2015 and provides:

- an update on progress with the 2015/16 Internal Audit Plan;
- an update on the progress of the follow up of internal audit recommendations

Audit Plan Progress Report

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 October 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.

Members will note that that the timetable has been re-profiled to allow an even distribution of reports during the financial year.

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**			*21 Jun 2016*
Self-Directed Support Implementation	**Dec 2015**			*8 Mar 2016*
Culture and Leisure Trust	**Nov 2015**			*26 Jan 2016*
Transforming Angus	**Feb 2016**			*19 Apr 2016*
Health & Social Care Integration	**Jan 2016**			*19 Apr 2016*
Housing Strategy – Compliance with Scottish Housing Quality Standard	**Sep 2015**			*26 Jan 2016*
Complaints Management	**Oct 2015**			*26 Jan 2016*
Information Governance – Data Security	**Feb 2016**			*21 Jun 2016*
Business Continuity Planning	**Dec 2015**			*8 Mar 2016*
Financial Governance				
Use of Tayside Contracts	**Nov 2015**			*8 Mar 2016*

Audits	Planned	In course (fieldwork + review)	Draft report	S&A committee date / (target in italics)
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			21 Jun 2016
Debtors and Debt recovery	Mar 2016			21 Jun 2016
Travel and Subsistence	Oct 2015			24 Nov 2015
Creditors Payments	May 2015			25 Aug 2015
IT Governance				
IT Security *	Dec 2015			19 Apr 2016
IT application strategy *	Aug 2015			26 Jan 2016
Internal Controls				
Community Asset Transfer process	Sep 2015			26 Jan 2016
Universal Credit preparedness	Jan 2016			8 Mar 2016
Agile working – mobile phones	Jul 2015			24 Nov 2015
Fuel Management	Apr 2016			21 Jun 2016
People Directorate – Payments to third parties	Jul 2015			24 Nov 2015
Legislative and other compliance				
Landfill Tax	Apr 2016			21 Jun 2016
LEADER	Jan 2016			8 Mar 2016
European Maritime Fisheries Fund	Feb 2016			19 Apr 2016
Carbon Reduction	Nov 2015			26 Jan 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 14 days.

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

- Third Party Payments – People Directorate
- Agile Working – Mobile phones
- Procurement – Supporting Local Business 10 Point Plan
- Travel and Subsistence

Third Party Payments – People Directorate

Level 1	-	Level 2	3	Level 3	-

Third party payments are defined as payments to external providers in return for the provision of a service. Third party payments can be made to voluntary associations, private contractors and organisations, other local authorities and agencies in exchange for a provision of a service provided to or on behalf of the Council.

The People Directorate 2015/16 Final Revenue Budget for Third Party Payments is:

Business Units	Budget £'000
Schools and Learning	7,305
Children & Young People's Services	9,330
Adult Services (includes residential homes services and housing support payments)	33,548
Quality & Performance	552
Total	**50,735**

The scope of the audit focussed on the payments made for Residential/Secure Education Accommodation within Children & Young People's Services and Residential Care Homes and Housing Support, both within Adult Services.

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

- There is a responsible budget holder for each of the areas under review,

- Members receive regular revenue monitoring /projected outturn statements,

The results from our audit testing demonstrate that the objectives of the audit have been met. Three areas have been identified where improvements could be made to strengthen the existing control environment:

- Staff should be reminded that where providers are not on a national contract or agreed framework then the Contracts Team should be involved to ensure the best possible rate is agreed.

- Where providers of Housing Support who have a block contract and additional hours are charged at the same location, the Contracts team should be consulted to establish whether the additional hours could be incorporated within the block contract.

- People directorate staff to receive hot spot reports for residential care and housing support to assist in the managing of their respective budgets and provide appropriate outturn information.

Agile Working – Mobile phones

Level 1	-	Level 2	5	Level 3	2

Angus Council has provided mobile phones to a number of employees to allow them to carry out the requirements of their job. With the introduction of agile working requirements in the context of the Transforming Angus, there is a requirement to review and consider the existing provision of mobile phones and related devices and whether the demand and need for them is justified.

As per the Angus Council Mobile Phone Policy, mobile phones are provided for employees that need to be contactable and to contact others, if the job requires out of hours contact or if there is a risk to personal safety.

Eligibility for a council mobile phone is determined by managers after taking into account whether another communication facility would suffice, whether an employee could share a mobile phone with others and also considering revenue budget constraints.

The audit reviewed whether the arrangements in place for the provision of mobile phones within the Council in the context of the business and agile working requirements and providing value for money.

The results from our audit testing demonstrated that the objectives of the audit have been partially met. A number of areas were identified where improvements could be made to strengthen the existing control environment and these are detailed below:

- the Mobile Policy & Guidance is reviewed and updated in line with current practices and business requirements and when receiving a new mobile phone, users are directed to the Mobile Phone Policy & Guidance available on the Corporate Intranet,

- a review is undertaken of the invoicing and authorisation process of mobile phone invoices with a view to making it more efficient, and

- a review of the arrangements for the receipt and administration of mobile phone income is carried out to ascertain if it is cost effective to continue to administer and collect income for personal mobile phone calls.

From our value for money analysis we were also able to provide assurance that the majority (95% based on number of phones and 84% based on total cost) of the Council's mobile phone contracts appeared to offer value for money. We did identify that a small minority (5% based number of phones and 16% based on total cost) of contracts which could not clearly demonstrate value for money.

Specifically in relation to value for money, we have further recommended that:

- as users finish their contract term a review is carried out of their respective tariff. Consideration should be given as to whether the tariffs used by the Council when providing mobile phones to staff should include "inclusive minutes/texts" options. This would negate any requirement to pursue personal reimbursement and is something which could be explored once the new framework contract is finalised.

Procurement – Supporting Local Business 10 Point Plan

Level 1	5	Level 2	-	Level 3	-

The Corporate Procurement Group consists of procurement lead officers from each Directorate within the Council plus one member of the Dundee Council corporate procurement team (as part of Tayside Procurement Consortium (TPC)).

The "Supporting Local Business 10 Point Plan" is part of the Angus Council Procurement Improvement Plan 2014 - 2017. Outcomes six to fifteen of the Corporate Procurement Plan cover the Supporting Local Business 10 Point Plan.

Each outcome has actions allocated to lead officers in the Corporate Procurement Group with target dates for these to be completed to enable the outcome to be achieved.

The audit focussed on the arrangements in place for the delivery of the Council's "Supporting Local Business 10 Point Plan" which is part of the Corporate Procurement Improvement Plan 2014-17.

Our audit identified areas of good practice particularly in the Roads and Property divisions of Technical and Property Services. Actions allocated to lead officers were monitored through the operational plan, recorded on Covalent and reported to Senior Management. A

Procurement Update Report is a standing item on the agenda for quarterly Senior Management Team meetings.

The results from our audit testing demonstrate that the objectives of the audit have not been met in full. Some areas have been identified where improvements could be made to strengthen the existing control environment and these are detailed below:

- the actions in the 10 Point Plan should be reflected within the relevant Service's operational/improvement plan(s) and Covalent and lead officers of actions should monitor progress through their service operational/improvement plans.

- the 10 Point Plan being reported to the Corporate Procurement Group should reflect the most up to data and accurate position. For those actions which are overdue, revised dates should be identified for completion and these should be reviewed and monitored to ensure that they are completed timeously.

- the outcomes 6 to 15 within the Corporate Procurement Improvement Plan which relate to the 10 Point Plan should be reported to the Procurement Sounding Board.

Travel and Subsistence

Level 1	2	Level 2	3	Level 3	-

Angus Council has in place a Travel and Subsistence scheme. The majority of payments made under this scheme relate to business travel where travel journeys are made as part of their Council duties. The vast majority of journeys reimbursed are made by car, however the scheme also makes arrangements for payment for travel by public transport and other types of vehicle.

The scheme, which has been in place since 1996, is predominantly a paper-based system, with claims submitted monthly. The Council is currently piloting an on-line claim form process, through ResourceLink, the Council's integrated payroll/HR system with a view to rolling this out across the Council.

The audit focussed on the arrangements in place to ensure compliance with existing Travel and Subsistence policies.

The results from our audit testing demonstrate that the objectives of the audit have been met but some areas have been identified where improvements could be made to strengthen the existing control environment.

The main areas for improvement are provided below:

- The Communities directorate should ensure that travel and subsistence claims are authorised only by members of staff who are detailed in the directorate Scheme of Delegation.

- We identified one overpayment in relation to excess mileage claims due to relocation. We have also made a recommendation that the respective divisional

manager discusses the overpayment with the employee and puts in place arrangements, in association with the Payroll section, for repayment of the overpayment.

Progress of Follow-up Audits

Background

Internal audit have historically reported progress on internal audit actions ("follow up audits") to Committee on an audit by audit basis, as agreed as part of the Annual Plan or as part of the Annual Corporate Governance work.

It is recognised good practice to report regularly on the follow up of audit recommendations. Internal audit are therefore moving to a quarterly cycle of monitoring and reporting on all internal audit actions and introduce the first follow up report. This follow up report summarises the progress made on internal audit recommendations raised to 31 March 2015. This provides a baseline for future reporting. Quarterly follow up updates will be included in future Internal Audit Progress Reports and will include both the baseline information below and final audit reports presented to members from the 2015/16 Annual Plan.

During the first half of 2015/16, the audit team carried out work on establishing the baseline position for all audit actions raised to March 15 and engaged with each Directorate. Internal audit will continue to engage with Directorates on an ongoing basis as part of the quarterly monitoring.

Baseline Position

Table 1 below presents the baseline position for internal audit recommendations raised to 31 March 2015 across each Directorate. Further detail at service level is provided in Appendix A

Table 1 – Progress on Follow up of Audit Recommendations across Directorate.

	Completed	In Progress	No Longer Applicable	Outstanding	Total
Chief Executive	3	4	-	1	**8**
People	7	2	-	16	**25**
Communities	2	2	-	17	**21**
Resources	23	28	2	21	**74**
Corporate	-	4	-	1	**5**
Total	**35**	**40**	**2**	**56**	**133**
% of Total	**26.3%**	**30.1%**	**1.5%**	**42.1%**	**-**

Table 2 below presents the baseline position for internal audit recommendations raised to 31 March 2015 across each year. Further detail at service level is provided in Appendix B

Table 2 – Progress on Follow up of Audit Recommendations across each year.

Audit	Completed	In Progress	No Longer Applicable	Outstanding	Total
2010/11 Total	-	1	-	1	2
2011/12 Total	3	3	2	3	11
2012/13 Total	2	3	0	6	11
2013/14 Total	18	21	0	25	64
2014/15 Total	12	12	0	21	45
Overall Total	35	40	2	56	133

Table 3 below presents the internal audit recommendations across the different levels.

Table 3 – Progress on Follow up of Audit Recommendations across each level.

	Level 1	Level 2	Level 3	Total
Number of recommendations	43	82	8	133
% of Total	32.4%	61.6%	6%	-

Members are asked to note the baseline position and comment on the format of the information provided.

APPENDIX A – FOLLOW UP OF INTERNAL AUDIT RECOMMENDATIONS BY DIRECTORATE

Chief Executive	Completed	In Progress	No Longer Applicable	Outstanding	Total
Communications	-	2	-	-	**2**
Economic Development	2	2	-	-	**4**
Governance	1	-	-	1	**2**
Directorate Total	**3**	**4**	**0**	**1**	**8**

People	Completed	In Progress	No Longer Applicable	Outstanding	Total
Schools and Learning	2	-	-	8	**10**
Children and Young People	-	-	-	1	**1**
Quality and Performance	5	1	-	6	**12**
Adult Services	-	1	-	1	**2**
Directorate Total	**7**	**2**	**0**	**16**	**25**

Communities	Completed	In Progress	No Longer Applicable	Outstanding	Total
Regulatory, Protective & Prevention Services	1	-	-	2	**3**
Services to Communities	-	-	-	8	**8**
Planning & Place	1	-	-	0	**1**
Technical & Property Services	-	2	-	3	**5**
Business Support		-		4	**4**
Directorate Total	**2**	**2**	**0**	**17**	**21**

APPENDIX A – FOLLOW UP OF INTERNAL AUDIT RECOMMENDATIONS BY DIRECTORATE

Resources	Completed	In Progress	No Longer Applicable	Outstanding	Total
Corporate Improvement and Finance	10	17	-	1	28
HR, IT & OD	9	3	2	16	30
Legal and Democratic Services	1	1	-	1	3
Transforming Angus	3	7	-	3	13
Directorate Total	23	28	2	21	74

Corporate	Completed	In Progress	No Longer Applicable	Outstanding	Total
Cross cutting	-	4	-	1	5

Overall Total		Completed	In Progress	No Longer Applicable	Outstanding	Total
Overall Total		35	40	2	56	133

APPENDIX B – FOLLOW UP OF INTERNAL AUDIT RECOMMENDATIONS BY YEAR

Audit	Completed	In Progress	No Longer Applicable	Outstanding	Total
10-12 ACCCT	-	1	-	1	2
2010/11 Total	-	1	-	1	2

Audit	Completed	In Progress	No Longer Applicable	Outstanding	Total
11-04 Counter Fraud Arrangements	2	-	-	1	3
11-36 Project & Programme Management	-	1	-	-	1
11-23 Virus and Spam Protection	1	-	2	-	3
11-24 CareFirst Application Review	-	1	-	-	1
11-28 Street Lighting	-	1	-	-	1
11-29 Non-Council Funds	-	-	-	1	1
11-31 Fostering Payments	-	-	-	1	1
2011/12 Total	3	3	2	3	11

APPENDIX B – FOLLOW UP OF INTERNAL AUDIT RECOMMENDATIONS BY YEAR

Audit	Completed	In Progress	No Longer Applicable	Outstanding	Total
12-12 Non Residential Service Charging	-	-	-	1	1
12-17 Travel and Subsistence - Peripatetic Teachers	2	-	-	-	2
12-19 Property Services Application Audit (Archimedes / Badger)	-	1	-	1	2
12-24 Theatre Events	-	-	-	1	1
12-29 Corporate Communications - Social Media	-	2	-	-	2
12-30 Travel and Subsistence Expense Payments	-	-	-	3	3
2012/13 Total	2	3	0	6	11

APPENDIX B – FOLLOW UP OF INTERNAL AUDIT RECOMMENDATIONS BY YEAR

Audit	Completed	In Progress	No Longer Applicable	Outstanding	Total
13-03 Angus Care and Repair	5	-	-	1	6
13-05 School Catering	-	-	-	8	8
13-09 Direct Payments & SDS	-	1	-	-	1
13-12 Creditors (Non PECOS) Ordering and Invoicing	1	-	-	3	4
13-13 email accounts	3	-	-	3	6
13-15 Budget Monitoring	-	2	-	-	2
13-17 Income Management	-	2	-	-	2
13-18 Equalities	-	10	-	-	10
13-19 Data Protection	-	1	-	-	1
13-26 General Fund Capital Programme	-	-	-	1	1
13-28 PVG	1	1	-	3	5
13-31 PCI DSS	3	2	-	-	5
13-32 Statutory Duties	-	-	-	1	1
13-33 Payroll Key Controls	-	-	-	3	3
13-34 Housing Planned Maintenance	1	-	-	-	1
13-35 IT Incident Management Process	4	2	-	2	8
2013/14 Total	**18**	**21**	**0**	**25**	**64**

APPENDIX B – FOLLOW UP OF INTERNAL AUDIT RECOMMENDATIONS BY YEAR

Audit	Completed	In Progress	No Longer Applicable	Outstanding	Total
14-06 Economic Development	-	2	-	-	2
14-07 Subscriptions VFM	-	-	-	1	1
14-09 Income - Letting of Premises	-	-	-	6	6
14-12 On-line Services	-	-	-	3	3
14-13 Salaries	-	-	-	1	1
14-14 Carbon Reduction	-	-	-	2	2
14-15 Performance Management	5	1	-	-	6
14-17 Landfill Tax	1	-	-	4	5
14-18 Information Governance	1	1	-	-	2
14-21 Procurement - Exemptions	2	-	-	4	6
14-24 Transforming Angus - Governance	3	7	-	-	10
14-26 Risk Management Follow Up	-	1	-	-	1
2014/15 Total	**12**	**12**	**0**	**21**	**45**

Overall Total	**35**	**40**	**2**	**56**	**133**