Angus Council Internal Audit

Update Report

Scrutiny & Audit Committee

25 November 2014

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Contents Page

Introduction

This report presents the progress of internal audit activity within the Council up to 29 October 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).

Audit Plan Progress Report

2013/14 Internal Audit Plan

Twenty seven 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 (August 2014)

- Public Transport (August 2014)

- Statutory Duties (August 2014)

- General Fund Capital Programme (September 2014)

- Workforce Planning consultancy review (September 2014)

- IT Incident Management (November 2014)

- Procurement – Contract Register Compliance (November 2014)

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

One audit is in course:

- Payment Card Industry Data Security Standard (PCI DSS)

The review of internal Council governance arrangements of projects procured and delivered by HUBCO that was included in the 2013/14 Internal Audit plan will be subsumed within our 2014/15 review of Transforming Angus – Governance as reporting on Schools projects forms a key workstream of the Transforming Angus programme.

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 27 October 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	■	■	■	■	■	30 Sept 2014
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	■	■	■	■	■	30 Sept 2014
Subscriptions	■	■	■			
Rural bus services						
Asset Management						
Stocks (year-end)	■	■	■	■	■	24 June 2014
Legislative and Other Compliance						
Landfill Tax						
LEADER	■	■	■	■	■	25 Nov 2014
European Fisheries Fund						
Carbon Reduction	■					

Members will recall from the August Scrutiny & Audit Committee that, 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 40 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.

IT Incident Management

Level 1	3	Level 2	5	Level 3	-

IT incident management is a key component of delivery of effective ICT services for users. The service desk will often be a user's first point of contact with IT when they experience an IT-related problem.

Incident management processes should ensure effective controls are in place for the logging, categorisation, escalation (where necessary), resolution and closure of IT incidents. It is critical in ensuring that users are kept aware of when their issue can be expected to be resolved.

Prior to conducting the audit, there was an acknowledgement that the Council's IT incident management processes were not currently consistent with best practice. The objectives of our audit were to review existing incident management processes and assess how processes and controls could be enhanced.

Our review identified that there were opportunities to enhance the processes for IT Incident Management within the Council.

One of the main areas where we identified an opportunity for improvement was the structure of the Service Desk team. The current structure does not readily support a high level of incidents being resolved quickly and efficiently and often results in experienced IT professionals resolving issues of a more trivial nature. We recognised that addressing this issue may have a broader impact. As a result, we recommended that IT management may wish, when reviewing the future structure of the service desk function, to use this as an opportunity to consider the requirements of the IT resources and structure needed to support planned future operating models that are likely to result from the change initiatives within the Council.

The two further level 1 recommendations were as follows:

- There should be formal agreement with customers of IT regarding services to be provided, service exclusions as well as the availability of the service.

- IT should develop processes through which customers are made aware of the prioritisation of their incidents and the time that they should expect to receive resolution.

A number of less material but related weaknesses were noted during the course of our audit work and management has committed to address these as part of a wider review of the service provision.

LEADER

Level 1	-	Level 2	1	Level 3	-

LEADER is part of the Scottish Rural Development Programme (SRDP) 2007-2013. This is the fifth and final year in which an audit is required as part of the 2007-2013 programme. At this time, bids are being prepared for the next tranche of LEADER funding (2014-2020) which is expected to commence sometime during 2014/15.

LEADER, as part of the SRDP, is aimed at promoting economic and community development within rural areas. It is funded by the European Union, the Scottish Government and local partners.

The Rural Tayside LEADER Team helps local authorities, voluntary and community groups and networks of businesses access funding from the LEADER programme.

The objectives of the audit were to review the processes in place for the Rural Tayside Local Action Group and the Council in awarding LEADER funding.

The review identified one issue which related to administration aspects of project files. For example, our audit identified that project documents were not always signed timeously.

Procurement - Contract Register Compliance

Level 1	-	Level 2	4	Level 3	1

The Council carries out procurement activity across the Council with contracts in place for a number of goods, services etc. The Council has a dedicated Corporate Procurement Team, within the Corporate Improvement and Finance division, however Angus Council currently devolves the procurement function to each directorate with Chief Officers assuming responsibility for this function.

The Council's Financial Regulations (Ref 16.20) require a Register of Contracts to be maintained and updated regularly with details of contracts awarded by the Council. Specifically, that Financial Regulation requires the Head of Corporate Improvement and Finance to maintain a register of Council contracts but with authorised procurement officers being responsible on behalf of their chief officer for providing the information required to do

so as soon as a formal contract has been constituted or on the exercise of extension options, if applicable, and for keeping the register up-to-date.

Accurate and timely maintenance of the Contracts Register has the benefit of identifying spend with suppliers who do not have contracts on the register (i.e. as a control of non-compliant spend) and forward planning of procurement activity. This is achieved through quarterly reporting using data contained within financial ledger and Contracts Register.

The Corporate Procurement team is corporately responsible for maintenance of the Contracts Register, but is reliant on approved Authorised Procurement Officers (APO) across the Council to ensure that it is kept up to date.

Where contracts are tendered/quoted for and awarded using the Public Contracts Scotland (PCS) portal these will be automatically updated on the Corporate Contracts Register. The Council's Financial Regulations, specifically Financial Regulation 16, makes regular reference to the requirement to use PCS as the Council's primary method of advertising and awarding contracts. Where the Council does not use PCS for contracts, the Contracts Register has to be updated manually.

Revised procurement legislation, in the form of the Procurement Reform (Scotland) Act 2014 will make it mandatory for the Council to maintain a contracts register which must be made publicly available. This is likely to come into effect during 2015/16.

The overall objective was to assess whether suitable controls were in place to ensure the accuracy and completeness of the Contracts Register.

An area of good practice identified during our audit was the work conducted by the Corporate Procurement team which has improved Angus Council's on-contract spend from 61% in the financial year 2011/12 to 80% in 2012/13. Work was still being completed at the time of the audit to record all contracts on the Contracts Register for 2013/14. Initial reports indicated 84% on-contract spend but this may change as the Corporate Procurement team uploads contracts from divisional returns.

Our audit did not identify any level one recommendations. The less material weaknesses were primarily related to the same issue of work continuing between Corporate Procurement and those divisions within the Council who do not currently use PCS (Public Contracts Scotland) to adopt this as the mechanism for publishing and awarding contracts. As well as having benefits for maintaining the Contracts Register, this will also ensure a consistent and less manual intensive approach to procurement activities along with visibility of Council contract opportunities to suppliers.