

Internal Audit Update Report

Scrutiny & Audit Committee – 28 January 2014



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Introduction

This report presents the progress of the internal audit activity within the Council up to 17 December 2013. This report provides:

- an update on progress with the 2013/14 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);
- an update on work in following up on recommendations from previous reports; and
- details of suggested changes to the 2013/14 Annual Internal Audit Plan for Member approval.

Audit Plan Progress Report

2013/14 Internal Audit Plan

Six 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
- LEADER
- European Fisheries Fund
- Collaborative and Joint Arrangements – Angus Care and Repair

Summaries of the more material audit findings are provided in the Summary Findings of Internal Reports section of this report, starting on page 5.

Four audits are in course:

- Corporate Governance – Interim
- Welfare Reform
- Data Protection
- Landfill Tax

Three audits are currently undergoing internal review:

- Equalities
- Email Accounts
- Income Management

Four audits are at draft report stage

- Budget Monitoring
- Creditors (non-PECOS ordering)
- School Catering
- Carbon Reduction

Briefs have been agreed for two further audits, General Fund Capital Programme and High Value Placements.

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.

Direct Payments & Self Directed Support

Level 1	1	Level 2	5	Level 3	0
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The draft Social Care (Self Directed Support) (Scotland) Act 2013 received Royal Assent on 10 January 2013 and is due to come into effect in April 2014. A Self Directed Support Policy Statement was approved by the Social Work and Health Committee on the 4 April 2013, which sets out how the Act will be implemented locally (report 205-13 refers).

Under Self Directed Support, authorities must offer those with eligible needs greater choice and control over the support to meet their needs. This includes offering the following options for how support is organised, purchased and delivered:

- The individual taking maximum control of the support using Direct Payments
- The individual taking control of the support only, where an individual budget is established and managed by the local authority but the individual determines how and where it is spent
- The individual choosing not to take control of any aspect but accept service offered and organised by the local authority within the resources available
- The individual seeking a mix and match of the other options to access different supports

Currently councils are only required to offer the first option (Direct Payment) although some Councils already offer all of the options.

Angus Council Social Work and Health Committee approved a revised Angus Direct Payment Policy and Direct Payments: Arranging Your Own Services Information Pack in April 2006, committee report 469-06 refers.

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

- Social Work Finance team have been proactive in reviewing and changing the procedures and paperwork, the financial monitoring process and the year end financial assessment process.
- Angus Council has an SDS implementation group who have an action plan with regular updates reported to Managers and Council members.

The results of the audit tests demonstrate that the objectives of the audit have not been met in full. One level 1 recommendation was identified from our audit testing which was:

- Children’s Services should ensure that all cases are reviewed on a regular basis to ensure that the assessed needs are being met, the Direct Payment is being used for the care package authorised and no changes are required.

A number of less significant weaknesses were noted during the course of our audit testing. These related to consideration of increased use of IT systems to reduce manual processes and duplication of effort, ensuring that all relevant forms were completed and finalisation of revised monitoring and review procedures.

LEADER

Level 1	0	Level 2	0	Level 3	0
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LEADER (Liaison Entre Actions de Développement de l'Economie Rurale) is part of the Scottish Rural Development Programme (SRDP) 2007-2013 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.

As part of the Service Level Agreement between the Scottish Government Rural Payments and Inspections Directorate and Angus Council, as Lead Partner for the Rural Tayside Local Action Group, there is a requirement that the Council submits an annual confirmation certificate and report. This has to include a summary of the findings of the work undertaken by the Council’s Internal Audit function of compliance with the Service Level Agreement.

The overall objective of the audit assignment was to review the processes in place for the Rural Tayside Local Action Group and the Council in awarding LEADER funding.

The audit focused on the compliance of these processes with the Scottish Government Managing Authority LEADER File Review Checklist as a template for a sample of Rural Tayside LEADER Projects. This checklist was used by Scottish Government for their monitoring visit in July 2013.

The results of Internal Audit’s review of project files are consistent with those identified in July 2013 during Scottish Government’s monitoring visit. It was identified that there was limited scrutiny of additionality (whether a project would proceed without LEADER grant or whether grant was the minimum required). In the summary of Scottish Government’s monitoring visit, they accepted the assurance given by the Rural Tayside LEADER Coordinator that additionality is fully examined at the LAG meeting.

Other areas which had been identified in 2012 by Audit Scotland and Scottish Government which may render the project or part of the project ineligible related to:

- training which is not directly linked to the agriculture, food or forestry sectors,
- projects which have 'sunk' costs,
- projects which built contingency allowances into the grant application.

All these areas have been highlighted by Scottish Government/ Audit Scotland in recent months and the Angus Council LEADER Team has already identified potential issues in the above areas and also with State Aid declarations and are waiting on Scottish Government's response to their queries.

It is, therefore, Internal Audit's opinion that all issues identified in this audit have already been highlighted previously and are currently being dealt with. Unfortunately due to the timing and volume of queries to the Scottish Government, some of these queries remain outstanding but are being pursued by Angus Council, in order that their claims can be dealt with efficiently.

European Fisheries Fund

Level 1	0	Level 2	1	Level 3	0
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The European Fisheries Fund (EFF) programme is targeted to assist with capital investment in the aquaculture, fishing and fish processing industries. The programme can also support strategic trade initiatives, fisheries dependent communities, Scottish Government and European Community policy initiatives for the sustainable development of fisheries.

Fishing communities are an important part of the Scottish coastline and to help them prosper. Axis Four of the European Fisheries Fund was launched in Scotland in January 2012 to provide up to £7.6 million to local Scottish fishing communities affected by a decline in fishing activities. 12 local authorities across Scotland are participating.

Eligible councils were invited to create Fisheries Local Action Groups (FLAGs) to consider applications and decide how the funding will be allocated locally. An Angus Coastal FLAG has now been established.

The Angus Coastal FLAG members have been drawn from the private, public, and voluntary sector to represent a collective broad cross geographical sectorial spread of expertise and knowledge to help deliver the strategy and the interests of the FLAG as a whole.

The work carried out as part of the audit identified a number of areas of good practice. In particular:

- The existence of procedures and flow charts in relation to the various stages of the Angus Coastal Fisheries Local Action Group applications.
- Separate, secured and organised files for each project.

The results of the audit tests demonstrate that the objectives of the audit have been met. No level 1 recommendations have been made in this report. One less material recommendation has been made which relates to the need to fully complete Project Decision Forms.

Collaborative and Joint Arrangements – Angus Care and Repair

Level 1	3	Level 2	3	Level 3	0
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Angus Care and Repair is a local charity and private company limited by guarantee based in Forfar. They provide various services for older and disabled people in Angus to assist them with home repairs, adaptations and improvements.

Angus Council has provided funding to Angus Care and Repair for a number of years under a Service Level Agreement (SLA) that has been approved by committee. The funding currently covers 5 main areas :

- Major Grant Adaptations and Repairs
- Minor Adaptations Service
- Safe as Houses Service
- Home Safety Scheme
- Small Repairs Service

Angus Council is currently reviewing the content of the SLA with a view to changing the funding and priority areas with effect from 1 April 2014.

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

- The positive working relationship, rapport and standard or workmanship that Angus Care and Repair has built up within the local community in terms of the work that they do.
- The involvement of Angus Care and Repair in partnership working within Angus, including the development of a Truecall Trading Standards Pilot on Nuisance calls, and as representatives on the Angus Third Sector Strategic Forum and the Community Safety Partnership as part of the Angus Community Planning Partnership.

The audit has identified several areas where there is a need to strengthen controls in place. Given the nature of this report, we have provided recommendations and options for the Council on how it could seek to reach agreement of a new SLA with Angus Care and Repair and implement improved performance monitoring of service delivery in the future.

- Information should be provided to Members on the work of Angus Care and Repair. This will allow them to assess the effectiveness and efficiency of work undertaken and provide a basis through which they can assist in determining the key areas of funding for future years.
- As part of the discussions with Angus Care and Repair in agreeing the 2014/15 SLA, management should seek to obtain greater detail and transparency on the basis of costs of Small Repairs and other works.
- Angus Council should provide support to Angus Care and Repair in relation to identifying potential options for generating alternative additional sources of funding.
- Consideration should be given to the Council to look at different ways of engaging with Angus Care and Repair in future years. The opportunity to open a dialogue to develop a formal partnership with Angus Care and Repair should be explored in conjunction with the Health authorities and with consideration to the work of Health and Social Integration in Angus.
- The Council should consider conducting benchmarking/market testing of the services provided by Angus Care and Repair in order to establish the extent to which the current service provides value for money.

Follow-Up Audits – Update

Internal audit review the implementation of recommendations from previous audits, using the agreed action plan as the base for the follow-up audit. In some cases, the follow-up work is undertaken as part of a current audit and reported together with the current audit findings. In others, a separate audit is carried out and an audit report or memorandum is issued to the client.

Counter-Fraud Follow Up

Internal Audit has completed a follow-up of the recommendations detailed in report 11-04 Counter Fraud Arrangements. The report was issued to management in May 2012 and was considered by the Scrutiny & Audit sub-committee in June 2012.

The findings of the follow up audit are summarised below:

Recommendation Grades	Number in original report	Number fully implemented	Number partially implemented	Number outstanding
Level 1	5	1	3	1
Level 2	4	2	1	1

The level 1 recommendation that remains outstanding relates to neither the Risk Management Strategy nor Corporate Risk Register making reference to the risk of fraud. This action should be cleared upon the update of both documents.

The three partially implemented level 1 recommendations are as follows:

- The need for the Council's zero tolerance approach to fraud to be displayed on the Council website so that this is visible to the public.
- A short-life working group was commissioned to review policies in respect of Bribery Act compliance and to produce a Bribery Policy. The Policy has been drafted but has yet to be approved by Committee and issued to staff.
- Although recognising individual departments issue reminders to staff regarding the need to complete the Register of Staff Interests and Gifts and Hospitality Received forms, there is currently no process for ensuring that Chief Officers bring this to the attention of all staff in line with Financial Regulations.

The outstanding Level 2 recommendation relates to the need to make it easier to find Council counter fraud policy and guidelines. The completion of this action is related to the website redevelopment which has a target completion date of 31 March 2015.

Amendments to the 2013/14 Internal Audit Plan

When approving the 2013/14 Annual Internal Audit Plan, it was highlighted to Members that this year would be one of change and therefore there was the potential for changes being required to the planned activity.

During the course of the year, it has become apparent that changes within the Council have meant that some planned audits would be either not relevant or would fail to provide any assurance. The following audits are recommended for removal from the Internal Audit Plan. The rationale for doing so has been provided in the adjacent column.

Audit review	Rationale
Waste Management inc Zero Waste Policy	This is an area being looked at as part of the ongoing Scrutiny Reviews.
Angus Credit Union	This has been removed in light of the ongoing discussions with respect to the Credit Union.
Downsizing Incentive Scheme	This is recommended to be carried forward into the 2014/15 plan. The new scheme only came into effect on 1 October 2013 and there will be limited scope for audit testing.
Infrastructure/Networks	Any work would duplicate what has been covered in the assessment conducted for the Public Sector Network compliance.
Fleet Management	The scope of this audit aimed to be VFM related. There is an ongoing piece of work which is assessing the future operating model for the Council's fleet, part of which is looking at cost management. Any Internal Audit effort is likely to duplicate project work.

The time released by not undertaking this work has been consumed by more time spent by the team on unplanned activities such as investigations and responding to the demands of ensuring compliance with the new Public Sector Internal Audit Standards e.g. development of the Internal Audit Charter, Reporting Protocol, self-assessment against the standards.

Members should note that recommended changes to the Internal Audit Plan will not impact on the ability to produce a robust Annual Internal Audit Opinion.