

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 26 SEPTEMBER 2017

INTERNAL AUDIT ACTIVITY UPDATE

REPORT BY SHAN COOMBS, ACTING SERVICE MANAGER – GOVERNANCE AND CONSULTANCY

ABSTRACT

This report provides the Internal Audit Activity update on the main findings of internal audit reports issued since the date of the last Scrutiny and Audit Committee.

1. RECOMMENDATIONS

It is recommended that the Scrutiny and Audit Committee:

- (i) Note the update on progress with the 2017/18 Internal Audit Plan,
- (ii) Approve the proposed change to the plan; and
- (iii) Note management's progress in implementing internal audit recommendations.

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/ COUNCIL PLAN

The Angus Council Plan contains a number of priorities that our 2017/18 Internal Audit Plan seeks to provide assurance on. Our corporate governance reviews will provide assurance to underpin the work related to corporate priorities.

3. BACKGROUND

Introduction

The annual internal audit plan was ratified by the Scrutiny and Audit Committee and a progress report is submitted to each meeting of the Committee. This report outlines progress in delivering the plan.

Internal Audit issues a formal report for each audit undertaken as part of the annual audit plan. Each audit report contains an action plan which incorporates all the recommendations made. This action plan, prepared under SMART (Specific, Measurable, Achievable, Realistic, Timed) criteria, is agreed with management who nominate persons responsible for taking forward the actions and who set their own completion date for each action. This agreed action plan forms an integral part of the final audit report and audit recommendations are ranked to indicate materiality.

As part of the ongoing audit process, Internal Audit reviews the implementation of recommendations and reports the results to each meeting of the Scrutiny and Audit Committee. The latest results are included in the Update Report at **Appendix 1**.

4. CURRENT POSITION

Work continues within the Internal Audit team to progress the revised 2017/18 Internal Audit Plan agreed by the Scrutiny and Audit Committee in June 2017. (Report 216/17 refers)

5. PROPOSALS

The attached report provides Scrutiny and Audit Committee members with an update on progress with the 2017/18 Internal Audit Plan. The Committee is asked to note this report and to approve a change which deletes the Recharging of Central Administration Costs review from the plan to allow more audit time to be devoted to the IT User Access review.

The Committee is also asked to note the progress made in implementing internal audit recommendations.

6. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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List of Appendices:

Appendix 1 - Internal Audit Activity Update Report (attached)

Angus Council Internal Audit



Update Report

Scrutiny & Audit Committee

26 September 2017

Cathie Wyllie
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 the end of August 2017 and provides an update on:

- Progress with the 2017/18 Internal Audit Plan;
- A proposed change to the plan
- Progress with implementing internal audit recommendations.

Audit Plan Progress Report

2017/18 Internal Audit Plan – Progress update

The table below summarises progress as at end of August 2017. Definitions for control assurance assessments are shown on page 9.

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / <i>(target in italics)</i>
Corporate Governance					
Corporate Governance annual review – 2016-17	June 2017	Complete			22 June 2017 in report 215/17
General Data Protection Regulations (GDPR) Readiness –Phase 1	June 2017	Complete			22 June 2017
General Data Protection Regulations (GDPR) Readiness –Phase 2	Nov. 2017				23 January 2018
Public Accountability	Dec. 2017				6 March 2018
Performance Information	Dec. 2017				6 March 2018
Financial Governance					
Schools' Funds – Governance (primary schools)	Aug. 2017	Complete	Limited		22 August 2017

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Recharging of Central Administration Costs	Oct./Nov. 2017	It is proposed this be deleted from the plan			<i>23 January 2018</i>
Payroll	Continuous Auditing	In progress			<i>21 November 2017</i>
Accounts Payable	Continuous Auditing	In progress			<i>21 November 2017</i>
IT Governance					
IT User Access Administration	Sept./Oct. 2017	In progress			<i>23 January 2018</i>
Internal Controls					
Contractual Arrangements	July/ August 2017	In progress			<i>21 November 2017</i>
Property Repairs Work Allocation					<i>24 April 2018</i>
Service Level Agreements	Jan. 2018				<i>24 April 2018</i>
Asset Management					
Stocks (2016-17 year-end)	June 2017	Complete			<i>22 June 2017</i>
Community Asset Transfer	Dec. 2017/ Jan. 2018				<i>5 March 2018</i>
Fixed Asset Register	Oct. 2017				<i>23 January 2018</i>
Legislative and other compliance					
LEADER - European Maritime Fisheries Fund (Rural Funding)	Sept./Oct. 2017	In progress			<i>21 November 2017</i>

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Carbon Reduction	Feb. 2018				<i>24 April 2018</i>
Interreg (European Funding)	Aug. 2017	Planned			<i>23 January 2018</i>

Angus Alive and Angus Health & Social Care IJB

Angus Council's Internal Audit staff have continued to work on the audit plans for both Angus Alive and Angus Health & Social Care IJB during the period covered by this update report. Reports for these bodies are presented to the respective Boards throughout the year. Where IJB work is on systems operated by Angus Council staff, the reports will also be presented to the Scrutiny & Audit committee.

Transforming Angus Programme Boards

Internal Audit staff continue to attend meetings of the Agile Working Board as required.

Proposed change to the plan

Discussion has taken place with the Head of Corporate Finance about the scope of the proposed reviews of Recharging of Central Administration Costs and IT User Access Administration. As a result it is proposed to delete the Recharging of Central Administration Costs from the plan and to devote the time released to additional work on user access to provide assurance relating to risks highlighted from a recently reported fraud case.

Implementation of internal audit recommendations

Background

The quarterly summary report is presented below in accordance with the agreed reporting schedule.

Summary of Progress

The recommendations classed as outstanding are those where the required action has not been completed by the original completion date. Recommendations have been excluded where an extension to the original completion date has been requested and agreed by Internal Audit.

The figures presented in the table below have been obtained after analysis of the corporate action recording and monitoring system, "Covalent".

Work continues to be carried out on the configuration and management of the Covalent system to provide improved management information and to bring greater efficiency to the follow-up process.

The information presented below reflects the updated position at 29 August 2017. The EMT is now receiving and reviewing detailed bi-monthly reports on the outstanding level 1 recommendations.

- Table 1 below shows progress with implementing internal audit recommendations across each Directorate.
- Table 2 details outstanding recommendations by Directorate, year and grade.

Members are asked to note the position in implementing internal audit recommendations.

Table 1 – Outstanding recommendations per Covalent.

(excl. recommendations related to Angus Alive and Angus Health & Social Care Partnership)

	Chief Executive	People	Place	Grand Total
Total overdue	5*	6	0	11

**All Chief Executive's outstanding items relate to the Change Programme (Agile & Channel Shift)*

Table 2 - Outstanding recommendations by Directorate, year and grade.

Directorate	Year	Level 1	Level 2	Level 3	Level 4	Grand Total
Chief Executive	2017/18	-	5*	-	-	5
People	2016/17	-	5	-	-	5
	2017/18	-	1	-	-	1
Place	-	-	-	-	-	-
Grand Total		-	11	-	-	11

Definition of Assurance Levels, Control Assessments & Recommendation Priorities

Table 1 – Level of Assurance definitions

Level of Assurance	Definition
Comprehensive Assurance	There is a sound control framework in place designed to achieve the system objectives, which should be effective in mitigating risks. Some improvements in a few, relatively minor, areas may be required, and any residual risk is either being accepted or addressed by management.
Substantial Assurance	The control framework in place is largely satisfactory, however there are a few areas where improvements could be made to current arrangements to reduce levels of risk, and/or there is some evidence that non-compliance with some controls may put some of the system objectives at risk.
Limited Assurance	Some satisfactory elements are evident within the control framework. However, some significant weaknesses have been identified which are likely to undermine the achievement of objectives, and/or the level of non-compliance with controls puts the system objectives at risk.
No Assurance	The control framework is ineffectively designed and operated. The issues identified require immediate attention to address the risks to the Council which are currently unacceptable. Significant improvements are required.

Table 2 - Control assessment definitions

Control Assessment	Definition
Red	Fundamental absence or failure of key control
Amber	Control objective not achieved – control is inadequate or ineffective
Yellow	Control objective achieved – no major weakness but scope for improvement
Green	Control objective achieved – control is adequate, effective & efficient

Table 3 - Recommendation Priority definitions

Priority	Definition
1	Recommendation concerning the absence/failure of fundamental control which is critical to the success of the system. Major weakness which significantly impairs the overall control framework. Immediate management action required. Very high risk exposure.
2	Recommendation concerning absence or non-compliance with key control which creates significant risks within the organisation. Substantial weakness identified. Prompt management action required. High risk exposure.
3	Recommendation concerning absence or non-compliance with lower level control, or an isolated instance of non-compliance with a key control. The weakness identified is not necessarily great, but controls would be strengthened and the risks reduced if it were rectified. To be addressed by management within a reasonable timescale. Moderate risk exposure.
4	Recommendation concerning minor issue which is not critical, but implementation would improve the system and/or strengthen controls. To be addressed by management within a reasonable timescale. Limited risk exposure.