

**ANGUS COUNCIL**

**SCRUTINY AND AUDIT COMMITTEE – 23 JANUARY 2018**

**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, and
- (ii) Note management's progress in implementing internal audit recommendations.

**2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN (LOIP) AND COUNCIL PLAN**

The proposals set out in this report will contribute to the outcomes outlined in the proposed Local Outcomes Improvement Plan, Locality Plans and Council Plan, which focus on the economy, people and place.

**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 September 2017. (Reports 216/17 and 322/17 refer). There has been some slippage in delivering the plan to the original timetable however it is expected that this will be caught up by the end of the internal audit reporting year in June.

Some of the contingency set aside within the 2017/18 Internal Audit Plan has been utilised for work on ad-hoc reviews, at the request of Council officers. Report 393-17 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.

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

# Angus Council Internal Audit



## Update Report

Scrutiny & Audit Committee

23 January 2018

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 December 2017 and provides an update on:




- Progress with the 2017/18 Internal Audit Plan; and
- 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 December 2017. Definitions for control assurance assessments are shown on page 11.

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
<b>Corporate Governance</b>					
Corporate Governance annual review – 2016-17	June 2017	Complete	N/A	N/A	22 June 2017 in report 215/17
General Data Protection Regulations (GDPR) Readiness –Phase 1	June 2017	Complete	N/A	N/A	22 June 2017
General Data Protection Regulations (GDPR) Readiness –Phase 2	Nov. 2017	Draft report issued			<i>23 January 2018 Revised 6 March 2018</i>
Public Accountability	Dec. 2017	In progress			<i>6 March 2018</i>
Performance Information	Dec. 2017	In progress			<i>6 March 2018</i>
<b>Financial Governance</b>					
Schools' Funds – Governance (primary schools)	Aug. 2017	Complete	Limited		22 August 2017
Recharging of Central Administration Costs	Oct./Nov. 2017	This was deleted from the plan in September 2017	N/A	N/A	N/A

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Payroll	Continuous Auditing	In progress			<i>21 November 2017</i> <i>Revised 6 March 2018</i>
Accounts Payable	Continuous Auditing	In progress			<i>21 November 2017</i> <i>Revised 6 March 2018</i>
<b>IT Governance</b>					
IT User Access Administration	Nov./Dec. 2017	In progress			<i>23 January 2018</i> <i>Revised 6 March 2018</i>
<b>Internal Controls</b>					
Contractual Arrangements	Sept./Oct. 2017	Complete	Comprehensive		<i>21 November 2017</i>
Property Repairs Work Allocation	Jan. 2018	In planning			<i>24 April 2018</i>
Service Level Agreements	Jan. 2018	In planning			<i>24 April 2018</i>
Council Oversight of IJB	March 2018				<i>19 June 2018</i>
<b>Asset Management</b>					
Stocks (2016-17 year-end)	June 2017	Complete	N/A	N/A	<i>22 June 2017</i>
Community Asset Transfer Process	Dec. 2017/ Jan. 2018	Complete	Substantial		<i>23 Jan. 2018</i>
Fixed Asset Register	Oct. 2017	Draft report under review			<i>23 January 2018</i> <i>Revised 6 March 2018</i>
<b>Legislative and other compliance</b>					
LEADER - European Maritime Fisheries Fund (Rural Funding)	Sept./Oct. 2017	Complete	Substantial		<i>21 November 2017</i>
Carbon Reduction	Feb. 2018				<i>24 April 2018</i>
Interreg (European Funding)	January 2018	Planned			<i>23 January 2018</i> <i>Revised 6 March 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.

## Summary findings of internal audit reviews

This section provides a summary of the material findings of internal audit reviews concluded since the last meeting. It also provides information on the number of recommendations made. Recommendations are ranked in order of importance, with level 1 being the most material. Discharge of recommendations is followed up by Internal Audit and reported to this Committee.

The initial Internal Audit Plan for 2017/18 included reporting of GDPR Readiness – Phase 2 to this Committee. Reporting on this has been delayed until the March meeting; the draft audit report has been issued, but there have been a few very recent developments in progress towards GDPR readiness, and the relevant officers would like these to be updated in the report before it is finalised.

The IT User Access Administration (Integra) audit was delayed in consultation with the Head of Corporate Finance, to allow the findings of the report into the recent Dundee City Council fraud case to be considered as part of the audit work. This will be reported to the March Committee.

The Interreg audit has been postponed following meetings with officers responsible for Interreg, as the project had not reached the stage where an audit would be appropriate. This will now be reported to the March Committee.

Reporting on the Fixed Asset Register audit has been delayed until the March meeting due to a combination of illness within the team and the timing of holidays. At this stage, although we have had some slippage in the plan, if there is no further significant illness in the team, I expect to deliver the remaining plan by June 2018.

Members are asked to consider the following summary and provide any commentary thereon: -

- Community Asset Transfer Scheme

## Community Asset Transfer (CAT) Scheme

The final report was issued on 9 January 2018.

The Community Empowerment (Scotland) Act 2015 will help to empower community bodies through the ownership of land and buildings and by strengthening their voices in decisions about public services. The Community Empowerment Bill received Royal Assent and became an Act on 24 July 2015.

The Act covers 11 topics which came into force at different times. This audit focussed on Part 5 – Asset Transfer Requests which came fully into force on 23 January 2017 and “introduces a right for community bodies to make requests to all local authorities, Scottish Ministers and a wide-ranging list of public bodies, for any land or buildings they feel they could make better use of. They can request ownership, lease or other rights, as they wish. The Act requires those public authorities to transparently assess requests against a specified list of criteria and to agree the request unless there are reasonable grounds for refusal”.

Report 183/17 Revised Community Asset Transfer Policy was approved by Angus Council Communities Committee on the 6 June 2017. The report advises of changes in how the Council deals with Community Asset Transfer and a Draft Community Asset Transfer guide was attached.

### Scope

The audit sought to provide assurance that appropriate controls are in place to ensure compliance with The Community Empowerment (Scotland) Act 2015 and the related Guidance for Relevant Authorities issued by the Scottish Government in January 2017.

The following control objectives were considered:

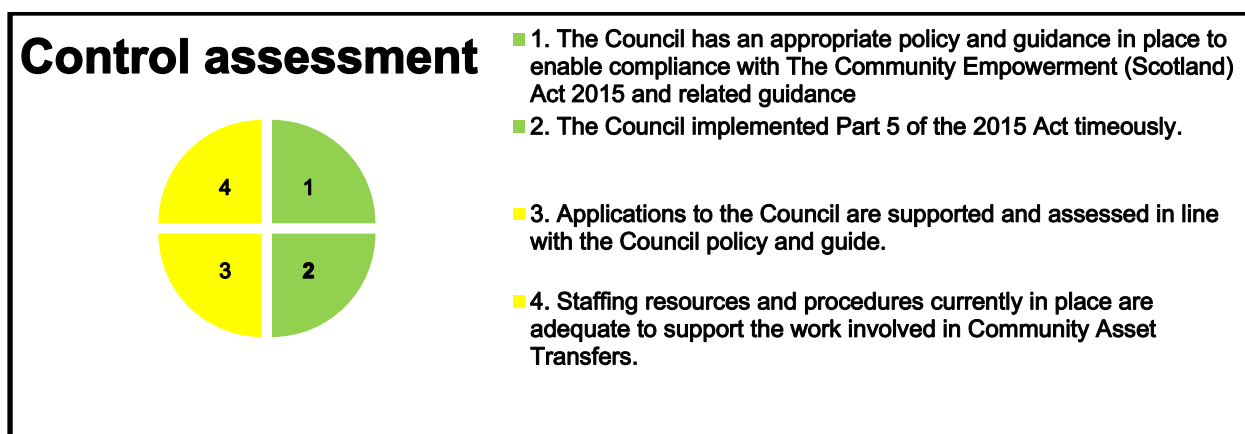
- The Council has an appropriate policy and guidance in place to enable compliance with The Community Empowerment (Scotland) Act 2015 and related guidance;
- The Council implemented Part 5 of the 2015 Act timeously;
- Applications to the Council are supported and assessed in line with the Council policy and guide; and
- Staffing resources and procedures currently in place are adequate to support the work involved in Community Asset Transfers.

### Conclusion

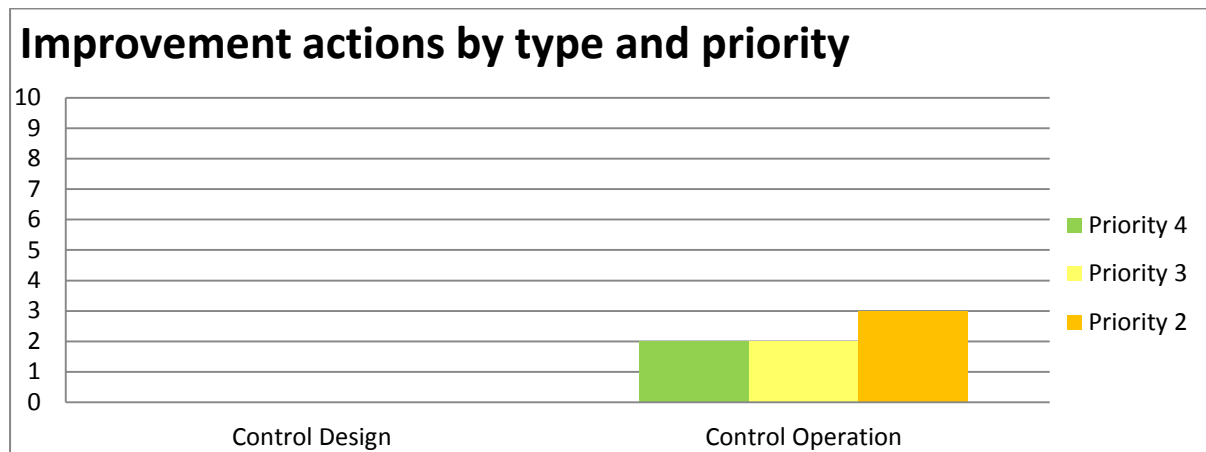
The overall level of assurance given for this report is **Substantial Assurance**.

### Overall Assessment of Key Controls

The audit reviewed and assessed the controls in place to manage the following Key Control Objectives:







There are 7 recommendations in this report, all regarding operation of controls. There are; three priority 2, two priority 3 and two priority 4 recommendations.

### Key Findings

#### Good Practice:

We have identified the following areas of good practice:

- There is a page on the Council's website dedicated to Community Asset Transfer Process (CAT).
- TellMe Scotland website is used to publicise and give access to CAT applications.
- Community groups are encouraged to use a pre-application form which provides Council officers an opportunity to support groups early in the process and avoid potentially abortive work.
- Change Programme staff have been consulted regarding the potential loss of income due to the implementation of the Act.
- The CAT Group have reviewed the risk to the Council in light of the implementation of Part 5 of the Act.
- The CAT Group meet regularly and make group decisions about each case.

#### Planned Improvements/ Changes:

In addition, the following actions are planned to improve efficiency and should address two areas identified for improvement in this report, under control objective 4:

- A Community Asset Transfer Officer is to be employed on a temporary 2 year basis. Their job outline will include taking the lead in the administration/monitoring of the CAT process.
- Presentation slides which detail the new legislation process are to be saved to SharePoint and the Council's CAT website page.

#### Areas Identified for Improvement:

We have made seven recommendations to address high, moderate and limited risk exposure; 3 grade 2 recommendations to address high risk exposure are:

- The List of Assets held on the Council's CAT website should be updated at least quarterly in line with guidance.
- The recruitment process for the Community Asset Transfer post should be progressed as a matter of urgency once the Team Leader Estates post has been filled.
- Training should be scheduled for Members and key officers in order for them to be ready to review a decision notice in line with guidance.

# 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.

As at 15 January 2018, there are no outstanding Internal Audit recommendations on Pentana. This excludes recommendations relating to Angus Alive and the Angus Health & Social Care IJB.

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

# 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. <b>Very high risk exposure.</b>
2	Recommendation concerning absence or non-compliance with key control which creates significant risks within the organisation. Substantial weakness identified. Prompt management action required. <b>High risk exposure.</b>
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. <b>Moderate risk exposure.</b>
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. <b>Limited risk exposure.</b>