

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 21 AUGUST 2018

INTERNAL AUDIT ACTIVITY UPDATE

REPORT BY MARGO WILLIAMSON – CHIEF EXECUTIVE

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 2018/19 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 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 on-going 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 2018/19 Internal Audit Plan agreed by this Committee in April 2018. (Report 134/18 refers).

5. PROPOSALS

The attached report provides Scrutiny and Audit Committee members with an update on progress with the 2018/19 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

21 August 2018

Cathie Wyllie
Service Leader – Internal Audit
Strategic Policy, Transformation & Local Government Reform

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Introduction


This report presents the progress of Internal Audit activity within the Council up to the 10 August 2018 and provides an update on:

- Progress with the 2018/19 Internal Audit Plan; and
- Progress with implementing internal audit recommendations.

Audit Plan Progress Report

2018/19 Internal Audit Plan – Progress update

The table below summarises progress as at the 10 August 2018. 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)
Corporate Governance					
Corporate Governance annual review – 2018-19	June 2018	Complete	N/A	N/A	19 June 2018 (report 204/18)
New Management Structure - revised Governance Arrangements	Oct. 2018				22 January 2019
General Data Protection Regulations (GDPR) Readiness	June 2018	Complete	Substantial		21 August 2018
Risk management	Nov. 2018				22 January 2019
Council Governance & Oversight of Arrangements with Angus Alive	Feb. 2019				23 April 2019
Council oversight of IJB	Oct. 2018				22 January 2019
Financial Governance					
Schools' Funds – Governance (follow-up)	Oct. 2018				22 January 2019
Savings targets/Income generation	Nov./Dec. 2018				5 March 2019
Change programme	Sept. 2018				20 November 2018

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Financial Governance (cont.)					
Review of Voluntary Severance scheme	June 2018	Draft Report Under Review			<i>25 September 2018</i>
On-line payments/ "Cashless Council"	Aug./Sept. 2018				<i>20 November 2018</i>
On-line school payments	Jan. 2018				<i>5 March 2019</i>
BACS system	July 2018	In Progress			<i>20 November 2018</i>
Data Analysis – Payroll & Accounts Payable	Continuous Auditing	On-going			<i>20 November 2018</i>
IT Governance					
Carefirst Social Work system	Dec. 2018				<i>23 April 2019</i>
IT User Access Administration – Integra (follow-up)	Feb./March 2019				<i>23 April 2019</i>
IT User Access Administration - Resourcelink	Jan. 2019				<i>23 April 2019</i>
Internal Controls					
Contract specification process	Feb./March 2019				<i>18 June 2019</i>
Change Management/ project management procedures	Mar./April 2019				<i>18 June 2019</i>
Business continuity planning and disaster recovery	Aug. 2018	Planned			<i>20 November 2018</i>
School transport	July 2018	In progress			<i>20 November 2018</i>
Nursery/Early years expansion	July 2018	In progress			<i>25 September 2018</i>
Asset Management					
Stocks	May 2018	Draft report issued			<i>25 September 2018</i>

Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
MEB (Formerly DERL)	Aug./Sept. 2018				<i>20 November 2018</i>
Property Repairs Work Allocation	Oct. 2018				<i>22 January 2019</i>
Section 75 agreements	August 2018	Planned			<i>20 November 2018</i>
Audits	Planned	WIP status	Overall control assurance	Control assessment by objective	S&A committee date / (target in italics)
Legislative and other compliance					
LEADER	October 2018	Planned			<i>22 January 2019</i>
Carbon Reduction / Climate Change Targets 2020	Jan./Feb. 2019				<i>23 April 2019</i>
IR35 (off payroll working rules)	Sept. 2018				<i>20 November 2018</i>
Procurement Reform (Scotland) Act 2014	Jan. 2019				<i>23 April 2019</i>
EESH 2020 housing standards compliance	Sept./Oct. 2018				<i>20 November 2018</i>
Environmental Health, Consumer Protection and Food Safety Enforcement	Jan./Feb. 2019				<i>23 April 2019</i>
Corporate Health & Safety	Nov./Dec. 2018				<i>5 March 2019</i>
Interreg (European Funding)	September 2018				<i>20 November 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. The final audit for 2017/18 and the first audit for 2018/19 for Angus Alive have recently been completed, and the final IJB report for 2017/18 is currently being finalised. Reports for these bodies are presented to the respective audit committees 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. Execution of recommendations is followed up by Internal Audit and reported to this Committee.

GDPR Follow-up

As part of the 2018/19 annual plan, Internal Audit completed a follow up audit of the issues raised in the General Data Protection Regulations readiness audit report of December 2017.

There were two reviews of GDPR readiness in 2017. Phase one took place in May 2017 and reviewed the GDPR report and action plan; this identified that the overall plan did not look ambitious enough in its timings in order to have processes in place by May 2018. The report highlighted specific examples.

The second phase of the audit was carried out in December 2017. A GDPR compliance questionnaire was used to assess the preparations for the GDPR legislation in May 2018. The audit resulted in five recommendations with corresponding actions. These were put on the Pentana management system to be monitored until completion.

We used the Pentana system and interviews with staff with responsibility for GDPR and information governance to confirm that these actions had been completed within the timescale.

The follow-up audit report was issued on 9 August 2018.

Conclusion

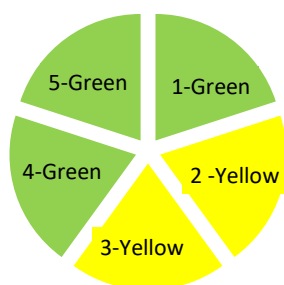
The overall level of assurance given for this report is '**Substantial Assurance**'.

The previous audit report 17-03 GDPR Readiness was given a "Limited Assurance" assessment, and the improved level of assurance is a reflection of the volume of work done towards GDPR compliance in the last few months.

Overall assessment of Key Controls

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

Control assessment



1. Adequate resources are in place to prepare for GDPR requirements.
2. The project plan is on track to ensure compliance with the GDPR requirements from May 2018.
3. The project plan is monitored regularly, and action taken to address slippage.
4. Appropriate training and education is planned for staff.
5. Data-sharing protocols are identified and are being reviewed for GDPR compliance.

Audit Recommendations summarised by Type & Priority

There are no recommendations in this report relating to design or operational controls. The audit followed up the recommendations made in the 17-03 GDPR Readiness audit report.

Key Findings

Good Practice:

We have identified the following areas of good practice:

- Guidance on privacy notices has been issued and, to the extent the need for privacy notices has been identified by services, those notices have been reviewed;
- The Council has a full privacy statement which describes how it will collect, use, retain and disclose personal information;
- Guidance has been issued to all staff on how to deal with data protection, freedom of information and environmental information requests;
- Guidance is available on the corporate intranet on SLAs in line with contract conditions;
- There is a link on the front page of the corporate intranet to the Information Governance page. This contains specific information on GDPR compliance.

Planned Improvements/ Changes:

- It is currently under discussion to put the action on Pentana for regular updates to the Information Asset Register.
- The next meeting of the GDPR group is 28 August 2018. This will possibly be the last meeting of this group but work on Data Protection is continually ongoing.

Implementation of internal audit recommendations

Background

The 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 by the Directorate 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, "Pentana". Work continues to be carried out on the configuration and management of the Pentana system to provide improved management information and to bring greater efficiency to the follow-up process.

The information presented below reflects the position at 10 August 2018. The CLT receives and reviews regular detailed reports on the outstanding level 1 & 2 recommendations.

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

Members are asked to note the position in implementing Internal Audit recommendations.

Table 1 – Outstanding recommendations per Pentana.

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

	Chief Executive	People	Place	Grand Total
Total overdue	-	-	1	1

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

Directorate	Year Audit Carried Out	Level 1	Level 2	Level 3	Level 4	Grand Total
Chief Executive	-	-	-	-	-	-
People	-	-	-	-	-	-
Place	2017/18	-	-	1	-	1
Grand Total		-	-	1	-	1

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.