

Angus Council Internal Audit



Update Report

Scrutiny & Audit Committee

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Introduction

This report presents the progress of internal audit activity within the Council up to end of December 2016 and provides an update on:

- Progress with the 2016/17 Internal Audit Plan;
- Progress with implementing internal audit recommendations;

Audit Plan Progress Report

2016/17 Internal Audit Plan – Progress update

The table below summarises progress as at end of December 2016.

Audits	Planned	In course (fieldwork + review)	Draft report	S&A committee date / (<i>target in italics</i>)
Corporate Governance				
Corporate Governance annual review – 2015-16				21 Jun 2016
Risk Management	Aug 2016			<i>7 Mar 2017</i>
Agile Working	Jan 2017			<i>22 Jun 2017</i>
Review of Corporate Culture	Oct 2016			<i>22 Jun 2017</i>
Health & Social Care Integration	Sep 2016			<i>To be scheduled by Lead Auditor</i>
Information Governance – Information Management	Aug 2016			24 Jan 2017
Strategic and Operational Planning	Jul 2016			27 Sep 2016
Culture & Leisure Trust - Monitoring	Nov 2016			24 Jan 2017
Financial Governance				
Schools' Funds - Governance	May 2016			23 August 2016

Audits	Planned	In course (fieldwork + review)	Draft report	S&A committee date / (<i>target in italics</i>)
Corporate Budgeting and Financial Accounting	Jul 2016			22 Jun 2017 (amended)
NNDR (National Non- Domestic Rates)	Sep 2016			24 Jan 2017
Payments Processing – Service Redesign	Jul 2016			24 Jan 2017
IT Governance				
IT Change Management	Aug 2016			24 Jan 2017
IT System Development	Nov 2016			7 Mar 2017
IT User Access Management	Jul 2016			27 Sep 2016
Internal Controls				
Absence Management	Sep 2016			7 Mar 2017
Staff Development and Appraisal	Aug 2016			24 Jan 2017
Development of CAATs (Computer Audit Assisted Techniques)	Jul 2016			22 Jun 2017
Asset Management				
Stocks (year end)	Mar 2016			21 Jun 16
IT Asset Management	Jun 2016			23 Aug 16
Fleet Management	Aug 2016			22 Nov 2016
Legislative and other compliance				
LEADER - European Maritime Fisheries Fund (Rural Funding)	Aug 16			22 Nov 2016
Carbon Reduction	Jan 17			22 Jun2017
Interreg (European Funding)	Jan 17			22 Jun 2017

Transforming Angus Programme Boards

Staff continue to attend meetings of the Agile Working Board.

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.

Members are asked to consider the following summaries and provide any commentary thereon.

The following reviews are summarised in this paper:

- Information Governance – Information Management
- National Non-Domestic Rates
- Payments Processing
- IT Change Management
- Staff Development and Appraisal
- Angus Alive - Monitoring

Information Governance

Level 1	-	Level 2	2	Level 3	-
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The audit was to provide assurance that information is efficiently managed, and that appropriate policies, procedures and management accountability and structures provide a framework for information management to assure compliance with legal and statutory requirements.

The audit reviewed the following key control objectives:

- The Council has an Information Governance Management Strategy;
- Information Governance policies are complete and adequate;
- There is an appropriate compliance framework.

Information represents one of the most valuable assets held by the Council and must be managed with the same care and attention that is applied to the more traditional resources of money, property and personnel. Angus Council recognises that timely, accurate and relevant information is essential to providing its services to the people of Angus and to properly interact with third parties in the course of delivering these services.

It is therefore important that information is efficiently managed, and that appropriate policies, procedures and management accountability and structures provide a framework for information management to assure compliance with legal and statutory requirements.

Our overall conclusion is that Information Governance has been enhanced significantly with the implementation of a range of information governance initiatives which have been developed through the Information Governance Steering Group (IGSG). The most significant developments have been:

- There is an approved Information Governance Strategy
- A senior member of staff was seconded for a period of 2 years from December 2015 to be Project Lead.
- Plans were developed to participate in the Scottish Government's "Open Data" initiative which will enable more general public access to Council information
- On-line information governance training module was developed for Council staff (also Integrated Joint Board (IJB) and ANGUSalve staff) which supplements the existing Data Protection and Handling Information Correctly e-learning course.
- Angus Council and the Licensing Board Records Management Plan has been submitted to the Keeper of the General Register of Scotland.

In terms of future work, senior management had identified that an information governance compliance framework was required in order to ensure that arrangements were working effectively. A compliance framework should outline the relevant regulatory compliance standards as well as the business processes and internal controls required to ensure adherence to these standards.

In order to assist senior management the audit recommended key areas that ought to feature in such a compliance framework. These include:

- Policy review.
- Data transfers and data sharing
- Information asset registers
- Staff training and awareness programmes
- Information risk management
- Reporting of data breaches

All of the above could be part of a systematic analytical review, to identify the effectiveness of controls and trends. The framework should also, in due course, specify which compliance processes overlap to help eliminate duplication of effort.

The audit also recommended that the current register of data sharing be regularly updated to ensure completeness and accuracy and should include more detail such as type of data being shared, controls over the transfer, period of the formal agreement, reporting arrangements and risk assessments.

National Non-Domestic Rates (NNDR)

Level 1	-	Level 2	2	Level 3	-
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The audit was to provide assurance that there are appropriate controls in place to ensure business rates paid by customers are accurate and paid timeously. The audit will also look to confirm that business rate bills are sent out accordingly to the correct recipients and the bills are also accurate.

The audit reviewed the arrangements in place against the following control objectives:

- The NNDR system is regularly and accurately updated;
- All billing is carried out promptly and accurately;
- Property charges, discounts, reliefs, etc. are effectively managed;
- Income received is properly applied to the payer accounts;
- Write offs, cancellations and refunds are well controlled and managed;
- All applicable business properties in Angus are charged.

We noted that the Council NNDR collection rates for the past three years have been above the Scottish average and also the most recent cost of collecting NNDR per chargeable property is below the Scottish average.

During the audit, two level-2 recommendations were made to improve and assist in the effective control of the NNDR administration. These were to document the Roll of Change reconciliation process and to review the continued applicability of exemptions and reliefs within 5 years of the original application being approved.

Payments Processing

Level 1	1	Level 2	-	Level 3	-
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Internal Audit has completed an audit of the redesign of payment processes within the Resources Directorate. The audit sought to provide assurance that the system test plan and system go-live controls were satisfactory, and to confirm that the internal control arrangements for the update of applications were effective.

While the Council has made significant progress in developing its online payments processing there remained a significant number of direct “over-the-counter” payments made annually through ACCESS offices (192,000 in 2014/15). The Council approved a model for facilitating high volume “off-line” payments by customers. The model replaced the payment facilities at ACCESS offices with a combination of the then existing arrangements (direct debit, on-line card payments) and implementing new arrangements through Paypoint facilities at shops and Post Offices. The applications within the scope of the daily update process are Council Tax, Housing Rents and Sales Ledger invoices.

The payments processing system that interfaces with the Paypoint application was developed by Capita and is fully integrated with the Council's existing revenue applications. The arrangements for payment through Paypoint took effect from 1 September 2016, with payments at ACCESS offices ceasing from 1 October 2016.

There were a number of risks relating to the new process and failure to adequately test and plan for these could have resulted in significant delay in the Council properly accounting for the revenue collected through the Paypoint facilities. In addition there was a risk that collection failures may have resulted in customers receiving reminders in error. We also considered risk of transfer failures, system errors and anomalous transactions.

The audit approach was to review the draft test plan and advise staff on areas that needed to be improved prior to the implementation of the planned testing. Internal Audit provided reviewed the original testing approach and advised on various aspects of this to make the process more robust.

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

- A user acceptance test plan has been developed in conjunction with the relevant stakeholders.
- Paypoint payments, refunds and transfers processes will include integrity checks.
- Charges incurred in respect of Paypoint transactions will be verifiable.
- The applications update process is established and will be adequately controlled.
- Business Continuity arrangements have been developed in the event that the new arrangements cannot be implemented as planned.

The payment system successfully went live as planned on 1 September 2016. The system appears to be operating as planned and no significant problems have arisen.

The approach to testing was reviewed at an early planning stage and improvements were incorporated following advice and guidance supplied by Internal Audit. Further audit work was completed after the go-live date which resulted in one level-1 recommendation.

The audit confirmed that adequate implementation testing was carried out by Angus Council, Capita Business Services, the Post Office and Paypal. We did however find that the charges arising from the first electronic payment transactions were not verified before being processed for payment. We therefore recommended that the invoice is reviewed, verified and authorised before payment is made.

IT Change Management

Level 1	2	Level 2	-	Level 3	-
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The audit was to provide assurance that the level of change management control established for corporate systems is appropriate and effective. The overall objective of the audit was to review the arrangements within the Council for managing changes to IT systems.

The specific control objectives of the audit were to ensure that:

- Defined change management processes are established
- The requirements of all changes are clearly defined
- All changes are subject to appropriate risk and impact assessment
- All changes are subject to formal approval and testing prior to implementation

IT Change Management is the process for managing system changes to IT systems. Change Management processes aim to ensure that changes are evaluated, tested and implemented in a controlled manner and to ensure that all changes to systems are agreed, authorised and implemented to maintain the integrity of IT systems. IT changes are applicable to hardware and software alike and can be planned in advance or in the case of emergency changes, some aspects may be authorised retrospectively.

At present there is no formally agreed IT change management process applied to all Council applications. At the date of the audit IT senior management had planned a new change management process that will in the first instance be used to address changes related to the Council's core systems (e.g. corporate email and the Council network). However this will mean that around 200 systems remain outside the scope of the process and some of these are critical to the Council's operations such as the Council's financial management system and payroll. This means there is a high level of risk associated with system changes that happen outside of the new change management process. System changes that are not controlled could result in important systems not being available for significant periods of time. As the new changes processes were at the testing stage they were not subject to audit as part of this current review.

We recommended that the Council adopt a clear and consistent change management process that will be applied to IT systems changes across the Council. We have made two level-1 recommendations to improve the management and governance of the Council's IT change management processes. These recommendations will result in IT establishing a new change management process and in reporting to the EMT on how service directors will ensure the Council follows the new processes.

Staff Appraisal and Development

Level 1	5	Level 2	-	Level 3	-
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The purpose of the audit was to provide assurance that the corporate procedures are being adhered to and were effective for all types of staff. The secondary aim of the audit was to help inform the implementation of the new employee appraisal and development scheme currently being reviewed by senior management. It was anticipated that the outcome of the audit would provide management with some insight into the operations of the current scheme as well as identify areas where improvements could be incorporated.

The audit reviewed the following key control objectives:

- There is an established strategy for staff development and appraisal.
- There is a process that ensures all appropriate staff are subject to an appraisal.
- The scheme meets all organisational requirements.
- All appraisal outcomes are recorded and monitored.
- There are mechanisms to review and complete agreed development actions.

Performance appraisal (or employee performance review) is a structured assessment scheme/framework for employees and line managers to discuss and assess how well an employee performs their daily tasks. The discussion usually features a review of employee competencies together with training and development needs. The outcomes of such assessments often result in establishing a set of key development actions to be managed and completed by employees. An appraisal and development system serves to both encourage improvements in personal performance and identify supportive actions to enhance individuals' work skills and practice. Angus Council has established a staff appraisal and development scheme which applies to all staff within the Council with the exception of school teachers who have their own scheme.

The current scheme works on the basis of constructive meetings between line managers and their staff to discuss performance and identify any areas which need to be considered for future employee development. It is the responsibility of services to ensure these meetings take place. The scheme ensures staff are clear on how their working practices contribute to achieving both the organisation's objectives and continuously improving their personal skills and knowledge.

The Head of HR, IT and Organisational Development had identified a need to replace the current scheme. As well as improvements to scheme content and other matters, the proposed system will include electronic tracking of meetings and agreed actions. This new appraisal scheme will be delivered by an additional integrated module to the Council's Covalent system. It is currently being piloted using a small group of employees and is to be rolled out Council wide by November 2017.

We found that in many cases staff appraisals had not been completed and there was no process in place to monitor the completion of appraisal meetings nor was there any formal process to ensure any agreed actions (established through the meetings) had been completed. However we also found that should the new approach currently being piloted be implemented as planned, we expect it will address the main concerns raised.

The recommendations reflect the need to ensure: (1) all employees actively participate in the appraisal and development scheme; (2) an appropriate level of training is provided to support the effective operation of the scheme; (3) an adequate level of monitoring is carried out by the Head of HR, IT and Organisational Development to detect non-completion; (4) an adequate level of monitoring is carried out by local managers to ensure staff development actions are completed as agreed; and (5) the appraisal scheme will be reviewed to ensure it is appropriate across all occupational groups and a 'lighter touch' option will be developed if appropriate.

Angus Alive – Monitoring

Level 1	2	Level 2	3	Level 3	-
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Angus Alive is the Culture and Leisure Trust that operates as an ALEO (Arm's Length External Organisation) to Angus Council. Services provided by Angus Alive include libraries, museums and galleries, sports and leisure facilities, country parks and theatres.

The audit sought to provide assurance that the services provided to Angus Alive are in accordance with the legal agreement for support services (including the service specification) signed between the Council and Angus Alive.

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

- There is a Service Level Agreement between Angus Alive and Angus Council which defines what each party will deliver.
- Sufficient information is supplied by Angus Council to enable Angus Alive to monitor the service provided.
- Regular monitoring meetings are held between Angus Alive and Angus Council.
- Angus Council are delivering services to Angus Alive as per the Service Level Agreement.

Angus Council is supplying the support services e.g. HR, Payroll, Accounting to Angus Alive for a period of three years up to March 2019. The Council is obliged to provide support services in accordance with the Support Service Specification contained in the Support Services Agreement with reasonable skill and care and in accordance with "Good Industry Practice".

The audit fieldwork examined the Support Services Specifications contained in the Support Services Agreement between Angus Council and Angus Alive, and compared these to the actual services which were being delivered to Angus Alive

We made five recommendations (2 at Level-1 and 3 at Level-2) to strengthen and improve the control environment. The two main recommendations addressed (1) The Accountancy and Legal service specifications being added to the Support Services Agreement to ensure that Angus Alive receive the full services from Angus Council; and (2) Performance Indicators need to be agreed between Angus Alive and Angus Council to ensure that trends can be analysed and monitoring can take place.

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 both the Internal Audit system (MKI) and the corporate action recording and monitoring system, "Covalent".

The information presented below reflects the position at the end of December 2016. The EMT is now receiving and reviewing detailed quarterly reports on the outstanding level1 recommendations.

- Table 1 below shows progress with implementing internal audit recommendations across each Directorate.
- Table 2 details outstanding recommendations by Directorate, year and grade.
- Table 3 details outstanding grade 1 recommendations by audit and provides an audit update per Covalent.

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

Table 1 – Outstanding recommendations per Covalent as at 13/01/2017 (not Angus Alive)

	Chief Executive	Communities	Children and Learning (including Health Care Partnership)	Resources	
Total overdue	7	2	5	33	47

Table 2 - Outstanding recommendations by Directorate, year and grade as at 13/01/2017

Directorate	Year	Level 1	Level 2	Level 3	Grand Total
Chief Executive	2015/16	-	6	1	7
					7
Communities	2015/16	-	1	-	1
	2016/17	1	-	-	1
					2
Children and Learning	2016/17	2	2	1	5
					5
Resources	2013/14	-	1	-	1
	2014/15	-	1	-	1
	2015/16	6	5	1	12
	2016/17	4	14	1	19
					33
Grand Total		13	31	4	47

Table 3 - Outstanding Grade 1 recommendations as at 13/01/2017

Action Code & Title	Description	Due Date	Original Due Date	Latest Note	Assigned To
IADDR_0005 We will devise a procedure to ensure there is documentary evidence of all write offs.	15-24 Rec 5 It is recommended that as part of the review of sundry bad debts, sufficient documentation or records of actions is maintained to provide evidence that actions have been explored and completed, before a decision is made to write off debts.	31- Oct- 2016	31- Oct- 2016	Work has started on this and will be completed by the middle of January	Fiona Shepherd
IAFM_0001 We will ensure that Service Managers issue instruction to relevant team managers.	15-27 Rec 1 It is recommended that Managers in the Angus Health and Social Care Partnership receive the monthly fuel back-up information and ensure that it is reviewed for any anomalies relating to their staff and vehicles. Any anomalies should be investigated and any errors reported to Tayside Contracts.	30- Jun- 2016	30-Jun- 2016		Jillian Richmond
IAGSF_0001 We will redraft the schools fund guidance.	16-03 Rec 1 It is recommended that the Children and Learning Directorate update the School Fund guidance to ensure there is clarity over what constitutes activities that can be administered and recorded through School Fund, giving examples of best practice.	31- Oct- 2016	31- Oct- 2016		Allyson MacCrossan
IAGSF_0004 We will review school fund guidance annually and make available on intranet.	16-03 Rec 4 Guidance on the administration of School Funds should be owned by a specific member of staff. It should be updated and reviewed (at least annually) to ensure it remains current and relevant. The new guidance should be provided to all school fund administrators and made available on the Children and Learning Intranet site.	14- Nov- 2016	14- Nov- 2016	This is currently in progress. Guidance has been updated, not yet been put onto the intranet. Requested for extension to completion date to 31st March 2017	Jan Fairlie

Action Code & Title	Description	Due Date	Original Due Date	Latest Note	Assigned To
IAGSF_0006 We will create a model constitution as an appendix to refreshed guidance and share with Head Teachers	16-03 Rec 6 It is recommended that there is a model School Fund constitution put in place which includes the requirements related to: the maintenance of records, management committee meetings (frequency, quorum, minutes, etc.), the structure of the School Fund committee; this should include senior pupils as well as school staff, the independent examination of final accounts at the year-end, arrangements regarding the disbursements of funds on dissolution of the School Fund.	31- Oct- 2016	31- Oct- 2016	This is incorporated with action number IAGSF_0004 – it is currently being progressed – request deadline to be extended to 31st March 2017	Jan Fairlie
IAITAM_0001 We will submit a report to EMT detailing the costs and processes required to implement, fund and sustain a rolling replacement programme and actions as outlined in the recommendation.	16-04 Rec 1 It is recommended that Senior Management: <ul style="list-style-type: none"> • Create a rolling replacement programme for IT equipment to ensure the long term sustainability of agile working. • Pool the base funding for the replacement programme from existing hardware budgets. • Assign ownership of equipment for Agile areas to the responsible building managers. • Dependent on approval for the actions above, instruct the creation of a central inventory to ensure the rolling replacement programme delivers value for money and ensures that IT hardware is refreshed in accordance with the agile toolkit approved by EMT. Periodic review checks should be carried out to ensure the continued accuracy of the central inventory. All discrepancies should be investigated and appropriate action taken. 	31- Oct- 2016	31- Oct- 2016	Preparation work is progressing to establish the most appropriate organisational arrangements. This is also linked to the procurement review programme opportunities identification.	Gordon Cargill

Action Code & Title	Description	Due Date	Original Due Date	Latest Note	Assigned To
IAITAM_0002 We will develop an IT asset management policy and submit it to EMT	16-04 Rec 2 It is recommended that, subject to the outcomes of action 1 above, an IT asset management policy is established by IT and published on the Intranet for Council staff to follow. The policy should include sections on asset renewal, purchase, maintenance, disposal and inventory.	31- Dec- 2016	31- Dec- 2016		Steve Roud
IALT_0008 We will agree and document a procedure for the monitoring of customers with outstanding debt. Finalised procedure and instruction will be communicated by the Head of Reg. and Prot. Services to all relevant staff and will act as agreed policy on the subject	15-29 Rec 1: The Head of Regulatory and Protective Services must establish a policy to govern the management of customers with significant debt. This policy should ensure that an objective and consistent approach is applied to all customers with outstanding debt. The policy should establish a process by which all customer debt is regularly reviewed and sanctions strictly applied after proper review of all circumstances. Indicators such as the level of debt and the period outstanding may be used in determining the sanctions applied.	30- Sep- 2016	30- Sep- 2016	Current processes reviewed and meeting between waste management and business support colleagues to be held early January and aim to agree and finalise procedure by end of February 2017.	Graeme Dailly
IAOS_0003 We will establish a channel shift project which includes an implementation plan for the development of self service/transactional capabilities of the new council website	14-12 Rec 3. A detailed implementation plan should be developed to identify and schedule the development of self-service/ transactional capabilities of the new Council website. The implementation plan should be aligned with change/transformation programmes throughout the Council so that the functionality is available to support revised business processes.	31- Dec- 2016	31-Jul- 2015	Due date revised to 31 December 2016 as per email attached. Percentage amended to 90% as a true record of current progress.	Jonathan Cormie
IATABR_0001 We will complete benefits	15-21 Rec 1 It is recommended that the planned benefits from	31- Oct-	31- Oct-	Benefits management	Gordon Cargill

Action Code & Title	Description	Due Date	Original Due Date	Latest Note	Assigned To
management documentation for all programme/ projects in accordance with the relevant stage of the governance model.	the current projects within the Transforming Angus programme are now recorded and managed through the new governance model framework and proposed toolkit.	2016	2016	documents being developed by leads with the majority now in place. Final push required to complete.	
IATABR_0002 We will track proposed benefits from the respective Business cases using the benefits tracking toolkit tailored to meet the needs of each programme/ project.	15-21 Rec 2 All projects must ensure an appropriate and consistent process is in place to track and monitor all the benefits identified.	31- Oct- 2016	31- Oct- 2016	Benefits toolkit for HLH in place and other programmes in development.	Gordon Cargill
IATABR_0004 We will develop benefits progress reporting arrangements for Programme/ Project Boards; and Transforming Angus Programme Board.	15-21 Rec 4 It is recommended that the progress in relation to the achievement of benefits realisation targets is regularly reported to project boards and an overall position is reported to the Transforming Angus Board. These boards should ensure that where targets are not met (or where there is a significant risk of such) that these are addressed and corrective actions are taken.	31- Oct- 2016	31- Oct- 2016	Improvements to benefits reporting visible including new section in P&R committee report	Gordon Cargill
IATABR_0005 We will develop benefits progress reporting arrangements for elected members as part of the TA update reports.	15-21 Rec 5 Management must take action to identify, manage and report on future projects' benefits realisation in accordance with the programme governance framework and the proposed toolkit approach. It will be important to ensure that the processes are consistently applied across all projects and that officers are sufficiently briefed in terms of the implementation of the model/toolkit.	31- Oct- 2016	31- Oct- 2016	New section being developed in TA Update report for P&R committee	Gordon Cargill

